

TULLETT PREBON (EQUITIES) LIMITED

Report and Financial Statements
31 December 2009

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TULLETT PREBON (EQUITIES) LIMITED

DIRECTORS' REPORT

The directors present their annual report and financial statements for the year ended 31 December 2009

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £2,856,000 (2008 £2,484,000) and will be transferred to reserves

The directors paid an interim dividend for 2009 of £3,000,000 (2008 £3,000,000) on 27 March 2009. The directors recommend a final dividend for 2009 of £2,000,000 (2008 £nil). The final dividend, if approved, will be paid on 12 March 2010.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company is a corporate member of The International Capital Markets Association, the London Stock Exchange and Euronext Paris. It is authorised and regulated by the Financial Services Authority.

The Company is a wholly owned subsidiary of Tullett Prebon plc, which operated as part of the Group's European inter-dealer broker ("IDB") business and traded as an agency broker in equity shares.

The directors have prepared the financial statements on the basis that the Company is no longer a going concern. During the year the Group undertook a review of its legal entity Group structure, the purpose of which was to maximise capital efficiency and reduce administration. The Company's principal activity during the year was that of an IDB. The business was transferred to Tullett Prebon (Europe) Limited on 1 February 2010 at net book value.

As shown in the Company's profit and loss account on page 6, the Company's revenue increased by 12.5% to £13,175,000 over prior year. The Company's operating profit for the year ended 31 December 2009 was £3,966,000, a £848,000 increase over 2008. This equates to an operating margin of 30.1% for the business compared with the 26.7% achieved in 2008.

The balance sheet on page 7 of the financial statements shows that the Company's net assets have decreased to £7,921,000 (2008 £8,065,000) primarily as a result of payment of interim dividend. Cash balances have decreased compared to 2008, however overall cash generation from operations remained strong. The net current assets are sufficient to meet all existing liabilities as they fall due.

The Tullett Prebon plc Group manages its European IDB operations on a regional basis. For this reason, the Company's directors believe that further key performance indicators at company level are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the European IDB region, which includes the Company, is discussed in the Group's annual report which does not form part of this report. The Pillar Three disclosure for the Company is contained within the disclosures provided in the Group financial statements of Tullett Prebon plc.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks which the Company faces in its day to day operations can broadly be categorised as credit, market, operational, liquidity and reputational risk.

Credit risk is the risk of financial loss to the Company in the event of non performance by a client or counterparty with respect to its contractual obligations to the Company. As the Company's business is contracted on an agency or intermediary basis, the main credit risk is actually more akin to a market risk, as the exposure in such cases is to movements in stock prices and foreign currency.

Market risk is the vulnerability of the Company to movements in the value of financial instruments. Market risk can arise in those instances where one or both counterparties in a matched principal transaction fail to fulfil their obligations (i.e. an initially unsettled transaction) or through trade mismatches or other errors. The risk in these situations is restricted to short-term price movements in the underlying securities held or to be delivered by the Company and movements in foreign exchange rates.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people activities, systems or external events.

TULLETT PREBON (EQUITIES) LIMITED

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Liquidity risk is the risk that the Company, in periods of corporate or market volatility, will not have access to an appropriate level of cash or funding to enable it to finance its ongoing operations and any other reasonable unanticipated events on cost effective terms. Cash and equivalent balances are held with the primary objective of capital security and availability, with a secondary objective of generating returns. Funding requirements and cash and equivalent exposures are monitored by the Group Risk and Treasury Committee.

Reputational risk is the risk that the Company's ability to do business might be damaged as a result of its reputation being tarnished.

Management in front office and support functions have the day to day responsibility for ensuring that the Company operates in accordance with the Group Risk Assessment Framework which includes policies and procedures for these key risks. Further details of the Group Risk Assessment Framework are fully outlined in the Group's Annual Report, which does not form part of this report.

ENVIRONMENTAL POLICY

The nature of the Company's activities is such that it has a minimal direct effect on the environment. However, management have agreed to adopt Group policies to safeguard the environment to meet statutory requirements or where such policies are commercially sensible.

EMPLOYEES

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 9.

The Company participates in the Group's policies and practices relating to current and prospective employees. These policies and procedures are outlined in the Group's Annual Report which does not form part of this report.

DIRECTORS

The following directors held office during the year:

J M Binns (appointed 5 October 2009)
M P Bolton (resigned 5 March 2009)
N M Brown
S M Clark
S L Drake
S C Duckworth
P Dunkley (appointed 11 March 2009)

A C Hadley
R Osborne (appointed 5 October 2009)
A A Polydor
N J J Potter
R B Stevens
A J D Wink

DIRECTORS' INDEMNITIES

The Company's ultimate parent, Tullett Prebon plc, has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

POLICY OF PAYMENT TO SUPPLIERS

It is the Group's policy that all transactions are settled in accordance with relevant terms and conditions of business agreed with the supplier, provided all such terms and conditions have been complied with.

TULLETT PREBON (EQUITIES) LIMITED

DIRECTORS' REPORT

AUDITORS

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Pursuant to s386 of the Companies Act 1985, an elective resolution was passed on 17 March 2005 dispensing with the requirement to appoint auditors annually. This election was in force immediately before 1 October 2007. Therefore Deloitte LLP are deemed to continue as auditors.

This report was approved by the Board of Directors and signed on its behalf by



N L Challen

Company Secretary

Date

8 March 2010

Registered office

Tower 42

Level 37

25 Old Broad Street

London

EC2N 1HQ

Registered No

2533369

TULLETT PREBON (EQUITIES) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TULLETT PREBON (EQUITIES) LIMITED

We have audited the financial statements of Tullett Prebon (Equities) Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Financial statements prepared other than on going concern basis

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 of the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Manbhinder Rana (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

Date 8 March 2010

TULLETT PREBON (EQUITIES) LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2009

		2009	2008
	Notes	£000	£000
TURNOVER			
Discontinued operations	2	13,175	11,709
Staff costs	4	(6,554)	(5,665)
Other administration expenses		(2,655)	(2,941)
Total administration expenses		(9,209)	(8,606)
Other operating income	6	-	15
OPERATING PROFIT			
Discontinued operations	3	3,966	3,118
Income from fixed asset investments	9	32	37
Interest receivable and similar income	7	64	425
Interest payable and similar charges		(1)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,061	3,580
Tax charge on profit on ordinary activities	8	(1,205)	(1,096)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	2,856	2,484

The Company had no recognised gains or losses other than the profit from the current year and the profit for the preceding year. Accordingly, no separate statement of total recognised gains and losses is presented.

TULLETT PREBON (EQUITIES) LIMITED

BALANCE SHEET

as at 31 December 2009

		2009	2008
	Notes	£000	£000
FIXED ASSETS			
Investments	9	-	30
CURRENT ASSETS			
Debtors due within one year	10	54,890	99,284
Cash at bank and in hand	11	8,170	10,548
		63,060	109,832
CREDITORS: amounts falling due within one year	12	(55,139)	(99,797)
Subordinated loans due within one year	13	-	(2,000)
NET CURRENT ASSETS		7,921	8,035
TOTAL ASSETS LESS CURRENT LIABILITIES		7,921	8,065
NET ASSETS		7,921	8,065
CAPITAL AND RESERVES			
Called-up share capital	14	4,618	4,618
Profit and loss account	15	3,303	3,447
SHAREHOLDERS' FUNDS	15	7,921	8,065

The financial statements of Tullett Prebon (Equities) Limited (registered number 2533369) were approved by the Board of Directors and authorised for issue on 8 March 2010

Signed on its behalf by



A J D Wink
Director

TULLETT PREBON (EQUITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2009

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention, and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Going concern

After consideration of the Company's business review and the risks and uncertainties as set out on page 1 and 2 of the directors' report, the directors have prepared the financial statements on the basis that the Company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. Certain assets and liabilities were transferred to Tullett Prebon (Europe) Limited, a fellow group company on 1 February 2010 at net book value.

Fixed asset investments

Fixed asset investments, including investments in subsidiaries, are shown at cost less provision for impairment.

Cash flow statement

The Company is exempt from reporting a cash flow statement in accordance with FRS 1 Cash Flow Statements (Revised 1996), as the Company is a wholly owned subsidiary of Tullett Prebon plc, which is registered in England and Wales and which prepares Group financial statements which are publicly available.

Turnover

Turnover represents margins on matched principal trades recorded on a trade date basis and the invoiced value of brokerage services, including miscellaneous other commissions and trade discounts, excluding value added tax. Matched Principal brokerage, being the net of the buy and sell proceeds from counterparties who have simultaneously committed to buy and sell the financial instrument. Turnover is recognised on trade date.

Trade date accounting

Security transactions and related income are recorded on a trade date basis.

Employee contract signing incentives

Contract signing incentives are amortised over the lesser of the contract or recoverable period. Such assets are subject to annual review.

Foreign currencies

Transactions in foreign currencies are converted at exchange rates ruling at the transaction dates.

Monetary assets and liabilities, denominated in foreign currencies at the balance sheet date are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains and losses are taken to the profit and loss account.

Taxation

Current taxation is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

TULLETT PREBON (EQUITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2009

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Related party transactions

The Company has taken advantage of reporting exemptions in accordance with FRS 8 Related Party Disclosures, since it is a wholly owned subsidiary of a group where the voting rights are controlled within the group and the groups parent financial statements are publicly available.

Segmental reporting

The Company has taken advantage of reporting exemptions in accordance with SSAP 25 Segmental Reporting, since it is a subsidiary of a group which provides segmental information in compliance with this accounting standard.

2. TURNOVER

All Turnover is generated in Europe.

3. OPERATING PROFIT

This is stated after charging

	2009	2008
	£000	£000
Auditors' remuneration for audit of the Company's statutory accounts	50	47

A material proportion of the Company's expenditure, including auditors' remuneration in respect of audit work, is incurred by Tullett Prebon Administration Limited. This is recovered by Tullett Prebon Administration Limited by way of a management charge.

4. STAFF COSTS

	2009	2008
	£000	£000
Discontinued Operations		
Wages and salaries	5,766	4,965
Social security costs	718	622
Other pensions costs	70	78
	6,554	5,665

The Company's operations are carried out by employees of Tullett Prebon Group Limited. Staff costs represent amounts charged to the Company as a direct allocation of expenses by Tullett Prebon Group Limited. During the year, the average monthly number of employees identified as being directly involved in the operation of the Company was 15 (2008: 13).

A Group pension scheme is operated for the employees of Tullett Prebon Group Limited. The scheme previously provided benefits based on final pensionable pay, but effective 1 November 1991 the scheme was converted to a defined contribution scheme. Employees in service at the date of the change receive benefits on the better of the two bases.

TULLETT PREBON (EQUITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2009**4. STAFF COSTS (continued)**

Full details of the defined benefit scheme including the main financial assumptions, are disclosed in accordance with FRS 17 Retirement Benefits, in the financial statements of Tullett Prebon Group Limited

The pension charge for the year was £70,000 (2008 £78,000) which represents a direct allocation of expenses by Tullett Prebon Group Limited

5. DIRECTORS' EMOLUMENTS

	2009 £000	2008 £000
Discontinued Operations		
Emoluments (including pension contributions)	380	591
Company contributions paid to pension schemes	5	34

At 31 December 2009 retirement benefits were accruing to 8 directors (2008 6) under a defined contribution scheme

The number of directors who exercised options in Tullett Prebon Plc were nil (2008 5)

The amount in respect of the highest paid director is as follows

	2009 £000	2008 £000
Emoluments (excluding pension contributions)	215	200
Company contributions paid to pension schemes	1	-

6. OTHER OPERATING INCOME**Discontinued Operations**

Other operating income includes insurance claims of £nil (2008 £15,000) in respect of losses incurred as a result of a fire at the company's premises in January 2008

	2009 £000	2008 £000
Insurance claim	-	15

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £000	2008 £000
Continuing Operations		
On bank deposits	48	360
Group interest receivable	16	65
	64	425

TULLETT PREBON (EQUITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2009

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2009 £000	2008 £000
Current tax		
UK corporation tax charge on profit for the year	1,187	1,090
Foreign tax	5	6
Adjustment to tax in respect of previous periods	13	-
Tax charge on profit on ordinary activities	<u>1,205</u>	<u>1,096</u>

Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2008 28.5%) The differences are reconciled below

	2009 £000	2008 £000
Profit on ordinary activities before tax	<u>4,061</u>	<u>3,580</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK	1,137	1,020
Expenses not deductible for tax purposes	66	80
Dividend received	(9)	(10)
Foreign tax	5	6
Other timing differences	(8)	-
Adjustments to tax in respect of previous periods	13	-
Current tax charge for the year	<u>1,205</u>	<u>1,096</u>

9. FIXED ASSET INVESTMENTS

	2009 £000	2008 £000
Cost and net book value		
At 31 December 2008 and 31 December 2009	<u>-</u>	<u>30</u>

The Company held investments in the issued share capital of the following companies

Company	Business	Country of incorporation	% held
Euroclear plc 1,809 ordinary shares shares of €1 each	Settlement agent	Belgium	<1%

The investment was transferred to Tullett Prebon (Europe) Limited on 30 November 2009 at net book value

TULLETT PREBON (EQUITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2009

10. DEBTORS

	2009 £000	2008 £000
Amounts falling due within one year		
Trade debtors	289	9
Amounts payable by settlement offices	54,225	99,018
Amounts owed by group undertakings	376	213
Prepayments and accrued income	-	44
	<u>54,890</u>	<u>99,284</u>

Included in amounts payable by settlement offices is an amount of £52,738,000 (2008 £84,711,000) in respect of transactions not yet due for settlement. This amount represents sale of securities where settlement will take place on a delivery versus payment basis. The form of these transactions is that the Company takes temporary control until the transactions are settled.

Included in amounts payable by settlement offices are failed to deliver balances of £1,487,000 (2008 £14,307,000). In its role as inter-dealer broker, the Company is interposed between buyers and sellers of securities. The failure of clients to deliver securities to the Company and the corresponding failure of the Company to redeliver such securities on the settlement date results in failed transactions.

11. CASH AT BANK AND IN HAND

Of the £8,170,000 (2008 £10,548,000) cash at bank, £nil (2008 £500,000) was maintained on deposit to secure an offsettable overdraft facility. At 31 December 2009 client money held, representing balances owed to customers, was £756,000 (2008 £817,000).

12. CREDITORS: amounts falling due within one year

	2009 £000	2008 £000
Bank overdrafts	26	57
Trade creditors	381	10
Amounts owed to settlement offices	54,296	98,819
Corporation tax	411	691
Accruals and deferred income	25	220
	<u>55,139</u>	<u>99,797</u>

Included in amounts payable to settlement offices is an amount of £52,809,000 (2008 £84,687,000) in respect of transactions not yet due for settlement and failed to receive balances of £1,487,000 (2008 £14,132,000).

13. SUBORDINATED LOANS

A loan of £2,000,000 from Tullett Prebon Group Ltd was repaid and the agreement terminated after approval from the Financial Services Authority on 21st October 2009.

TULLETT PREBON (EQUITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2009

14. CALLED-UP SHARE CAPITAL

	2009 £000	2008 £000
Authorised 9,618,000 ordinary shares of £1 each	9,618	9,618
	<u>£000</u>	<u>£000</u>
Allotted, called-up and fully paid 4,618,000 ordinary shares of £1 each	4,618	4,618

Although the concept of companies being required to have an authorised share capital was abolished on 1 October 2009 by the Companies Act 2006 the Company's Articles of Association continue to include a restriction on the Company allotting shares in excess of its authorised share capital immediately before 1 October 2009

15. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £000	Profit and loss account £000	Total equity shareholders' funds £000
At 1 January 2008	4,618	3,963	8,581
Profit for the year	-	2,484	2,484
Dividend paid in the year	-	(3,000)	(3,000)
At 1 January 2009	4,618	3,447	8,065
Profit for the year	-	2,856	2,856
Dividend paid in the year	-	(3,000)	(3,000)
At 31 December 2009	4,618	3,303	7,921

16. SUBSEQUENT EVENTS

On 1 February 2010 the business operations of Tullett Prebon (Equities) Limited were transferred to a fellow group company, Tullett Prebon (Europe) Limited

17. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Tullett Liberty (European Holdings) limited

The Company's ultimate parent and controlling party is Tullett Prebon plc

The parent undertaking of the smallest group which includes the Company for which group accounts are prepared is Tullett Prebon Group Holdings plc

The parent undertaking of the largest group which includes the Company for which group accounts are prepared is Tullett Prebon plc

Copies of Tullett Prebon Group Holdings plc and Tullett Prebon plc financial statements are available from the registered office Tower 42, Level 37, 25 Old Broad Street, EC2N 1HQ