

**Kinotech Limited**  
**31<sup>st</sup> March 2002**  
**Report & Accounts**  
**Registered Number: 3810754**



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**COMPANIES HOUSE**

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**30/01/03**

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**Directors**

Sarah Ann Collis  
Geoffrey Frederick Sanderson

**Secretary**

Juliet Dearlove

**Registered Office**

164 Bishopsgate  
London EC2M 4LZ

**Auditors**

PricewaterhouseCoopers  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

The Directors have pleasure in submitting their report and accounts of the Company for the year ended 31 March 2002.

### **Business review**

The principal activity of the Company during the year under review has been to hold all the intellectual property rights, which had previously been developed or held by Prebon Group Limited or subsidiaries thereof ("Prebon Group"), and to protect and enhance those rights. Where opportunities arise for the acquisition or establishment of further intellectual property rights these are explored and pursued if considered appropriate.

### **Likely Future Developments**

The Company currently operates as part of the Kinetech Group (comprised of Kinetech International Limited and subsidiaries thereof). Kinetech Group is independent of Prebon Group, although is owned by the same ultimate shareholders as Prebon Group Limited. The original motivation for de-merging Kinetech Group from Prebon Group was first to strengthen Prebon Group by providing an independent IT function, and secondly that Kinetech International Limited could be the subject of an IPO. However the current climate in the technology sector is not conducive to an IPO, and with this in mind the Company, Kinetech Group and Prebon Group are considering possible options for the re-merger of the two groups. This would enable the re-merged group to achieve maximum profitability.

### **Results and dividends**

The loss on ordinary activities after taxation for the year was £1,771,000 (2001 loss £3,988,000) which has been transferred to reserves.

The Directors do not recommend payment of a dividend (2001: £nil).

### **Directors' and officers' liability**

Liability insurance has been taken out as permitted by Section 310(3) of the Companies Act 1985 to cover directors and officers.

### **Responsibilities of the directors**

It is the responsibility of the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year. The Directors are responsible for ensuring that applicable accounting standards have been followed, and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. It is also the responsibility of the Directors to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business and to ensure those financial statements comply with the Companies Act 1985. The Directors are also responsible for maintaining adequate accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities.

### **Directors and their interests**

The Directors of the Company during the year were as follows:

Geoffrey Frederick Sanderson	Appointed 03 April 2001
Jeremy Martin Gross	Appointed 24 April 2001; resigned 28 February 2002
Patrick Michael Keenan	Resigned 09 April 2001
Sarah Ann Collis	

Patrick Keenan is a Director of the ultimate holding company and details of his interest in that company are disclosed in its financial statements.

No contracts of significance to which the Company, its fellow subsidiary undertakings or its holding company, was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

**Auditors**

PricewaterhouseCoopers have indicated their willingness to continue in office as auditors. The Company has elected pursuant to Section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually.

**By Order Of The Board**



**J.M. Dearlove**  
*Secretary*

**30 January 2003**

*Registered Office:*  
**164 Bishopsgate**  
**London**  
**EC2M 4LZ**

*Registered Number*  
**3810754**

## **Independent auditors' report to the members of Kinetech Limited**

We have audited the financial statements on pages 6 to 11.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the Company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

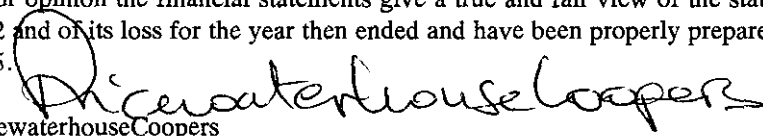
### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31<sup>st</sup> March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Southwark Towers

32 London Bridge Street

London

SE1 9SY

30 January 2003

**Kinetech Limited**  
**31<sup>st</sup> March 2002**  
**Profit and Loss Account**

**Note**

		Year to 31 March 2002 £'000	Year to 31 March 2001 £'000
1	Turnover	(321)	2,387
2	Administrative expenses	(1,132)	(6,375)
2	Operating loss	(1,453)	(3,988)
	Loss on ordinary activities before taxation	(1,453)	(3,988)
3	Tax on loss on ordinary activities	(318)	-
	Loss on ordinary activities after taxation	(1,771)	(3,988)

No note of historical cost profits and losses has been presented as there is no difference between the results as shown above and on an unmodified historical cost basis.

There were no recognised gains or losses in the financial period other than those shown above.

The results above are in respect of continuing operations.

**Reconciliation of movements in shareholder's funds**

	Year to 31 March 2002 £'000	Year to 31 March 2001 £'000
(Loss) on ordinary activities after taxation	(1,771)	(3,988)
Opening shareholders' funds	(10,120)	(6,132)
Closing shareholders' funds	(11,891)	(10,120)

The notes on pages 8 to 11 form an integral part of these accounts.

Note

		31 March 2002	31 March 2001
		£'000	£'000
	<b>Fixed assets</b>		
4	Intangible assets	939	1,476
5	Tangible assets	46	191
		985	1,667
	<b>Current assets</b>		
6	Debtors	1,877	1,957
	Cash at bank and in hand	-	-
		1,877	1,957
7	<b>Creditors (amounts falling due within one year)</b>	(9,695)	(7,172)
	<b>Net current liabilities</b>	(7,818)	(5,215)
	<b>Total assets less current liabilities</b>	(6,833)	(3,548)
8	<b>Creditors (amounts falling due after more than one year)</b>		
	Amounts due to related parties	(5,058)	(6,572)
	<b>Net liabilities</b>	(11,891)	(10,120)
	<b>Capital Reserves</b>		
9	Share capital	-	-
10	Profit and loss account	(11,891)	(10,120)
	<b>Total deficit on shareholders' funds</b>	(11,891)	(10,120)

Approved by the Board on **30** January 2003  
And signed on their behalf by:



S.A. Collis  
Director



**1 Accounting policies**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

**a. Turnover**

Turnover represents invoiced sales net of value-added tax and other sales taxes.

**b. Foreign Currency**

Transactions in foreign currencies are converted at exchange rates ruling at the transaction dates. Assets and liabilities, denominated in foreign currencies at the balance sheet date are translated into sterling at the rates of exchange ruling at the year end. Exchange gains and losses are taken to the profit and loss account.

**c. Software development**

Computer software development costs are written off as incurred except for purchases from third parties in respect of major systems. In such cases the costs are capitalised as Tangible Fixed Assets and written off over a maximum of three years from the date of implementation.

**d. Deferred taxation**

No provision is made for deferred taxation in respect of timing differences except where, in the opinion of the directors, it is expected that a tax payment or credit will crystallise in the foreseeable future.

**e. Cash flow statement**

The Company, which is a wholly owned subsidiary, has elected to utilise the exemption provided in Financial Reporting Standard 1 and does not produce a cash flow statement.

**f. Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation and are written off in equal annual instalments over their estimated useful lives. The principal rates of depreciation used per annum are:

Office furniture and equipment	20%
Computer equipment	33%

**2 Operating loss**

	Year to 31 March 2002 £'000	Year to 31 March 2001 £'000
Operating loss is stated after charging:-		
Amortisation of and provision for intangible assets	537	1,223
Depreciation on owned assets	145	243
Prior year error	454	-
Write back of prior year related party creditor	(1,623)	-

There were no employees during the period.

The audit fees were borne by the ultimate parent undertaking.

The Directors do not receive any remuneration for their services to the Company; their emoluments for work within Kinetech Group are paid by the ultimate parent undertaking and are dealt with in the accounts of that company.

The prior year error relates to re-attribution of intercompany revenue receivable on fees earned from trading systems.

3 Taxation	Year to 31 March 2002 £'000	Year to 31 March 2001 £'000
Amounts payable to a fellow subsidiary in respect of tax saved by group relief	318	-
The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	Year to 31 March 2002 £'000	Year to 31 March 2001 £'000
Profit/(loss) on ordinary activities before tax	(1,453)	(3,988)
Profit/(loss) on ordinary activities multiplied by standard rate in the UK	(436)	(1,196)
Effects of:		
Expenses not deductible for tax purposes	436	1,514
Deferred tax asset not recognised	318	(318)
Current tax charge for the period	318	-

A deferred tax asset is not recognised on the basis that suitable taxable profits against which it may be deducted are not currently foreseeable and the amount of the asset is not quantifiable at this stage.

The deferred tax asset would be recovered if there were suitable taxable profits from which the reversal of the underlying timing differences could be deducted.

#### 4 Intangible assets

	Intellectual Property
<b>Costs:</b>	<b>£'000</b>
At 1 April 2001	2,699
Additions in the period	-
Disposals in the period	-
At 31 March 2002	2,699
<b>Depreciation:</b>	
At 1 April 2001	1,223
Charge for the year:	
Depreciation	537
At 31 March 2002	1,760
Net book value at 31 <sup>st</sup> March 2002	939
Net book value at 31 <sup>st</sup> March 2001	1,476

Tangible assets	Computer Software
<b>Costs:</b>	<b>£'000</b>
At 1 April 2001	434
Additions in the period	-
Disposals in the period	-
At 31 March 2002	434
<b>Depreciation:</b>	
At 1 April 2001	243
Charge for the year:	
Depreciation	145
Write-down of Third Party software	-
At 31 March 2002	388
<b>Net book value at 31<sup>st</sup> March 2002</b>	<b>46</b>
<b>Net book value at 31<sup>st</sup> March 2001</b>	<b>191</b>

6 Debtors	31 March 2002 £'000	31 March 2001 £'000
Amounts due from ultimate parent company	1,877	1,890
Prepayments and accrued income	-	67
	<u>1,877</u>	<u>1,957</u>

7 Creditors (amounts falling due within one year)	31 March 2002 £'000	31 March 2001 £'000
Amounts owed to fellow subsidiary undertakings	9,366	7,064
Group relief payable to fellow subsidiary undertakings	318	-
Accruals and deferred income	11	108
	<u>9,695</u>	<u>7,172</u>

8 Creditors (amounts falling due after more than one year)	31 March 2002 £'000	31 March 2001 £'000
Amount due to related parties	5,058	6,572

9 Share capital	31 March 2002	31 March 2001
Authorised	£	£
100,000 Ordinary Shares of £1 each	100,000	100,000
	<u>31 March 2002</u>	<u>31 March 2001</u>
Issued and subscribed for in kind	£	£
100 Ordinary Shares of £1 each	100	100

<b>10 Profit and loss reserve</b>	<b>31 March 2002 £'000</b>	<b>31 March 2001 £'000</b>
At 1 April	(10,120)	(6,312)
Retained profit for the period	(1,771)	(3,988)
At 31 March	<u>(11,891)</u>	<u>(10,120)</u>

#### **11 Guarantees**

As a condition, imposed by Prebon Group's banking syndicate, of its consent to the De-merger, the Company entered into a Debenture in favour of HSBC Investment Bank Plc (as security trustee) on 3 August 2001 (the "Debenture"). The Debenture creates a fixed charge over the Company's intellectual property and monetary claims and a floating charge over the remainder of the Company's assets.

#### **12 Financial support**

The Directors of Kinetech International Limited have confirmed their intention to ensure that sufficient financial resource are available to the Company to enable it to satisfy its liabilities as they fall due for a period of twelve months from the date of signing of these financial statements.

#### **13 Ultimate holding company**

The ultimate holding company is Kinetech International Limited, which is registered in England and Wales.

Kinetech International Limited consolidates the results of the Company and copies of the consolidated accounts can be obtained from the Company Secretary, Kinetech International Limited, Hill House, Heron Square, Richmond, Surrey TW9 1EP.

#### **14 Related party disclosure**

The Company has taken advantage of the exemption granted to wholly owned and controlled subsidiary undertakings by FRS 8, related party disclosures, not to disclose related party transactions with members of Kinetech Group.

The amounts due to the related party represent monies owed to Prebon Group Limited or its subsidiaries.