Prebon Technology Limited
(formerly Kinetech Limited)
31st March 2003
Report & Accounts
Registered number 3810754

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(formerly Kinetech Limited)
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Report & Accounts

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Directors

Sarah Ann Collis
Geoffrey Frederick Sanderson

Secretary

Juliet Dearlove

Registered Office

Hill House
Heron Square
Richmond
Surrey
TW9 1EP

Auditors

PricewaterhouseCoopers LLP
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 2003.

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 group comprised of Prebon Technology Group Limited (formerly Kinetech International Limited) and its subsidiaries (the "Group"). Prebon Technology Group is independent of the group made up of Prebon Group Limited and its subsidiaries ("Prebon Group"), although is owned by the same ultimate shareholders as Prebon Group Limited. The original motivation for de-merging the Group from Prebon Group was first to strengthen Prebon Group by providing an independent IT function, and secondly that the Company's parent, Prebon Technology Group Limited (the "Parent") 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, the Group and Prebon Group have decided to remerge the two groups. This would enable the re-merged group to achieve maximum profitability. As a first step in this process Kinetech Services (USA) Inc merged with Prebon Yamane (USA) Inc on 1 April 2003.

Results and dividends

The loss on ordinary activities after taxation for the year was £1,306,000 (2002: loss £1,771,000) which has been transferred to reserves.

The Directors do not recommend payment of a dividend (2002: £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:

Sarah Anne Collis
Geoffrey Frederick Sanderson

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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 24 February 2003 and the directors appointed its successor PricewaterhouseCoopers LLP, as auditors, with immediate effect.

The Company has elected pursuant to Section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually, and PricewaterhouseCoopers LLP, having indicated their willingness to do so, will therefore continue in office as auditors..

By Order Of The Board

Juliet Dearlove

J.M. Dearlove
Secretary

5 **September 2003**

Registered Office:
Hill House
Heron Square
Richmond
Surrey TW9 1EP
Registered Number
3810754

Independent auditors' report to the members of Prebon Technology Limited (formerly Kinetech Limited)

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

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.

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 into 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 affairs of the Company at 31st March 2003 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
5 September 2003

Note		Year to 31 March 2003 £'000	Year to 31 March 2002 £'000
1	Turnover	101	(321)
2	Administrative expenses	(2,594)	(1,132)
2	Operating loss	(2,493)	(1,453)
	Loss on ordinary activities before taxation	(2,493)	(1,453)
3	Tax on loss on ordinary activities	1,187	(318)
	Loss on ordinary activities after taxation	(1,306)	(1,771)

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 2003 £'000	Year to 31 March 2002 £'000
Loss on ordinary activities after taxation	(1,306)	(1,771)
Opening deficit on shareholders' funds	(11,891)	(10,120)
Closing deficit on shareholders' funds	(13,197)	(11,891)

The notes on pages 9 to 12 form an integral part of these accounts.

Note		31 March 2003 £'000	31 March 2002 £'000
	Fixed assets		
4	Intangible assets	402	939
5	Tangible assets	-	46
		402	985
6	**Debtors**	2,690	1,877
7	**Creditors** (amounts falling due within one year)	(11,233)	(9,695)
	Net current liabilities	(8,543)	(7,818)
	Total assets less current liabilities	(8,141)	(6,833)
8	**Creditors** (amounts falling due after more than one year)	(5,056)	(5,058)
	Net liabilities	(13,197)	(11,891)
	Capital Reserves		
9	Share capital	-	-
10	Profit and loss account	(13,197)	(11,891)
	Total deficit on shareholders' funds	(13,197)	(11,891)

Approved by the Board on 5 September 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. *Intangible fixed assets*

Purchased intangible fixed assets are capitalised at cost and amortised over their expected economic useful lives using a straight line method. The rate of amortisation used per annum is:

Intellectual Property	33%

d. *Deferred taxation*

Deferred tax is recognised as an asset or a liability if transactions have occurred at the balance sheet date that give rise to a right to pay less taxation in the future or an obligation to pay more taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities which are recognised are not discounted.

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 software and equipment	33%

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.

2 Operating loss

Operating loss is stated after charging:-	Year to 31 March 2003 £'000	Year to 31 March 2002 £'000
Amortisation of intangible assets	537	537
Depreciation on owned assets	46	145
Prior year error	-	454
Write back of prior year related party creditor	-	(1,623)
Foreign exchange gain	(370)	-

There were no employees during the period.
The audit fees were borne by the Parent.
The Directors do not receive any remuneration for their services to the Company; their emoluments for work within the Group are paid by the Parent 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

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 2003 £'000	Year to 31 March 2002 £'000
Loss on ordinary activities before tax	(2,493)	(1,453)
Loss on ordinary activities multiplied by Standard rate in the UK	(748)	(436)
Effects of:		
Expenses not deductible for tax purposes	161	436
Deferred tax asset not recognised	112	318
Adjustments in respect of previous periods	(712)	-
Current tax (credit)/ charge for the period	**(1,187)**	**318**

The Company has unutilised trading losses and other timing differences for offset against future trading profits. A deferred tax asset has not been recognised in respect of these items as their future recovery is uncertain. The total amount that has not been provided is £3,322,000 (2002: 3,434,000). The comparatives have been changed as a result of clarification in the prior year position.

4 Intangible assets

	Intellectual Property
Cost:	**£'000**
At 1 April 2002 and at 31 March 2003	2,699
Depreciation:	
At 1 April 2002	1,760
Charge for the year	537
At 31 March 2003	2,297
Net book value at 31st March 2003	402
Net book value at 31st March 2002	939

5 Tangible assets

	Computer Software
Cost:	**£'000**
At 1 April 2002 and 31 March 2003	434
Depreciation:	
At 1 April 2002	388
Charge for the year	46
At 31 March 2003	434
Net book value at 31st March 2003	-
Net book value at 31st March 2002	46

6 Debtors

	31 March 2003 £'000	31 March 2002 £'000
Amounts due from ultimate parent company	1,877	1,877
Amounts due from fellow subsidiary undertakings	487	-
Amounts due from related parties	324	-
Taxation	2	-
	2,690	1,877

7 Creditors (amounts falling due within one year)

	31 March 2003 £'000	31 March 2002 £'000
Amounts owed to fellow subsidiary undertakings	11,223	9,684
Accruals and deferred income	10	11
	11,233	9,695

8 Creditors (amounts falling due after more than one year)

	31 March 2003 £'000	31 March 2002 £'000
Amount due to related parties	5,056	5,058

9 Share capital

	31 March 2003	31 March 2002
Authorised	£	£
100,000 Ordinary Shares of £1 each	100,000	100,000

	31 March 2003	31 March 2002
Issued and subscribed for in kind	£	£
100 Ordinary Shares of £1 each	100	100

10	**Profit and loss reserve**	**Year to 31 March 2003**	**Year to 31 March 2002**
		£'000	**£'000**
	At 1 April 2002/ 2001	(11,891)	(10,120)
	Retained profit for the period	(1,306)	(1,771)
	At 31 March 2003/ 2002	(13,197)	(11,891)

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 the Parent 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 the Parent, which is registered in England and Wales.

The Parent consolidates the results of the Company and copies of the consolidated accounts can be obtained from the Company Secretary, Prebon Technology Group 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 the Group.

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