

TULLETT LIBERTY (SECURITIES) LIMITED

Report and Financial Statements
31 December 2003



Tullett Liberty (Securities) Limited

Registered No. 2670499

DIRECTORS

G Chapman
B P Collins
S R Corker
J Davis
S C Duckworth
J King
I Ljubic
A Moore
M Northeast-Roffey
L W O'Malley
R G Taylor
A Thouvenot

SECRETARY

D Dyer Bartlett

AUDITORS

Deloitte & Touche LLP
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

SOLICITORS

Berwin Leighton
Adelaide House
London Bridge
London
EC4R 9HA

REGISTERED OFFICE

Cable House
54-62 New Broad Street
London
EC2M 1ST

Tullett Liberty (Securities) Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2003.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £5,182,000 (2002 - profit £3,128,000).

A dividend of £3,500,000 was declared and paid during the year (2002 - £1,000,000).

The profit for the year, after taxation and dividends, amounted to £1,682,000 (2002 - £2,128,000) and will be transferred to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company acts as a broker of government securities and other financial instruments. It is regulated by the Financial Services Authority.

Turnover increased during the year and the directors believe that an upward trend will continue.

FUTURE DEVELOPMENTS

The directors' aim is to continue to expand the company's broking business.

DIRECTORS AND THEIR INTERESTS

The following directors held office during the year:

B P Collins	A Moore
S R Corker	P Moss
J Davis (appointed 01 August 2003)	M Northeast-Roffey
S C Duckworth	L W O'Malley
M Harris (resigned 14 March 2003)	R G Taylor
J King	A Thouvenot
I Ljubic	

None of the directors had a beneficial interest in the issued share capital of the company during the year.

B P Collins is a director of Collins Stewart Tullett plc (formerly Collins Stewart Holdings plc), the ultimate parent undertaking at 31 December 2003, and his interest in the share capital of group companies is disclosed in the financial statements of Collins Stewart Tullett plc.

On 23 January 2003 Collins Stewart Tullett plc, the company's ultimate holding company, announced an offer valued at approximately £250m to acquire the entire issued ordinary share capital of Tullett Liberty Limited (formerly Tullett plc). On 7 March 2003 Collins Stewart Tullett plc announced that the Offer had become unconditional as to acceptances and on 10 March 2003 the Offer was declared unconditional in all respects at which time Collins Stewart Tullett plc acquired control of Tullett Liberty Limited.

The disclosable interest of the directors of Tullett Liberty (Securities) Limited in the share capital of Tullett Liberty Limited for the period 1 January 2003 to 10 March 2003 and the disclosable interest of the directors of Tullett Liberty (Securities) Limited in the share capital of Collins Stewart Tullett plc for the period 10 March 2003 to 31 December 2003 and the movement during the year under these share schemes was as follows:

Tullett Liberty (Securities) Limited

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

SHARES IN TULLETT LIBERTY LIMITED

	<i>Shares at 1 January 2003*</i>	<i>Additions in year</i>	<i>Transferred during the year</i>	<i>Shares at 31 December 2003</i>
S R Corker	6,352	-	6,352	-
S C Duckworth	28,852	-	28,852	-
J King	5,352	-	5,352	-
I Ljubic	15,852	-	15,852	-
A Moore	5,352	-	5,352	-
P Moss	-	3,000	3,000	-
M Northeast-Roffey	23,852	-	23,852	-
L W O'Malley	15,352	-	15,352	-
R G Taylor	54,500	59,000	113,500	-
A Thouvenot	-	3,000	3,000	-
Total	155,464	65,000	220,464	-

If not listed above, the director's share holding in Tullett Liberty Limited was zero at the beginning and at the end of the year.

*(or date of appointment, if later)

Shares in Tullett Liberty Limited were converted as follows

- Ordinary Offer: For every Tullett Liberty Limited share 2.52 new shares in Collins Stewart Tullett plc.
- Partial Cash alternative: For every Tullett Liberty Limited share 400 pence in cash and 1.26 new shares in Collins Stewart Tullett plc.
- Additional Cash facility to the partial cash alternative: For every Tullett Liberty Limited share 404.48 pence in cash and 1.2459 new shares in Collins Stewart Tullett plc.
- Loan note alternative: As an alternative to the partial cash alternative, any Tullett Liberty Limited security holders with a registered address within the United Kingdom could elect to receive loan notes on the basis of £1 nominal in loan notes for every £1 cash consideration to which they are entitled.

SHARES IN COLLINS STEWART TULLETT PLC

	<i>Shares at 10 March 2003*</i>	<i>Additions in year</i>	<i>Sold during the year</i>	<i>Shares at 31 December 2003</i>
S R Corker	19,905	-	-	19,905
S C Duckworth	57,373	-	-	57,373
J Davis	9,997	-	-	9,997
J King	17,822	-	-	17,822
I Ljubic	63,438	-	63,438	-
A Moore	5,670	-	-	5,670

Tullett Liberty (Securities) Limited

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

SHARES IN COLLINS STEWART TULLETT PLC

	<i>Shares at 10 March 2003*</i>	<i>Additions in year</i>	<i>Sold during the year</i>	<i>Shares at 31 December 2003</i>
P Moss	5,382	-	-	5,382
M Northeast-Roffey	75,011	-	-	75,011
L W O'Malley	38,428	-	-	38,428
R G Taylor	220,111	-	12,600	207,511
A Thouvenot	6,532	-	-	6,532
Total	519,669	-	76,038	443,631

If not listed above, the director's share holding in Tullett Liberty Limited was zero at the beginning and at the end of the year.

*(or date of appointment, if later)

OPTIONS IN TULLETT LIBERTY LIMITED

		<i>Exercise price</i>	<i>At 1 January 2003*</i>	<i>Granted in year</i>	<i>Exercised during the year</i>	<i>Cancelled in year</i>	<i>At 31 December 2003</i>
S R Corker	a)	£3.33	5,352	-	-	5,352	-
S C Duckworth	a)	£3.33	5,852	-	-	5,852	-
	b)	£3.75	22,000	-	-	22,000	-
J King	a)	£3.33	5,352	-	-	5,352	-
I Ljubic	a)	£3.33	5,852	-	-	5,852	-
	b)	£3.75	10,000	-	-	10,000	-
A Moore	a)	£3.33	5,352	-	-	5,352	-
P Moss	a)	£3.33	3,000	-	3,000	-	-
M Northeast-Roffey	a)	£3.33	5,852	-	-	5,852	-
	b)	£3.75	16,000	-	-	16,000	-
L W O'Malley	a)	£3.33	5,352	-	-	5,352	-
	b)	£3.75	10,000	-	-	10,000	-
R G Taylor	a)	£3.33	19,000	-	19,000	-	-
	b)	£3.75	40,000	-	40,000	-	-
A Thouvenot	a)	£3.33	3,000	-	3,000	-	-

Tullett Liberty (Securities) Limited

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

If not listed above, the director's share options in Tullett Liberty Limited were zero at the beginning and at the end of the year.

*(or date of appointment, if later)

The cancelled options were converted to Collins Stewart Tullett plc shares on 10 March 2003 as follows:

- (a) Upon cancellation, the £3.33 options were converted to Collins Stewart Tullett plc options with exercise price of £3.49. Each Tullett Liberty Limited option was converted at a rate of £0.81 of Collins Stewart Tullett plc options, with £2.39 being given as cash consideration.
- (b) Upon cancellation, the £3.75 options were converted to Collins Stewart Tullett plc options with exercise price of £3.49. Each Tullett Liberty Limited option was converted at a rate of £0.74 of Collins Stewart Tullett plc options, with £2.19 being given as cash consideration.

OPTIONS IN COLLINS STEWART TULLETT PLC

	<i>Exercise price</i>	<i>At 10 March 2003*</i>	<i>Granted in year</i>	<i>Exercised during the year</i>	<i>Cancelled in year</i>	<i>At 31 December 2003</i>
S R Corker	£3.49	-	60,000	-	-	60,000
S C Duckworth	£3.49	-	90,000	-	-	90,000
I Ljubic	£3.49	-	90,000	-	-	90,000
M Northeast-Roffey	£3.49	-	90,000	-	-	90,000
L W O'Malley	£3.49	-	90,000	-	-	90,000
R G Taylor	£3.49	-	120,000	-	-	120,000
		-	540,000	-	-	540,000

If not listed above, the director's share options in Collins Stewart Tullett plc were zero at the beginning and at the end of the year.

*(or date of appointment, if later)

The options are exercisable between the following dates:

- (a) 29 April 2006 and 28 April 2013

AUDITORS

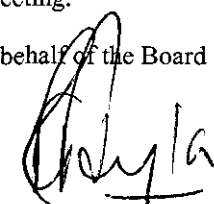
At the Annual General Meeting of 3 June 2003, a resolution to accept the resignation of Ernst & Young LLP and appoint Deloitte & Touche as the company's auditors was passed.

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treat the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors:

Director

Date


24 3.04

Tullett Liberty (Securities) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

United Kingdom company law requires 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, and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 LIBERTY (SECURITIES) LIMITED

We have audited the financial statements of Tullett Liberty (Securities) Limited for the year ended 31 December 2003, which comprise the profit and loss account, the balance sheet, statement of total recognised gains and losses and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

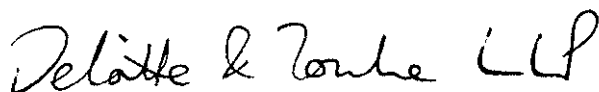
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
24 March 2004

Tullett Liberty (Securities) Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003

	<i>Notes</i>	<i>2003 £000</i>	<i>2002 £000</i>
TURNOVER	2	74,067	50,848
Staff costs	5,6	(47,665)	(28,786)
Other operating charges	6	(19,016)	(16,761)
		<u>(66,681)</u>	<u>(45,547)</u>
OPERATING PROFIT	3	7,386	5,301
Interest receivable		634	460
Interest payable	7	(429)	(573)
		<u>7,591</u>	<u>5,188</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,591	5,188
Tax charge on profit on ordinary activities	8	(2,409)	(2,060)
		<u>5,182</u>	<u>3,128</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	17	5,182	3,128
Dividend paid	17	(3,500)	(1,000)
		<u>1,682</u>	<u>2,128</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>1,682</u>	<u>2,128</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2003

Profit attributable to members of the company	5,182	3,128
Foreign exchange translation differences on foreign currency net investment in branches	(30)	-
TOTAL RECOGNISED GAINS FOR THE YEAR	<u>5,152</u>	<u>3,128</u>

Tullett Liberty (Securities) Limited

BALANCE SHEET as at 31 December 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS			
Intangible assets	9	304	340
Tangible assets	10	97	58
		<u>401</u>	<u>398</u>
CURRENT ASSETS			
Debtors	11	90,826	216,471
Investments	12	1,380	1,330
Cash at bank and in hand	13	23,911	27,428
		<u>116,117</u>	<u>245,229</u>
CREDITORS: amounts falling due within one year	14	<u>(93,990)</u>	<u>(224,751)</u>
NET CURRENT ASSETS		<u>22,127</u>	<u>20,478</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>22,528</u>	<u>20,876</u>
CREDITORS: amounts falling due after more than one year			
Subordinated loans	15	(4,200)	(4,200)
NET ASSETS		<u>18,328</u>	<u>16,676</u>
CAPITAL AND RESERVES			
Called up share capital	16	11,605	11,605
Share premium account	17	1,895	1,895
Profit and loss account	17	4,828	3,176
EQUITY SHAREHOLDERS' FUNDS	17	<u>18,328</u>	<u>16,676</u>

The financial statements were approved by the Board of Directors on 24 March 2004.

Signed on behalf of the Board of Directors:

Director

Date

24.3.04

Tullett Liberty (Securities) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain assets and in accordance with applicable United Kingdom accounting standards.

Goodwill

Goodwill is the excess of purchase consideration over the fair value of the net assets acquired and is amortised on a straight line basis over a period of 10 years, being its estimated useful economic life.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs at acquisition. Fixed assets are stated at cost less accumulated depreciation and provision for any impairment. The cost is written off in equal annual instalments based on the estimated useful lives, which are:

Motor vehicles	5 years
Furniture, fixtures and fittings	4 years

Investments

Investments held as current assets are stated at market value at the balance sheet date and the difference between cost and market value is taken to the profit and loss account. This treatment is a departure from the Companies Act, which stipulates that unrealised profits are credited to a revaluation reserve, and is adopted because all such investments are readily marketable and it represents a fairer reflection of the investment return.

Trade date accounting

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

Cash flow statement

The company is exempt from reporting a cashflow statement in accordance with FRS 1 (revised), as the company is a wholly owned subsidiary of Collins Stewart Tullett plc, which is registered in England and Wales and which prepares group financial statements which are publicly available.

New start incentives

New start incentives are written off in equal monthly instalments over a period of the lower of 12 months or the employee's fixed term employment contract.

Pension schemes

The company is one of a number of employers based in the United Kingdom which participate in the defined benefit scheme. The company has been unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for it as if it were a defined contribution scheme.

Defined contributions made to the pension scheme for each employee are charged to the profit and loss account as and when incurred.

Tullett Liberty (Securities) Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2003

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

The results of overseas operations are translated at the average rate of exchange ruling during the month. Adjustments arising from the retranslation of opening net assets are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Related party transactions

The company has taken advantage of reporting exemptions in accordance with FRS 8 since it is a subsidiary of a group where greater than 90% of the voting rights are controlled within the group and the groups' parent financial statements are publicly available.

2. TURNOVER

Turnover represents margins on matched principal trades and the invoiced value of brokerage services, including miscellaneous other commissions, excluding value added tax and trade discounts, and arises wholly from continuing activities. Turnover is analysed by geographic area as follow:

	2003 £000	2002 £000
Europe	73,501	50,658
North America	566	190
	<u>74,067</u>	<u>50,848</u>

3. OPERATING PROFIT

This is stated after charging:

	2003 £000	2002 £000
Depreciation	29	4
Goodwill amortisation	34	6
	<u>63</u>	<u>10</u>

A material proportion of the company's expenditure, including auditors' remuneration, is incurred by Tullett Liberty Limited. This is recovered from Tullett Liberty (Securities) Limited by way of a management charge.

Tullett Liberty (Securities) Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2003

4. DIRECTORS' EMOLUMENTS

	2003 £000	2002 £000
Emoluments (including pension contributions)	2,217	1,997
Company contributions paid to pension schemes	13	—

At 31 December 2003 retirement benefits were accruing to 6 directors (2003 - 6) under a defined contribution scheme.

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

	2003 £000	2002 £000
Emoluments (excluding pension contributions)	601	492
Company contributions paid to pension schemes	1	—

Details of directors' share options are provided in the Directors' Report on page 2.

Where directors of the company are also directors of Tullett Liberty Limited (formerly Tullett plc), their remuneration is received directly from that company. The directors do not believe it is practicable to apportion this amount between their services as directors of the immediate parent undertaking, fellow subsidiary undertakings and this company. No management charge was made to the company in 2003 (2002 - £Nil) to represent a recharge of the services to the company of all directors of the parent undertaking.

5. STAFF COSTS

	2003 £000	2002 £000
Wages and salaries	42,392	25,573
Social security costs	4,877	2,878
Other pensions costs	396	335
	47,665	28,786

The company's operations are carried out by employees of Tullett Liberty Limited. Staff costs represent amounts charged to the company as a direct allocation of expenses by Tullett Liberty Limited. During the year, the average monthly number of employees identified as being directly involved in the operation of the company was 202 (2002 - 141).

A group pension scheme is operated for the employees of Tullett Liberty 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 Liberty (Securities) Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2003

5. STAFF COSTS (continued)

The assets of the scheme are held separately from those of the group in a trustee administered fund. The contributions are determined by a qualified actuary on the basis of triennial valuations. At the latest actuarial valuation as at 1 May 2001, the market value of the assets of the UK scheme was £72.9m and the market value of the assets was sufficient to cover 97.5% of the benefits that had accrued to members. Up until 31 December 2001, the company paid pension contributions in the UK at the rate of 13% of pensionable salaries for pre 1991 employees with defined benefits, 7% for post 1991 employees with defined contributions and 1% for life assurance members only. The level of contributions paid into the scheme in respect of pre 1991 members has been increased to 15.6% of pensionable salaries with effect from 1 January 2002. At the time of the latest actuarial valuation the level of contribution was expected to remove the deficit over 5 years, if the assumptions were borne out in practice.

Full details of the defined benefit scheme including the main financial assumptions, are disclosed in accordance with FRS 17 in the financial statements of Collins Stewart Tullett plc.

The pension charge for the year was £396,000 (2002 - £335,000) which represents a direct allocation of expenses by Tullett Liberty Limited.

6. OPERATING COSTS

	2003 £000	2002 £000
Staff costs	47,665	28,786
Other operating charges	19,016	16,761
	<u>66,681</u>	<u>45,547</u>

7. INTEREST PAYABLE

	2003 £000	2002 £000
Loans from group companies	155	168
Bank loans and overdrafts	274	405
	<u>429</u>	<u>573</u>

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2003 £000	2002 £000
United Kingdom corporation tax at 30%	2,878	2,060
Adjustment to tax in respect of previous periods	(469)	-
	<u>2,409</u>	<u>2,060</u>

Tullett Liberty (Securities) Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2003

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (continued)

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 30% (2002 – 30%). The differences are reconciled below:

	2003 £000	2002 £000
Profit on ordinary activities before tax	7,591	5,188
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	2,277	1,556
Expenses not deductible for tax purposes	601	504
Adjustment to tax in respect of previous periods	(469)	-
	<u>2,409</u>	<u>2,060</u>

9. INTANGIBLE ASSETS

Intangible assets relate to goodwill (the fair value of assets acquired less the cost of acquisition) from the acquisition of businesses from Tullett Liberty GmbH, another group company, on 1 November 2002. Goodwill is being amortised over its estimated useful life of 10 years.

	Cost £000	Amortisation £000	Book value £000
At 1 January 2002	-	-	-
Additions	346	-	346
Amortisation in the year	-	(6)	(6)
At 31 December 2002	<u>346</u>	<u>(6)</u>	<u>340</u>
Disposals	(2)	-	(2)
Amortisation in the year	-	(34)	(34)
At 31 December 2003	<u>344</u>	<u>(40)</u>	<u>304</u>

Tullett Liberty (Securities) Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2003

10. TANGIBLE FIXED ASSETS

	<i>Motor vehicles</i> £000	<i>Plant and machinery, fixtures and fittings</i> £000	<i>Total</i> £000
Cost:			
At 1 January 2003	8	54	62
Additions	–	70	70
Disposals	(8)	–	(8)
At 31 December 2003	–	124	124
Depreciation:			
At 1 January 2003	1	3	4
Provided during the year	5	24	29
Disposals	(6)	–	(6)
At 31 December 2003	–	27	27
Net book value:			
At 31 December 2003	–	97	97
At 31 December 2002	7	51	58

11. DEBTORS

	<i>2003</i> £000	<i>2002</i> £000
Trade debtors	3,797	3,089
Amounts payable by settlements offices	86,220	212,783
Amounts owed by group undertakings	209	313
Other debtors	59	180
Prepayments and accrued income	541	106
	90,826	216,471

Included in amounts payable by settlement offices is an amount of £99,000 (2002 - £241,000), which represents the net position with branches, dealers and clearing houses. This represents £911,174,000 receivable (2002 - £1,880,042,000) and £911,075,000 payable (2002 - £1,880,283,000) in respect of transactions not yet due for settlement. The above amounts payable and receivable represent the simultaneous purchase and 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. To reflect the substance of these transactions only the net position is included in debtors.

In the role as interdealer 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. Fail to receive and fail to deliver balances are presented at their respective gross amounts included in debtors and creditors.

Tullett Liberty (Securities) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2003

11. DEBTORS (continued)

Included in amounts payable by settlements offices are fail to deliver balances of £86,121,000 (2002 - £212,542,000).

12. INVESTMENTS

Included in investments are gilts held for collateral purposes amounting to £1,365,000 (2002 - £1,316,000). Listed investments held for participation in stock auctions total £15,000 (2002 - £14,000).

13. CASH AT BANK AND IN HAND

Of the £23,911,000 (2002 - £27,428,000) cash at bank and in hand, £976,000 (2002 - £717,000) is segregated as client money representing balances owed to customers. Also included in cash at bank is £18,253,000 (2002 - £17,900,000) which is maintained on deposit to secure an off settable overdraft facility for Tullett Liberty (Securities) Limited at Euroclear.

14. CREDITORS: amounts falling due within one year

	2003 £000	2002 £000
Trade creditors	107	156
Amounts payable to settlement offices	85,676	215,031
Amounts owed to group undertakings	3,860	5,799
Other taxation and social security	2,027	2,714
Other creditors	26	119
Accruals and deferred income	2,294	932
	<u>93,990</u>	<u>224,751</u>

Included in amounts payable to settlement offices are fail to receive balances of £85,676,000 (2002 - £215,031,000).

15. SUBORDINATED LOANS

A loan of £4,200,000 from Tullett Liberty Brokerage Limited is repayable at a date not less than five years from the lender giving notice in writing to the company and the Financial Services Authority. Interest is being charged at the National Westminster Bank Plc base rate.

The loan is subordinated to all other creditors.

16. SHARE CAPITAL

	2003 No.	2002 No.
Authorised:		
Ordinary shares of £1 each	20,000,000	20,000,000
	<u>£000</u>	<u>£000</u>
Allotted, called up and fully paid: 11,605,000 @ £1 each	11,605	11,605

Tullett Liberty (Securities) Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2003

17. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total equity shareholders' funds £000</i>
At 1 January 2002	4,605	1,895	1,048	7,548
Profit for the year	—	—	3,128	3,128
Issued in 2002	7,000	—	—	7,000
Dividend	—	—	(1,000)	(1,000)
At 1 January 2003	11,605	1,895	3,176	16,676
Foreign exchange translation differences on foreign currency net investment in branches	—	—	(30)	(30)
Profit for the year	—	—	5,182	5,182
Dividend	—	—	(3,500)	(3,500)
At 31 December 2003	11,605	1,895	4,828	18,328

On 14 July 2002, 1,000,000 ordinary shares of £1 each with an aggregate nominal value of £1,000,000 were issued at par and fully paid for in cash.

On 29 October 2002, 6,000,000 ordinary shares of £1 each with an aggregate nominal value of £6,000,000 were issued at par and fully paid for in cash.

18. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Tullett Liberty (Number 2) Limited.

The company's ultimate parent undertaking and controlling party was Tullett Liberty Limited (formerly Tullett plc). From 10 March 2003, the ultimate parent and controlling party is Collins Stewart Tullett plc.

Copies of Collins Stewart Tullett plc's group financial statements are available from the registered office: 9th Floor, 88 Wood Street, London EC2V 7QR.