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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000, if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all your Ordinary Shares, please send this document and the accompanying documentation as soon as possible to the purchaser or transferee, or to the agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

A copy of this document, which comprises listing particulars relating to Collins Stewart Tullett plc prepared in accordance with the Listing Rules made under section 74 of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies of England and Wales for registration in accordance with section 83 of that Act.

Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List. Application has also been made for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that admission of the New Ordinary Shares to the Official List and to trading on the London Stock Exchange's market for listed securities will become effective and that unconditional dealings will commence in the New Ordinary Shares at 8.00 a.m. on 13 October 2004.

Collins Stewart Tullett plc

Proposed Acquisition of

FPG Holdings Limited ("Prebon")

and Placing by

LEHMAN BROTHERS

**of 15,714,286 new Ordinary Shares
at 350 pence per new Ordinary Share**

and

Notice of Extraordinary General Meeting

The Existing Ordinary Shares and the New Ordinary Shares have not been and will not be registered under the US Securities Act, as amended (the "Securities Act") or under the securities laws of any state of the United States and may not be offered or sold in the United States or to or for the account or benefit of US persons except pursuant to an exemption from registration under the Securities Act. The New Ordinary Shares are being offered outside the United States in reliance on Regulation S under the US Securities Act.

No clearances have been, or will be, obtained from the securities regulation authority of any province or territory of Canada or under any securities law of the Republic of Ireland in respect of the New Ordinary Shares nor have such securities been registered under the Securities and Exchange Law of Japan nor has any prospectus been lodged with, or registered by, the Australian Securities and Investments Commission. Accordingly, subject to certain exceptions, the New Ordinary Shares may not be offered or sold, directly or indirectly, in or into Canada, the Republic of Ireland, Japan or Australia or offered or sold, directly or indirectly, in favour of a resident of Canada, the Republic of Ireland, Japan or Australia.

Lehman Brothers, which is regulated in the United Kingdom by the Financial Services Authority, is acting for Collins Stewart Tullett plc, and no one else in connection with the Placing and will not be responsible to any person other than Collins Stewart Tullett plc for providing the protections afforded to customers of Lehman Brothers, or for advising any such person on the contents of this document or any other matters described in this document.

Notice of an Extraordinary General Meeting of Collins Stewart Tullett plc to be held at 9th Floor, 88 Wood Street, London EC2V 7QR at 9.30 a.m. on 12 October 2004 is set out at the end of this document. The accompanying Form of Proxy for use at the EGM should be completed and returned, in accordance with the instructions printed on the form, to Capita Registrars (Proxies), P.O. Box 25, Beckenham, Kent BR3 4BR as soon as possible but, in any event, so as to be received no later than 9.30 a.m. on 10 October 2004.

The distribution of this document in certain jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. No action has been taken by Collins Stewart Tullett plc to permit a public offering of the New Ordinary Shares in any jurisdiction other than the United Kingdom where action for that purpose is or may be required. Accordingly, this document may not be distributed or published in any such jurisdiction except under circumstances that would result in compliance with any applicable laws and regulation. This document does not constitute an offer to sell, or the solicitation of an offer to buy, New Ordinary Shares in any jurisdiction where it is unlawful to make such offer or solicitation.

This document is confidential in the United States and this document is being furnished by Collins Stewart Tullett plc to US holders of Ordinary Shares for information only in connection with the EGM. Each US holder of Ordinary Shares, by accepting delivery of this document, agrees that any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information herein in the United States for any purpose other than considering the Resolutions to be adopted at the EGM is prohibited.



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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

(all times and dates referred to in this document are times and dates in London)

Announcement of the Acquisition and Placing	24 September 2004
Latest time and date for receipt of Forms of Proxy	9.30 a.m., 10 October 2004
Extraordinary General Meeting	9.30 a.m., 12 October 2004
Completion of the Acquisition and Placing	13 October 2004
Date of Admission and commencement of dealings in the New Ordinary Shares	13 October 2004
New Ordinary Shares credited to CREST stock accounts	13 October 2004
Date for despatch of definitive share certificates for New Ordinary Shares	by 25 October 2004

Note:

The dates set out in the expected timetable of principal events above and mentioned through this document may be adjusted by Collins Stewart Tullett, in which event, if appropriate, details of the new dates will be notified to the UK Listing Authority, the London Stock Exchange and, where appropriate, to Shareholders.

PLACING STATISTICS AND CONSIDERATION SHARES

Number of New Ordinary Shares	21,236,969
New Ordinary Shares as a percentage of the Company's issued share capital following completion of the Placing	10.0%
of which:	
<i>Number of Placing Shares</i>	15,714,286
<i>Placing Price</i>	350p
<i>Placing Shares as a percentage of the Company's issued share capital following completion of the Placing</i>	7.4%
<i>Number of Consideration Shares</i>	5,522,683
<i>Consideration Shares as a percentage of the Company's issued share capital following completion of the Placing</i>	2.6%
Number of Ordinary Shares in issue immediately following completion of the Placing	211,517,102

INSTRUCTIONS FOR SHAREHOLDERS

- Read this document carefully in order to understand fully the merits of the proposed Acquisition and the option grants to Louis Scotto and to Stephen Jack.
- Complete the enclosed Form of Proxy for use in connection with the EGM in accordance with the instructions printed on the reverse of it.
- Return the Form of Proxy to the Company's registrars (whose address is printed on the Form of Proxy) as soon as possible and in any event so as to be received no later than 9.30 a.m. on 10 October 2004.
- For the avoidance of doubt, the completion and return of a Form of Proxy will not preclude you from attending the EGM and voting in person if you so wish.

DIRECTORS, SECRETARY AND ADVISERS

Directors

Keith Hamill	Non-Executive Chairman
Terry Smith	Chief Executive
Helen Smith	Group Finance Director
Terry Hitchcock	Executive Director
Louis Scotto	Executive Director
Stephen Jack	Executive Director
David Clark	Non-Executive Director
Michael Fallon	Non-Executive Director
Bernard Leaver	Non-Executive Director
John Spencer	Non-Executive Director

Company Secretary

Diana Dyer Bartlett

Registered Office

9th Floor
88 Wood Street
London EC2V 7QR

Sponsor and Broker

Lehman Brothers International (Europe)
25 Bank Street
London E14 5LE

Auditors and Reporting Accountants to Collins Stewart Tullett

Deloitte & Touche LLP
Stonecutter Court
1 Stonecutter Street
London EC4A 1NH

Auditors to Prebon and Reporting Accountants on Prebon to Collins Stewart Tullett

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

Legal Advisers to Collins Stewart Tullett as to English and US law

Allen & Overy LLP
One New Change
London EC4M 9QQ

Legal Advisers to the Sponsor as to English and US law

Weil, Gotshal & Manges
One South Place
London EC2M 2WG

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Financial PR

Redleaf Communications
9-13 St. Andrew Street
London EC4A 3AF

PART I

LETTER FROM THE CHAIRMAN OF COLLINS STEWART TULLETT

Collins Stewart Tullett plc

(registered in England and Wales under the Companies Act 1985 with registered number 3904126)

Directors:

Keith Hamill (*Non-Executive Chairman*)
Terry Smith (*Chief Executive*)
Helen Smith (*Group Finance Director*)
Terry Hitchcock (*Executive Director*)
Stephen Jack (*Executive Director*)
Louis Scotto (*Executive Director*)
David Clark (*Non-Executive Director*)
Michael Fallon (*Non-Executive Director*)
Bernard Leaver (*Non-Executive Director*)
John Spencer (*Non-Executive Director*)

Registered Office and Head Office:

9th Floor
88 Wood Street
London EC2V 7QR

24 September 2004

Dear Shareholder,

Proposed Acquisition of Prebon and Placing of 15,714,286 new Ordinary Shares at 350 pence per new Ordinary Share

Background and introduction

The Board announced on 24 September 2004 that agreement had been reached to acquire the entire issued share capital of Prebon, an inter-dealer broker. The Acquisition values the ordinary share capital of Prebon at £69.5 million and places an Enterprise Value on Prebon of approximately £125.3 million including debt and other obligations which Collins Stewart Tullett will assume or repay on Completion.

The acquisition of Tullett Liberty by the Company in March 2003 diversified the Group's revenue streams making the Group a stronger entity, better able to provide higher and more consistent returns to Shareholders than either Collins Stewart or Tullett Liberty could as independent entities.

Following the Group's acquisition of Tullett Liberty, the Directors of Collins Stewart Tullett have indicated that the Group was seeking to enhance Tullett Liberty's franchise further both organically and by acquisition. With Tullett Liberty now successfully incorporated into the Group, the acquisition of Prebon offers the opportunity to consolidate and strengthen the Group's position in the inter-dealer broker business by bringing together two brokers with strong positions and largely complementary activities. Accordingly, the Directors of Collins Stewart Tullett believe the Enlarged Tullett Liberty Group will be better able to compete with other inter-dealer brokers across a full range of products.

The consideration of £69.5 million for the ordinary share capital of Prebon will be satisfied partly by the issue of 5,522,683 Consideration Shares to the Vendors with an approximate value of £19.9 million (based on the closing mid-market price on 23 September 2004) and as to the remaining £49.6 million in cash. The cash element of the consideration and the repayment of that part of Prebon's outstanding indebtedness which is repayable on Completion will be satisfied from the proceeds of the Placing of 15,714,286 Placing Shares at a price of 350 pence per Ordinary Share to raise approximately £48.0 million (net of expenses) and from Collins Stewart Tullett's existing internal resources. The Placing has been fully underwritten by Lehman Brothers.

Collins Stewart Tullett will assume or repay debt and other obligations at Completion with a gross value of approximately £55.8 million as at 31 August 2004. The exact value of the indebtedness and the obligations will depend upon the date on which Completion occurs, foreign exchange rates and interest accruing until Completion. The above figure does not take into account cash held by Prebon, a large proportion of which is used by Prebon to satisfy regulatory and clearing requirements.

In view of its size, the Acquisition is conditional, amongst other things, upon the approval of Shareholders at the EGM convened for 9.30 a.m. on 12 October 2004 and the Acquisition not being referred to the Competition Commission by the Office of Fair Trading. If the Acquisition is referred to the Competition

Commission the Company will not proceed with the Acquisition. The Acquisition is also conditional upon the receipt of regulatory approvals in certain jurisdictions without which the Acquisition may not proceed. The Placing is conditional, amongst other things, upon the Acquisition proceeding but the Placing does not require approval from Shareholders.

The purpose of this document is to provide you with details of the Acquisition, the Placing and the proposed grant of share options to Louis Scotto and Stephen Jack and to explain why the Directors believe the Acquisition and the granting of the afore-mentioned share options to be in the best interests of the Company and the Shareholders as a whole and why your Directors recommend that you vote in favour of the Resolutions to be proposed at the EGM, notice of which is set out at the end of this document.

General information on Collins Stewart Tullett

Collins Stewart Tullett is a global diversified financial services group listed on the London Stock Exchange. Its two trading groups are Collins Stewart, one of the UK's leading independent stockbrokers, and Tullett Liberty, the world's second largest inter-dealer broker. The Group employs some 2,100 staff in 21 locations, of which approximately 1,700 are employed by Tullett Liberty.

The original stockbroking business was founded in 1991 and has grown rapidly through a combination of organic development and acquisitions. In May 2000, the Company completed a management buy-out and Collins Stewart became an independent business. The Company was then floated on the main market of the London Stock Exchange in October 2000 with a market capitalisation on flotation of approximately £326 million. The move into the inter-dealer broking sector took place in March 2003 when the Company acquired Tullett Liberty for a consideration of approximately £250 million.

Collins Stewart's activities span institutional and private client stockbroking, market making, corporate finance, fund management and the supply of on-line financial information. Collins Stewart's main quantitative research tool is its QUESTTM on-line share evaluation system which is currently supplied to institutional investors in the UK, Europe, North America and the Far East.

Tullett Liberty is an inter-dealer broker operating as an intermediary in the wholesale financial markets, by facilitating the trading activities of its clients. Tullett Liberty operates on both a "name give up" and "matched principal" basis. Tullett Liberty's clients are largely commercial and investment banks, hedge funds and buy-side institutions. Tullett Liberty's business comprises four major product groups: fixed income securities and their derivatives, interest rate derivatives, treasury products and equities. In addition, it has an energy broking operation and a data sales operation.

Tullett Liberty pursues a "hybrid" model, with its voice broking services being provided to its clients through direct lines to trading desks supported by proprietary screens which display historical data, analytics and real time prices.

In the year to 31 December 2003, the Group generated revenues of £473.9 million and operating profit before goodwill amortisation of £77.8 million (these statutory financials reflect Tullett Liberty's contribution only from the date of its acquisition on 10 March 2003). In the six months to 30 June 2004, the Group generated revenues of £274.7 million (of which Tullett Liberty contributed £216.4 million) and operating profit before goodwill amortisation of £46.9 million (of which Tullett Liberty contributed £29.0 million).

Note:

Save whereas otherwise indicated, the financial information within this section for the year to 31 December 2003 has been extracted without material adjustment from the comparative tables in Part II of this document, and the financial information for the six months to 30 June 2004 from Collins Stewart Tullett's unaudited interim results in Part III of this document. Investors should read the whole of this document and not just rely on the summarised information.

General information on Prebon

Prebon is an inter-dealer broker which has grown both organically and by a series of mergers and acquisitions which took place primarily in the 1990s. The most significant of these was the merger of Prebon Yamane and MW Marshall in 1999 to form the Prebon Group.

Prebon employs approximately 1,650 staff and has 23 offices around the world with a relatively strong presence in Asia. Its principal offices are in London, New Jersey, Singapore and Tokyo, with other offices in Luxembourg, Hong Kong, Sydney, Toronto, Warsaw and Zurich, and a representative office in Shanghai. It also has joint ventures in Bahrain, Bangalore, Jakarta, Kuala Lumpur, Manila, Mumbai and Paris.

Like Tullett Liberty, Prebon pursues a "hybrid" model with voice broking supported by systems such as on-screen price display, analytics, access to historical price information and automated post-trade feeds. Prebon acts as an intermediary in the wholesale over-the-counter financial markets by facilitating the trading of its

clients across a diversified range of interest rate, equity and credit derivatives, energy, foreign exchange, money markets and securities products. It facilitates trades on a "name give up" basis and does not take unmatched principal positions. In addition, it generates revenues from the sale of price data to third party information providers.

Prebon's clients include the leading global and regional banking groups, other financial institutions, corporations and government agencies.

In the twelve months to 31 March 2004, Prebon generated revenues of £288.5 million and operating profit before goodwill amortisation of £15.0 million.

Note:

Save whereas otherwise indicated, the financial information within this section for the year to 31 March 2004 has been extracted without material adjustment from the accountants' report on Prebon in Part IV of this document.

Comparison of Tullett Liberty's and Prebon's Revenue Breakdown and Geographical Footprint

The complementary nature of Tullett Liberty's and Prebon's revenues can be illustrated by the following table:

<i>Financial year ended</i>	<i>Tullett Liberty 31 December 2003</i>		<i>Prebon 31 March 2004</i>	
	<i>£m</i>		<i>£m</i>	
Fixed Income Securities	202.2	47%	36.3	13%
Interest Rate Derivatives	100.6	24%	81.8	28%
Treasury	72.6	17%	117.5	41%
Equities	42.4	10%	18.0	6%
Data Sales	7.9	2%	4.2	1%
Energy (inc. Metals for Prebon)	1.6	—	30.7	11%
	<u>427.4</u>	<u>100%</u>	<u>288.5</u>	<u>100%</u>
UK	173.9	41%	103.5	36%
Rest of EMEA	20.4	5%	31.2	11%
Americas	196.5	46%	99.6	34%
Asia	36.6	8%	54.2	19%
	<u>427.4</u>	<u>100%</u>	<u>288.5</u>	<u>100%</u>

Note:

The figures in this table have been extracted without material adjustment from the accounting records of Tullett Liberty and Prebon underlying the financial information shown in Parts II and IV. Shareholders should read the whole of this document and not just rely on the summarised information.

Certain information relating to Tullett Liberty and other companies within the inter-dealer broker business in which Tullett Liberty operates is set out in paragraph 16 of Part VI of this document.

Rationale for the Acquisition

Since the acquisition of Tullett Liberty in March 2003, the Directors have stated that the Group was seeking to enhance Tullett Liberty's franchise further both organically and by acquisition. With Tullett Liberty now successfully incorporated within the Group, the acquisition of Prebon will consolidate and strengthen the Group's position in the inter-dealer broker business by bringing together two brokers with strong positions in largely complementary activities. The Group has an experienced management team which has developed a detailed integration plan for the Tullett Liberty and Prebon businesses.

The Directors of Collins Stewart Tullett believe the Acquisition will:

- Allow the enlarged inter-dealer broker to benefit from economies of scale and achieve cost savings and efficiencies thereby enhancing the operating returns of the enlarged inter-dealer broker for the benefit of Shareholders
- Create a larger counterparty able to provide customers with an enhanced service offering by:
 - extending the depth of the Group's inter-dealer broking operations particularly in Asian and other emerging markets

- consolidating and broadening the Group's inter-dealer broking product offering, increasing liquidity across a wider range of financial products
- Strengthen the Group both in its existing business areas and in new product development

Financial benefits of the Acquisition

The Directors believe that the Acquisition will generate substantial cost savings through:

- Increased operational efficiency arising from rationalising technologies so as to establish single operating IT and communication platforms
- The closure of relatively underperforming desks within both Tullett Liberty and Prebon
- The removal of overlapping support and management functions

Accordingly, the Directors believe that the enlarged inter-dealer broking business will benefit from annualised pre-tax savings in fixed broker and support costs of approximately £60 million. The Group should see the full year benefit of these savings in 2006. The Directors estimate that these savings will be partly offset by modest reductions in brokerage revenues but nevertheless believe that the operating margins for the enlarged inter-dealer broking business, stated before reorganisation costs, will be higher than the rates currently achieved by Tullett Liberty.

The one-off pre-tax restructuring costs of combining the Tullett Liberty and Prebon businesses are expected to be approximately £80 million, with these costs expected to be incurred by the end of 2005.

The Directors believe that prior to charging restructuring costs, the Acquisition's return on capital will exceed the Group's cost of capital in the year to 31 December 2005 and that on the same basis the Acquisition will be earnings enhancing in that financial year. This does not however mean that earnings per share for the year to 31 December 2005 will necessarily be greater than those for the current year.

Regulatory Capital

The Group's lead regulator is the FSA and, in accordance with its rules, the Group's regulatory capital position is monitored on a consolidated basis, in addition to the monitoring required for each individual regulated company within the Group. The Group's consolidated Regulatory Financial Resources are made up of three tiers of capital, which are detailed below:

- Tier 1: Consolidated shareholders' funds including interim verified profits plus minority interests less goodwill and less material losses.
- Tier 2: Dated long term subordinated debt, with a maturity of greater than five years from draw down, limited to 50 per cent. of Tier 1 capital.
- Tier 3: Non verified profits plus short term subordinated debt with a maturity of greater than two years from draw down, limited to 200 per cent. of Tier 1 capital.

The Group's consolidated Regulatory Financial Resources have to exceed the Group's consolidated Financial Resources Requirement ("FRR"). The FRR is an aggregation of the FRR for each company within the Group. The FRR comprises calculations which are designed to assess the various risks faced by an entity and which are defined by the relevant regulators.

Goodwill arising on both the acquisition of Prebon and the goodwill already on Prebon's balance sheet, estimated in total to be £121.6 million as extracted, without material adjustment from the pro forma statement of net assets in Part V, will be deducted from Tier 1 capital. Tier 1 capital as at 30 June 2004, was £110.0 million and Tier 2 and Tier 3 capital was in aggregate £165.0 million. After the Acquisition, the Consideration Shares to the Vendors would increase Tier 1 capital by £19.9 million but the goodwill arising on the transaction would reduce it to a negligible amount. The Placing will restore the Company's Tier 1 capital to approximately £63.3 million and enable the Company's recently issued subordinated Eurobond to again be included in the Group's consolidated Regulatory Financial Resources in accordance with the prescribed ratios. In calculating the size of the Placing, the Directors have taken account of the integration costs which will be incurred after the Acquisition in order that the Group continues to maintain a satisfactory excess over its FRR.

Sale of certain Prebon businesses

On 24 September 2004, Prebon agreed to sell certain of its businesses to be known as the "Mawlaw Group" to Mawlaw 611 Limited, a company which is majority owned by Arthur Hughes and Patrick Keenan, who

are also, currently, together the majority shareholders of Prebon (directly or indirectly). These businesses have a largely different focus to Prebon's business, and as such do not directly compete with the Enlarged Tullett Liberty Group.

The sale of these businesses is conditional upon completion of the Acquisition and the consent of the Dutch regulators, and completion is to be simultaneous with completion of the Acquisition. In the event that the Dutch regulators have not given the necessary consent at the time the Acquisition is completed, these businesses will remain with Prebon pending that consent being obtained and the sale proceeding. The total consideration for the sale is £4.3 million to be paid in cash at Completion, and the proceeds of the sale will be an asset of Prebon when it is purchased by Collins Stewart Tullett. Please refer to paragraph 10.2 of Part VI of this document for additional information.

The financial results of these businesses are included in the accountants' report on Prebon in Part IV of this document, but separate financial information on the businesses to be sold to the Mawlaw Group is given in Note 28 to Part IV of the document.

Management

It is announced that Helen Smith, who has been the Company's Finance Director since 2000, will be leaving at the end of December and will be succeeded by Stephen Jack, who is Chief Financial Officer of Tullett Liberty and who has been a member of the Board since March 2003. Helen will leave with the best wishes and thanks of the Board and her colleagues and friends for the valuable contribution she has made to the development of the Company.

No other changes to the Board of Collins Stewart Tullett are contemplated as a result of the Acquisition.

Proposed grant of share options to Louis Scotto and Stephen Jack

An option over 424,087 Existing Ordinary Shares is proposed to be granted to Louis Scotto and an option over 106,045 Existing Ordinary Shares is proposed to be granted to Stephen Jack, in each case conditional on Shareholder approval (to be sought at the EGM) and completion of the Acquisition. The number of Ordinary Shares subject to Louis Scotto's or Stephen Jack's options, as appropriate, in respect of which the option may be exercised will be reduced by the number of Ordinary Shares subject to their respective options described in paragraph 8.1.6 of Part VI of this document (the "existing options") that vest on completion of the Acquisition.

The performance condition attached to the existing share options was to drive the targeted improvement in Tullett Liberty's operating margins. The performance condition to be attached to the new share options will have the same aim, but will target improvement in the enlarged inter-dealer broking business' operating margins.

The new share options will have a total exercise price of £1 and, to the extent that they vest in accordance with the performance conditions and any continued service condition to which they are subject and provided the optionholder remains a director or employee of the Enlarged Group, will normally be exercisable between the period of three to ten years after the date of grant.

The new share options will be subject to the following performance conditions. In order for the options to vest (i) the enlarged inter-dealer broking business' turnover must exceed £650 million in each of the financial years 2005-2007; and (ii) the enlarged inter-dealer broking business' operating margin (before reorganisation costs) must be at least 13 per cent. per annum in any two consecutive years in the financial years 2005-2007. At an operating margin of 13 per cent. the options would vest in respect of 30 per cent. of the Ordinary Shares subject to them; vesting would increase by 5 per cent. of the Ordinary Shares subject to the options for every 0.5 per cent. improvement in operating margin up to 15 per cent. and thereafter by 8.33 per cent. of the Ordinary Shares subject to them for every 0.5 per cent. improvement in operating margin. Once the number of Ordinary Shares over which the options vest under the performance conditions has been determined that number will then be reduced by that number of Ordinary Shares subject to the relevant optionholder's existing option that vested on completion of the Acquisition. The operating margin will be calculated before charging any FRS 20 or similar accounting costs to the profit and loss account in connection with the options or any options granted under the Tullett Liberty Equity Incentive Plan (as described in paragraph 8.1.5 of Part VI of this document).

If a significant acquisition is made by the enlarged inter-dealer broking business during the performance period, the performance conditions will be measured up until the time that the acquisition is completed. Provided the turnover and operating margin targets are achieved during this period the number of Ordinary

Shares subject to the option that vest will be pro rated. If the performance conditions have not been met before a significant acquisition is made, the option will lapse. A significant acquisition is an acquisition of a business with an annual turnover of more than £100 million.

Following achievement of the operating margin target, a new share option will only be exercisable if the respective director remains employed by the Enlarged Group for a further twelve months.

Further details of the new share options are set out in paragraph 8.1.7 of Part VI of this document.

The new share options require the approval of Shareholders. Resolutions 2 and 3 in the notice of Extraordinary General Meeting at the end of this document relate to the proposed option grants to Louis Scotto and Stephen Jack respectively.

Developments since 30 June 2004

Since 30 June 2004, the Company has obtained credit ratings from both the Fitch and Moody's credit agencies. Fitch assigned the Company a long term credit rating of BBB with a stable outlook and Moody's assigned a long term issuer rating of Baa2 and a short term issuer rating of Prime-2, with a stable outlook on both ratings.

Having secured these ratings, in August 2004 the Company raised £150 million by way of a Eurobond issue, the proceeds of which have been used to strengthen the Company's regulatory capital base, repay existing indebtedness and for general corporate purposes. The Company has repaid £47.6 million of existing borrowings since the interim date. Some £64.2 million of the Eurobond has been swapped into US dollar debt to provide a hedge for the Company's investments in its North American and Hong Kong subsidiaries.

On 25 August 2004, the Company announced that it had appointed Michael Fallon as an independent non-executive director of the Company with effect from 1 September 2004 and also announced the resignation of Rob Lucas as a non-executive director of the Company.

Current trading

Collins Stewart Tullett

The Group has continued to trade profitably since 30 June 2004, although conditions have been more difficult than earlier in the year in some of the key markets in which it operates. The increase in interest rates and the consequent slow down in corporate bond issuance and mortgage refinancing have had an impact upon revenues in parts of Tullett Liberty's fixed income business in recent months, although activity has been satisfactory in other product areas and there are reasons to expect a resurgence in fixed income business before the year end. In Collins Stewart, one of the main challenges is the poor condition of equity new issue markets, although this may improve once there is an acceptance of the impact of higher interest rates and more realistic pricing.

Prebon

The Prebon Group revenues remain ahead of prior year on a constant currency basis although profitability has been affected by the weaker contribution from the European Fixed Income and Energy businesses.

Prospects

The acquisition of Prebon and its integration within the Group will undoubtedly be a challenge in the coming year. However, a significant amount of planning has already gone into this exercise, thus the integration plan should commence as soon as Completion takes place. The Directors believe the Acquisition will give rise to significant opportunities for the creation of shareholder value and they will continue to explore ways to develop the enlarged inter-dealer broking business once the integration process has been completed.

Options granted under the Tullett Liberty Equity Incentive Plan which was established in January to drive margin improvements will either vest in part on Completion or lapse. It is intended that further options with new performance targets based on the Enlarged Tullett Liberty Group will be granted under this plan.

Despite uncertainties in the trading outlook, the Directors believe the financial prospects for the Enlarged Group in the remainder of the current year and in 2005 (excluding restructuring costs) to be positive in light of the initiatives already being developed to drive margin improvement and to grow the business.

Investment Considerations

The Financial Services Authority's investigation into the split capital investment trust sector which commenced in early 2002 is continuing. Collins Stewart Tullett announced in January 2003 that it was being investigated in connection with Collins Stewart's activities in this sector. It continues to co-operate with that investigation.

The Financial Services Authority has stated in its annual report for 2003/2004 published on 30 June 2004 that it is discussing a possible settlement with 21 firms involved in the split capital investment trust market. It has said that it will accept a settlement only on the basis of adequate compensation for investors, otherwise it will proceed with enforcement action.

Having taken legal advice, the directors of Collins Stewart Tullett continue to believe that the Group does not have any liability in relation to its involvement in the split capital investment trust sector which would be material in the context of the Group. Collins Stewart Tullett has made no specific provision in its accounts for the year ended 31 December 2003 or the six months ended 30 June 2004 in relation to its involvement in split capital investment trusts other than in respect of legal costs.

No proceedings have been commenced against Collins Stewart. However, there is a risk that the FSA will proceed with enforcement action against the firm. There can be no assurance that an adverse decision by the FSA arising from the Group's involvement in the split capital investment trust sector would not have a negative impact on the Group.

Details of the Placing

Collins Stewart Tullett has entered into a Placing Agreement with Lehman Brothers pursuant to which, *inter alia*, Lehman Brothers has agreed to procure Placees for 15,714,286 Placing Shares at the Placing Price to raise approximately £48.0 million (net of expenses). The Placing, which has been fully underwritten by Lehman Brothers, is conditional, *inter alia*, upon the passing of Resolution 1 at the EGM, the Acquisition Agreement remaining in full force and effect and becoming wholly unconditional on or prior to Admission, the Acquisition not being referred to the Competition Commission by the Office of Fair Trading and the Placing Agreement not having been terminated in accordance with its terms. The Placing does not require Shareholder approval. The New Ordinary Shares to be issued pursuant to the Placing and the Acquisition will be issued pursuant to existing authorisations. Shareholders have no right of pre-emption in respect of the new Ordinary Shares to be issued pursuant to the Placing.

All New Ordinary Shares will be credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all future dividends and other distributions declared, paid or made in respect of Ordinary Shares from the date of issue, other than the interim dividend of 2.75 pence per Ordinary Share declared by the Group on 24 September 2004. New Ordinary Shares are not being made available to the public and are not being offered or sold in any jurisdiction where it would be unlawful to do so.

Application has been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities respectively. It is expected that Admission will become effective and that dealings for normal settlement will commence on 13 October 2004.

Further information on, and details of, obligations and termination rights under the Placing Agreement are set out in paragraph 12 of Part VI of this document.

Extraordinary General Meeting

You will find at the end of this document a notice convening an Extraordinary General Meeting of the Company for 9.30 a.m. on 12 October 2004 for the purpose of considering and, if thought fit, passing the Resolutions.

Action to be taken by Collins Stewart Tullett Shareholders

The reply paid Form of Proxy enclosed with this document is for use in connection with the Extraordinary General Meeting, or any adjournment thereof. You are requested to complete the Form of Proxy in accordance with the instructions printed on it and to return it by post (or by hand during normal business hours) to the Company's registrars, Capita Registrars (Proxies), P.O. Box 25, Beckenham, Kent BR3 4BR as soon as possible, and in any event so as to be received by not later than 9.30 a.m. on 10 October 2004. The

completion and return of the Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person should you wish to do so.

For this Extraordinary General Meeting Shareholders will also be able to utilise the CREST proxy voting service to lodge their proxy votes. Details of how this will operate are included in the notes to the notice of Extraordinary General Meeting at the back of this document.

You need take no action in respect of the Placing.

Recommendation

The Directors consider the Acquisition and the grant of options to Louis Scotto and Stephen Jack to be in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors unanimously recommend Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting as the Directors intend to do in respect of their beneficial interests comprising 11,184,868 Ordinary Shares representing approximately 5.9 per cent. of the Company's entire issued ordinary share capital.

Yours sincerely

Keith Hamill
Non-Executive Chairman

PART II

FINANCIAL INFORMATION ON COLLINS STEWART TULLETT

Nature of financial information

The information set out in this document is for Collins Stewart Tullett plc for the three years ended 31 December 2003 has been extracted without material adjustment from the audited consolidated financial statements for the years then ended, in respect of which unqualified audit reports were given and which did not contain any statement under sections 237(2) or (3) of the Act. These financial statements have been delivered to the Registrar of Companies.

The auditors of the Company are Deloitte & Touche LLP, chartered accountants and registered auditors, whose address is Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR. Deloitte & Touche LLP audited the accounts of the Group for the year ended 31 December 2003. Deloitte & Touche, chartered accountants, whose address is Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR, audited the accounts of the Group for the years ended 31 December 2001 and 2002.

The financial information herein does not comprise statutory accounts within the meaning of section 240 of the Act.

Consolidated profit and loss account

	<i>Notes</i>	<i>Years ended 31 December</i>		
		<i>2001</i> <i>(Restated)*</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>2003</i> <i>£m</i>
Turnover				
Continuing operations		99.2	96.0	127.9
Acquisitions		4.0	—	346.0
	2	103.2	96.0	473.9
Administrative expenses				
Amortisation of goodwill:				
Continuing operations		(5.6)	(6.6)	(6.6)
Acquisitions		(0.5)	—	(7.2)
		(6.1)	(6.6)	(13.8)
Other expenses:				
Continuing operations		(66.0)	(66.5)	(87.6)
Acquisitions		(5.4)	—	(314.9)
		(71.4)	(66.5)	(402.5)
Total administrative expenses		(77.5)	(73.1)	(416.3)
Other operating income				
Continuing operations		1.1	2.7	3.7
Acquisitions		—	—	2.7
	3	1.1	2.7	6.4
Operating profit				
Continuing operations		28.5	25.6	37.4
Acquisitions		(1.7)	—	26.6
	2,4	26.8	25.6	64.0

		<i>Years ended 31 December</i>		
	<i>Notes</i>	<i>2001 (Restated)* £m</i>	<i>2002 £m</i>	<i>2003 £m</i>
Operating profit		26.8	25.6	64.0
Net share of operating profits in associates				
Acquisitions		—	—	0.5
Exceptional items:				
Profit on sale of fixed asset investments in continuing operations	5	6.7	—	—
Profit on reorganisation of associates	5	—	—	4.5
Net interest receivable/(payable)	8	(0.7)	(0.1)	0.4
Profit on ordinary activities before taxation		32.8	25.5	69.4
Taxation on profit on ordinary activities	9	(10.4)	(9.5)	(28.7)
Profit on ordinary activities after taxation		22.4	16.0	40.7
Equity minority interests		—	(0.1)	(0.6)
Profit for the year attributable to shareholders of Collins Stewart Tullett plc		22.4	15.9	40.1
Dividends paid and proposed				
Ordinary dividend on equity shares	10	(6.9)	(6.9)	(18.0)
Preference dividend on non-equity shares	10	(2.6)	(2.6)	(0.7)
Retained profit for the year		12.9	6.4	21.4
Earnings per share				
Basic	11	19.2p	13.0p	23.2p
Diluted	11	19.0p	12.9p	22.8p
Basic before amortisation of goodwill and exceptional items	11	19.6p	19.5p	28.8p

Note:

* The consolidated profit and loss account for the year ended 31 December 2001 has been restated for the adoption of FRS 19: Deferred Taxation as detailed in Note 1.

Consolidated statement of total recognised gains and losses

		<i>Years ended 31 December</i>		
	<i>Notes</i>	<i>2001 (Restated)* £m</i>	<i>2002 £m</i>	<i>2003 £m</i>
Profit for the year attributable to shareholders of Collins Stewart Tullett plc		22.4	15.9	40.1
Foreign currency translation differences:				
Subsidiaries		—	(0.1)	(2.8)
Associates		—	—	(0.1)
Total recognised gains and losses for the year		22.4	15.8	37.2
Prior year adjustment*	1	—	1.2	—
Total recognised gains and losses since the last annual report and financial statements		22.4	17.0	37.2

Note:

* The consolidated statement of total recognised gains and losses for the year ended 31 December 2001 has been restated for the adoption of FRS 19: Deferred Taxation as detailed in Note 1.

Consolidated balance sheet

		<i>As at 31 December</i>		
<i>Notes</i>		<i>2001</i>	<i>2002</i>	<i>2003</i>
		<i>(Restated) *</i>		
		<i>£m</i>	<i>£m</i>	<i>£m</i>
Fixed assets				
Intangible assets	12	120.9	114.4	282.2
Tangible assets	14	6.9	6.4	25.6
Associates	15	—	—	8.0
Other fixed asset investments	15	0.1	0.1	1.7
		<u>127.9</u>	<u>120.9</u>	<u>317.5</u>
Current assets				
Debtors	16	103.4	84.4	444.5
Investments	17	14.6	9.5	54.6
Cash at bank and in hand		66.3	61.9	209.9
		<u>184.3</u>	<u>155.8</u>	<u>709.0</u>
Creditors: amounts falling due within one year	18	<u>(158.2)</u>	<u>(119.7)</u>	<u>(555.6)</u>
Net current assets		26.1	36.1	153.4
Total assets less current liabilities		154.0	157.0	470.9
Creditors: amounts falling due after more than one year	19	(9.6)	(6.4)	(71.8)
Provisions for liabilities and charges	20	(0.4)	(0.4)	(4.6)
Net assets		<u>144.0</u>	<u>150.2</u>	<u>394.5</u>
Capital and reserves				
Called up share capital	21	27.0	27.0	47.3
Share premium account	22	98.3	98.3	195.9
Merger reserve	22	—	—	100.4
Profit and loss account	22	18.5	24.8	43.3
		<u>143.8</u>	<u>150.1</u>	<u>386.9</u>
Shareholders' funds				
Equity		99.2	105.5	386.9
Non equity		44.6	44.6	—
		<u>143.8</u>	<u>150.1</u>	<u>386.9</u>
Equity minority interests		0.2	0.1	7.6
		<u>144.0</u>	<u>150.2</u>	<u>394.5</u>

Note:

* The consolidated balance sheet as at 31 December 2001 has been restated for the adoption of FRS 19: Deferred Taxation as detailed in Note 1.

Consolidated statement of cash flows

	Notes	Years ended 31 December		
		2001 £m	2002 £m	2003 £m
Net cash inflow from operating activities	29	25.9	21.4	130.2
Dividends from associates		—	—	0.1
Returns on investments and servicing of finance:				
Interest received		3.4	2.7	4.0
Interest paid		(2.6)	(2.1)	(3.3)
Interest element of finance lease rental payments		—	—	(0.2)
Preference dividends paid		(1.6)	(2.6)	(3.3)
		(0.8)	(2.0)	(2.8)
Taxation:				
Corporation tax paid		(8.9)	(9.1)	(11.7)
Overseas tax paid		(2.2)	(1.9)	(15.8)
		(11.1)	(11.0)	(27.5)
Capital expenditure and financial investments:				
Purchase of tangible fixed assets		(6.3)	(1.8)	(7.4)
Proceeds from sale of tangible fixed assets		—	—	0.1
Proceeds from sale of fixed asset investments		6.6	—	0.1
		0.3	(1.8)	(7.2)
Acquisitions and disposals:				
Purchase of subsidiary undertakings		(17.4)	(0.2)	(134.4)
Net cash acquired with subsidiary undertakings		—	—	33.0
Investment in associate		—	—	(7.7)
Disposal of associate		—	—	16.7
		(17.4)	(0.2)	(92.4)
Equity dividends paid		(3.6)	(6.9)	(13.1)
Net cash outflow before management of liquid resources and financing		(6.7)	(0.5)	(12.7)
Management of liquid resources:				
Sale of current asset investments		—	—	5.2
Purchase of current asset investments		—	—	(2.8)
		—	—	2.4
Financing:				
Issue of ordinary share capital		12.5	—	148.6
Share issue costs		(0.2)	—	(2.6)
Redemption of preference shares		—	—	(44.6)
Net increase/(repayment) of bank debt		(9.9)	(4.0)	33.2
Net repayment of loan notes		—	(0.5)	(3.3)
Debt issue costs		—	—	(0.7)
Capital element of finance lease rental payments		—	—	(0.9)
		2.4	(4.5)	129.7
Increase/(decrease) in cash	30	(4.3)	(5.0)	119.4

Notes to the financial statements

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with applicable accounting standards and UK company law. The accounting policies which are set out below, were applied consistently in each of the three years ended 31 December 2003 other than as follows.

The Group has adopted Financial Reporting Standard 19: Deferred Taxation. This has led to a restatement of the comparatives for the year ended 31 December 2001: the deferred tax charge has been reduced by £1.0 million in that year. A further £0.2 million has been credited to opening reserves. The creditor balance at 31 December 2001 has been reduced by £1.2 million.

The Group has also restated the balance sheet comparatives for the year ended 31 December 2001 for the reclassification of bank debt by its maturity date. This has led creditors greater than one year to be decreased by £7.3 million and creditors less than one year to be increased by such amount.

Tullett Liberty, which was acquired in 2003, has a number of investments in associates and a defined benefit pension scheme and accordingly the Group accounting policies were extended in 2003 to incorporate policies on pensions and associates. A policy dealing with Tullett Liberty's inter-dealer broker settlement balances has also been added.

These financial statements have been prepared under the historical cost convention, modified to include trading positions at market prices.

Basis of Consolidation

The Group financial statements consolidate the results of Collins Stewart Tullett plc and all its subsidiary undertakings, drawn up to 31 December each year. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date on which control passed.

In accordance with section 230(4) of the Companies Act 1985 Collins Stewart Tullett plc has taken advantage of the legal dispensation not to present its own profit and loss account. The amount of the profit after taxation for the financial period dealt with in the financial statements of the Company was £10.4 million in 2001, £14.7 million in 2002 and a loss of £3.8 million in 2003.

Turnover

Turnover, which excludes value added tax, includes the profit on buying and selling securities, the profit or loss arising on positions held in securities, commissions, brokerage and fees earned. Dividends and interest arising on long and short positions in securities form part of turnover, and as they are also reflected in movements in market prices, are not identified separately. Corporate finance fee income is recognised upon completion of the relevant transaction, when the deal has become unconditional.

Goodwill

On the acquisition of a business, fair values are attributed to the share of net separable assets acquired. Where the cost of an acquisition exceeds the fair values attributable to such net assets, the difference is treated as goodwill.

Positive goodwill arising on acquisition is capitalised, classified as an asset on the balance sheet and amortised through the profit and loss account on a straight-line basis over its useful economic life. This has been estimated at 20 years in respect of the acquisition of Collins Stewart Limited, the Group's UK private client division, and Tullett Liberty Limited, and 10 years in respect of less material acquisitions.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Finance Costs

The costs of raising debt finance are capitalised and netted against the debt, to which such costs relate, in the balance sheet. They are amortised through the profit and loss account on the basis of a constant rate of return on the carrying amount over the life of the debt facility.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight line basis over its expected useful life as follows:

Equipment, fixtures, fittings and motor vehicles	10% — 33% pa
Leasehold land and buildings (short/long)	over the period of the lease
Freehold land and buildings	1% pa

Associates

Entities other than subsidiary undertakings, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates and are accounted for using the equity method. The Group financial statements include the appropriate share of associates' results and retained reserves based on audited accounts to 31 December each year, with the exception of Totan Capital Markets Co. Ltd. and Parekh (Forex) Private Limited, which have a 31 March year end and therefore 31 December management accounts are used. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Fixed Asset Investments

Fixed asset investments are shown at cost less provision for impairment.

Current Asset Investments

Current asset investments, other than positions in securities, are stated at the lower of cost and net realisable value. Positions in listed and quoted securities are carried at realisable value on the basis of bid and offer prices at the year end, adjusted if appropriate, to reflect illiquid market conditions; any profits and losses arising from this valuation are taken to the profit and loss account. Positions in unlisted and unquoted securities are stated at cost less any provisions for impairment.

Foreign Currencies

Transactions in foreign currencies are recorded at the rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Translation differences are taken to the profit and loss account.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Adjustments arising from the retranslation of the opening net assets are dealt with through reserves.

Profits and losses of overseas subsidiary undertakings, joint ventures, and associates are translated into sterling at the average of the month-end exchange rates for the year and the difference in relation to closing rates is accounted for through reserves.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered using the tax rates and based on 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 Group'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.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax assets and liabilities are not discounted.

Leases and Hire Purchase Commitments

Assets held under finance leases are capitalised and depreciated over the shorter of the period of the lease and their useful lives. Assets held under hire purchase contracts are capitalised and depreciated over their useful lives. The interest element of the rental obligations in respect of finance leases is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Operating lease payments are charged to the profit and loss account on a straight-line basis over the life of the lease.

Pension Costs

Defined contributions made to employees' personal pension plans are charged to the profit and loss account as and when incurred. The expected annual cost of defined benefit pensions is calculated on the advice of actuaries and charged to the profit and loss account so as to spread the cost of pensions over the average service lives of employees in the schemes. Variations from the regular pension cost are spread over the expected remaining service lives of current employees in the schemes. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

All pension scheme assets are held separately from those of the Group in separate trustee administered funds.

Inter-dealer Broker Settlement Balances

Certain Group companies are involved as principal in the purchase and simultaneous commitment to sell securities between third parties. Such trades are complete only when both sides of the deal are settled, and so the Group is exposed to risk in the event that one side of the transaction remains unmatched. In order to reflect the substance of these transactions, the amounts due to and payable by counterparties in respect of matched principal business expected to settle in the normal course of trading are offset and the net amount is included within trade debtors or trade creditors as appropriate. For information purposes, the gross amounts are disclosed in notes 16 and 18.

Outstanding transactions which have gone beyond settlement date and where neither side of the transaction has settled are shown gross and are included within trade debtors and trade creditors in notes 16 and 18. Transactions where one side has settled but the other remains outstanding are also shown gross on the balance sheet within trade debtors and trade creditors.

Capital Instruments

Capital instruments are accounted for and classified as equity, non-equity share capital or debt according to their form. The finance costs recognised in the profit and loss account in respect of capital instruments other than equity shares are allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Derivative Financial Instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are recognised in the accounts when the hedged transaction has itself been reflected in the Group's accounts.

Client Money

The Group holds money on behalf of clients in accordance with the client money rules of the FSA. Such money and the corresponding liabilities to clients are not shown on the face of the balance sheet as the Group

is not beneficially entitled thereto. The amounts held on behalf of clients at the balance sheet date are stated at note 32. The net return received on managing client money is included within other operating income.

Securities Borrowing

Securities are borrowed in the ordinary course of business. All borrowing is collateralised and such collateral is included in trade debtors.

Employee Share Ownership Trusts

Under UITF 13 the cost to an employee share ownership trust ("ESOT") of shares which have not yet vested unconditionally pursuant to employee awards is included in current asset investments as such shares are not held for the continuing benefit of the Company. These shares, not being held for trading purposes, are held at cost and are disclosed as own shares.

Dividends have been waived by the Collins Stewart Tullett plc ESOT but not by the Collins Stewart (CI) Limited ESOT. The dividend income arising on shares which have not yet vested unconditionally pursuant to employee awards is excluded from dividends declared in the profit and loss account. Such shares are excluded from the denominator in the earnings per share calculation.

Where appropriate, the fair value less realisation proceeds relating to the award of shares by an ESOT, calculated on the day such award is made, is expensed as a remuneration cost evenly over the period from the original grant of the particular award to the time of unconditional vesting. At the same time, the fair value of the relevant shares less the cost to the ESOT of acquiring such shares, is included in other operating income in the profit and loss account over the period from the original grant of the particular award to the time of unconditional vesting.

Financial Period

Unless otherwise stated in the notes to these financial statements, 2001, 2002 and 2003 refer to the financial years ended 31 December 2001, 31 December 2002 and 31 December 2003 respectively.

2. Segmental Analysis of Turnover, Profit before Taxation and Net Assets

Geographical Area

	Europe			North America			Pacific Basin and Australasia			Group		
	2001 £m	2002 £m	2003 £m	2001 £m	2002 £m	2003 £m	2001 £m	2002 £m	2003 £m	2001 £m	2002 £m	2003 £m
Turnover												
Collins Stewart	94.3	87.9	120.1	8.9	8.1	7.8	—	—	—	103.2	96.0	127.9
Tullett Liberty	—	—	156.8	—	—	158.6	—	—	30.6	—	—	346.0
	<u>94.3</u>	<u>87.9</u>	<u>276.9</u>	<u>8.9</u>	<u>8.1</u>	<u>166.4</u>	<u>—</u>	<u>—</u>	<u>30.6</u>	<u>103.2</u>	<u>96.0</u>	<u>473.9</u>
Operating profit before goodwill												
Collins Stewart	29.4	29.3	41.4	3.6	2.9	2.6	—	—	—	33.0	32.2	44.0
Tullett Liberty	—	—	5.7	—	—	22.9	—	—	5.2	—	—	33.8
	<u>29.4</u>	<u>29.3</u>	<u>47.1</u>	<u>3.6</u>	<u>2.9</u>	<u>25.5</u>	<u>—</u>	<u>—</u>	<u>5.2</u>	<u>33.0</u>	<u>32.2</u>	<u>77.8</u>
Amortisation of goodwill												
Collins Stewart										(6.2)	(6.6)	(6.6)
Tullett Liberty										—	—	(7.2)
										<u>26.8</u>	<u>25.6</u>	<u>64.0</u>
Operating profit												
Share of associates' operating profit: Tullett Liberty	—	—	(0.4)	—	—	(0.3)	—	—	1.4	—	—	0.7
Amortisation of goodwill	—	—	—	—	—	—	—	—	(0.2)	—	—	(0.2)
	<u>—</u>	<u>—</u>	<u>(0.4)</u>	<u>—</u>	<u>—</u>	<u>(0.3)</u>	<u>—</u>	<u>—</u>	<u>1.2</u>	<u>—</u>	<u>—</u>	<u>0.5</u>
Exceptional items										6.7	—	4.5
Finance charges (net)										(0.7)	(0.1)	0.4
										<u>32.8</u>	<u>25.5</u>	<u>69.4</u>
Profit on ordinary activities before taxation												
Net assets												
Collins Stewart	143.4	149.5	130.7	0.5	0.7	1.3	—	—	—	143.8	150.2	132.0
Tullett Liberty	—	—	111.1	—	—	79.7	—	—	63.7	—	—	254.5
Share of associates' net assets — Tullett Liberty	—	—	(0.4)	—	—	(0.3)	—	—	8.7	—	—	8.0
	<u>143.4</u>	<u>149.5</u>	<u>241.4</u>	<u>0.5</u>	<u>0.7</u>	<u>80.7</u>	<u>—</u>	<u>—</u>	<u>72.4</u>	<u>143.8</u>	<u>150.2</u>	<u>394.5</u>

Class of Business

	<i>Stockbroking, Corporate Finance & Fund Management</i>			<i>Derivatives, Energy & Money Broking</i>			<i>Securities Broking</i>			<i>Information Sales</i>			<i>Group</i>		
	2001 £m	2002 £m	2003 £m	2001 £m	2002 £m	2003 £m	2001 £m	2002 £m	2003 £m	2001 £m	2002 £m	2003 £m	2001 £m	2002 £m	2003 £m
Turnover															
Collins Stewart	103.2	96.0	127.9	—	—	—	—	—	—	—	—	—	103.2	96.0	127.9
Tullett Liberty	—	—	—	—	—	146.7	—	—	192.9	—	—	6.4	—	—	346.0
	<u>103.2</u>	<u>96.0</u>	<u>127.9</u>	<u>—</u>	<u>—</u>	<u>146.7</u>	<u>—</u>	<u>—</u>	<u>192.9</u>	<u>—</u>	<u>—</u>	<u>6.4</u>	<u>103.2</u>	<u>96.0</u>	<u>473.9</u>
Operating profit before goodwill															
Collins Stewart	33.0	32.2	44.0	—	—	—	—	—	—	—	—	—	33.0	32.2	44.0
Tullett Liberty	—	—	—	—	—	15.5	—	—	16.4	—	—	1.9	—	—	33.8
	<u>33.0</u>	<u>32.2</u>	<u>44.0</u>	<u>—</u>	<u>—</u>	<u>15.5</u>	<u>—</u>	<u>—</u>	<u>16.4</u>	<u>—</u>	<u>—</u>	<u>1.9</u>	<u>33.0</u>	<u>32.2</u>	<u>77.8</u>
Amortisation of goodwill															
Collins Stewart	—	—	—	—	—	—	—	—	—	—	—	—	(6.2)	(6.6)	(6.6)
Tullett Liberty	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(7.2)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26.8</u>	<u>25.6</u>	<u>64.0</u>
Operating profit															
Share of associates' operating profit: Tullett Liberty	—	—	—	—	—	0.7	—	—	—	—	—	—	—	—	0.7
Amortisation of goodwill	—	—	—	—	—	(0.2)	—	—	—	—	—	—	—	—	(0.2)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>0.5</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>0.5</u>
Exceptional items															
Finance charges (net)	—	—	—	—	—	—	—	—	—	—	—	—	6.7	—	4.5
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(0.7)</u>	<u>(0.1)</u>	<u>0.4</u>
Profit on ordinary activities before taxation													<u>32.8</u>	<u>25.5</u>	<u>69.4</u>
Net assets															
Collins Stewart	143.8	150.2	132.0	—	—	—	—	—	—	—	—	—	143.8	150.2	132.0
Tullett Liberty	—	—	—	—	—	95.4	—	—	143.1	—	—	16.0	—	—	254.5
Share of associates' net assets — Tullett Liberty	—	—	—	—	—	8.0	—	—	—	—	—	—	—	—	8.0
	<u>143.8</u>	<u>150.2</u>	<u>132.0</u>	<u>—</u>	<u>—</u>	<u>103.4</u>	<u>—</u>	<u>—</u>	<u>143.1</u>	<u>—</u>	<u>—</u>	<u>16.0</u>	<u>143.8</u>	<u>150.2</u>	<u>394.5</u>

3. Other Operating Income

Other operating income comprises:

	2001 £m	2002 £m	2003 £m
Net interest receivable on clients' free money	0.7	1.0	1.2
Other income	0.4	1.7	5.2
	<u>1.1</u>	<u>2.7</u>	<u>6.4</u>

4. Operating Profit

Operating profit is stated after charging:

	2001	2002	2003
	£m	£m	£m
Depreciation of owned assets	1.6	2.2	7.8
Depreciation of assets held under finance leases and hire purchase contracts	—	—	0.5
Amortisation of goodwill arising on subsidiary undertakings	6.2	6.6	13.8
Amortisation of goodwill arising in respect of associates	—	—	0.2
Operating lease rentals	1.8	2.6	9.6
Auditors' remuneration:			
Audit work in the UK	0.1	0.2	0.4
Audit work overseas	—	—	0.7
Non-audit work	0.2	0.1	0.2

In the year to 31 December 2003 an additional £0.9 million was paid to Deloitte & Touche LLP, the Group's auditor, in connection with the acquisition of Tullett Liberty and accompanying fundraising in March. This fee was capitalised as a cost of the acquisition.

5. Exceptional Items: Profit on Sale of Fixed Asset Investments from Continuing Operations and Profit on Reorganisation of Associates

During the year ended 31 December 2001, the Group disposed of the majority of its holding of shares in The London Stock Exchange plc. The cost of this investment was nil and the proceeds and resulting gain were £6.7 million. The exceptional item represented a profit on the sale of fixed asset investments from continuing operations.

In August 2003, Tullett Liberty sold its 20 per cent. holding in The Totan Derivatives Co., Ltd., realising a profit of £4.5 million. A direct 20 per cent. holding in the affiliated TIU Derivatives Co. Ltd. (subsequently re-named Totan Capital Markets Co. Ltd.) was acquired at the same time.

6. Staff Costs

The aggregate employment costs of staff and directors were:

	2001	2002	2003
	£m	£m	£m
Wages, salaries, bonuses and incentive payments	45.1	40.0	269.6
Social security costs	5.2	4.2	22.0
Payment on termination	0.7	—	—
Other pension costs	0.5	0.7	4.0
	51.5	44.9	295.6

The average number of directors and employees of the Group, all of whom were employed in financial services, was 320 in 2001, 408 in 2002 and 2,092 in 2003. Staff were employed in the following geographical regions:

	2001	2002	2003
	No	No	No
Europe	310	398	1,240
North America	10	10	595
Asia/ Pacific	—	—	257
	320	408	2,092

7. Directors' Emoluments

Directors' Remuneration

The following table shows a breakdown of the remuneration of individual directors for the years ended 31 December 2001, 31 December 2002 and 31 December 2003:

	Salaries and fees			Benefits			Bonuses			Total		
	2001 £000	2002 £000	2003 £000	2001 £000	2002 £000	2003 £000	2001 £000	2002 £000	2003 £000	2001 £000	2002 £000	2003 £000
Executive directors												
Terry Smith	100	100	100	1	1	2	2,100	1,500	3,400	2,201	1,601	3,502
Helen Smith	100	100	100	1	1	1	300	300	800	401	401	901
Terry Hitchcock ^(vi)	—	15	100	1	1	2	125	175	600	126	191	702
Bruce Collins ^{(i)(v)}	—	—	520	—	—	2	—	—	1,830	—	—	2,352
Stephen Jack ^{(i)(v)}	—	—	208	—	—	2	—	—	701	—	—	911
Andy Stewart ⁽ⁱⁱ⁾	100	100	25	2	1	2	1,800	200	—	1,902	301	27
Paul Wedge ^(vii)	67	—	—	—	—	—	—	—	—	67	—	—
Non-executive directors												
Keith Hamill ^(iv)	48	48	78	—	—	—	—	—	—	48	48	78
Rob Lucas ^(iv)	—	—	24	—	—	—	—	—	—	—	—	24
John Spencer	24	24	29	—	—	—	—	—	—	24	24	29
David Clark ⁽ⁱ⁾	—	—	20	—	—	—	—	—	—	—	—	20
Bernard Leaver ⁽ⁱⁱⁱ⁾	—	—	11	—	—	—	—	—	—	—	—	11

Notes:

- The remuneration information for Bruce Collins, Stephen Jack and David Clark is in respect of the period from 10 March 2003 when Tullett Liberty was acquired by the Company. The remuneration paid to each of them respectively for the year ended 31 December 2003 was £2,823,000, £1,094,000, and £56,000.
- Andy Stewart resigned as a director on 24 March 2003. He received no severance payment in connection with his resignation.
- Bernard Leaver was appointed to the Board on 1 August 2003.
- Fees were paid to Aldrington Investments Ltd in respect of Keith Hamill's services until June 2003 after which time fees were paid through the payroll. Rob Lucas' services are provided by CVC Capital Partners Ltd.
- The above table does not include pension contributions in respect of Bruce Collins or Stephen Jack.
- Terry Hitchcock was appointed an Executive director on 4 November 2002. Prior to that he was a non-executive director of the Company.
- Paul Wedge resigned as a director on 30 September 2001 and was paid £696,000 on termination of employment.

Bruce Collins resigned as a director on 27 April 2004. The Board has agreed to pay him up to £1.75 million compensation for loss of office over his notice period under his service contract (which was entered into by the board of Tullett Liberty prior to that company's acquisition by the Group). A mitigation principle has been agreed whereby this sum would be reduced if Bruce Collins accepted a new appointment during the notice period. In addition, Bruce Collins will retain the share option granted to him in 2003.

Directors' Interests

The interests (all beneficial) of those persons who were directors at the end of each year in the ordinary share capital of the Company were as follows:

	2001 ⁽ⁱⁱⁱ⁾ No	2002 ⁽ⁱⁱⁱ⁾ No	2003 ⁽ⁱⁱⁱ⁾ No
Keith Hamill	15,822	15,822	33,799
Terry Smith	8,800,000	8,800,000	8,800,000
Helen Smith ⁽ⁱ⁾	2,200,000	2,200,000	2,125,000
Bruce Collins	—	—	192,540
Terry Hitchcock	660,000	660,000	660,000
Stephen Jack	—	—	146,739
David Clark	—	—	—
Bernard Leaver	—	—	—
Rob Lucas ⁽ⁱⁱ⁾	133,294	133,294	66,647
John Spencer	31,645	31,645	39,542
Andy Stewart	4,400,000	4,400,000	—

Notes:

- Helen Smith sold 500,000 shares on 26 March 2004.
- Rob Lucas is beneficially interested in these ordinary shares which are held by Capital Ventures Nominees Limited.
- The Collins Stewart Tullett plc Employee Share Ownership Trust held 2,400,000 shares at 31 December 2001, 1,940,258 shares at 31 December 2002 and 1,285,258 shares at 31 December 2003, which had not been allocated to staff nor were subject to share options. The beneficiaries of the trust are the employees of the Group, including the executive directors. Under schedule 13 of the Companies Act 1985 the executive directors are deemed to be interested in these shares.

Other than disclosed in the notes above, at 29 April 2004, the date the 2003 accounts were signed, there had been no changes in the above directors' interests in the ordinary share capital of the Company since 31 December 2003.

Pensions

Tullett Liberty has committed to pay Bruce Collins a pension from the age of 55 of £82,000 per annum. There is a defined contribution underpinned to this benefit but it is not anticipated that this will be relevant. In the period from 10 March 2003 to 31 December 2003 Bruce Collins' pension entitlements and corresponding transfer values under the defined benefit section of the Tullett Liberty Pension Scheme developed as follows:

	£
Gross increase in accrued pension	3,153
Increase in accrued pension net of inflation	1,479
Total accrued pension at 31 December 2003	72,538
Value of net increase in accrual over the period	23,884
Total change in transfer value during the period	12,237
Value of accrued pension at 31 December 2003	925,865
Value of accrued pension at 10 March 2003	913,628

Notes:

- Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the period.*
- Transfer values have been calculated in accordance with section 8.1 of guidance note GN11 issued by the actuarial profession.*
- The value of the net increase in accrual over the period represents the incremental value to the director of his service during the period, calculated on the assumption that service had been terminated at the end of the period. It is based on the accrued pension increase net of inflation.*
- The change in the transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements.*
- Voluntary contributions paid by the Directors and resulting benefits are not shown.*
- Bruce Collins' early retirement pension, assuming he had left service on 31 December 2003 and retired immediately, would have been £63,957 pa.*
- The transfer value does not represent a sum paid or payable to Bruce Collins, but rather a potential liability of Tullett Liberty.*

Tullett Liberty makes a contribution of 6 per cent. of basic pay up to the statutory cap to the Tullett Liberty defined contribution pension scheme in respect of Stephen Jack. In the period from 10 March 2003 to the year-end this contribution amounted to £6,000. In the event of Stephen Jack's death in service, his spouse is entitled to a pension of approximately £25,000 pa.

Directors' Share Options

2001 and 2002

Details of the share options held by Directors who held office at 31 December 2001 and 31 December 2002 are set out below:

<i>Director</i>	<i>Ordinary Shares under Option</i>	<i>Earliest Exercise Date</i>	<i>Expiry Date</i>	<i>Exercise Price</i>
Non-executive Unapproved Scheme				
Keith Hamill	127,532	16.10.2003	15.10.2010	316p
John Spencer	63,766	16.10.2003	15.10.2010	316p
Sharesave Scheme 2000				
Andy Stewart	5,779	1.1.2006	30.6.2006	292p
Terry Smith	5,779	1.1.2006	30.6.2006	292p
Helen Smith	5,779	1.1.2006	30.6.2006	292p

No share options were awarded or exercised during either year nor did any lapse.

The share options granted under the Non-executive Unapproved Scheme were subject to a performance condition being met, based on the Company's return on capital employed exceeding the median for the FTSE Mid 250 Index. The performance condition was met in full.

The market price of the Company's ordinary shares in 2001 ranged from a low of 263p to a high of 444p during the year. At 31 December 2001 it was 390p. The market price of the Company's ordinary shares in 2002 ranged from a low of 255p to a high of 448p during the year. At 31 December 2002 it was 313p.

In addition to the above options, Andy Stewart and Terry Smith had been granted options over 2,878,923 and 2,638,979 ordinary shares in Collins Stewart Limited when that company was a subsidiary undertaking of Singer & Friedlander Group plc. These options, which had an exercise price of 1p per share, were exercised on 31 August 2001. Upon exercise, Singer & Friedlander acquired all such shares at 71p per share. Under an acquisition agreement relating to the management buy-out of Collins Stewart Limited, Singer and Friedlander transferred all these shares to the Company for no consideration.

2003

Details of the share options held by Directors who held office at 31 December 2003 are set out below:

	Options at 1 January 2003	Granted	Exercised	Options at 31 December 2003	Earliest exercise date	Expiry date	Exercise price
Sharesave Scheme 2000							
Terry Smith	5,779	—	—	5,779	1.1.2006	30.6.2006	292p
Helen Smith	5,779	—	—	5,779	1.1.2006	30.6.2006	292p
Non-executive Unapproved Scheme							
Keith Hamill	127,532	—	(127,532)	—	16.10.2003	15.10.2010	316p
John Spencer	63,766	—	(63,766)	—	16.10.2003	15.10.2010	316p
2003 Share Option Scheme							
Bruce Collins	—	120,000	—	120,000	29.4.2006	28.4.2013	349p
Stephen Jack	—	120,000	—	120,000	29.4.2006	28.4.2013	349p

No consideration was paid by any of the Directors in respect of the granting of any of the above share options.

Keith Hamill and John Spencer each exercised respectively 127,532 and 63,766 share options during the year, which had been granted prior to the Company's flotation in 2000, under the Non-executive Unapproved Scheme. The options, which had an exercise price of 316p, were exercised on 18 December 2003 at which time the market price of a Collins Stewart Tullett ordinary share was 414.5p. Each director sold enough shares on that date to finance the cost of acquiring shares on the exercise of the options and the tax arising thereon. After meeting such costs, Keith Hamill retained 15,795 of the shares arising on exercise and John Spencer retained 7,897 shares.

The share options granted to Bruce Collins and Stephen Jack were subject to performance conditions being satisfied in 2003, including *inter alia*, return on capital employed targets for each of Tullett Liberty and the Collins Stewart Tullett Group and pre-tax profit targets. These targets were met in full.

The market price of the Company's ordinary shares ranged from a low of 312p to a high of 493.5p during the year. At 31 December 2003 it was 442.5p.

8. Net Interest Receivable/(Payable)

	2001 £m	2002 £m	2003 £m
Interest receivable and similar income	3.5	2.5	5.0
Interest payable and similar charges:			
Bank loans and overdrafts	(2.2)	(1.1)	(2.8)
Finance charges payable under finance leases and hire purchase contracts	—	—	(0.1)
Amortisation of debt costs	(1.7)	(1.3)	(1.0)
Amortisation of discount	—	—	(0.2)
Other interest payable	(0.3)	(0.2)	(0.5)
	<u>(4.2)</u>	<u>(2.6)</u>	<u>(4.6)</u>
Net interest receivable/(payable)	<u>(0.7)</u>	<u>(0.1)</u>	<u>0.4</u>

9. Taxation on Profit on Ordinary Activities

	2001 £m	2002 £m	2003 £m
Current tax:			
UK corporation tax	7.4	7.8	20.4
UK corporation tax on exceptional item	1.0	—	—
Double tax relief	—	—	(3.7)
	<u>8.4</u>	<u>7.8</u>	<u>16.7</u>
Overseas tax	2.1	1.6	12.2
Share of associates' tax	—	—	0.7
Prior year UK Corporation tax over provided	—	—	(0.1)
Prior year overseas tax under provided	—	—	0.1
	<u>10.5</u>	<u>9.4</u>	<u>29.6</u>
Deferred tax:			
(Reversal)/origination of timing differences	(0.1)	0.1	(0.9)
Deferred tax on exceptional item	1.0	—	—
Adjustment in respect of prior year deferred tax	(1.0)	—	—
	<u>10.4</u>	<u>9.5</u>	<u>28.7</u>

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK of 30 per cent. as explained below:

	2001 £m	2002 £m	2003 £m
Profit on ordinary activities before tax	<u>32.8</u>	<u>25.5</u>	<u>69.4</u>
Tax on profit on ordinary activities at standard rate of 30%	9.8	7.6	20.8
Factors affecting charge for the year:			
Capital allowances less than depreciation	—	0.1	—
Disallowable expenditure	0.2	0.2	3.4
Goodwill amortisation (non-deductible)	2.0	2.0	4.2
Unrelieved losses	0.1	—	0.4
Non-taxable income	—	—	(1.3)
Different tax rates on overseas earnings	(1.6)	(0.5)	2.2
Adjustment in respect of prior years	—	—	(0.1)
Total current tax	<u>10.5</u>	<u>9.4</u>	<u>29.6</u>

10. Dividends

	2001 £m	2002 £m	2003 £m
Equity dividends on ordinary shares			
Interim paid (2001: 2.25p; 2002: 2.25p; 2003: 2.5p)	2.3	2.3	8.3
Final proposed (2001: 4.5p; 2002: 4.5p; 2003: 5.25p)	4.6	4.6	9.7
	<u>6.9</u>	<u>6.9</u>	<u>18.0</u>
Non-equity dividends on preference shares			
Dividend paid	2.6	2.6	0.7
	<u>9.5</u>	<u>9.5</u>	<u>18.7</u>

The trustee of the Company ESOT waived its right to dividends due on nil shares in 2001, 3.8 million shares in 2002 and 3.9 million shares in 2003. The dividends on nil shares in 2001, 0.7 million shares in 2002 and 1.1 million shares held by the trustee of the Collins Stewart (CI) Limited ESOT are also excluded in the above numbers. The amounts waived/excluded in respect of ordinary dividends were £0.3 million in 2001, £0.3 million in 2002 and £0.4 million in 2003.

The 82 million ordinary shares allotted pursuant to the placing and open offer, and offers for Tullett Liberty in 2003 were entitled to receive the 2002 final dividend. Since these shares were allotted after the 2002 year-end, these dividends, which totalled some £3.7 million, were treated as an interim dividend in respect of the year to 31 December 2003.

11. Earnings per Share

	2001 £m	2002 £m	2003 £m
Earnings			
Post tax profit	22.4	15.9	40.1
Preference dividends	(2.6)	(2.6)	(0.7)
Earnings for the purposes of the basic and diluted earnings per share	19.8	13.3	39.4
Amortisation of goodwill	6.2	6.6	14.0
Exceptional items	(6.7)	—	(4.5)
Taxation on exceptional item	1.0	—	—
Earnings for the purposes of basic earnings per share before amortisation of goodwill and exceptional items	20.3	19.9	48.9
	2001 No. (m)	2002 No. (m)	2003 No. (m)
Weighted average shares			
Number of ordinary shares at start of year	103.1	101.9	101.8
Shares acquired by the ESOTs	(1.8)	—	(0.3)
ESOT allocations	—	—	0.1
Vested share options	—	—	0.3
Share issues	1.8	—	68.1
Basic earnings per share denominator	103.1	101.9	170.0
Issuable on exercise of options	1.0	1.2	2.1
Contingently issuable shares*	—	—	0.9
Diluted earnings per share denominator	104.1	103.1	173.0
Earnings per share			
Basic	19.2p	13.0p	23.2p
Diluted	19.0p	12.9p	22.8p
Basic before amortisation of goodwill and exceptional item	19.6p	19.5p	28.8p

Note:

* Contingently issuable shares related to the deferred consideration payable in respect of the acquisition of Tullett Liberty, detailed in note 13.

12. Intangible Fixed Assets

	2001 £m	2002 £m	2003 £m
Cost			
At 1 January	112.9	130.4	130.4
Additions	17.8	—	181.6
Adjustment to fair value of acquisitions	(0.3)	—	—
At 31 December	<u>130.4</u>	<u>130.4</u>	<u>312.0</u>
Amortisation			
At 1 January	3.3	9.4	16.0
Charge for the year	6.2	6.6	13.8
At 31 December	<u>9.5</u>	<u>16.0</u>	<u>29.8</u>
Net book value			
At 31 December	<u>120.9</u>	<u>114.4</u>	<u>282.2</u>

13. Acquisitions and Disposals

Acquisitions

During 2001, Collins Stewart (CI) established Collins Stewart Property Fund Management Limited, acquired Cater Allen's Jersey business (renamed Mew-sha Limited) and the minority interest in Matrix International Limited. The consideration involved in these transactions amounted to £0.1 million and the goodwill arising thereon amounted to £0.1 million.

NatWest Stockbrokers

On 6 June 2001, Collins Stewart Limited acquired the business and goodwill of the private client division of NatWest Stockbrokers, the retail stock broking arm of The Royal Bank of Scotland.

The consideration of £17.5 million, paid in cash, comprised £11.0 million payable on completion of the purchase and a deferred payment of £6.5 million after more than 90 per cent. of clients' funds transferred to Collins Stewart Limited over the following 180 days. Acquisition costs of £0.1 million were incurred.

The acquisition was accompanied by a placing by the Company of 3,125,000 ordinary shares of 25p to raise approximately £12.2 million net of expenses, with the balance of the consideration being provided from existing resources.

The book and fair value of the assets acquired with the private client division of NatWest Stockbrokers was £1. The consideration discharged by cash including expenses of £0.1 million was £17.6 million giving rise to goodwill of £17.6 million. The goodwill arising on this acquisition has been capitalised on the balance sheet of Collins Stewart Limited and is being amortised on a straight-line basis over 20 years.

*Book and fair value of
assets/ (liabilities) acquired*
£m

Net assets acquired	—
Consideration discharged by:	
Cash	17.6
Goodwill arising on acquisition	<u>17.6</u>

Tullett Liberty

On 10 March 2003, the Company acquired Tullett Liberty Limited (formerly Tullett plc), an inter-dealer broker. The consideration was £250.4 million as set out below. This included deferred consideration of £4.6 million payable in November 2004, stated at its net present value as of the date of acquisition, and expenses.

The book value of net assets acquired with Tullett Liberty together with a summary of the fair value adjustments made were as follows:

	<i>Book value on acquisition</i>	<i>Fair value adjustments</i>	<i>Provisional fair value</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Tangible fixed assets, associates and other fixed asset investments	40.2	—	40.2
Debtors	201.6	9.5	211.1
Investments	32.0	—	32.0
Cash and short term deposits	71.8	—	71.8
Creditors falling due in less than one year	(230.1)	(8.7)	(238.8)
Creditors falling due in more than one year	(10.0)	(24.4)	(34.4)
Provisions for liabilities and charges	(0.4)	(0.9)	(1.3)
Minority interests	(4.9)	(2.2)	(7.1)
	<u>100.2</u>	<u>(26.7)</u>	<u>73.5</u>
Goodwill arising			176.9
Purchase consideration			<u>250.4</u>
Purchase consideration comprised:			
Cash			120.9
Issue of shares			116.9
Deferred consideration			4.6
Cost of acquisition			<u>8.0</u>
			<u>250.4</u>

The book values of assets and liabilities have been taken from the consolidated management accounts of Tullett Liberty at the date of acquisition.

The largest single fair value adjustment is the recognition of the deficit in Tullett Liberty's defined benefit pension scheme and the associated deferred tax asset. This gave rise to a post-tax adjustment of £24.4 million.

All fair value adjustments are provisional and may be subject to adjustment in the year ending 31 December 2004.

Tullett Liberty earned a profit after taxation and minority interests of £22.3 million in the year ended 31 December 2003, of which £1.0 million arose in the period from 1 January 2003 to 10 March 2003. The summarised profit and loss account and statement of total recognised gains and losses for the period from 1 January 2003 to 10 March 2003, the date of acquisition, were as follows:

Profit and loss account

	<i>£m</i>
Turnover	81.4
Amortisation of goodwill	(0.2)
Administrative expenses	(72.7)
Other operating income	0.6
Operating profit	<u>9.1</u>
Share of operating losses in associates	(0.1)
Exceptional items	(4.1)
Net interest receivable	<u>0.3</u>
Profit on ordinary activities before taxation	5.2
Taxation	<u>(4.1)</u>
Profit on ordinary activities after taxation	1.1
Equity minority interests	<u>(0.1)</u>
Profit for the period	<u>1.0</u>

Statement of total recognised gains and losses

	£m
Profit for the financial period	1.0
Foreign currency translation differences:	
Subsidiaries	2.2
Associates	0.1
Total recognised gains and losses for the period	3.3

Starsupply

On 23 October 2003, Tullett Liberty acquired 100 per cent. of Starsupply Energy and thereby controlling interests in this company's oil broking subsidiaries (previously associate interests) in London and Singapore, for £5.5 million in cash including £0.6 million of expenses. The goodwill arising on this acquisition was £4.7 million, which will be amortised over a ten year period.

Disposals

Gains International

In April 2003, the disposal of Tullett Liberty's communication sales business to GS Partners 2000 was completed. The sale generated more than £8 million of cash for the Group. The gain from this transaction was a pre-acquisition item for the Group; it was dealt with as a fair value adjustment and accordingly does not appear as a discontinued operation on the face of the profit and loss account. At the interim stage, the disposal proceeds had been prudently estimated at £5 million, but an additional £3 million has since been received.

14. Tangible Fixed Assets

2001

	Land and Buildings			Equipment, Fixtures, Fittings and Motor Vehicles	Total
	Freehold £m	Long Leasehold £m	Short Leasehold £m	£m	£m
Cost					
At 1 January 2001	0.1	—	—	5.4	5.5
Reclassification	—	—	—	—	—
Additions	—	—	2.9	3.4	6.3
Disposals	—	—	—	(0.4)	(0.4)
At 31 December 2001	0.1	—	2.9	8.4	11.4
Depreciation					
At 1 January 2001	—	—	—	3.3	3.3
Reclassification	—	—	—	—	—
Charge for the year	—	—	0.2	1.3	1.5
Disposals	—	—	—	(0.3)	(0.3)
At 31 December 2001	—	—	0.2	4.3	4.5
Net book value					
At 31 December 2001	0.1	—	2.7	4.1	6.9

2002

	<i>Land and Buildings</i>			<i>Equipment, Fixtures, Fittings and Motor Vehicles</i>	<i>Total £m</i>
	<i>Freehold £m</i>	<i>Long Leasehold £m</i>	<i>Short Leasehold £m</i>	<i>£m</i>	
Cost					
At 1 January 2002	0.1	—	2.9	8.4	11.4
Reclassification	—	—	(0.5)	0.5	—
Additions	—	—	0.3	1.5	1.8
Disposals	—	—	—	(2.7)	(2.7)
At 31 December 2002	0.1	—	2.7	7.7	10.5
Depreciation					
At 1 January 2002	—	—	0.2	4.4	4.6
Reclassification	—	—	(0.1)	0.1	—
Charge for the year	—	—	0.3	1.9	2.2
Disposals	—	—	—	(2.7)	(2.7)
At 31 December 2002	—	—	0.4	3.7	4.1
Net book value					
At 31 December 2002	0.1	—	2.3	4.0	6.4

2003

	<i>Land and Buildings</i>			<i>Equipment, Fixtures, Fittings and Motor Vehicles</i>	<i>Total £m</i>
	<i>Freehold £m</i>	<i>Long Leasehold £m</i>	<i>Short Leasehold £m</i>	<i>£m</i>	
Cost					
At 1 January 2003	0.1	—	2.7	7.7	10.5
Reclassification	—	—	(0.2)	0.2	—
Additions	—	—	—	7.5	7.5
Acquisition of subsidiary undertakings	—	4.0	2.2	18.7	24.9
Disposals	—	—	—	(2.4)	(2.4)
Amounts written off	—	(0.7)	—	(0.3)	(1.0)
Foreign exchange difference	—	(0.4)	0.1	(1.2)	(1.5)
At 31 December 2003	0.1	2.9	4.8	30.2	38.0
Depreciation					
At 1 January 2003	—	—	0.4	3.7	4.1
Reclassification	—	—	0.2	(0.2)	—
Charge for the year	—	0.2	0.5	7.6	8.3
At 31 December 2003	—	0.2	1.1	11.1	12.4
Net book value					
At 31 December 2003	0.1	2.7	3.7	19.1	25.6

15. Fixed Asset Investments

	<i>Associates</i>	<i>Other fixed asset investments</i>
	<i>£m</i>	<i>£m</i>
At 1 January 2001, 1 January 2002 and 1 January 2003	—	0.1
Acquired with subsidiary	13.6	1.8
Share of profits retained by associated undertakings	(0.3)	—
Exchange adjustments	—	(0.1)
Additions (before goodwill)	2.1	—
Disposals	(12.3)	(0.1)
Transfer to subsidiary	(0.5)	—
	<u>2.6</u>	<u>1.7</u>
Goodwill arising in year	5.6	—
Amortisation and impairment for the year	(0.2)	—
At 31 December 2003	<u>8.0</u>	<u>1.7</u>

The principal investments in associates are listed in note 35.

Other fixed asset investments comprise principally unlisted equity shares which were held at their cost. In the opinion of the directors, the value of these equity shares is not less than the amount at which they are shown in the balance sheet.

In August 2003, Tullett Liberty sold its 20 per cent. holding in the Totan Derivatives Co., Ltd, realising a profit of £4.5 million. A direct 20 per cent. holding in the TIU Derivatives Co. Ltd, (subsequently re-named Totan Capital Markets), a leading interest rate derivatives broker, was acquired for £7.7 million in cash. Taken together these transactions realised a net £9 million of cash for the Group. Goodwill of £5.6 million arose on the investment which is being amortised over a ten year period.

16. Debtors

	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Trade debtors	98.1	79.1	413.1
Prepayments and accrued income	1.4	1.4	10.0
Other debtors	3.5	3.8	10.3
Corporation tax	0.1	—	3.8
Amounts due from associated undertakings	—	—	0.1
Deferred tax	0.2	0.1	7.2
	<u>103.4</u>	<u>84.4</u>	<u>444.5</u>

Deferred tax derives from short term timing differences. As at 31 December 2003 the deferred tax asset was classified as due within one year, as the timing differences are expected to reverse within the subsequent 12 months.

Included in trade debtors are subsidiary companies' net positions with brokers, dealers and clearing houses of £0.8 million. These net positions comprise amounts payable of £73,837.0 million (2002: nil; 2001: nil), and amounts receivable of £73,837.8 million (2002: nil; 2001: nil), in respect of transactions not yet due for settlement. Also included in trade debtors are past due settlement balances of £270.1 million (2002: nil; 2001: nil).

17. Current Asset Investments

	2001 £m	2002 £m	2003 £m
Group			
Long positions in securities			
Listed in the UK	12.8	8.3	8.9
Listed overseas	0.6	0.4	0.4
Unlisted in the UK	1.0	0.4	0.8
Unlisted overseas	—	0.2	0.2
	<u>14.4</u>	<u>9.3</u>	<u>10.3</u>
Other investments	—	—	44.3
Investments in own shares	0.2	0.2	—
	<u>14.6</u>	<u>9.5</u>	<u>54.6</u>

Other investments consist principally of time deposits at banks, other financial institutions and placed on the money markets, treasury bills, gilts and certificates of deposit.

The investments in own shares are included in the Group balance sheet in accordance with UITF 13.

18. Creditors: Amounts Falling Due Within One Year

	2001 £m	2002 £m	2003 £m
Group			
Bank overdraft	1.0	2.0	14.7
Obligations under finance leases and hire purchase contracts	—	—	0.9
Trade creditors	91.8	64.2	357.0
Securities — short positions	3.7	1.8	2.8
Loan notes	5.0	4.5	1.3
Subordinated loan	7.3	8.6	8.5
Cost of raising subordinated and secured loans	—	(0.9)	(0.2)
Corporation tax	6.9	5.2	27.5
Tax and social security	—	1.3	13.2
Other creditors	3.2	—	4.4
Accruals and deferred income	32.1	25.8	115.8
Proposed dividends	7.2	7.2	9.7
	<u>158.1</u>	<u>119.7</u>	<u>555.6</u>

Included in trade creditors are subsidiary companies' net positions of nil (2002: nil; 2001: nil) comprising amounts payable and receivable of £190.9 million (2002: nil; 2001: nil) in respect of transactions not yet due for settlement. Also included in trade creditors are past due date settlement balances of £258.0 million (2002: nil; 2001: nil).

Loan Notes

Secured loan notes

Secured loan notes were issued by Collins Stewart Limited on the acquisition of Collins Hitchcock Stewart Whitaker in 1996. The loan notes, which are secured by cash deposits of the same amount, are redeemable in 2006. However, each year on 30 June and 31 December the loan note holders are also entitled to require redemption of part or all of the outstanding loan notes. Interest is payable half yearly in arrears at a rate of $\frac{3}{8}$ per cent. below LIBOR.

The secured loan notes are also referred to in note 24, disclosing related party transactions, and in note 25 disclosing directors' material interests in contracts with the Group.

Guaranteed unsecured loan notes

Guaranteed unsecured loan notes were issued by the Company in connection with the acquisition of Tullett Liberty in March 2003. Cash deposits of the same amount are held by the Governor and Company of the Bank of Scotland, the guarantor. The loan notes are redeemable in 2008 or earlier at the holder's request. Interest is payable half yearly in arrears at a rate equal to 1 per cent. below LIBOR.

The guaranteed unsecured loan notes are also referred to in note 24, disclosing related party transactions, and in note 25 disclosing directors' material interests in contracts with the Group.

Details of the subordinated loan and the costs of raising such debt are included in note 19 below.

19. Creditors: Amounts Falling Due After More Than One Year

	2001 (Restated*) £m	2002 £m	2003 £m
Group			
Secured loan	1.0	1.0	2.0
Subordinated loan	9.3	5.3	41.6
Cost of raising subordinated and secured loans	(1.0)	(0.1)	(0.4)
Obligations under finance leases and hire purchase contracts	—	—	2.3
Other creditors	0.3	0.2	26.3
	<u>9.6</u>	<u>6.4</u>	<u>71.8</u>

Note:

* Restated for the reclassification of bank debt by its maturity as detailed in Note 1.

Secured Loan

The secured loan was originally entered into pursuant to the management buy-out in May 2000. It was restated and increased on the Company's flotation in October 2000 and again in connection with the acquisition of Tullett Liberty on 10 March 2003. The loan is secured by a fixed and floating rate charge over the Company's assets. The loan bears interest at 1.26 per cent. above LIBOR and is repayable on 31 December 2007.

The following information relates to creditors falling both within and after more than one year:

Subordinated Loan

The subordinated loan was originally entered into pursuant to the management buy-out in May 2000. It was restated on the Company's flotation in October 2000 and again restated and increased in connection with the acquisition of Tullett Liberty on 10 March 2003. The loan is unsecured and subordinated to other creditors. The lender is the Governor and Company of the Bank of Scotland. In March 2003, £45 million of the loan was redenominated into US dollars. The US dollar part accrues interest at 1.5 per cent. above US LIBOR and the sterling part accrues interest at 1.51 per cent. above UK LIBOR. The loan is repayable in instalments over the period to 31 December 2007.

	2001 £m	2002 £m	2003 £m
Group and Company			
The Governor and Company of the Bank of Scotland	<u>17.8</u>	<u>13.8</u>	<u>51.5</u>
	<u>2001 £m</u>	<u>2002 £m</u>	<u>2003 £m</u>
Repayment period			
Due within one year	8.6	8.5	8.3
Due between one and two years	9.2	5.3	9.1
Greater than 2 years	—	—	34.1
	<u>17.8</u>	<u>13.8</u>	<u>51.5</u>

Cost of Raising Debt and Loans

Costs of raising debt finance of £6.1 million incurred on 26 May 2000 in connection with the management buy-out of Collins Stewart Limited, and £0.7 million as part of the acquisition of Tullett Liberty were capitalised and netted against the debt to which such costs relate in the balance sheet. They are amortised through the profit and loss account on the basis of a constant rate of return on the carrying amount over the life of the debt facility until repayment of the loan.

20. Provisions for Liabilities and Charges

	<i>Deferred tax £m</i>	<i>Provisions £m</i>	<i>Total £m</i>
Group			
At 1 January 2001	0.7	—	1.5
Charged to profit and loss account	—	—	0.1
Prior year adjustment	(0.3)	—	(1.2)
At 31 December 2001	0.4	—	0.4
At 1 January 2002	0.4	—	0.4
Charged to profit and loss account	—	—	—
At 31 December 2002	0.4	—	0.4
At 1 January 2003	0.4	—	0.4
Acquired with subsidiary	1.3	—	1.3
Charged to profit and loss account	0.3	2.6	2.9
At 31 December 2003	2.0	2.6	4.6
	<i>2001 £m</i>	<i>2002 £m</i>	<i>2003 £m</i>
Deferred Taxation			
Group			
Provision for deferred taxation has been made as follows:			
Deferred tax provision	0.4	0.4	2.0
Deferred tax asset (included in debtors note 16)	(0.2)	(0.1)	(7.2)
Net deferred tax (asset)/ liability	0.2	0.3	(5.2)
	<i>2001 £m</i>	<i>2002 £m</i>	<i>2003 £m</i>
Deferred tax comprises:			
Accelerated capital allowances	(0.1)	(0.1)	(1.0)
Other timing differences (net)	0.3	0.4	(1.7)
Tax losses	—	—	(2.5)
Net deferred tax (asset)/ liability	0.2	0.3	(5.2)
	<i>2001 £m</i>	<i>2002 £m</i>	<i>2003 £m</i>
Movements during the year:			
As previously reported	0.5	1.5	—
Prior year adjustment	(0.3)	(1.3)	—
At 1 January	0.2	0.2	0.3
Acquired with subsidiary	—	—	(4.9)
Charge to profit and loss account	—	0.1	(0.9)
Currency translation and other adjustments	—	—	0.3
At 31 December	0.2	0.3	(5.2)

The Company has no provision for deferred taxation.

At 31 December 2003 the Group and the Company held provisions respectively of £2.6 million (2002: nil; 2001: nil) and £0.7 million (2002: nil; 2001: nil) relating to costs associated with litigation.

21. Share Capital

	2001 No. (m)	2002 No. (m)	2003 No. (m)
Authorised			
Ordinary shares of 25p	150.0	150.0	284.7
"A" preference shares of 1p	41.3	41.3	—
"B" preference shares of 1p	3.3	3.3	—
	<u>194.6</u>	<u>194.6</u>	<u>284.7</u>
Allotted, issued and fully paid			
Ordinary shares of 25p	106.2	106.2	189.1
"A" preference shares of 1p	41.3	41.3	—
"B" preference shares of 1p	3.3	3.3	—
	<u>150.8</u>	<u>150.8</u>	<u>189.1</u>
	2001 £m	2002 £m	2003 £m
Authorised			
Ordinary shares of 25p	37.5	37.5	71.2
"A" preference shares of 1p	0.4	0.4	—
"B" preference shares of 1p	—	—	—
	<u>37.9</u>	<u>37.9</u>	<u>71.2</u>
Allotted, issued and fully paid			
Ordinary shares of 25p	26.6	26.6	47.3
"A" preference shares of 1p	0.4	0.4	—
"B" preference shares of 1p	—	—	—
	<u>27.0</u>	<u>27.0</u>	<u>47.3</u>

Movements in authorised and issued share capital

On 6 June 2001 the Company placed 3,125,000 ordinary shares at 400p per share to raise approximately £12.2 million net of expenses to fund, in part, the acquisition of the private client division of NatWest Stockbrokers.

On 26 June 2002, 2,360 shares were allotted at 292p per share upon exercise of options granted under the Sharesave scheme 2000.

On 19 February 2003 14.6 million shares were allotted at 308p per share pursuant to the placing and open offer to fund the redemption of the Company's preference shares.

On 6 March 2003 all of the Company's 41.3 million "A" preference shares and 3.3 million "B" preference shares were redeemed at their issue price of £1 per share.

On 10 March 2003 68.1 million ordinary shares were allotted pursuant to completion of the acquisition of Tullett Liberty; 32.2 million shares were allotted to Tullett Liberty shareholders at 337p per share, and 35.9 million shares were allotted for cash at 308p per share.

On 18 December 2003 0.2 million shares were allotted at 316p per share upon exercise of options granted under the Non-executive Unapproved Scheme.

Share Options

At 31 December 2001 the following options over ordinary shares had been granted under the Company's share option schemes and were outstanding:

	<i>At 1 January 2001</i>	<i>Granted</i>	<i>Lapsed</i>	<i>Exercised</i>	<i>At 31 December 2001</i>	<i>Exercise Price</i>	<i>Exercise Period</i>
Sharesave Scheme 2000	788,330	—	(45,765)	—	742,565	292p	1.1.2006- 30.6.2006
Approved share option scheme	18,986	—	—	—	18,986	316p	16.10.2003- 15.10.2010
	—	41,592	—	—	41,592	288.5p	5.4.2004- 4.4.2011
	—	8,547	—	—	8,547	351p	26.4.2004- 25.4.2011
Unapproved share option scheme	1,981,014	—	—	—	1,981,014	316p	16.10.2003- 15.10.2010
	—	1,315,908	—	—	1,315,908	288.5p	5.4.2004- 4.4.2011
	—	991,453	—	—	991,453	351p	26.4.2004- 25.4.2011
Non-executive Unapproved Scheme	191,298	—	—	—	191,298	316p	16.10.2003- 15.10.2010
	<u>2,979,628</u>	<u>2,357,500</u>	<u>(45,765)</u>	<u>—</u>	<u>5,291,363</u>		

Options granted under the Sharesave Scheme 2000 during 2000 were granted at a discount of 20 per cent. to market value. Under UITF 17 the Company has taken advantage of the exemption, available for SAYE schemes, from the need to charge the discount to the profit and loss account.

Options over 25,421,502 "B" ordinary shares of 1p in Collins Stewart Limited at an exercise price of 1p per share were exercised on 31 August 2001. Upon exercise Singer & Friedlander acquired all such shares at 71p per share. As part of the MBO agreement, Singer & Friedlander transferred these shares to the Company for no consideration.

At 31 December 2002 the following options over ordinary shares had been granted under the Company's share option schemes and were outstanding:

	<i>At 1 January 2002</i>	<i>Granted</i>	<i>Lapsed</i>	<i>Exercised</i>	<i>At 31 December 2002</i>	<i>Exercise Price</i>	<i>Exercise Period</i>
Sharesave Scheme 2000	742,565	—	(49,876)	(2,360)	690,329	292p	1.1.2006- 30.6.2006
	—	202,244	(35,564)	—	166,680	415p	1.7.2007- 31.12.2007
Approved share option scheme	18,986	—	(9,493)	—	9,493	316p	16.10.2003- 15.10.2010
	41,592	—	—	—	41,592	288.5p	5.4.2004- 4.4.2011
	8,547	—	(8,547)	—	—	351p	26.4.2004- 25.4.2011
Unapproved share option scheme	1,981,014	—	(1,190,507)	—	790,507	316p	16.10.2003- 15.10.2010
	1,315,908	—	—	—	1,315,908	288.5p	5.4.2004- 4.4.2011
	991,453	—	(991,453)	—	—	351p	26.4.2004- 25.4.2011
Non-executive Unapproved Scheme	191,298	—	—	—	191,298	316p	16.10.2003- 15.10.2010
	<u>5,291,363</u>	<u>202,244</u>	<u>(2,285,440)</u>	<u>(2,360)</u>	<u>3,205,807</u>		

Options granted under the Sharesave Scheme 2000 during 2000 were granted at a discount of 20 per cent. to market value. Under UITF 17 the Company has taken advantage of the exemption, available for SAYE

schemes, from the need to charge the discount to the profit and loss account. Options granted under the Sharesave Scheme 2000 in 2002 were granted at market price.

At 31 December 2003 the following options over ordinary shares had been granted under the Company's share option schemes and were outstanding:

	<i>At 1 January 2003</i>	<i>Granted</i>	<i>Lapsed</i>	<i>Exercised</i>	<i>At 31 December 2003</i>	<i>Exercise Price</i>	<i>Exercise Period</i>
Sharesave Scheme 2000	690,329	—	(55,477)	—	634,852	292p	1.1.2006- 30.6.2006
	166,680	—	(21,051)	—	145,629	415p	1.7.2007- 31.12.2007
Approved share option scheme	9,493	—	—	—	9,493	316p	16.10.2003- 15.10.2010
	41,592	—	—	—	41,592	288.5p	5.4.2004- 4.4.2011
Unapproved share option scheme	790,507	—	—	—	790,507	316p	16.10.2003- 15.10.2010
	1,315,908	—	—	—	1,315,908	288.5p	5.4.2004- 4.4.2011
Non-executive Unapproved Scheme	191,298	—	—	(191,298)	—	316p	16.10.2003- 15.10.2010
2003 share option scheme		2,125,000	—	—	2,125,000	349p	29.4.2006- 28.4.2013
	<u>3,205,807</u>	<u>2,125,000</u>	<u>(76,528)</u>	<u>(191,298)</u>	<u>5,062,981</u>		

Options granted under the Sharesave Scheme during 2000 at 292p per share were granted at a discount of 20 per cent. to market value. Under UITF 17 the Company has taken advantage of the exemption, available for SAYE schemes, from the need to charge the discount to the profit and loss account. Options granted under the Sharesave Scheme in 2002 were granted at market price.

22. Reconciliation of Shareholders' Funds

	<i>Share capital account £m</i>	<i>Share premium account £m</i>	<i>Merger reserve £m</i>	<i>Profit and loss account £m</i>	<i>Total shareholders' funds £m</i>
At 1 January 2001	26.2	86.8	—	5.6	118.6
Retained profit for the year	—	—	—	11.9	11.9
Prior year adjustment in respect of FRS 19	—	—	—	1.0	1.0
Ordinary share capital placed	0.8	11.7	—	—	12.5
Cost of share issue	—	(0.2)	—	—	(0.2)
At 31 December 2001 restated for FRS 19	27.0	98.3	—	18.5	143.8
Retained profit for the year	—	—	—	6.4	6.4
Issue of shares	—	—	—	—	—
Foreign currency translation	—	—	—	(0.1)	(0.1)
At 31 December 2002	27.0	98.3	—	24.8	150.1
Retained profit for the year	—	—	—	21.4	21.4
Issue of ordinary shares	20.7	144.4	100.4	—	265.5
Redemption of preference shares	(0.4)	(44.2)	—	—	(44.6)
Costs of share issue	—	(2.6)	—	—	(2.6)
Foreign currency translation	—	—	—	(2.9)	(2.9)
At 31 December 2003	<u>47.3</u>	<u>195.9</u>	<u>100.4</u>	<u>43.3</u>	<u>386.9</u>

The merger reserve (under s.131 of the Companies Act 1985) arose on the issue of new shares by the Company in order to finance the acquisition of Tullett Liberty.

23. Financial Assets and Liabilities

The following tables analyse the Group's financial assets and liabilities by interest rate profile, maturity and foreign currency. With the exception of the table (e) of currency exposures, short term debtors and creditors have been excluded from the disclosures contained in this note, as permitted by FRS 13: Derivatives and Other Financial Instruments: Disclosures.

There was no disclosure of Financial Assets and Liabilities in the financial statements for the year ended 31 December 2001.

(a) Interest rate profile of financial assets

<i>As at 31 December 2002</i>				
	<i>At fixed interest rates £m</i>	<i>At floating interest rates £m</i>	<i>Non- interest bearing £m</i>	<i>Total £m</i>
Sterling	3.1	56.7	6.1	65.9
US dollar	—	4.0	0.2	4.2
Euro	—	1.0	—	1.0
Other currencies	—	0.2	—	0.2
	<u>3.1</u>	<u>61.9</u>	<u>6.3</u>	<u>71.3</u>

<i>As at 31 December 2003</i>				
	<i>At fixed interest rates £m</i>	<i>At floating interest rates £m</i>	<i>Non- interest bearing £m</i>	<i>Total £m</i>
Sterling	2.3	165.9	8.3	176.5
US dollar	—	59.6	4.6	64.2
Euro	—	15.0	1.3	16.3
Other currencies	—	8.6	2.6	11.2
	<u>2.3</u>	<u>249.1</u>	<u>16.8</u>	<u>268.2</u>

Financial assets at fixed interest rates comprised corporate bonds and non-convertible preference shares. All other interest bearing financial assets have a maturity of less than one year. Non-interest bearing assets represent unlisted equity investments, deposits to secure clearing facilities and cash from normal trading activities not placed on deposit.

(b) Interest rate profile of financial liabilities

<i>As at 31 December 2002</i>				
	<i>At fixed interest rates £m</i>	<i>At floating interest rates £m</i>	<i>Non- interest bearing £m</i>	<i>Total £m</i>
Sterling	0.4	20.3	1.3	22.0
US dollar	—	0.1	—	0.1
Euro	—	—	0.1	0.1
	<u>0.4</u>	<u>20.4</u>	<u>1.4</u>	<u>22.2</u>

As at 31 December 2003

	<i>At fixed interest rates £m</i>	<i>At floating interest rates £m</i>	<i>Non- interest bearing £m</i>	<i>Total £m</i>
Sterling	1.9	22.0	2.0	25.9
US dollar	—	40.9	—	40.9
Euro	2.1	6.0	—	8.1
Other currencies	—	5.3	—	5.3
	<u>4.0</u>	<u>74.2</u>	<u>2.0</u>	<u>80.2</u>

The interest rate applicable to non-trading sterling fixed rate borrowings was 9.44 per cent. (2002: nil) and the rate for Euro fixed rate borrowings (finance lease obligations) was 7.85 per cent. (2002: nil)(2001: nil). The sterling and Euro finance lease liabilities are repayable by instalments until 2005 and 2008 respectively. The subordinated and secured loans (floating rate borrowings) bear interest rate terms set out in note 19. All remaining floating rate borrowings bear interest based on relevant national LIBOR equivalents.

(c) Maturity profile of financial liabilities

	<i>2002 £m</i>	<i>2003 £m</i>
Payable:		
Within one year or on demand	16.0	34.8
Between one and two years	6.2	9.5
Between two and five years	—	35.9
	<u>22.2</u>	<u>80.2</u>

(d) Borrowing facilities

	<i>2002 £m</i>	<i>2003 £m</i>
The Group had undrawn committed facilities expiring:		
Between two and five years	<u>10.0</u>	<u>10.0</u>

(e) Foreign currency exposures

The table below is intended to give an indication of the sensitivity of the Group's results to fluctuations in currency exchange rates. It shows the net monetary assets and liabilities held by Group companies that were not denominated in their functional currencies (other than foreign currency borrowings treated as hedges of net investments in overseas operations) that were unhedged and therefore may give rise to exchange gains and losses that would flow through to the Group's profit and loss account.

Most of the activities of the Group are transacted in local currencies and consequently do not expose the Group to significant foreign currency risk as recognised in the profit and loss account. Such risk does, however, arise from the funding of the Group's business. In addition to the exposures shown in the table, the Group has a significant investment in companies with US\$ or US\$ linked functional currencies, retranslation gains and losses which are taken on through the consolidated statement of total recognised gains and losses. The book value of this investment at 31 December 2003 was US\$84.7 million. During 2003 the Group reduced this currency exposure through dollar denominated borrowings. In March 2003 £45 million subordinated loan was redenominated into US dollars as part of the Group's hedging policy. At 31 December 2003 US\$68.7 million of this loan was outstanding, and is excluded from the table below.

As at 31 December 2002					
	Sterling £m	US dollars £m	Euro £m	Other currencies £m	Total £m
Sterling	—	4.1	0.9	0.2	5.2
	—	4.1	0.9	0.2	5.2
As at 31 December 2003					
	Sterling £m	US dollars £m	Euro £m	Other currencies £m	Total £m
Sterling	—	3.0	4.2	(1.0)	6.2
Euro	0.3	—	—	—	0.3
Other currencies	—	10.0	—	0.2	10.2
	0.3	13.0	4.2	(0.8)	16.7

(f) Fair value

The book value of the Group's financial assets and liabilities (which exclude all short term debtors and creditors) were not materially different to their fair values in either year.

(g) Gains and losses on hedges

The Group entered into forward foreign currency contracts to eliminate the currency exposures that arise on foreign currency transactions and entered into cylinder options to manage its earnings translation exposure.

Gains and losses on instruments used for hedging by the Group, are not recognised until the exposure that is being hedged, is itself recognised. Unrecognised gains and losses on these hedging instruments are as follows:

	<i>Gains £m</i>	<i>Losses £m</i>	<i>Total net gains/ losses £m</i>
Unrecognised gains and losses on hedges at 1 January 2003	—	—	—
Unrecognised gains on hedges at 31 December 2003	1.4	—	1.4
Of which:			
Gains expected to be recognised in 2004	1.4	—	1.4

The main risks affecting the Group's financial assets and liabilities are as follows:

Market Risk

The Group is exposed to market risk in respect of both its trading in equities and debt instruments and in its role as an intermediary between buyers and sellers of financial instruments. The Group makes markets in smaller company stocks, investment trusts and fixed interest securities, primarily in order to facilitate liquidity in the securities of clients to whom it acts as market maker, broker or adviser. These positions are carried in current assets and liabilities at fair value. The year-end positions are considered to be representative of the Group's exposure throughout the year. Limits are set on the size of individual and aggregate positions. Day to day risk monitoring is undertaken by the senior management. The revenue generated in the year from trading in financial assets and liabilities was £10.7 million in 2001, £8.0 million in 2002 and £13.0 million in 2003.

As an intermediary, the Group acts on an agency or matched principal basis and so its exposure to market price movements is limited to when there is a trade mismatch or error, or if one matched counter party fails to fulfil its obligations. The impact of these risks is minimised by strict limits and monitoring controls. The value of unmatched security positions is normally immaterial.

Foreign Currency Risk

Foreign currency balances are held to meet the settlement obligations of clients who bear the currency risk in accordance with the terms and conditions of trading. Foreign currency is bought and sold at the time of trading. Where possible the Group deals in foreign currencies on a matched basis on behalf of customers, limiting foreign exchange exposure.

During 2003 the Group redenominated £45 million of subordinated debt into US dollars to hedge its net investment in subsidiaries whose accounts are drawn up in US dollars or currencies which are linked to the US dollar.

Interest Rate Risk

The Group retains substantial net cash resources to provide settlement liquidity, which earn interest at short-term deposit rates.

Some of the Group's cash resources are provided by borrowings comprising bank loans and subordinated debt. The bank debt bears interest based on short term interest rates (3 month LIBOR) and the terms of the subordinated debt are set out at note 19.

24. Related Party Transactions

Pursuant to the acquisition of Collins Hitchcock Stewart Whitaker in 1996, secured loan notes issued to certain directors by Collins Stewart Limited and remaining outstanding at the year-end, were £3.2 million in 2001, £0.8 million in 2002 and £0.1 million in 2003.

Pursuant to the acquisition of Tullett Liberty in March 2003, £0.5 million guaranteed unsecured loan notes were issued by the Company to directors and remained outstanding at 31 December.

Further details concerning the above loan notes are set out in notes 18 and 25.

25. Directors' Material Interest in Contracts

	2001 £m	2002 £m	2003 £m
Secured loan notes			
Andrew Stewart and spouse	2.4	2.4	—
Terry Hitchcock and spouse	0.8	0.8	0.1
Unsecured guaranteed loan notes			
Bruce Collins	—	—	0.3
Stephen Jack and spouse	—	—	0.2

These amounts relate to loan notes issued on the acquisition of subsidiary undertakings. The terms applying to the loan notes are summarised in note 18.

26. Financial Commitments

Capital commitments were as follows:

	2001 £m	2002 £m	2003 £m
Contracted but not provided for	0.1	0.1	0.2
Finance leases entered into	—	—	3.2
	<u>0.1</u>	<u>0.1</u>	<u>3.4</u>

At each year end, the Group had annual commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>			<i>Other</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Annual commitments on leases expiring:						
— within one year	—	—	1.5	—	—	0.2
— within two to five years	2.4	0.3	1.6	0.1	0.1	—
— over five years	0.2	2.5	6.8	—	—	—
	<u>2.6</u>	<u>2.8</u>	<u>9.9</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>

27. Contingent Liabilities

In the ordinary course of business the Group has given letters of indemnity in respect of lost share certificates and stock transfers. Although the contingent liability arising there from cannot be precisely quantified, it is not believed to be material.

As at the time of signing the 2003 accounts, there were 24 outstanding complaints received by Group companies relating to advice given to clients in connection with split capital investment trusts. Each complaint has been investigated in accordance with the Group's complaints procedures and within the guidelines set by the applicable regulatory authority. Provisions for the costs of dealing with such claims have been made where appropriate.

28. Pension Commitments

The pension cost figures used in the 2003 accounts comply with SSAP24: Pension Costs. The Group operates a number of pension schemes throughout the world, which, with one exception, are defined contribution schemes. The Tullett Liberty UK scheme used to provide benefits based on final pensionable pay. The scheme was closed to new members in 1991 and since May 2003 future accrual on a defined benefit basis has ceased. Employees in service in 1991 receive benefits on the better of a defined contribution and defined benefit basis. The assets of all schemes are held in separate trustee administered funds.

The total pension cost for the Group was £4.0 million (2002: £0.7 million) (2001: £0.5 million); £0.8 million (2002: £0.7 million) (2001: £0.4 million) relates to the overseas schemes. The pension cost relating to the defined benefit scheme is assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial valuation of the scheme was at 1 May 2001. The assumptions which have the most significant effect on the results of the valuation are the rate of return on investments, the rates of increase in salaries, the level of the internal scheme cap above which salaries are not pensionable and the rate of Limited Price Indexation (LPI) on pensions in payment where appropriate. It was assumed in calculating the pension cost that: investment returns will average 7 per cent. per annum before retirement and 5.5 per cent. after retirement; inflationary and promotional salary increases will average 4.5 per cent. per annum; the internal salary cap will be unchanged at £175,000 per annum; and that LPI pension increases will average 2.5 per cent. per annum.

At the date of the latest actuarial valuation as at 1 May 2001, the market value of the assets of the UK scheme was £72.9 million and the market value of the assets was sufficient to cover 97.5 per cent. 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 per cent. of pensionable salaries for pre 1991 employees with defined benefits, 7 per cent. for post 1991 employees with defined contributions and 1 per cent. for life assurance only members. The level of contributions paid into the scheme in respect of defined benefit members was increased to 15.6 per cent. 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.

The Group's actuarial advisers are currently carrying out investigations to determine the impact of market movements since the last actuarial valuation on the scheme's funding level and resulting contribution requirement.

Included in creditors in 2003 was £0.9 million (2002: nil) (2001: nil) in respect of contributions payable to Group pension schemes, of which nil (2002: nil) (2001: nil) related to the overseas schemes.

FRS 17: Retirement Benefits

A new pension cost accounting standard, FRS17, requires the Company to disclose the following information about the Tullett Liberty defined benefit scheme, recording the scheme assets at their period end market value, compared to the discounted value of the actuarial liability as at the same date.

Tullett Liberty operates a scheme providing a hybrid of defined benefits and defined contributions for members who joined the scheme prior to 1 November 1991. The defined benefit element ceased accruing for this group of members from 1 May 2003; from this date they accrued benefits on a defined contribution basis only. The scheme provides defined contribution benefits for members who joined the scheme on or after 1 November 1991. A full actuarial valuation was carried out at 1 May 2001 and updated to 31 December 2003 by a qualified independent actuary.

The results of the actuarial valuation which are set out below exclude the defined contribution assets and liabilities. Employer contributions amounting to £1.9 million (15.6 per cent. per annum of pensionable salaries) (2002: nil) have been paid in the year in respect of defined benefit members.

The measurement bases required by FRS17 are likely to give rise to significant fluctuations in the reported amounts of the defined benefit scheme's assets and liabilities from year to year, and do not necessarily give rise to the need for changes in the required contribution rate, which is recommended by the independent actuary based on the expected long term rate of return on the defined benefit scheme's assets.

The major assumptions used by the actuary were (in normal terms):

	2003 %
Rate of increase in salaries	4.1
Rate of increase of LPI pensions in payment	2.5
Discount rate	5.4
Inflation assumption	2.6

The assets in the scheme in respect of pre 1 November 1991 joiners and the expected rates of return were:

	<i>Expected return</i> %	<i>Amount</i> £m
Equities	6.8	53.6
Bonds	4.8	—
Cash	3.75	6.6
Total market value of assets		60.2
Actuarial value of liability		(90.7)
Recoverable deficit in the scheme		(30.5)
Related deferred tax asset		9.1
Net pension liability		(21.4)

The group financial statements, assuming the pension deficit calculated under FRS17 was recognised in the financial statements at the year-end, would be presented as follows:

	2003 £m
Impact on Group balance sheet:	
Net assets excluding pension liability	394.5
Fair value adjustment on acquisition of Tullett Liberty	24.4
Net pension deficit at 31 December 2003	(21.4)
Net assets including pension liability	<u>397.5</u>
	2003 £m
Analysis of the amount that would be charged to operating profit:	
Current service cost	0.4
Past service cost	—
Total operating cost	<u>0.4</u>
	2003 £m
Analysis of net return on pension scheme:	
Expected return on pension scheme assets	2.8
Interest on pension scheme liabilities	(4.4)
Net return	<u>(1.6)</u>
	2003 £m
Analysis of amount that would be recognised in the Statement of Total Recognised Gains and Losses:	
Annual return less expected return on pension scheme assets	5.2
Experience losses arising on scheme liabilities	(0.9)
Loss arising from changes in assumptions underlying the present value of scheme liabilities	(4.6)
Actuarial loss that would be recognised in the statement of total recognised gains and losses	<u>(0.3)</u>
	2003 £m
Analysis of movements in deficit during the period:	
At 1 January 2003	—
Deficit in the scheme acquired with Tullett Liberty	(30.1)
Total operating charge	(0.4)
Net return on assets	(1.6)
Actuarial loss	(0.3)
Contributions	1.9
Deficit at 31 December 2003	<u>(30.5)</u>
	2003
History of experience gains and losses:	
Difference between expected return and actual return on pension scheme assets	
— amount	£5.2m
—% of scheme assets	9%
Experience losses on scheme liabilities	
— amount	£(0.9)m
—% of the present value of scheme liabilities	- 1%
Total actuarial loss recognised in the statement of total recognised gains and losses	
— amount	£(0.3)m
—% of the present value of scheme liabilities	0%

29. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2001 £m	2002 £m	2003 £m
Group operating profit	26.8	25.6	64.0
Depreciation of tangible fixed assets	1.6	2.2	8.2
Amortisation of goodwill	6.2	6.6	13.8
Loss on sale of fixed assets	0.1	—	—
Tangible fixed assets written off	—	—	1.0
Decrease/(increase) in net investment positions	(2.2)	3.3	—
Doubtful debts and other provisions	—	—	(0.2)
(Increase)/decrease in debtors	(52.6)	18.6	(143.4)
Increase/(decrease) in creditors	(59.2)	(34.8)	184.3
Increase in provisions for liabilities and charges	—	—	2.7
Decrease in long term creditors	—	(0.1)	(0.2)
Net cash inflow from operating activities	<u>25.9</u>	<u>21.4</u>	<u>130.2</u>

30. Reconciliation of Net Cash Flow to Movements in Net Funds

	2001 £m	2002 £m	2003 £m
Increase/(decrease) in cash during the year	(4.3)	(5.0)	119.4
Cash inflow from increase in long term loans	—	—	(51.1)
Cash outflow from repayment of loans and loan notes	9.9	4.5	21.1
Debt issue costs	—	—	0.7
Cash outflow from lease financing	—	—	0.9
Increase in current asset investments and term deposits	—	—	(2.4)
Acquired with subsidiary:			
Finance leases	—	—	(4.0)
Loans due within one year	—	—	(9.5)
Current asset investments and term deposits	—	—	70.3
Increase/(decrease) in net funds resulting from cash flows	<u>5.6</u>	<u>(0.5)</u>	<u>145.4</u>
Amortisation of debt issue costs	(1.7)	(1.3)	(1.0)
Currency translation differences	—	(0.4)	(2.4)
Increase/(decrease) in net funds	<u>3.9</u>	<u>(2.2)</u>	<u>142.0</u>
Net funds at the start of the year	39.8	43.7	41.5
Net funds at the end of the year	<u>43.7</u>	<u>41.5</u>	<u>183.5</u>

31. Analysis of Net Funds

	At 1 January 2001 £m	Cash flow £m	Non-cash items £m	Exchange differences £m	At 31 December 2001* £m
Cash in hand and at bank	70.1	(3.8)	—	—	66.3
Overdraft	(0.5)	(0.5)	—	—	(1.0)
	69.6	(4.3)	—	—	65.3
Loan notes due within one year	(5.0)	—	—	—	(5.0)
Loans due after one year	(24.8)	9.9	(1.7)	—	(16.6)
Total net funds	39.8	5.6	(1.7)	—	43.7

Note:

* Before restatement for reclassifications in 2002 accounts

The non-cash item relates to the amortisation of debt costs capitalised and offset against the loans to which such debt costs relate.

	At 1 January 2002 £m (Restated)*	Cash flow £m	Non-cash items £m	Exchange differences £m	At 31 December 2002 £m
Cash in hand and at bank	58.7	(2.4)	—	(0.4)	55.9
Client settlement money	7.6	(1.6)	—	—	6.0
Overdraft	(1.0)	(1.0)	—	—	(2.0)
	65.3	(5.0)	—	(0.4)	59.9
Loan notes due within one year	(5.0)	0.5	—	—	(4.5)
Loans due within one year	(7.3)	—	(0.4)	—	(7.7)
Loans due after one year	(9.3)	4.0	(0.9)	—	(6.2)
Total net funds	43.7	(0.5)	(1.3)	(0.4)	41.5

Note:

* Restated for the reclassification of bank loan maturity as detailed in Note 1.

The non-cash item relates to the amortisation of debt costs capitalised and offset against the loans to which such debt costs relate.

	At 1 January 2003 £m	Cash flow £m	Acquired with subsidiary* £m	Non-cash items £m	Exchange differences £m	At 31 December 2003 £m
Cash in hand and at bank	55.9	126.7	—	—	(2.5)	180.1
Client settlement money	6.0	5.4	—	—	—	11.4
Overdraft	(2.0)	(12.7)	—	—	—	(14.7)
	59.9	119.4	—	—	(2.5)	176.8
Loan notes repayable within one year	(4.5)	3.2	—	—	—	(1.3)
Loans due within one year	(7.7)	9.1	(9.5)	(0.9)	0.7	(8.3)
Loans due after one year	(6.2)	(41.6)	—	(0.1)	4.7	(43.2)
Finance leases and hire purchase	—	0.9	(4.0)	—	(0.1)	(3.2)
	(18.4)	(28.4)	(13.5)	(1.0)	5.3	(56.0)
Current asset investments:						
Term deposits	—	(5.2)	38.3	—	(1.6)	31.5
Securities	—	2.8	32.0	—	(3.6)	31.2
	—	(2.4)	70.3	—	(5.2)	62.7
Total net funds	41.5	88.6	56.8	(1.0)	(2.4)	183.5

Note:

* Excludes cash at bank and overdrafts.

Deposits of £18.4 million (2002: nil) (2001: nil) in cash at bank and in hand on the balance sheet, maturing in less than three months and greater than one day, have been included within term deposits in current asset investments in the analysis of net funds.

Included within current asset investments on the balance sheet are long positions in securities of £10.3 million (2002: £9.5 million) (2001: £14.6 million), which are not included in the analysis of net funds.

Securities within current asset investments above include amounts held by certain subsidiary undertakings in order to secure clearing facilities.

The non-cash item relates to the amortisation of debt costs capitalised and offset against the loans to which such debt costs relate.

32. Client Money

At 31 December 2003 client money held was £218.4 million (2002: £229.1 million; 2001: £143.2 million). This comprised £11.4 million (2002: £6.0 million; 2001: £7.6 million) of balances held by the Group on behalf of clients to settle outstanding bargains and £207.0 million (2002: £223.1 million; 2001: £135.6 million) of segregated deposits, held on behalf of clients, which are not reflected on the balance sheet. Movements in settlement balances are reflected in operating cash flows.

33. Employee Share Ownership Trusts

The Collins Stewart Tullett plc Employee Share Ownership Trust and the Collins Stewart (CI) Limited Employee Share Ownership Trust ("the ESOTs") are both trusts established at the time of the management buy-out. These trusts were to hold, as trustee and nominee, shares which were subscribed by employees of the Group pursuant to the management buy-out.

Shares acquired by the ESOTs from staff who have left the Group under the bad leaver agreements are used to make awards of shares to employees under the Group's incentive arrangements. Shares allocated by the trustees of the ESOTs will vest over a period of years.

At 31 December 2003, of the 20.1 million ordinary shares held by the Group's ESOTs (2002: 28 million; 2001: 29 million), some 2.4 million ordinary shares (2002: 2.6 million; 2001: 3.1 million) had not been allocated to specific employees and a further 2.6 million ordinary shares (2002: 1.9 million; 2001: 1.2 million) had been allocated conditionally or were under option to employees. Of the above shares held by Group ESOTs, the Company's ESOT held some 1.3 million ordinary shares (2002: 2.0 million; 2001: 2.4 million) which had not been allocated to specific employees and a further 2.6 million ordinary shares (2002: 1.9 million; 2001: 1.2 million) which had been allocated conditionally or were under option to employees. All the unallocated and conditionally allocated shares are carried in current assets as such shares have either been or are expected to be awarded to employees in the near future. The market value of the Company's ordinary shares at 31 December 2003 was 442.5p (2002: 313p; 2001: 390p) per share.

Both ESOTs held "A" and "B" preference shares, which were redeemed on 6 March 2003. The redemption moneys in respect of shares subscribed by staff through the Company ESOT have been returned to staff. The redemption moneys in respect of shares subscribed by staff through the Collins Stewart (CI) ESOT were returned to staff in accordance with their original subscription arrangements.

Dividends on shares held by the Company ESOT, which have not vested unconditionally, have been waived. Dividends on shares held by the Collins Stewart (CI) ESOT which have not vested unconditionally pursuant to awards to employees have not been waived, and accordingly the income on such shares has been deducted from dividends declared by the Company in accordance with FRS 14: Earnings per share. All shares, which have not vested unconditionally pursuant to awards to employees, are excluded in the denominator in the earnings per share calculation. The expenses associated with the running of the ESOTs are charged to the Group's profit and loss account.

34. Post Balance Sheet Events

On 7 January 2004 a new share option scheme was established for the benefit of Tullett Liberty staff. On 8 January options were granted over 4.6 million shares at nil price. The full cost of these options will be charged to the profit and loss account in accordance with FRS 20: Share Based Payments during the performance period which spans the next three financial years. The options are subject to performance conditions and are exercisable between three to ten years after grant date. Shares required to meet option exercises will be shares purchased in the market and will accordingly not dilute shareholders' interests; such share purchases have been hedged by the Company.

35. Principal Subsidiary Undertakings and Associates

At 31 December 2003, the following companies were the Group's principal trading subsidiary undertakings and associates:

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Issued ordinary shares, all voting</i>
Tullett Liberty Pty. Limited	Australia	Derivatives & money broking	100%
Tullett Liberty (Canada) Limited	Canada	Derivatives & money broking	100%
Collins Stewart Limited	England	Stockbroking	100%
Collins Stewart Property Fund Management Limited	England	Property management	75%
Starsupply Tullett Energy Limited	England	Energy broking	90.2%
Tullett Liberty (Equities) Limited	England	Securities broking	100%
Tullett Liberty Limited	England	Holding company	100%
Tullett Liberty (Securities) Limited	England	Securities broking	100%
Tullett Liberty (Treasury and Derivatives) Limited	England	Derivatives & money broking	100%
Collins Stewart Tullett France S.A.S.	France	Securities broking	100%
Tullett Liberty Capital Markets (France) S.A.S.	France	Derivatives & money broking	100%
Collins Stewart Asset Management Limited	Guernsey	Investment fund management	100%
Collins Stewart (CI) Limited	Guernsey	Stockbroking	100%
Collins Stewart Fund Management Limited	Guernsey	Investment fund management	100%
Tullett Liberty Financial Information (C.I.) Limited	Guernsey	Information sales	100%
Tullett Liberty (Hong Kong) Limited	Hong Kong	Derivatives & money broking	100%
Tullett Liberty Japan Limited	Japan	Derivatives & money broking	100%
Tullett Liberty Nederland B.V.	Netherlands	Securities broking	100%
Starsupply Tullett Energy Pte. Ltd.	Singapore	Energy broking	76.8%
Tullett Liberty Pte. Ltd.	Singapore	Derivatives & money broking	51%
Collins Stewart Inc	USA	Stockbroking	100%
Tullett Liberty Inc.	USA	Derivatives & money broking	100%
Tullett Liberty Brokerage Inc.	USA	Securities broking	100%
Tullett Liberty Securities Inc.	USA	Securities broking	100%

All the above subsidiary undertakings are owned indirectly, with the exception of Collins Stewart Limited and Tullett Liberty Limited, which are owned directly.

<i>Associates</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Issued ordinary shares, all voting</i>
Tullett Liberty (Bahrain) Company W.L.L.*	Bahrain	Derivatives & money broking	49%
Natsource Tullett (Europe) Limited**	England	Energy broking	45.4%
Parekh (Forex) Private Limited	India	Derivatives & money broking	26%
Totan Capital Markets Co. Ltd.	Japan	Derivatives & money broking	20%
Natsource Tullett Scandinavia A.S.**	Norway	Energy broking	45.4%
Wall Street Tullett Liberty Limited	Thailand	Derivatives & money broking	49%
Wall Street Tullett Liberty Securities Limited	Thailand	Derivatives & money broking	49%
Natsource LLC	USA	Energy broking	20%

Notes:

* The Group's interest in the trading results is 85 per cent. The company is not consolidated as the Group does not have sufficient voting control.

** The Group's interest includes an indirect interest of 13.65 per cent. held via its 20 per cent. holding in Natsource LLC.

All associates are held indirectly. They all have a 31 December year end with the exception of Totan Capital Markets Co. Ltd. and Parekh (Forex) Private Limited, which have a 31 March year end.

PART III

COLLINS STEWART TULLETT'S UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2004

The following is the full text (excluding Appendices) of the announcement of Collins Stewart Tullett's unaudited interim results for the six months ended 30 June 2004 that were announced on 24 September 2004.

"CHAIRMAN'S STATEMENT

We are announcing our interim results for the six months ended 30 June 2004. Although turnover on a like for like basis was more or less at the same levels as the previous year, reflecting difficult trading conditions, the Company's margins and profitability have improved. The Board has decided to increase the interim dividend by 10 per cent. to 2.75p per share.

We have also announced today the proposed acquisition of the Prebon inter-dealer broking ("IDB") business. Further detailed information on Prebon, as well as the reasons for and benefits of the acquisition, are set out in the announcement of the acquisition issued separately today. The acquisition is an important strategic development for the Company. Since the acquisition of Tullett Liberty in March 2003, it has been our intention to make a major consolidation-led acquisition in this sector. This acquisition will enable us both to strengthen and develop our existing inter-dealer broking business, giving rise to substantial margin improvements and very good shareholder returns. Prebon is the fourth largest global IDB and, in the Board's opinion, represents the best consolidation opportunity in the sector for the Company. Owing to its size, the acquisition requires shareholder approval. A circular containing details of the acquisition and the associated equity issue, and notice of the related Extraordinary General Meeting, will be posted to shareholders.

In August, the Financial Services Authority announced that its investigation into allegations made by a former employee of Collins Stewart Limited had closed. No further action is to be taken by them. The Board believes that this validates its long held view that these allegations were unfounded and believes that this announcement will have a beneficial impact on the litigation against others in which the Company has since been involved as a result of these allegations.

There have been a number of changes to the Board this year: Louis Scotto, Chief Executive of Tullett Liberty joined as an Executive director in June and Michael Fallon joined as a Non-executive director at the start of this month, replacing Rob Lucas who resigned on the same day. We welcome them both to the Board. It is also announced that Helen Smith, who has been the Company's Finance Director since 2000, will be leaving at the end of December and will be succeeded by Stephen Jack, who is Chief Financial Officer of Tullett Liberty and who has been a member of the Board since March 2003. Helen will leave with the best wishes and thanks of the Board and her colleagues and friends for the valuable contribution she has made to the development of the Company.

The Group has continued to trade profitably since 30 June, although conditions have been more difficult than earlier in the year in some of the key markets in which we operate. The acquisition of Prebon and its integration within the existing Group will undoubtedly be a challenge in the coming year. However, we believe that the acquisition will give rise to significant opportunities for the creation of shareholder value. The Board is optimistic about the future prospects for the Company.

Keith Hamill

24 September 2004

Note: Like for like numbers for the six months to June 2003 and the year to December 2003, where used in this statement, include Tullett Liberty results from 1 January 2003, rather than from the date of the acquisition of Tullett Liberty by the Company on 10 March 2003 to facilitate understanding of the trends in the business. These numbers have been extracted from the management accounts of Tullett Liberty.

CHIEF EXECUTIVE'S REPORT

The following table shows the results for the first half of 2004, together with those for the comparative period in 2003 and the year ended 31 December 2003.

	Six months ended 30 June 2004 £m	Six months ended 30 June 2003 (Restated)* £m	Year ended 31 December 2003 (Restated)* £m
Turnover	274.7	196.1	473.9
Operating profit			
Before share option plan charges and goodwill amortisation	49.8	35.1	77.8
Before goodwill amortisation	46.9	33.9	75.3
After goodwill amortisation	39.0	27.8	61.5
Profit before tax	39.4	27.7	66.9
Earnings per share:			
Basic	11.4p	8.5p	21.7p
Diluted	11.2p	8.4p	21.3p
Basic before goodwill amortisation and exceptional items	16.2p	12.4p	27.3p

* Restated for UITF 38: Accounting for ESOP Trusts, as detailed in note 1.

Set out below is an overview of the interim results. This is followed by a summary of the key factors affecting the performance of the Tullett Liberty and Collins Stewart businesses in the section headed Performance of Businesses.

FINANCIAL PERFORMANCE

Turnover in the first half increased by £78.6 million and operating profit before goodwill increased by £13.0 million. Much of the increase relates to the fact that the first half of 2004 had the benefit of a full contribution from Tullett Liberty, whereas the prior periods only included the company from 10 March 2003. Basic earnings per share improved 34 per cent. from 8.5p to 11.4p and basic earnings per share before goodwill and exceptional items improved 31 per cent. from 12.4p to 16.2p.

The directors have declared an interim dividend of 2.75p per share (2003: 2.5p). This is payable on 9 December 2004 to shareholders on the register at the close of business on 19 November 2004, other than those shareholders whose shares are allotted as part of the financing accompanying the acquisition of Prebon.

Like for like turnover was 1 per cent. down on the previous year, whilst like for like operating profit before goodwill was 9 per cent. ahead. The lower turnover is entirely the result of the weaker US dollar which meant that North American revenues, although 4 per cent. ahead of prior year in local terms, actually contributed 8 per cent. less to Group turnover.

On a like for like basis, Tullett Liberty's revenues fell by £4.4 million to £216.4 million. This decline in revenues was because of the weakening US dollar; at current average rates of exchange, Tullett Liberty's turnover increased by £8.6 million. Underlying growth, excluding the energy businesses acquired during the period, was some 2 per cent. with each region growing its turnover. Generally market conditions, particularly in the first quarter, were favourable to Tullett Liberty's business with volatility in the yield curve and the foreign exchange market being the most important factors. However, the subsequent rise in interest rates has slowed new issue and re-finance activity and had an impact on the fixed income securities business.

Tullett Liberty's like for like operating profit before goodwill increased 11 per cent. to £29.0 million with operating margins improving from 11.8 per cent. to 13.4 per cent. Currency positions taken out to offset the impact of the US dollar and Euro depreciation against sterling contributed approximately £1.0 million to operating profits. The improvement in operating margins has been driven by effective cost management in Europe and North America and a "partnership" culture created by the equity incentive plan introduced for Tullett Liberty senior management in January. The return has been achieved despite the one off costs associated with the senior management changes announced in April.

Collins Stewart grew revenues by 3 per cent. to £58.3 million and operating profit before goodwill rose £0.9 million to £17.9 million. The operating margin was 30.7 per cent. (2003: 30.0 per cent.). The prior year numbers have been restated to take account of the change in the accounting treatment of share options in

accordance with UITF 38. This gave rise to a decrease in Collins Stewart's and the Group's operating profit before goodwill of £1.2 million for the first half of 2003 (decrease of £2.5 million for the full year); earnings per share was reduced by 0.8p for the first half of 2003 (full year 1.5p).

Collins Stewart continued to benefit from the diversity of its revenue streams in the first half of the year. Whilst corporate finance revenues net of commissions paid away were down on 2003, all other areas of the business were ahead, giving rise to £1.6 million higher turnover.

In January we established a new equity incentive plan for the benefit of Tullett Liberty staff, under which nil price options were granted over 4.6 million shares. Shares required to meet option exercises will be purchased in the market and will accordingly not dilute shareholders' interests; such share purchases have been substantially hedged by the Company. The purpose of these share options is to drive the process of improving Tullett Liberty's operating margins. In order for the options to vest, operating margins, pre share option plan charge, must improve during the performance period to at least 13 per cent. Assuming the acquisition of Prebon is completed in October, the performance period relating to these options will terminate at that time. Options will vest on a *pro rata* basis having regard to Tullett Liberty's performance at that time and the shorter performance period, although the options will not be capable of exercise until three years from the date of grant. Further details are set out in the announcement concerning the proposed acquisition of Prebon.

PERFORMANCE OF BUSINESSES

TULLETT LIBERTY

The following tables and commentary analyse like for like turnover on a product and regional basis for the Tullett Liberty businesses:

	<i>Six months ended 30 June 2004</i>		<i>Six months ended 30 June 2003</i>		<i>Year ended 31 December 2003</i>	
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Securities Broking	115.3	53.3	127.0	57.5	240.4	56.3
Derivatives, Energy & Money Broking	97.0	44.8	89.5	40.5	179.1	41.9
Information Sales	4.1	1.9	4.3	2.0	7.9	1.8
	<u>216.4</u>	<u>100.0</u>	<u>220.8</u>	<u>100.0</u>	<u>427.4</u>	<u>100.0</u>

	<i>Six months ended 30 June 2004</i>		<i>Six months ended 30 June 2003</i>		<i>Year ended 31 December 2003</i>	
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Europe	103.4	47.8	100.3	45.5	194.3	45.4
North America	93.6	43.3	102.1	46.2	196.5	46.0
Asia Pacific	19.4	8.9	18.4	8.3	36.6	8.6
	<u>216.4</u>	<u>100.0</u>	<u>220.8</u>	<u>100.0</u>	<u>427.4</u>	<u>100.0</u>

Europe

The reported performance of our European operations has been maintained despite revenues suffering from the depreciation of the Euro and US dollar. The £3.1 million increase in turnover was generated by the oil broking business acquired in October 2003. The focus for the first half of 2004 has been on managing costs and performance so as to improve the overall return from the business. Our interest rate and currency derivatives areas both performed strongly in comparison to last year. At the same time, lower levels of debt new issuance led to reduced revenues in the corporate bond area.

North America

The North American operations have once again performed well. Whilst revenues have gone down in sterling terms by 8 per cent., the average exchange rate used to translate our US dollar results in the first half of 2004 was 13 per cent. weaker than that used for the equivalent period of 2003 and therefore, in local currency terms, the North American revenues were actually 3.5 per cent. higher than for 2003. Strong performances year on year from the treasury product, interest rate derivative and credit derivative groups, helped by continued volatility in the US government bond market have offset slightly lower results from the corporate bond and mortgage areas. In June, we acquired the New York and Calgary based power and gas

broking businesses of our associate, Natsource LLC, thereby extending our product coverage in the energy sector.

Asia Pacific

Earnings in Hong Kong, which generates the largest part of the Asian Pacific revenues, were subject to the same exchange rate translation factors as North America. In this context, the underlying results from Asia Pacific were very satisfactory and reflected our strength in indigenous currency derivatives and continued proactive management of less profitable desks. The Singapore based oil broking activity, acquired in October 2003, performed well.

Technology

We have continued with our focused investment in technology, aiming to implement systems, processes and infrastructure capable of being leveraged as the business grows organically or through acquisition. Use of our Marker broker platform, both internally and externally, continues to expand as we extend its capabilities to cover further product areas.

Information Sales

Revenues from information sales, which again arises mostly in US dollars, were slightly down in sterling terms against the same period last year. However, continued development of our services and customer base produced an improved operating return from this business compared to the first half of 2003.

COLLINS STEWART

The following tables indicate the contributions to turnover made by each of Collins Stewart's divisions and the nature of the income generated:

	<i>Six months ended 30 June 2004</i>		<i>Six months ended 30 June 2003</i>		<i>Year ended 31 December 2003</i>	
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Larger Companies and QUEST™	13.7	23.5	13.5	23.8	25.2	19.7
Smaller Companies	22.0	37.8	27.6	48.6	64.9	50.8
Investment Trusts	3.5	6.0	2.1	3.7	6.7	5.2
Fixed Interest	2.7	4.6	1.9	3.4	3.5	2.7
Private Clients	16.4	28.1	11.6	20.5	27.6	21.6
	<u>58.3</u>	<u>100.0</u>	<u>56.7</u>	<u>100.0</u>	<u>127.9</u>	<u>100.0</u>

	<i>Six months ended 30 June 2004</i>		<i>Six months ended 30 June 2003</i>		<i>Year ended 31 December 2003</i>	
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Market making	7.2	12.4	6.0	10.6	13.0	10.2
Commissions	25.2	43.2	21.4	37.8	44.6	34.9
Corporate Finance	18.9	32.4	24.6	43.3	59.2	46.3
Management fees	6.9	11.8	4.6	8.1	10.8	8.4
Other income	0.1	0.2	0.1	0.2	0.3	0.2
	<u>58.3</u>	<u>100.0</u>	<u>56.7</u>	<u>100.0</u>	<u>127.9</u>	<u>100.0</u>

Larger Companies and QUEST™

The Larger Companies and QUEST™ division's turnover was slightly up during the first six months of the year compared to the same period last year, largely thanks to a stronger performance from the New York broker dealer. At the start of the year there was great optimism that equity markets would extend the recovery from 2003. However, in the second quarter volumes contracted by nearly 25 per cent. compared with those in the first quarter and the market started moving down.

In the first half, there was increased interaction between the Smaller Companies teams and the overseas offices with involvement in the AIPO of PD Ports and another large fundraising.

We continue to explore opportunities for new hirings especially as the new Paris and Dublin offices continue to expand.

Smaller Companies

Smaller Companies produced revenues of £22.0 million in the first half of 2004, down 20 per cent. on the comparable period for 2003. Corporate finance revenues were down £6.4 million, although excluding the £3.1 million paid away under the Northumbrian Water deal in 2003, the decrease was £3.3 million. Secondary trading and commissions were 25 per cent. ahead over the period as market activity improved. Corporate finance revenues in 2003 had benefited from the Northumbrian Water AIPO, and although we completed the AIPO of PD Ports in 2004, this was a smaller transaction. Collins Stewart raised nearly £400 million of new equity (2003: £486 million) and advised on 21 transactions (2003: 23).

Investment Trusts

Total revenues increased by some 67 per cent. compared to the first half of last year. There has been much more corporate activity in the sector and our corporate fees have increased significantly over the comparable period. Despite poor secondary market conditions we have also been able to increase agency commissions and market making profits.

Fixed Interest

Fixed Interest produced a pleasing result in the first half, with revenues up 42 per cent. over the previous year, despite the impact of the increase in interest rates on the market. The new Convertibles team started trading in the second quarter and are gradually establishing their franchise.

Private Clients

The improved performance of the Private Client division in the second half of 2003 has continued into 2004. Further progress has been made in increasing discretionary funds under management and the resulting fee income.

FUTURE DEVELOPMENTS AND OUTLOOK

Since the interim date, the Company has obtained credit ratings from both the Fitch and Moody's credit agencies. Fitch assigned the Company a long term credit rating of BBB with a stable outlook and Moody's assigned a long term issuer rating of Baa2 and a short term issuer rating of Prime-2, with an outlook on both ratings of stable. Having secured these ratings, the Company went on to complete a £150 million Eurobond issue on the London Stock Exchange. Its proceeds have been used to increase the Company's regulatory capital base and to repay £47.6 million of existing borrowings since the interim date. Some £64 million of the Eurobond has been swapped into US dollar debt to provide a hedge for the Company's investment in its North American and Hong Kong subsidiaries.

The main focus for the business in the coming months will inevitably be the integration of Prebon. However, a significant amount of planning has already gone into this exercise, thus the integration plan should commence as soon as completion takes place. We will continue to explore ways to develop the enlarged inter-dealer broking business once the integration process has been completed. Options granted under the Tullett Liberty equity incentive plan which was established in January to drive margin improvements will either vest in part on Completion or lapse. It is intended that further options with new performance targets based on the enlarged Tullett Liberty Group will be granted under this plan.

The increase in interest rates and the consequent slow down in corporate bond issuance and mortgage re-financing have had an impact upon revenues in parts of Tullett Liberty's fixed income areas in recent months, although activity has been satisfactory in other product areas and there are reasons to expect a resurgence in fixed income business before the year end. In Collins Stewart one of the main challenges is the poor condition of equity new issue markets, which may improve once there is an acceptance of higher interest rates and more realistic pricing.

Despite uncertainties in the trading outlook, we believe the financial prospects for the enlarged Group to be positive in light of the initiatives already being developed to drive margin improvement and to grow the business.

Terry Smith

Chief Executive

24 September 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the six months ended 30 June 2004

		<i>Six months ended 30 June 2004 (Unaudited)</i>	<i>Six months ended 30 June 2003 (Unaudited) (Restated)</i>	<i>Year ended 31 December 2003 (Restated)</i>
	<i>Notes</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Turnover	2	274.7	196.1	473.9
Administrative expenses:				
Amortisation of goodwill		(7.9)	(6.1)	(13.8)
Other expenses		(230.1)	(164.5)	(402.5)
Total administrative expenses		(238.0)	(170.6)	(416.3)
Other operating income		2.3	2.3	3.9
Operating profit	2	39.0	27.8	61.5
Net share of operating profits in associates		—	0.1	0.5
Exceptional items:				
Profit on reorganisation of associates		—	—	4.5
Loss on sale of business		(0.7)	—	—
Net interest receivable/(payable)		1.1	(0.2)	0.4
Profit on ordinary activities before taxation		39.4	27.7	66.9
Taxation on profit on ordinary activities	3	(17.7)	(12.9)	(28.7)
Profit on ordinary activities after taxation		21.7	14.8	38.2
Equity minority interests		(0.5)	(0.9)	(0.6)
Profit for the period attributable to shareholders of Collins Stewart Tullett plc		21.2	13.9	37.6
Dividends paid and proposed				
Ordinary dividend on equity shares	9	(5.2)	(8.3)	(18.0)
Preference dividend on non-equity shares		—	(0.7)	(0.7)
Retained profit for the period		16.0	4.9	18.9
Earnings per share				
Basic	4	11.4p	8.5p	21.7p
Diluted	4	11.2p	8.4p	21.3p
Basic before amortisation of goodwill and exceptional items	4	16.2p	12.4p	27.3p

All of the Group's turnover and operating profit were derived from continuing activities.

There was no difference between profit on ordinary activities before taxation and retained profit for the periods stated above and their historical cost equivalents.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the six months ended 30 June 2004

	<i>Six months ended 30 June 2004 (Unaudited) £m</i>	<i>Six months ended 30 June 2003 (Unaudited) (Restated) £m</i>	<i>Year ended 31 December 2003 (Restated) £m</i>
Profit for the period attributable to shareholders of Collins Stewart Tullett plc	21.2	13.9	37.6
Foreign currency translation differences:			
Subsidiaries	(1.0)	(1.1)	(2.8)
Associates	—	(0.7)	(0.1)
Total recognised gains and losses for the period	<u>20.2</u>	<u>12.1</u>	<u>34.7</u>

CONSOLIDATED BALANCE SHEET
as at 30 June 2004

	<i>Notes</i>	<i>30 June 2004 (Unaudited) £m</i>	<i>30 June 2003 (Unaudited) £m</i>	<i>31 December 2003 (Restated) £m</i>
Fixed assets				
Intangible assets		276.9	290.6	282.2
Tangible assets		23.3	27.1	25.6
Associates		6.6	12.9	8.0
Other fixed asset investments		1.7	1.8	1.7
		<u>308.5</u>	<u>332.4</u>	<u>317.5</u>
Current assets				
Debtors		914.8	1,067.8	444.5
Investments		89.0	61.2	54.6
Cash at bank and in hand		123.9	117.1	209.9
		<u>1,127.7</u>	<u>1,246.1</u>	<u>709.0</u>
Creditors: amounts falling due within one year		<u>(954.4)</u>	<u>(1,105.1)</u>	<u>(555.6)</u>
Net current assets		173.3	141.0	153.4
Total assets less current liabilities		481.8	473.4	470.9
Creditors: amounts falling due after more than one year		(64.8)	(92.5)	(70.3)
Provisions for liabilities and charges		(4.6)	(1.7)	(6.1)
Net assets		<u>412.4</u>	<u>379.2</u>	<u>394.5</u>
Capital and reserves				
Called up share capital	5	47.6	47.2	47.3
Share premium account	5	198.9	195.3	195.9
Merger reserve	5	100.4	100.4	100.4
Profit and loss account	5	61.2	29.1	43.3
		<u>408.1</u>	<u>372.0</u>	<u>386.9</u>
Shareholders' funds — Equity		408.1	372.0	386.9
Equity minority interests		4.3	7.2	7.6
		<u>412.4</u>	<u>379.2</u>	<u>394.5</u>

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2004

		<i>Six months ended 30 June 2004 (Unaudited) £m</i>	<i>Six months ended 30 June 2003 (Unaudited) £m</i>	<i>Year ended 31 December 2003 £m</i>
	<i>Notes</i>			
Net cash (outflow)/inflow from operating activities	6	(44.2)	(11.2)	130.2
Dividends from associates		0.3	0.1	0.1
Returns on investments and servicing of finance:				
Interest received		3.5	2.6	4.0
Interest paid		(0.9)	(1.8)	(3.3)
Interest element of finance lease rental payments		(0.1)	(0.1)	(0.2)
Preference share dividend		—	(3.3)	(3.3)
		<u>2.5</u>	<u>(2.6)</u>	<u>(2.8)</u>
Taxation:				
Corporation tax paid		(10.5)	(4.0)	(11.7)
Overseas tax paid		(8.8)	(8.1)	(15.8)
		<u>(19.3)</u>	<u>(12.1)</u>	<u>(27.5)</u>
Capital expenditure and financial investments:				
Purchase of tangible fixed assets		(2.5)	(3.2)	(7.4)
Proceeds from sale of tangible fixed assets		—	—	0.1
Proceeds from sale of fixed asset investments		—	—	0.1
		<u>(2.5)</u>	<u>(3.2)</u>	<u>(7.2)</u>
Acquisitions and disposals:				
Purchase of subsidiary undertakings		(6.1)	(129.1)	(134.4)
Net cash acquired with subsidiary undertakings		—	32.0	33.0
Investment in associate		—	—	(7.7)
Disposal of associate		—	—	16.7
		<u>(6.1)</u>	<u>(97.1)</u>	<u>(92.4)</u>
Equity dividends paid		<u>(9.8)</u>	<u>(8.3)</u>	<u>(13.1)</u>
Net cash outflow before management of liquid resources and financing		(79.1)	(134.4)	(12.7)
Management of liquid resources:				
Sale of current asset investments		—	4.6	5.2
Purchase of current asset investments		(7.8)	(1.5)	(2.8)
	7,8	<u>(7.8)</u>	<u>3.1</u>	<u>2.4</u>
Financing:				
Issue of ordinary share capital		3.3	148.0	148.6
Share issue costs		—	(2.6)	(2.6)
Redemption of preference shares		—	(44.6)	(44.6)
Net issue/(repayment) of bank debt		(4.0)	46.0	33.2
Net repayment of loan notes		—	(3.2)	(3.3)
Debt issue costs		—	(0.5)	(0.7)
Capital element of finance lease rental payments		(0.5)	(0.4)	(0.9)
		<u>(1.2)</u>	<u>142.7</u>	<u>129.7</u>
Increase/(decrease) in cash		<u>(88.1)</u>	<u>11.4</u>	<u>119.4</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The interim accounts for the six months ended 30 June 2004, which are unaudited, have been prepared on the basis of the accounting policies set out in the Annual Report for 2003 except with regard to equity shares held by the employee benefit trusts. During the first half of 2004, the Company adopted the accounting treatment set out in UITF 38: Accounting for ESOP Trusts. Previously the Group's policy was to hold these assets at cost in current assets and to credit other operating income with the difference between market value and cost, over the period of the option. In accordance with UITF 38, equity shares held by the employee benefit trusts are now deducted in arriving at shareholders' funds. The financial information in respect of 2003 has accordingly been restated and the impact on the movement in the profit and loss account and other operating income is disclosed in note 5. The prior year adjustment has no cumulative effect on retained profits.

The financial information contained in this interim report does not constitute the Group's statutory accounts within the meaning of section 240 of the Companies Act 1985. The figures shown for the year ended 31 December 2003 represent an abridged version of the audited financial statements of the Company for that year, which have been filed with the Registrar of Companies and on which the auditors have given an unqualified report which did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

2. Segmental analysis

Geographical area

	<i>Six months ended 30 June 2004 £m</i>	<i>Six months ended 30 June 2003 £m</i>	<i>Year ended 31 December 2003 £m</i>
Turnover			
Europe	158.2	116.4	276.9
North America	97.1	67.4	166.4
Pacific Basin and Australasia	19.4	12.3	30.6
	<u>274.7</u>	<u>196.1</u>	<u>473.9</u>
Operating profit			
Europe	27.0	21.6	44.6
North America	16.2	10.4	25.5
Pacific Basin and Australasia	3.7	1.9	5.2
	<u>46.9</u>	<u>33.9</u>	<u>75.3</u>
Amortisation of goodwill	(7.9)	(6.1)	(13.8)
	<u>39.0</u>	<u>27.8</u>	<u>61.5</u>

Class of business

	<i>Six months ended 30 June 2004 £m</i>	<i>Six months ended 30 June 2003 £m</i>	<i>Year ended 31 December 2003 £m</i>
Turnover			
Collins Stewart:			
Stockbroking, corporate finance and fund management	58.3	56.7	127.9
Tullett Liberty:			
Derivatives, energy and money broking	97.0	57.1	146.7
Securities broking	115.3	79.4	192.9
Information sales	4.1	2.9	6.4
	<u>216.4</u>	<u>139.4</u>	<u>346.0</u>
	<u>274.7</u>	<u>196.1</u>	<u>473.9</u>

	<i>Six months ended 30 June 2004 (Unaudited) £m</i>	<i>Six months ended 30 June 2003 (Unaudited) (Restated) £m</i>	<i>Year ended 31 December 2003 (Restated) £m</i>
Operating profit			
Collins Stewart:			
Stockbroking, corporate finance and fund management	17.9	17.0	41.5
Tullett Liberty:			
Derivatives, energy and money broking	14.7	6.8	15.5
Securities broking	13.4	9.7	16.4
Information sales	0.9	0.4	1.9
	<u>29.0</u>	<u>16.9</u>	<u>33.8</u>
	46.9	33.9	75.3
Amortisation of goodwill:			
Collins Stewart	(3.2)	(3.3)	(6.6)
Tullett Liberty	(4.7)	(2.8)	(7.2)
	<u>(7.9)</u>	<u>(6.1)</u>	<u>(13.8)</u>
	<u>39.0</u>	<u>27.8</u>	<u>61.5</u>

3. Taxation

	<i>Six months ended 30 June 2004 (Unaudited) £m</i>	<i>Six months ended 30 June 2003 (Unaudited) £m</i>	<i>Year ended 31 December 2003 £m</i>
Current tax:			
UK corporation tax	13.5	8.5	20.4
Double tax relief	(3.0)	(1.5)	(3.7)
	<u>10.5</u>	<u>7.0</u>	<u>16.7</u>
Overseas tax	9.5	6.3	12.2
Share of associates' tax	0.4	(0.1)	0.7
Prior year UK Corporation tax over provided	(0.3)	—	(0.1)
Prior year overseas tax (over)/under provided	(0.7)	—	0.1
	<u>19.4</u>	<u>13.2</u>	<u>29.6</u>
Deferred tax:			
Reversal of timing differences	(1.7)	(0.3)	(0.9)
	<u>17.7</u>	<u>12.9</u>	<u>28.7</u>

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK of 30 per cent. as explained below:

	<i>Six months ended 30 June 2004</i>	<i>Six months ended 30 June 2003 (Restated)</i>	<i>Year ended 31 December 2003 (Restated)</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Profit on ordinary activities before tax	39.4	27.7	66.9
Tax on profit on ordinary activities at standard rate of 30%	11.8	8.3	20.1
Factors affecting charge for the year:			
Capital allowances less than depreciation	0.5	0.3	—
Disallowable expenditure	2.7	1.8	4.1
Goodwill amortisation (non-deductible)	2.4	1.8	4.2
Unrelieved/(utilised) losses	(0.4)	—	0.4
Non-taxable losses/(gains)	0.2	(0.2)	(1.3)
Different tax rates on overseas earnings	3.2	1.2	2.2
Adjustment in respect of prior years	(1.0)	—	(0.1)
Total current tax	<u>19.4</u>	<u>13.2</u>	<u>29.6</u>

4. Earnings per share

	<i>Six months ended 30 June 2004 (Unaudited)</i>	<i>Six months ended 30 June 2003 (Unaudited) (Restated)</i>	<i>Year ended 31 December 2003 (Restated)</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Earnings			
Profit for the period	21.2	13.9	37.6
Preference share dividends	—	(0.7)	(0.7)
Earnings for the purposes of the basic and diluted earnings per share	<u>21.2</u>	<u>13.2</u>	<u>36.9</u>
Amortisation of goodwill (including associates)	8.2	6.1	14.0
Exceptional items	0.7	—	(4.5)
Earnings for the purposes of basic earnings per share before goodwill amortisation and exceptionals	<u>30.1</u>	<u>19.3</u>	<u>46.4</u>

	<i>Six months ended 30 June 2004 No. (m)</i>	<i>Six months ended 30 June 2003 No. (m)</i>	<i>Year ended 31 December 2003 No. (m)</i>
Weighted average shares			
Number of ordinary shares at start of year	185.1	101.8	101.8
Shares acquired by the ESOTs	—	(0.1)	(0.3)
ESOT allocations	0.3	—	0.1
Vested share options	0.1	0.1	0.3
Share issues	0.2	53.4	68.1
Basic earnings per share denominator	<u>185.7</u>	<u>155.2</u>	<u>170.0</u>
Issuable on exercise of options	1.8	1.5	2.1
Contingently issuable shares*	1.2	0.7	0.9
Diluted earnings per share denominator	<u>188.7</u>	<u>157.4</u>	<u>173.0</u>

* Contingently issuable shares relate to the deferred consideration payable in respect of the acquisition of Tullett Liberty.

5. Movement in shareholders' funds

	<i>Share capital account £m</i>	<i>Share premium account £m</i>	<i>Merger reserve £m</i>	<i>Profit and loss account £m</i>	<i>Total £m</i>
Reported balance brought forward	47.3	195.9	100.4	43.3	386.9
Adjustment in respect of UITF 38	—	—	—	(2.5)	(2.5)
Credit arising from share option plans	—	—	—	2.5	2.5
Restated balance brought forward	47.3	195.9	100.4	43.3	386.9
Retained profit for period	—	—	—	16.0	16.0
Issue of ordinary shares	0.3	3.0	—	—	3.3
Credit arising from share option plans	—	—	—	2.9	2.9
Foreign currency translation	—	—	—	(1.0)	(1.0)
Balance at 30 June 2004	47.6	198.9	100.4	61.2	408.1

6. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	<i>Six months ended 30 June 2004 (Unaudited) £m</i>	<i>Six months ended 30 June 2003 (Unaudited) (Restated) £m</i>	<i>Year ended 31 December 2003 (Restated) £m</i>
Group operating profit	39.0	27.8	61.5
Expense arising from share option plans	2.9	1.2	2.5
Depreciation of tangible fixed assets	4.7	3.5	8.2
Amortisation of goodwill	7.9	6.1	13.8
Tangible fixed assets written off	0.1	—	1.0
Doubtful debts and other provisions	0.2	—	(0.2)
Decrease/(increase) in net investment positions	(0.4)	1.0	—
Increase in debtors	(470.4)	(770.3)	(143.4)
Increase in creditors	372.3	720.2	184.3
(Decrease)/increase in provisions for liabilities and charges	(0.4)	—	2.7
Decrease in long term creditors	(0.1)	(0.7)	(0.2)
Net cash (outflow)/inflow from operating activities	(44.2)	(11.2)	130.2

7. Reconciliation of net cash flow to movement in net funds

	Six months ended 30 June 2004 (Unaudited) £m	Six months ended 30 June 2003 (Unaudited) £m	Year ended 31 December 2003 £m
(Decrease)/increase in cash during the period	(88.1)	11.4	119.4
Cash inflow from increase in long term loans	—	(51.1)	(51.1)
Cash outflow from repayment of loans and loan notes	4.0	8.2	21.1
Debt issue costs	—	0.5	0.7
Cash outflow from lease financing	0.5	0.4	0.9
(Decrease)/increase in current asset investments	7.8	(3.1)	(2.4)
Acquired with subsidiary:			
Finance leases	—	(4.0)	(4.0)
Loans due within one year	—	(9.5)	(9.5)
Current asset investments and term deposits	—	70.3	70.3
(Decrease)/increase in net funds resulting from cash flows	(75.8)	23.1	145.4
Amortisation of debt issue costs	(0.2)	(0.6)	(1.0)
Currency translation differences	(0.8)	(0.7)	(2.4)
(Decrease)/increase in net funds	(76.8)	21.8	142.0
Net funds at the start of the period	183.5	41.5	41.5
Net funds at the end of the period	106.7	63.3	183.5

8. Analysis of net funds

	At 1 January 2004 £m	Cash flow £m	Non- cash items £m	Exchange differences £m	At 30 June 2004 £m
Cash at bank and in hand	180.1	(78.7)	—	(0.6)	100.8
Client settlement monies	11.4	(6.6)	—	—	4.8
Overdraft	(14.7)	(2.8)	—	—	(17.5)
	176.8	(88.1)	—	(0.6)	88.1
Loan notes repayable within one year	(1.3)	—	—	—	(1.3)
Loans due within one year	(8.3)	(0.5)	—	—	(8.8)
Loans due after one year	(43.2)	4.5	(0.2)	0.5	(38.4)
Finance lease and hire purchase	(3.2)	0.5	—	0.1	(2.6)
	(56.0)	4.5	(0.2)	0.6	(51.1)
Current asset investments:					
Term deposits	31.5	1.4	—	(0.3)	32.6
Securities	31.2	6.4	—	(0.5)	37.1
	62.7	7.8	—	(0.8)	69.7
Total net funds	183.5	(75.8)	(0.2)	(0.8)	106.7

Deposits of £18.3 million (30 June 2003: £14.0 million; 31 December 2003: £18.4 million) in cash at bank and in hand on the balance sheet, maturing in less than three months and greater than one day, have been included within term deposits in current asset investments in the analysis of net funds.

Included within current asset investments on the balance sheet are long positions in securities of £37.6 million (30 June 2003: £10.0 million; 31 December 2003: £10.3 million) which are not included in the analysis of net funds.

Securities within current assets (included within current asset investments above) are held on deposit by certain subsidiary undertakings in order to secure clearing facilities.

The non-cash item relates to the amortisation of debt costs capitalised and offset against the loans to which such debt costs relate.

Cash balances include client settlement moneys of £4.8 million (30 June 2003: £5.5 million and 31 December 2003: £11.4 million), held on behalf of clients to settle outstanding bargains. Movements in settlement balances are reflected in operating cash flows.

9. Dividends

The interim ordinary dividend of 2.75p (2003: 2.5p) will be paid on 9 December 2004 to those shareholders on the register on 19 November 2004 other than shareholders who acquire shares as a result of the placing and the acquisition of Prebon.

10. Report availability

This interim report will be included in the documentation relating to the Prebon acquisition to be sent to all shareholders; further copies may be obtained from the Company's registered office at 9th Floor, 88 Wood Street, London EC2V 7QR."

PART IV
ACCOUNTANTS' REPORT ON PREBON



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The Directors
Collins Stewart Tullett plc
88 Wood Street
London EC2V7QR

Lehman Brothers International (Europe)
25 Bank Street
London E14 5LE

24 September 2004

Dear Sirs

PROPOSED ACQUISITION OF FPG HOLDINGS LIMITED

We report on the combined financial information set out below. This combined financial information has been prepared for inclusion in the listing particulars of Collins Stewart Tullett plc ("the Company") relating to the proposed acquisition by the Company of FPG Holdings Limited ("FPG") dated 24 September 2004 ("the Listing Particulars").

The operations upon which we report, are referred to throughout this report as the FPG Group. The FPG Group comprises FPG and its subsidiaries. Prebon Technology Group Limited ("PTGL"), in which FPG acquired an 83 per cent. equity interest on 31 March 2004 and in which it is proposed that FPG will acquire the remaining 17 per cent. equity interest, is included within the FPG Group on the basis set out in Note 1 to the combined financial information.

The FPG Group did not constitute a discrete legal group under a single holding company throughout the period covered by the combined financial information. Accordingly it has been necessary to compile combined financial information for the purposes of this report.

Basis of preparation

The combined financial information set out below is based on the audited consolidated financial statements of FPG and PTGL for the three years ended 31 March 2004 and has been prepared on the basis set out in Note 1 below, after making such adjustments as we considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of FPG and PTGL, who approved their issue.

The directors of the Company are responsible for the contents of the Listing Particulars in which this report is included.

It is our responsibility to compile the combined financial information set out in our report from the financial statements, to form an opinion on the combined financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the combined financial information. The evidence included that previously obtained by us and our predecessor firm PricewaterhouseCoopers relating to the audits of the financial statements underlying the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the combined financial information and whether the accounting policies are appropriate to the circumstances of the FPG Group, consistently applied and adequately disclosed.

We planned and performed our work 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 combined financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the combined financial information gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of the FPG Group as at the dates stated and of its profits, cash flows and total recognised gains and losses for the periods then ended.

Combined profit and loss accounts

		<i>Year ended 31 March</i>		
	<i>Notes</i>	<i>2002 £'000</i>	<i>2003 £'000</i>	<i>2004 £'000</i>
Turnover				
Continuing operations	3	277,402	278,867	288,088
Discontinued operations		14,268	6,604	365
		<u>291,670</u>	<u>285,471</u>	<u>288,453</u>
Less: share of joint ventures		(1,616)	—	—
		<u>290,054</u>	<u>285,471</u>	<u>288,453</u>
Continuing operations				
Operating expenses — amortisation of goodwill		(4,076)	(4,585)	(4,429)
Operating expenses — writedown of investment		—	(1,215)	—
Operating expenses — other		(260,011)	(267,316)	(273,186)
		<u>(264,087)</u>	<u>(273,116)</u>	<u>(277,615)</u>
Discontinued operations		(11,742)	(6,850)	(312)
Total operating expenses		<u>(275,829)</u>	<u>(279,966)</u>	<u>(277,927)</u>
Operating profit	4			
Continuing operations		13,315	5,751	10,473
Discontinued operations		910	(246)	53
		<u>14,225</u>	<u>5,505</u>	<u>10,526</u>
Investment income		—	143	—
Share of profit/(loss) of associated undertakings		713	(496)	(3)
Share of profit of joint ventures		316	—	—
Continuing operations				
Restructuring costs	5a	(1,900)	—	—
Profit on disposal of businesses	5b	4,177	3,087	—
Writedown of investment	5c	—	(1,681)	—
Total exceptional items		<u>2,277</u>	<u>1,406</u>	<u>—</u>
Profit before interest and taxation		<u>17,531</u>	<u>6,558</u>	<u>10,523</u>
Interest receivable and similar income		1,541	1,027	382
Interest payable and similar charges	6	(4,751)	(3,343)	(2,292)
Profit on ordinary activities before taxation		<u>14,321</u>	<u>4,242</u>	<u>8,613</u>
Tax on profit on ordinary activities	8	(5,812)	(1,283)	(1,852)
Profit on ordinary activities after taxation		<u>8,509</u>	<u>2,959</u>	<u>6,761</u>
Minority interests	21	(252)	(159)	(303)
Profit for the financial year	20	<u>8,257</u>	<u>2,800</u>	<u>6,458</u>

Movements in invested capital and reserves are shown in Note 20 to this combined financial information.

The notes form an integral part of this combined financial information.

Combined and consolidated balance sheets

		Year ended 31 March		
	Notes	2002 £'000	2003 £'000	2004 £'000
Fixed assets				
Intangible assets	9	24,956	21,514	21,334
Tangible assets	10	12,147	13,495	13,342
Investments in associates	11	4,469	175	37
Other investments	11	6,984	4,268	3,847
		11,453	4,443	3,884
		48,556	39,452	38,560
Current assets				
Debtors — amounts falling due within one year	12	54,721	55,027	53,160
Debtors — amounts falling due after more than one year		1,011	3,598	5,526
		55,732	58,625	58,686
Cash at bank and in hand		35,341	28,548	24,017
		91,073	87,173	82,703
Creditors (amounts falling due within one year)				
Creditors	13	(94,407)	(84,202)	(79,406)
Loans	15	(10,904)	(6,311)	(28,944)
		(105,311)	(90,513)	(108,350)
Net current liabilities		(14,238)	(3,340)	(25,647)
Total assets less current liabilities		34,318	36,112	12,913
Creditors (amounts falling due after more than one year)				
Creditors	14	4,897	10,303	5,398
Loans	15	58,548	51,964	21,362
		63,445	62,267	26,760
Provisions for liabilities and charges	18	1,749	5,373	6,899
		65,194	67,640	33,659
Capital and reserves				
Share capital	19			1
Share premium reserve	20			8,981
Profit and loss account	20			(31,598)
Invested capital/Equity shareholders' funds	20	(32,351)	(32,970)	(22,616)
Minority interests, including non-equity interests	21	1,475	1,442	1,870
Total capital and reserves		(30,876)	(31,528)	(20,746)
		34,318	36,112	12,913

The notes form an integral part of this combined financial information.

Combined statement of total recognised gains and losses

		<i>Year ended 31 March</i>		
	<i>Notes</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit on ordinary activities after taxation		8,509	2,959	6,761
Minority interests		(252)	(159)	(303)
		<u>8,257</u>	<u>2,800</u>	<u>6,458</u>
Currency translation differences on foreign currency net investments		539	(3,419)	(85)
Total recognised gains/(losses) relating to the year	20	<u>8,796</u>	<u>(619)</u>	<u>6,373</u>

Combined reconciliation of movements in invested capital/shareholders' funds

		<i>Year ended 31 March</i>		
		<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit on ordinary activities after taxation		8,509	2,959	6,761
Minority interests		(252)	(159)	(303)
		<u>8,257</u>	<u>2,800</u>	<u>6,458</u>
Currency translation differences on foreign currency net investments		539	(3,419)	(85)
Net increase/(reduction) in invested capital/shareholders' funds		8,796	(619)	6,373
Opening deficit on invested capital/shareholders' funds		(41,147)	(32,351)	(32,970)
Adjustment arising from the statutory re-acquisition of PTGL		—	—	3,981
Closing deficit on invested capital/shareholders' funds		<u>(32,351)</u>	<u>(32,970)</u>	<u>(22,616)</u>

The notes form an integral part of this combined financial information.

Combined cash flow statements

		<i>Year ended 31 March</i>		
	<i>Notes</i>	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
Net cash flow from operating activities	26a	29,594	13,951	13,125
Dividends from associates and joint ventures		411	282	—
Returns on investment and servicing of finance				
Interest received		1,376	1,019	382
Interest paid		(3,427)	(857)	(1,401)
Interest element of finance lease rental payments		(103)	(31)	(72)
Dividends paid to minorities		(159)	(207)	(53)
Dividends received from investments		—	143	—
Net cash (outflow)/inflow from returns on investment and servicing of finance		(2,313)	67	(1,144)
Taxation		(11,866)	(6,195)	(2,957)
Capital expenditure and financial investments				
Purchase of tangible fixed assets		(7,693)	(8,584)	(7,808)
Proceeds from sale of tangible fixed assets		462	204	313
Purchase of fixed asset investments		(361)	(180)	—
Net cash outflow from capital expenditure and financial investments		(7,592)	(8,560)	(7,495)
Acquisitions and disposals				
Purchase of subsidiary undertakings		—	(971)	—
Proceeds from sale of business		6,172	4,283	—
Proceeds from sale of associate company		—	—	131
Net cash inflow/(outflow) from acquisitions and disposals		6,172	3,312	131
Cash inflow/(outflow) before use of liquid resources and financing		14,406	2,857	1,660
Management of liquid resources	26b	(9,485)	9,311	6,328
		4,921	12,168	7,988
Financing				
Net repayment of brought forward bank loans		(8,212)	(9,178)	(6,095)
Draw down of other loans/finance leases		142	152	—
Capital element of finance lease rental payments		(1,278)	(839)	(65)
Minority interest additions		—	98	—
Net cash outflow from financing	26c	(9,348)	(9,767)	(6,160)
(Decrease)/increase in cash	26d	(4,427)	2,401	1,828

The notes form an integral part of this combined financial information.

Notes to the combined financial information

1. Development of the FPG Group and basis of preparation

Development of the FPG Group

The FPG Group did not constitute a discrete legal group under a single holding company throughout the period covered by the combined financial information. Throughout the period covered by the combined financial information, FPG has acted as the holding company for the main trading activities of the FPG Group. From 1 April 2001 until 31 March 2004 information technology support and development services for FPG and its subsidiary undertakings was provided by PTGL and its subsidiaries (the "PTGL Group") and the provision of these services was the predominant activity of the PTGL Group. During this period PTGL was owned by common shareholders to those of FPG following the previous demerger of the businesses within PTGL from FPG. On 31 March 2004 FPG reacquired an 83 per cent. equity interest in PTGL. In connection with the proposed acquisition by Collins Stewart Tullett plc of FPG, FPG has offered to acquire the remaining 17 per cent. equity interest in PTGL on completion of the proposed acquisition ("Completion") for a consideration of £117,900 payable in cash.

Under the terms of the proposed acquisition by Collins Stewart Tullett plc of FPG, certain subsidiaries of FPG (Prebon Yamane (Nederland) BV and CCP Capital Limited together with the businesses and certain assets of Prebon Marshall Yamane (Czech Republic)) referred to as the Mawlaw Group, will on Completion, subject to regulatory approval, be disposed by FPG to a new company controlled by Mr Arthur Hughes and Mr Patrick Keenan, the two principal shareholders of FPG, for a consideration of £4.3 million payable in cash. This combined financial information includes the Mawlaw Group. Summary financial information for the Mawlaw Group is provided in Note 28.

Basis of preparation

The combined financial information for the three years ended 31 March 2004 has been prepared by aggregating the financial information from the audited consolidated financial statements of FPG and PTGL, as though PTGL had been owned 83 per cent. in that period. On 31 March 2004, FPG acquired 83 per cent. of PTGL, creating a minority interest for the 17 per cent. of PTGL not owned by FPG. Adjustments have been made to conform the combined financial information to the accounting policies applied by Collins Stewart Tullett plc.

All material companies within the FPG Group had during the three years ended 31 March 2004 coterminous financial year ends and all transactions between companies within the FPG Group have been eliminated in the preparation of the combined financial information.

The adjustments arising from the actual reacquisition by FPG of an 83 per cent. equity interest in PTGL on 31 March 2004 and the goodwill arising therefrom have been dealt with within the combined financial information on 31 March 2004.

2. Accounting policies

(a) Basis of consolidation

The combined financial information has been prepared on the historical cost basis and in accordance with applicable accounting standards and the accounting policies set out below, which have been consistently applied. Subsidiary and associated undertakings and joint ventures are accounted for from the effective dates of acquisition. Joint ventures are arrangements in which the FPG Group has a long-term interest and shares control under a written contractual arrangement. The FPG Group combined financial information includes the appropriate share of joint venture results and retained reserves, based on their latest financial statements.

Companies in which the FPG Group has an investment comprising an effective interest of not less than 20 per cent. in the voting capital and over which it exerts a significant influence are defined as associated undertakings. Investments in associated undertakings are stated at the FPG Group's share of the net assets of the associated undertakings. Companies in which the FPG Group has an investment of less than 20 per cent. or greater than 20 per cent. but for which the FPG Group does not exert a significant influence, are treated as investments and stated at cost less any permanent diminution of value.

(b) Turnover

Turnover from money, securities and commodities broking activities represents brokerage commission net of discounts and return brokerage. The FPG Group follows market practice and takes credit for brokerage commission at the time the deal is negotiated.

(c) Goodwill

Purchased goodwill, being the difference between the purchase consideration and the fair value of net assets acquired, is amortised over the period during which the directors expect the values of the underlying businesses acquired to exceed the value of the underlying assets, in accordance with FRS10, Goodwill and Intangible Assets (see Note 9).

Goodwill is amortised on a straight line basis, through the profit and loss account, over its useful economic life. The estimated useful lives range from 3 to 10 years. Goodwill, which is assessed as having no continuing economic value, is written off to the profit and loss account. Where goodwill is assessed as being impaired, the carrying value is written down to the estimated recoverable amount.

(d) 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 within the FPG Group per annum are:

Properties and improvements	10%–20%
Telecommunications and dealing equipment	20%–33%
Furniture and equipment	20%–33%
Motor vehicles	20%–25%
Software	33%

Leasehold property improvements are amortised over the shorter of the estimated useful life or the length of the lease.

(e) Investments

Investments are stated at cost. Provision is made where in the opinion of the directors there has been a permanent diminution in value.

(f) Leases

Assets held under finance leases and the related lease obligations are recorded within fixed assets and creditors respectively in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which lease payments exceed the recorded lease obligations are treated as finance charges and are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation. Rental costs under operating leases are charged to the profit and loss account in equal amounts over the relevant year of each lease.

(g) Deferred taxation

Deferred tax is recognised in respect of major 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 FPG Group's taxable profits and its results as stated in the financial statements. Deferred tax assets are recognised to the extent that in the opinion of the directors they will be recoverable against future taxable profits.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(h) Foreign currencies

Assets and liabilities denominated in foreign currencies have been translated into Sterling at the rate of exchange ruling at the balance sheet date. The profit and loss accounts and cash flows of overseas subsidiary undertakings are translated at the appropriate monthly average exchange rates for the year and the adjustment to year-end rates is taken to reserves, along with exchange differences arising on the re-translation of opening balance sheets of overseas subsidiary undertakings.

Exchange differences arising from trading activities and from the translation of short term monetary assets and liabilities are included in the profit and loss account.

(i) *Pensions*

Costs of the defined contribution pension schemes operated by the FPG Group are charged against profits in the year in which they arise. Contributions to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' estimated working lives with the FPG Group, in accordance with SSAP 24. The transitional arrangements offered by FRS 17 have been adopted.

(j) *Matched principal business*

Certain companies in the FPG Group act as principal in the purchase and simultaneous sale of certain securities between third parties. For transactions where the maturity periods are not originally matched, subsequent sale and repurchase transactions are entered into on the next business day to eliminate fully the remaining maturity mismatch. Substantially all the transactions settle within a short period of time and the settlement risk is considered to be minimal. To reflect the substance of these transactions and in accordance with industry practice, the amounts due to and payable by counter-parties are offset, and the residual net amount included in trade debtors. In the event of the principal of one side of the transaction remaining unmatched or unsettled as at the balance sheet date, the relevant gross amounts are included on the combined balance sheets.

3. Segmental analysis of turnover, profit before taxation and net assets

Geographical area

	<i>Europe</i> <i>Year ended 31 March</i>			<i>Americas</i> <i>Year ended 31 March</i>			<i>Asia</i> <i>Year ended 31 March</i>			<i>Group</i> <i>Year ended 31 March</i>		
	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
Turnover	118,058	125,043	134,612	130,672	112,269	99,633	41,324	48,159	54,208	290,054	285,471	288,453
Operating profit before goodwill	3,983	4,502	4,430	16,273	2,820	7,674	(1,955)	2,768	2,851	18,301	10,090	14,955
Amortisation of goodwill										(4,076)	(4,585)	(4,429)
Operating profit										14,225	5,505	10,526
Investment income	—	143	—	—	—	—	—	—	—	—	143	—
Share of profit/(loss) of associated undertakings	506	8	—	50	42	—	157	(546)	(3)	713	(496)	(3)
Share of profit of joint ventures	316	—	—	—	—	—	—	—	—	316	—	—
Exceptional items										2,277	1,406	—
Finance charges (net)										(3,210)	(2,316)	(1,910)
Profit on ordinary activities before taxation										14,321	4,242	8,613
Net assets/(liabilities)	(20,054)	(16,008)	(16,032)	(17,670)	(21,291)	(7,338)	6,848	5,771	2,624	(30,876)	(31,528)	(20,746)

Product grouping

	<i>Securities broking</i> <i>Year ended 31 March</i>			<i>Information sales</i> <i>Year ended 31 March</i>			<i>Derivatives, energy and money broking</i> <i>Year ended 31 March</i>			<i>Group</i> <i>Year ended 31 March</i>		
	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
Turnover	56,626	58,967	54,356	6,318	4,680	4,165	227,110	221,824	229,932	290,054	285,471	288,453
Operating profit before goodwill	3,639	2,481	3,175	2,409	1,324	1,348	12,253	6,285	10,432	18,301	10,090	14,955
Amortisation of goodwill										(4,076)	(4,585)	(4,429)
Operating profit										14,225	5,505	10,526
Investment income	—	—	—	—	—	—	—	143	—	—	143	—
Share of profit/(loss) of associated undertakings	—	—	—	—	—	—	713	(496)	(3)	713	(496)	(3)
Share of profit/(loss) of joint ventures	—	—	—	—	—	—	316	—	—	316	—	—
Exceptional items										2,277	1,406	—
Finance charges (net)										(3,210)	(2,316)	(1,910)
Profit on ordinary activities before taxation										14,321	4,242	8,613
Net (liabilities)	(5,589)	(5,706)	(3,755)	(463)	(472)	(311)	(24,824)	(25,350)	(16,680)	(30,876)	(31,528)	(20,746)

4. Turnover and operating profit

The FPG Group operating profit is stated after charging/(crediting):

		<i>Year ended 31 March</i>		
		<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Depreciation	— leasehold property improvements	403	466	560
	— other assets	5,286	5,803	6,943
Operating leases	— land and buildings	3,859	3,896	2,417
Operating leases equipment		648	530	438
(Gain) on sale of fixed assets		(23)	(83)	(23)
Amortisation of goodwill on acquisition of subsidiary undertakings		4,076	4,585	4,429
Auditors' remuneration — audit fees		1,003	1,163	1,194
	— non audit fees	684	1,233	1,725
Exchange differences		(1,977)	234	(797)
Write down of investment in Energyclear Operations Co LLC ("Energyclear")		—	1,215	—

Of the non-audit services £1,240,000 (2003: £1,028,000; 2002: £310,000) was paid in the United Kingdom.

5. Exceptional items

		<i>Year ended 31 March</i>		
		<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Restructuring costs		(1,900)	—	—
Profit on disposal of businesses		4,177	3,087	—
Write down of investments		—	(1,681)	—
		<u>2,277</u>	<u>1,406</u>	<u>—</u>

(a) Restructuring costs

Following the cessation of talks to dispose of the FPG Group's IT development division, the division was fundamentally restructured and a number of employees were made redundant.

(b) Profit on disposal of businesses

		<i>Year ended 31 March</i>		
		<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit on sale of Marshall Harlow Limited		3,676	—	—
Profit on sale of Harlow Prebon LLC		794	—	—
Loss on sale of Prebon Yamane (France) SA		(293)	—	—
Profit on sale of Enlaces Prebon SA de CV		—	1,088	—
Profit on sale of Yamane Prebon Securities Co Limited		—	1,194	—
Deferred consideration on disposal of Nikkei broking business in 1999		—	805	—
		<u>4,177</u>	<u>3,087</u>	<u>—</u>

On 13 September 2001 the FPG Group sold its interest in Marshall Harlow Limited and on 14 September 2001 the Group sold its interest in Harlow Prebon LLC. The profit on disposal is calculated as follows:

	<i>Year ended 31 March 2002 £'000</i>
Sale of Marshall Harlow Limited	
Proceeds	4,672
Less: net assets sold	(996)
Profit on disposal	<u>3,676</u>
Sale of Harlow Prebon LLC	
Proceeds	1,500
Less: net assets sold	(706)
Profit on disposal	<u>794</u>

As a result of the sale taxation of approximately £250,000 became payable.

With effect from 4 April 2001 the Group reduced its interest in French operations by exchanging its 70 per cent. interest in Prebon Yamane (France) SA for a 12 per cent. interest in the joint venture vehicle EPP Holding SA.

The loss on disposal is calculated as follows:

	<i>Year ended 31 March 2002 £'000</i>
Proceeds (net of associated costs)	478
Less: net assets sold	(771)
Loss on disposal	<u>(293)</u>

Effective 7 October 2002, the FPG Group sold its interest in the joint venture Enlaces Prebon SA de CV and its subsidiaries ("Enlaces") domiciled in Mexico. As consideration the FPG Group was entitled to receive a total of US\$2,956,000 (£1,880,000 at the year end rate). Of this consideration, US\$806,000 was received on completion of the deal with the remainder to be paid on an earn-out basis. The FPG Group received two further receipts, US\$348,424 in April 2003 and US\$986,785 in April 2004. The balance of US\$814,791 remains outstanding. The directors are satisfied that the remaining consideration will be received over the earn-out period. There was no effect on the FPG Group's taxation position.

	<i>Year ended 31 March 2003 £'000</i>
Proceeds on sale of Enlaces	1,880
Less: net assets sold	(792)
Profit on disposal	<u>1,088</u>

During the year ended 31 March 2003, the FPG Group disposed of its interest in Yamane Prebon Securities Co., Limited ("YPS") to Central Tanshi Co., Limited ("CT") for consideration of £3,760,000 which was settled by forgiveness of loan notes payable by Prebon Technology Group Limited of the same amount. The profit on the sale was made up as follows:

	<i>Year ended 31 March 2003 £'000</i>
Proceeds on sale of YPS	3,760
Less: net assets sold	(2,566)
Profit on disposal	<u>1,194</u>

There was no effect on the FPG Group's taxation position.

During the year ended 31 March 2003, the final payment of deferred consideration of Yen 150,000,000 was received from CT in relation to the sale of the Nikkei broking business in 1999.

	<i>Year ended 31 March 2003 £'000</i>
Proceeds on sale of Nikkei	805
Less: net assets sold	—
Profit on disposal	<u>805</u>

(c) *Write down of investment*

	<i>Year ended 31 March</i>		
	<i>2002 £'000</i>	<i>2003 £'000</i>	<i>2004 £'000</i>
Write down of investment in CreditTrade Inc	—	1,681	—

During the year ended 31 March 2003, the FPG Group wrote down its investment in Credit Trade from £4,681,000 to £3,000,000.

6. Interest payable and similar charges

	<i>Year ended 31 March</i>		
	<i>2002 £'000</i>	<i>2003 £'000</i>	<i>2004 £'000</i>
Interest on bank and other term loans:			
— repayable within five years by instalments	1,197	691	432
— repayable within five years other than by instalments	495	—	2
Interest on other loans:			
— repayable within five years by instalments	907	454	373
— repayable within five years other than by instalments	919	1,822	1,340
— repayable after five years by instalments	—	156	128
Interest on bank overdrafts repayable within five years not by instalments	488	35	—
Other interest payable	642	153	17
Interest payable on finance leases	103	32	—
	<u>4,751</u>	<u>3,343</u>	<u>2,292</u>

7. Employees and directors

		<i>Year ended 31 March</i>		
		<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
(a)	Staff costs			
	Wages and salaries, including redundancy costs	193,222	187,188	194,028
	Social security costs	8,377	9,073	9,848
	Other pension costs	2,784	2,455	2,083
		<u>204,383</u>	<u>198,716</u>	<u>205,959</u>
		<i>Number</i>	<i>Number</i>	<i>Number</i>
(b)	Average number of employees	<u>1,724</u>	<u>1,613</u>	<u>1,664</u>

		<i>Year ended 31 March</i>		
		<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
(c)	Directors' remuneration			
	Directors' remuneration in respect of services as directors was as follows:			
	Emoluments, salary and bonuses	2,728	4,713	5,618
	Pension contributions to money purchase schemes	250	233	188
	Compensation for loss of office	7	—	—
		<u>2,985</u>	<u>4,946</u>	<u>5,806</u>

Three directors (2003: Three; 2002: Three) participated in money purchase schemes.

The remuneration of the highest paid director was as follows:

		<i>Year ended 31 March</i>		
		<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
	Emoluments, salary and bonuses	834	2,119	2,688
	Pension contributions to money purchase schemes	188	188	188
		<u>1,022</u>	<u>2,307</u>	<u>2,876</u>

Directors' remuneration is in respect of the directors of FPG Holdings Limited.

8. Tax on profit on ordinary activities

	<i>Year ended 31 March</i>		
	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
United Kingdom			
Corporation tax at 30% (2003: 30%; 2002: 30%)	6,185	26	108
Adjustment regarding prior periods	(4,202)	(21)	(1,961)
Foreign tax			
Corporation taxes	5,619	5,297	4,664
Adjustments regarding prior periods	—	—	(143)
Share of associates and joint ventures	398	70	—
	<u>6,017</u>	<u>5,367</u>	<u>4,521</u>
Total current tax	<u>8,000</u>	<u>5,372</u>	<u>2,668</u>
Deferred tax			
Origination and reversal of timing differences	(2,188)	(4,089)	(816)
Representing			
United Kingdom	—	(2,775)	(5)
Foreign tax	(2,188)	(1,314)	(811)
Total Deferred tax	<u>(2,188)</u>	<u>(4,089)</u>	<u>(816)</u>
Tax on profit on ordinary activities	<u>5,812</u>	<u>1,283</u>	<u>1,852</u>

	<i>Year ended 31 March</i>		
	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
The tax for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:			
Profit on ordinary activities before tax	14,321	4,242	8,613
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	4,297	1,272	2,584
Effects of:			
Double tax relief	—	(13)	—
Adjustments in respect of prior period	(4,202)	(21)	(2,104)
Adjustments in respect of foreign tax rates	692	(734)	(71)
Expenses not deductible for tax purposes	4,294	2,240	4,772
Unrelieved losses carried forward	3,306	509	(68)
Timing differences	(387)	2,439	(203)
Utilisation of losses brought forward	—	(320)	(2,242)
	<u>8,000</u>	<u>5,372</u>	<u>2,668</u>

9. Intangible assets — goodwill

	<i>Year ended 31 March</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost			
At 1 April	36,522	36,522	37,493
Adjustment on the statutory re-acquisition of PTGL	—	—	5,181
Exchange differences	—	971	30
At 31 March	<u>36,522</u>	<u>37,493</u>	<u>42,704</u>
Amortisation			
At 1 April	7,503	11,566	15,979
Charge for the year	4,076	4,585	4,429
Adjustment on the statutory re-acquisition of PTGL	—	—	1,000
Exchange differences	(13)	(172)	(38)
At 31 March	<u>11,566</u>	<u>15,979</u>	<u>21,370</u>
Net Book Value at 31 March	<u><u>24,956</u></u>	<u><u>21,514</u></u>	<u><u>21,334</u></u>

Intangible assets represent goodwill arising on acquisitions. Of the balance of goodwill at 31 March 2004, £4,181,000 arises in connection with the statutory re-acquisition of an 83 per cent. interest in PTGL on 31 March 2004 as described in Note 1.

10. Tangible assets

	Land and Buildings Short Leasehold £'000	Equipment, Fixtures, Fittings and Motor Vehicles £'000	Total £'000
Cost			
At 1 April 2001	7,601	67,785	75,386
Additions	350	7,749	8,099
Disposals	(11)	(1,138)	(1,149)
Foreign exchange difference	5	102	107
At 31 March 2002	7,945	74,498	82,443
Depreciation			
At 1 April 2001	6,040	59,150	65,190
Foreign exchange difference	5	280	285
Charge for the period	404	5,285	5,689
Disposals	(10)	(858)	(868)
At 31 March 2002	6,439	63,857	70,296
Net book value at 31 March 2002	1,506	10,641	12,147
Cost			
At 1 April 2002	7,945	74,498	82,443
Additions	517	8,252	8,769
Disposals	(553)	(6,109)	(6,662)
Foreign exchange difference	(80)	(4,658)	(4,738)
At 31 March 2003	7,829	71,983	79,812
Depreciation			
At 1 April 2002	6,439	63,857	70,296
Foreign exchange difference	(78)	(4,325)	(4,403)
Charge for the period	473	5,796	6,269
Disposals	(553)	(5,292)	(5,845)
At 31 March 2003	6,281	60,036	66,317
Net book value at 31 March 2003	1,548	11,947	13,495
Cost			
At 1 April 2003	7,829	71,983	79,812
Additions	190	7,616	7,806
Disposals	(17)	(1,243)	(1,260)
Adjustment on the statutory re-acquisition of PTGL	(17)	(4,771)	(4,788)
Foreign exchange difference	(212)	(3,416)	(3,628)
At 31 March 2004	7,773	70,169	77,942
Depreciation			
At 1 April 2003	6,281	60,036	66,317
Foreign exchange difference	(183)	(3,264)	(3,447)
Charge for the period	560	6,943	7,503
Adjustment on the statutory re-acquisition of PTGL	(17)	(4,771)	(4,788)
Disposals	(17)	(968)	(985)
At 31 March 2004	6,624	57,976	64,600
Net book value at 31 March 2004	1,149	12,193	13,342

Included in the FPG Group's tangible fixed assets are the following assets held under finance leases:

	<i>Short Leasehold Improvements</i>	<i>Equipment, Fixtures, Fittings and Motor Vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost	—	5,045	5,045
Depreciation	—	(4,704)	(4,704)
Net book value at 31 March 2004	—	341	341
Net book value at 31 March 2003	583	380	963
Net book value at 31 March 2002	792	1,172	1,964

11. Investments

	<i>Associated Undertakings</i>	<i>Other</i>	<i>Joint Venture</i>	<i>Total</i>
	<i>£'000s</i>	<i>£'000s</i>	<i>£'000s</i>	<i>£'000s</i>
At 1 April 2001	5,195	5,684	979	11,858
Foreign exchange difference	(602)	(55)	—	(657)
Share of retained profits	426	—	200	626
Dividends received	(229)	—	(182)	(411)
Additions	—	1,513	—	1,513
Disposals	(321)	(158)	(997)	(1,476)
As at 1 April 2002	4,469	6,984	—	11,453
Foreign exchange difference	(8)	—	—	(8)
Writedown of investments	—	(2,896)	—	(2,896)
Share of retained losses	(557)	—	—	(557)
Dividends received	(282)	—	—	(282)
Additions	(3,447)	180	—	(3,267)
As at 1 April 2003	175	4,268	—	4,443
Foreign exchange difference	(4)	(285)	—	(289)
Share of retained losses	(3)	—	—	(3)
Reclassification	—	(136)	—	(136)
Additions	—	—	—	—
Disposals	(131)	—	—	(131)
At 31 March 2004	37	3,847	—	3,884

The writedown of investments arises in the year ended 31 March 2003 on Energyclear for £1,215,000 (see note 4) and CreditTrade (see note 5) for £1,681,000.

12. Debtors

	<i>Year ended 31 March</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade debtors	41,071	38,348	37,646
Amounts due from associated undertakings	1,240	1	18
Other debtors	5,512	5,641	6,522
Prepayments and accrued income	3,963	5,226	4,441
Tax recoverable	—	186	—
Deferred taxation (Note 17)	2,935	5,625	4,533
Amounts falling due within one year	<u>54,721</u>	<u>55,027</u>	<u>53,160</u>
Amounts owed by associated undertakings	—	1,383	—
Other debtors	801	2,147	3,950
Prepayments and accrued income	210	61	—
Deferred taxation (Note 17)	—	—	1,576
Tax recoverable	—	7	—
Amounts falling due after more than one year	<u>1,011</u>	<u>3,598</u>	<u>5,526</u>
	<u>55,732</u>	<u>58,625</u>	<u>58,686</u>

Certain companies in the FPG Group were involved in the purchase and simultaneous sale of certain fixed income securities. At the balance sheet date the gross amounts of purchase and sale commitments in respect of these transactions was £nil (2003: £nil; 2002: £57.9 billion).

13. Creditors (amounts falling due within one year)

	<i>Year ended 31 March</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade creditors	8,724	9,176	7,394
Obligations under finance leases	964	267	90
Corporation tax	7,382	5,806	5,715
Other taxes and social security	7,243	5,308	5,816
Other creditors	6,516	6,211	2,235
Accrued interest	—	—	5,817
Accruals and deferred income	63,578	57,434	52,339
	<u>94,407</u>	<u>84,202</u>	<u>79,406</u>

14. Creditors (amounts falling due after more than one year)

	<i>Year ended 31 March</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Accrued interest	3,470	4,851	—
Other creditors	1,347	5,344	5,224
Obligations under finance leases	80	108	174
	<u>4,897</u>	<u>10,303</u>	<u>5,398</u>

15. Loans

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
<i>a Bank loans</i>			
Amounts repayable within one year by instalments	6,000	4,214	4,000
Amounts repayable between one and two years by instalments	869	4,667	667
Amounts repayable between two and five years other than by instalments	7,850	—	—
	<u>14,719</u>	<u>8,881</u>	<u>4,667</u>
<i>b Other loans</i>			
Amounts repayable within one year by instalments	4,904	387	2,948
Amounts repayable within one year other than by instalments	—	1,710	21,996
Amounts repayable between one and two years by instalments	1,725	453	2,895
Amounts repayable between two and five years by instalments	2,095	12,743	7,602
Amounts repayable between two and five years other than by instalments	22,010	22,016	—
Amounts repayable after more than five years by instalments	23,999	12,085	10,198
	<u>54,733</u>	<u>49,394</u>	<u>45,639</u>
Aggregate amounts repayable within one year	10,904	6,311	28,944
Aggregate amounts repayable after more than one year	58,548	51,964	21,362
Total loans	<u><u>69,452</u></u>	<u><u>58,275</u></u>	<u><u>50,306</u></u>

Interest on all the above loans is charged at prevailing money market rates.

The bank loans are secured by fixed and floating charges over the assets and undertakings of FPG and certain of its subsidiary undertakings.

The loans included above are denominated in the following currencies:

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
£ Sterling	28,885	29,037	25,705
US\$	17,414	10,370	8,162
Yen	21,636	17,158	16,439
Euro	1,517	1,710	—
	<u>69,452</u>	<u>58,275</u>	<u>50,306</u>

The former shareholders of a subsidiary of FPG, Prebon Group Limited ("PGL" and then named Marshalls Finance Limited) were issued with Loan Notes under the terms of a Loan Note agreement dated 28 May 1999. The balance outstanding under these Loan Notes was £21,996,000 (2003: £22,016,000; 2002: £22,010,000). The Loan Note agreement provides that the rights of the Noteholders are subordinated to both secured lenders to PGL and to its unsecured creditors. PGL is also precluded from making payment of principal and interest under the Loan Notes if, as a result of that payment, PGL would become insolvent and accordingly, at the balance sheet dates, in the opinion of the directors, these Loan Notes were not due. The proposed purchase of FPG by Collins Stewart Tullett plc would result in a change of control, following which it is intended that the Loan Notes, including accrued interest, be repaid. The Loan Notes have been classified at 31 March 2004 as due within one year.

In November 2003 the FPG Group entered into an agreement with Van der Moolen Holding NV ("VdM") to vary the repayment terms of the US\$15 million 2004 Loan Note issued by Prebon Yamane International Limited to provide for an extension of the term of the Loan Note and for repayments in quarterly instalments over 3 years beginning in 2004 and ending in April 2007. Separately the FPG Group agreed that the conversion period applicable to PGL's Convertible Shares, held by VdM, should be extended in full until 2005 and then should be reduced *pro rata* to the outstanding balance of the Loan Note expiring in April 2007. The VdM Loan Notes (2004: US\$15 million (£8,162,000); 2003: US\$15 million (£9,489,000);

2002: US\$15 million (£10,534,000)) are convertible into Ordinary 1p shares of PGL, representing 12.3 per cent. of the share capital.

16. Financial Instruments

Market risk

The FPG Group is potentially exposed to market risk in respect of its involvement in the simultaneous purchase and sale of certain fixed income securities. Confirmation of all trades is required within the trading day and any exceptions arising from settlement or confirmation are monitored through the broking systems. To reflect the substance of these transactions and in accordance with industry practice, the amounts due to and payable by counter parties are offset and the residual net amount included in trade debtors. The gross amounts are disclosed in note 12.

As an intermediary, the FPG Group acts on an agency or matched principal basis and so its exposure to market price movements is limited to when there is a trade mismatch or error, or if one matched counterparty fails to fulfil its obligations. The impact of these risks is minimised by monitoring controls. The value of unmatched security positions is normally immaterial. The FPG Group does not use financial instruments to hedge market risk.

Currency exposures

Most of the activities of the FPG Group are transacted in local currencies and consequently do not expose the FPG Group to significant foreign currency risk as recognised in the profit and loss account. Such risk does, however, arise from the funding of the FPG Group's business. In addition to the exposures shown in the table, the FPG Group has a significant investment in companies with US\$ or US\$ linked functional currencies. The retranslation gains and losses arising therefrom are taken through the combined statement of total recognised gains and losses. The FPG Group does not use financial instruments to hedge its currency exposures.

The following tables analyse the FPG Group's financial assets and liabilities by interest rate profile, maturity and foreign currency. With the exception of the table of currency exposures, short term debtors and creditors have been excluded from the disclosures contained in this note, as permitted by FRS 13: Derivatives and Other Financial Instruments: Disclosures.

Interest rate and currency profile of financial assets

<i>Currency</i>	<i>At fixed interest rates £'000</i>	<i>At floating interest rates £'000</i>	<i>Non interest bearing £'000</i>	<i>Total £'000</i>
Sterling	—	—	888	888
US dollars	3,441	21,930	3,259	28,630
Euro	264	1,665	1,071	3,001
CHF	—	2,702	—	2,702
SGD	—	1,143	2,184	3,326
HKD	—	613	179	792
Other currencies	967	1,108	911	2,986
As at 31 March 2002	4,672	29,161	8,492	42,325
Sterling	—	1,358	2,169	3,527
US dollars	3,100	12,496	2,287	17,883
Euro	298	816	1,170	2,284
CHF	—	2,538	—	2,538
SGD	—	1,075	1,257	2,332
HKD	—	665	339	1,003
AUD	—	518	—	518
Indian Rupee	506	—	164	670
Other currencies	593	1,076	390	2,060
As at 31 March 2003	4,497	20,543	7,776	32,816
Sterling	—	—	933	933
US dollars	2,666	11,160	2,323	16,149
Euro	288	1,826	921	3,035
CHF	—	2,326	—	2,326
SGD	—	962	1,458	2,420
Indian Rupee	—	—	606	606
AUD	204	494	—	698
Other currencies	507	755	435	1,696
As at 31 March 2004	3,665	17,523	6,676	27,864

Financial assets at fixed interest rates comprised cash, cash equivalents and equity investments. All other interest bearing financial assets have a maturity of less than one year. Financial assets at floating interest rates principally relate to cash balances which earn interest at rates which fluctuate according to money market rates. Non-interest bearing assets represent unlisted equity investments, deposits to secure clearing facilities and cash from normal trading activities not placed on deposit. The FPG Group does not use financial instruments to hedge its interest rate exposures.

The weighted average interest rate of fixed rate financial assets was 1.77 per cent. in 2004 (2003: 2.47 per cent.; 2002: 2.88 per cent.).

Interest rate and currency profile of financial liabilities

The interest rate risk profile of the FPG Group's financial liabilities at 31 March 2004 was:

<i>Currency</i>	<i>At fixed interest rates £'000</i>	<i>At floating interest rates £'000</i>	<i>Non interest bearing £'000</i>	<i>Total £'000</i>
Sterling	142	28,885	3,462	32,489
US dollars	—	17,414	—	17,414
Euro	902	1,517	—	2,419
Yen	7,948	13,688	8	21,644
As at 31 March 2002	8,992	61,504	3,470	73,966
Sterling	59	29,037	4,843	33,939
US dollars	—	10,370	—	10,370
Euro	213	1,710	—	1,923
Yen	8,003	9,155	8	17,166
Other	103	—	—	103
As at 31 March 2003	8,378	50,272	4,851	63,501
Sterling	—	25,705	5,810	31,515
US dollars	—	8,162	—	8,162
Euro	90	—	—	90
Yen	—	16,439	7	16,446
Other	174	—	—	174
As at 31 March 2004	264	50,306	5,817	56,387

The finance lease liabilities are repayable by instalments until 2007. The subordinated and secured loans (floating rate borrowings) bear interest rate terms set out below. All remaining floating rate borrowings bear interest based on relevant national LIBOR equivalents.

The FPG Group retains significant net cash resources to support regulatory capital requirements. Some of the FPG Group's cash resources are provided by borrowings comprising bank loans and subordinated debt (loan notes). The bank debt and loan notes (with the exception of JPY 1.5B loan note that has a minimum interest rate of 1.5 per cent.) bear interest based on short term interest rates (typically based on 3-12 month LIBOR plus 0 to 200 basis points). All debt is shown as floating in the above table.

The weighted average interest rate of fixed rate financial liabilities was 19 per cent. in 2004 (2003: 2 per cent.; 2002: 2 per cent.). The weighted average years to maturity of fixed rate financial liabilities is 1.5 years at 31 March 2004 (2003: 0 years; 2002: 1 year).

Non-interest bearing financial liabilities shown above represent Marshall Loan Note accrual interest. The weighted average period until maturity for this interest is less than 1 year at March 2004, (2003: 2 to 5 years; 2002: 2 to 5 years).

Maturity of financial liabilities

The maturity profile of the carrying amount of the FPG group's financial liabilities, other than short-term trade creditors at 31 March was as follows:

	<i>Year ended 31 March</i>		
	<i>2002 £'000</i>	<i>2003 £'000</i>	<i>2004 £'000</i>
In 1 year or less or on demand	11,868	6,578	12,855
In more than 1 year but not more than 2 years	2,663	5,149	3,691
In more than 2 years but not more than 5 years	53,925	39,689	29,643
In more than 5 years	5,510	12,085	10,198
Total	73,966	63,501	56,387

Borrowing facilities

The FPG Group has the following undrawn committed borrowing facilities available at 31 March in respect of which all conditions precedent had been met at that date:

	<i>Year ended 31 March</i>		
	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
Expiring within on year	—	—	—
Expiring between 1 and 2 years	—	—	—
Expiring in more than 2 years	150	—	—
Total	150	—	—

Fair values of financial assets and financial liabilities

The book value of the FPG Group's financial assets (2004: £27,864,000; 2003: £32,816,000; 2002: £42,325,000) and liabilities (2004: £50,570,000; 2003: £58,650,000; 2002: £70,496,000) (which exclude all short term debtors and creditors) were not materially different to their fair values in any year with the exception of the Van der Moolen Holdings NV US\$15 million 2004 Loan note. This liability had a book value of £8,162,000 (2003: £9,489,000; 2002: £10,534,000) and a fair value of £9,817,000 (2003: £9,817,000; 2002: £10,534,000).

	<i>2002</i>		<i>2003</i>		<i>2004</i>	
	<i>Book value</i> <i>£000</i>	<i>Fair value</i> <i>£000</i>	<i>Book value</i> <i>£000</i>	<i>Fair value</i> <i>£000</i>	<i>Book value</i> <i>£000</i>	<i>Fair value</i> <i>£000</i>
Cash and cash equivalents	35,341	35,341	28,548	28,548	24,017	24,017
Other investments	6,984	6,984	4,268	4,268	3,847	3,847
	<u>42,325</u>	<u>42,325</u>	<u>32,816</u>	<u>32,816</u>	<u>27,864</u>	<u>27,864</u>
Loans	(69,452)	(69,452)	(58,275)	(58,603)	(50,306)	(51,962)
Lease obligations	(1,044)	(1,044)	(375)	(375)	(264)	(264)
	<u>(70,496)</u>	<u>(70,496)</u>	<u>(58,650)</u>	<u>(58,978)</u>	<u>(50,570)</u>	<u>(52,226)</u>
	<u>(28,171)</u>	<u>(28,171)</u>	<u>(25,834)</u>	<u>(26,162)</u>	<u>(22,706)</u>	<u>(24,362)</u>

Currency exposures

The table below is intended to give an indication of the sensitivity of the FPG Group's results to fluctuations in currency exchange rates. It shows the net monetary assets and liabilities held by group companies that were not denominated in their functional currencies (other than foreign currency borrowings treated as hedges of net investments in overseas operations) that were unhedged and therefore may give rise to exchange gains and losses that would flow through to the FPG group's profit and loss account.

Most of the activities of the FPG Group are transacted in local currencies and consequently do not expose the FPG Group to significant foreign currency risk as recognised in the profit and loss account. Such risk does, however, arise from the funding of the FPG Group's business. In addition to the exposures shown in the table, the FPG Group has a significant investment in companies with US\$ or US\$ linked functional currencies, retranslation gains and losses which are taken through the combined statement of total recognised gains and losses.

	<i>Net foreign currency monetary assets/ (liabilities)</i>				
	<i>Sterling</i> £'000	<i>US dollars</i> £'000	<i>Euro</i> £'000	<i>Other</i> <i>currencies</i> £'000	<i>Total</i> £'000
Functional currency of group operation					
2002					
Sterling	—	(7,323)	1,004	(21,170)	(27,488)
US dollars	(7,850)	—	—	—	(7,850)
Euro	239	60	—	68	367
Other currencies	(21)	2,025	123	80	2,207
Total	(7,632)	(5,237)	1,127	(21,022)	(32,765)
2003					
Sterling	—	(8,752)	1,438	(16,664)	(23,978)
US dollars	(7,970)	—	—	—	(7,970)
Euro	208	1,368	—	93	1,670
Other currencies	(183)	3,958	110	105	3,990
Total	(7,945)	(3,425)	1,548	(16,466)	(26,288)
2004					
Sterling	—	(6,899)	2,874	(15,946)	(19,971)
US dollars	(4,667)	—	—	—	(4,667)
Euro	85	1,179	—	224	1,488
Other currencies	(7)	4,516	116	284	4,909
Total	(4,589)	(1,204)	2,990	(15,438)	(18,240)

17. Deferred taxation

	£'000
At 1 April 2001, debtor	582
Credit to profit and loss account	2,188
Transfers from corporation tax	64
Exchange differences	101
At 31 March 2002, debtor	2,935
Credit to profit and loss account	4,105
Companies disposed	(1,149)
Transfers from corporation tax	70
Prior year adjustments	(35)
Exchange differences	(301)
At 31 March 2003, debtor	5,625
Credit to profit and loss account	816
Exchange differences	(332)
At 31 March 2004 debtor (Note 12)	6,109

The deferred tax asset of £6,109,000 (2003: £5,625,000; 2002: £2,935,000) arises due to timing differences and the expected ability of the FPG Group to utilise past tax losses against future taxable profits and to claim capital allowances in excess of depreciation. The deferred tax asset as at 31 March 2004 comprises accelerated capital allowances of £1,541,000 (2003: £775,000; 2002: £nil) and other timing differences, principally tax losses, of £4,568,000 (2003: £4,850,000; 2002: £2,935,000).

18. Provisions for liabilities and charges

	<i>Leases</i> £'000	<i>Staff costs</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
1 April 2002	662	1,087	—	1,749
Charges made during the year	380	3,244	—	3,624
At 1 April 2003	1,042	4,331	—	5,373
Charges made during the year	16	528	982	1,526
Total provisions at 31 March 2004	1,058	4,859	982	6,899

The lease provision covers dilapidations in the properties occupied and used by the FPG Group in London. The staff cost provision primarily relates to potential liabilities and costs resulting from ongoing litigation.

19. Share capital

	<i>Year ended 31 March</i>		
	2002 £	2003 £	2004 £
FPG			
<i>Authorised, issued and fully paid:</i>			
805 Ordinary A shares of £1 each	805	805	—
400 Ordinary B shares of £1 each	400	400	—
122,000 Ordinary shares of £0.01 each	—	—	1,220
	1,205	1,205	1,220

On 31 March 2004 FPG passed a resolution to convert the 805 Ordinary A Shares of £1 each and the 400 Ordinary B Shares of £1 each into 120,500 Ordinary Shares of £0.01 each and increased the authorised share capital by 1,500 Ordinary Shares of £0.01 each. It was also resolved to allot 1,000 Ordinary Shares of £0.01 each as consideration for the acquisition of PTGL.

20. Invested capital and reserves

	£'000
At 1 April 2001	(41,147)
Profit for the year	8,257
Currency translation differences on foreign currency net investments	539
At 1 April 2002	(32,351)
Profit for the year	2,800
Currency translation differences on foreign currency net investments	(3,419)
At 1 April 2003	(32,970)
Profit for the year	6,458
Currency translation differences on foreign currency net investments	(85)
Adjustment arising from the statutory re-acquisition of PTGL	3,981
At 31 March 2004	(22,616)

Invested capital represents the net capital invested by the shareholders of FPG and PTGL until the statutory acquisition by FPG of 83 per cent. of PTGL at 31 March 2004.

The analysis of the deficit on invested capital at 31 March 2004 following the statutory re-acquisition of PTGL was as follows:

	£'000
Share capital	1
Share premium	8,981
Profit and loss account	(31,598)
	<u>(22,616)</u>

21. Minority interests

	Equity £'000	Non Equity £'000	Total £'000
At 1 April 2001	748	582	1,330
Share of profit for the year	252	—	252
Disposals in year	(87)	—	(87)
Exchange difference	(20)	—	(20)
At 1 April 2002	893	582	1,475
Share of profit for the year	159	—	159
Additions in year	98	—	98
Dividends paid in year	(207)	—	(207)
Exchange difference	(83)	—	(83)
At 1 April 2003	860	582	1,442
Share of profit for the year	303	—	303
Adjustment arising on the re-acquisition of PTGL	200	—	200
Disposals in the year	(53)	—	(53)
Exchange difference	(22)	—	(22)
At 31 March 2004	<u>1,288</u>	<u>582</u>	<u>1,870</u>

The balance at 31 March 2004 includes £582,038 (2003: £582,038; 2002: £582,038) non-equity Preferred Shares in Prebon Yamane International Limited ("PYI") held by Yamane Prebon Co., Limited. The holders of the Preferred Shares are entitled to receive a non-cumulative dividend in a *pro rata* amount equal to 0.1 per cent. of the nominal value of such shares in respect of each year of 12 months to rank *pari passu* with the holders of the Ordinary Shares in a winding up and to attend and vote at general meetings of FPG in like manner to the holders of the Ordinary Shares.

22. Commitments

(a) Operating lease commitments

At year end the FPG Group had annual commitments under non-cancellable operating leases as follows:

	<i>Land and Buildings £'000</i>	<i>Other £'000</i>
Operating leases which expire:		
Within one year	2,156	419
Between one and two years	1,046	30
Between two and five years inclusive	1,559	33
At 31 March 2002	<u>4,761</u>	<u>482</u>
Operating leases which expire:		
Within one year	1,874	312
Between one and two years	396	57
Between two and five years inclusive	1,198	62
At 31 March 2003	<u>3,468</u>	<u>431</u>
Operating leases which expire:		
Within one year	212	284
Between one and two years	775	355
Between two and five years inclusive	902	105
More than five years	1,521	—
At 31 March 2004	<u>3,410</u>	<u>744</u>

(b) Capital commitments

The FPG Group had capital commitments at 31 March 2004 of Euro 48,000 (£32,106) (2003: nil; 2002: nil) for capital expenditure approved but not yet spent.

(c) Contingencies and commitments

In the normal course of business, certain companies in the FPG Group may enter into contracts that contain various guarantees and indemnities including contracts where it executes, as agent, transactions on behalf of customers through a clearing broker on a fully disclosed basis. If the agency transactions brokered by the FPG Group do not settle because of failure to perform by either counterparty, the FPG Group may be required to discharge the obligation of the non-performing party and, as a result, may incur a loss if the market value of the underlying security is different from the contract amount of the transaction. The FPG Group has the right to pursue collection or performance from the counterparties who do not perform under their contractual obligations. Although the right of the clearing broker to charge the FPG Group applies to all trades executed through the clearing broker, the FPG Group believes that there is no estimable amount assignable to its obligations pursuant to this right as any such obligation would be based on the future non-performance by one or more counterparties. At 31 March 2004, the FPG Group has recorded no liabilities with respect to these obligations.

Guarantees/contingent liabilities

On 14 December 2000 a subsidiary of FPG, Prebon Group Limited ("PGL"), entered into an agreement to amend the Deferred Subscription Agreement dated 9 June 2000 made between Central Tanshi Co., Limited and PTGL. This provided that PGL would enter into a third party guarantee in respect of PTGL's obligations to repay the loan of Yen 1.3 billion (£6.8 million) made to PTGL by Central Tanshi Co., Ltd.

23. Pension commitments

In the United Kingdom, a FPG Group subsidiary operates a funded pension scheme providing benefits based on final pensionable pay (i.e. a defined benefit scheme). The assets of the scheme are held separately from those of FPG, and of the FPG Group.

SSAP 24 disclosure

Contributions to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' estimated working lives with the FPG Group. The contributions are determined by a qualified actuary on the basis of regular actuarial valuations using the attained age method. The most recent formal valuation was as at 1 January 2001 and this valuation has also been used for SSAP 24 purposes. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 7 per cent. per annum prior to retirement and 5 per cent. per annum after retirement, that salary increases would average 5 per cent. per annum and that pensions would increase at the rates required by legislation. In particular, Guaranteed Minimum Pension accrued after 5 April 1998 is assumed to increase at 3 per cent. per annum and pension accrued after 5 April 1997 is also assumed to increase at 3 per cent. per annum.

The most recent actuarial valuation of the defined benefit scheme showed that the market value of the scheme's assets was £4.4 million and that the actuarial value of those assets represented 105 per cent. of the benefits that had accrued to members, after allowing for expected future increases in Pensionable Salaries.

On a discontinuance valuation, the assets were sufficient at the date of the last formal valuation to cover discontinuance liabilities as measured by payments of cash equivalent transfer values.

The pension cost of the defined benefit scheme over the year to 31 March 2004 amounted to £22,000 (2003: £25,000; 2002: £26,000). Contributions by the FPG Group to the defined benefit scheme amounted to £29,000 (2003: £31,000; 2002: £66,000). The excess of the contributions paid over the pension cost results in a prepayment of £212,000 as at 31 March 2004 (2003: £205,000; 2002: £121,000). This prepayment has been recognised as an asset and included within debtors.

Separate defined contribution schemes are operated by the FPG Group's subsidiaries in the United Kingdom, North America and most other countries in which the FPG Group operates. Contributions to the defined contribution pension schemes are charged to the profit and loss account as they fall due. During the year contributions by the FPG Group to the defined contribution schemes amounted to £1,824,187 (2003: £2,202,000; 2002: £2,169,000).

Additional disclosure required under FRS 17

The additional disclosures required in respect of the defined benefit scheme under FRS 17 are set out below. The valuation of the scheme has been updated to 31 March 2004 by a qualified actuary.

The major assumptions used by the actuary were:

	<i>Year ended 31 March</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
Rate of increase in salaries	4.5% pa	4.0% pa	4.0% pa
Rate of increase of pensions in payment:			
Pre 88 GMP	Nil	Nil	Nil
Post 88 GMP	3% pa	2.75% pa	2.75% pa
Pre 97 Excess	Nil	Nil	Nil
Post 97	3% pa	2.75% pa	2.75% pa
Rate of revaluation of deferred pensions	3% pa	2.75% pa	2.75% pa
Discount rate	6% pa	5.5% pa	5.5% pa
Inflation assumption	3% pa	2.75% pa	2.75% pa

The assets in the scheme and the expected rates of return were:

	<i>Long-term rate of return expected at 31 March 2002 (per annum)</i>	<i>Value at 31 March 2002 £'000</i>	<i>Long-term rate of return expected at 31 March 2003 (per annum)</i>	<i>Value at 31 March 2003 £'000</i>	<i>Long-term rate of return expected at 31 March 2004 (per annum)</i>	<i>Value at 31 March 2004 £'000</i>
Equities	7.5%	3,392	7%	2,454	7%	3,452
Corporate and Overseas Bonds	6%	468	5.5%	320	5.5%	220
Government Bonds	6%	298	4.5%	370	4.75%	304
Other	4%	113	4%	137	4%	56
Total market value of assets		4,271		3,281		4,032
Present value of scheme liabilities		(5,011)		(5,933)		(6,293)
(Liability) in the scheme		<u>(740)</u>		<u>(2,652)</u>		<u>(2,261)</u>

The current agreement as regards contribution rates is described in the Schedule of Contributions dated 22 August 2001. The agreed FPG Group subsidiary contribution rate is 14.3 per cent. of Pensionable Salaries per annum together with the expenses of running the Scheme and the costs of death-in-service benefits.

The effects of the FRS 17 pension liability on the net assets and reserves of the FPG Group are as set out below:

	<i>Year ended 31 March</i>		
	<i>2002 £'000</i>	<i>2003 £'000</i>	<i>2004 £'000</i>
Net liabilities			
Reversal of SSAP 24 prepayment	(30,876)	(31,528)	(20,746)
Pensions liability under FRS 17	(121)	(205)	(212)
	<u>(740)</u>	<u>(2,652)</u>	<u>(2,261)</u>
Net liability including net pension liability under FRS 17	<u>(31,737)</u>	<u>(34,385)</u>	<u>(23,219)</u>
			<i>£'000</i>
Profit and loss reserve			(31,598)
Reversal of SSAP 24 prepayment			(212)
Pension reserve under FRS 17			<u>(2,261)</u>
Profit and loss reserve including net pension reserve under FRS 17			<u>(34,071)</u>

The following amounts would have been recognised in the financial statements in the year ended 31 March 2004 under the requirements of FRS17:

	<i>Year ended 31 March</i>	
	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Components of pension cost for the year:		
Current service cost	38	35
Past service cost	—	—
Total charge to operating loss	38	35
Analysis of the amount credited to other finance income:		
Expected return on pension scheme assets	303	211
Interest on pension scheme liabilities	(300)	(326)
Net return	3	(115)
 Analysis of amount recognised in the Statement of Total Recognised Gain and losses:		
Actual return less expected return on pension scheme assets	(1,250)	561
Experience gains and losses arising on the scheme liabilities	44	(49)
Changes in assumptions underlying the present value of the scheme liabilities	(702)	—
Actuarial gain/(loss) recognised in the STRGL	(1,908)	512
 Movement in surplus/(deficit) during the year:		
(Deficit) at start of the year	(740)	(2,652)
Employer's current service cost	(38)	(35)
Employer's contributions	31	29
Other finance income	3	(115)
Actuarial gain/(loss)	(1,908)	512
Deficit at end of the year	(2,652)	(2,261)
 A history of experience gains and losses to 31 March 2004 is as follows:		
Difference between the expected and actual return on scheme assets:		
Amount	(1,250)	561
Percentage of scheme assets	38%	14%
Experience gains on scheme liabilities:		
Amount	44	(49)
Percentage of the present value of scheme liabilities	1%	1%
Total amount which would have been recognised in the Statement of Total Recognised Gains and Losses:		
Amount	(1,908)	512
Percentage of the present value of scheme liabilities	32%	8%

24. Principal subsidiary undertakings at 31 March 2004

At 31 March 2004 the following companies were principal subsidiary and associated undertakings of FPG. The main activity of the undertakings is money broking, with the exception of those subsidiary undertakings marked '**' which hold investments in other subsidiary and associated undertakings.

	<i>Country of incorporation</i>	<i>% ownership and voting rights</i>
Prebon Group Limited*	(UK)	100
Fulton Prebon Group Limited*	(UK)	100
Prebon Yamane International Limited*	(UK)	100
Prebon Marshall Yamane (UK) Limited	(UK)	100
Prebon Administration Limited	(UK)	100
Prebon Yamane (Luxembourg) SA	(Luxembourg)	100
Prebon Yamane (Polska) Sp.z o.o.	(Poland)	100
Cosmorex AG	(Switzerland)	100
Prebon Holdings BV*	(Netherlands)	100
Prebon Yamane (Nederland) BV	(Netherlands)	100
Prebon Yamane (USA) Inc	(USA)	100
Prebon Energy Inc	(USA)	100
Prebon Futures Inc	(USA)	100
Prebon Financial Products Inc	(USA)	100
Prebon Securities (USA) Inc	(USA)	100
Prebon Data Services (Bermuda) Limited	(Bermuda)	100
Prebon Yamane (Canada) Limited	(Canada)	100
Prebon Limited	(UK)	100
Prebon Yamane (Hong Kong) Limited	(Hong Kong)	100
Prebon Yamane (Singapore) Limited	(Singapore)	100
Prebon Energy (Singapore) Pte Limited	(Singapore)	100
Prebon Yamane Financial Services (Singapore) Pte Limited	(Singapore)	100
Prebon Philippines Inc	(Philippines)	51
Prebon Yamane (Australia) Pty Limited	(Australia)	100
Prebon Yamane Money Markets (Australia) Pty Limited	(Australia)	100
Prebon Technology Group Limited	(UK)	83
Prebon Technology Holdings Limited	(UK)	83
Prebon Technology Data Services (Bermuda) Limited	(Bermuda)	83
Prebon Technology Services (UK) Limited	(UK)	83

All the principal subsidiary undertakings listed above have been included in the combined accounts of the FPG Group.

25. Related party transactions and ultimate controlling party

FPG has availed itself of the exemption granted by FRS 8 given to 90 per cent. held subsidiaries and has not disclosed any transactions with subsidiaries in these financial statements.

On 31 March 2004 the shareholders of shares totalling 83 per cent. of the issued share capital of PTGL transferred their interests in PTGL to the ownership of FPG. In exchange these shareholders received consideration shares in FPG as described in Note 27. Prior to this transaction PTGL and the FPG Group were under common ownership with some shared directors and therefore PTGL and its subsidiaries were related parties under FRS 8.

During the year PTGL, whilst a related party, provided IT and communications support services to the FPG Group at a cost of £33,765,000 (2003: £36,274,000; 2002: £33,382,000). In addition the FPG Group provided a number of services included treasury, marketing, accounting and legal. These were charged to PTGL at the relevant proportion of actual costs incurred being £2,093,000 in the year to 31 March 2004 (2003: £2,133,000; 2002: £2,198,000).

The FPG Group uses an apartment, owned by AM Hughes a director, for which it pays rent at normal commercial rates. During the year the FPG Group paid rent of £38,000 (2003: £44,000; 2002: £64,000).

CCP has been funded by loans of US\$3.4m from shareholders of which FPG has contributed US\$2,840,940 plus US\$72,752 in respect of costs and follow on commitments. The shareholders have committed to provide further funds of US\$0.6m, including US\$0.2m for ongoing costs for which FPG is required to contribute its

proportionate share. Except in the case of a drawing for on going costs, the consequence of non payment is a dilution of its holding. Interest has not been accrued on these loans, as the underlying investment is not expected to generate income or capital returns until either realisation of its investments or, on final maturity on 31 March 2007 when the loans become repayable. Two directors of FPG, Arthur Hughes and Patrick Keenan, have agreed to indemnify FPG for any losses it may suffer over the 12 months from 31 March 2004 from its investment in CCP. The loans to CCP are financed in part by a loan of £881,000 (US\$1,618,817) from a Trust Fund of which Arthur Hughes is both a Trustee and Beneficiary.

26. Notes to the cash flow statement

(a) Reconciliation of operating profit to cash flow from operating activities

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
Operating profit generated by the FPG Group	14,225	5,505	10,526
Depreciation of tangible fixed assets	5,689	6,269	7,503
Write down of investment	—	1,215	—
Goodwill amortisation	4,076	4,585	4,429
(Gain) on sale of tangible fixed assets	(23)	(83)	(23)
(Increase)/decrease in debtors	(3,150)	16	690
Increase/(decrease) in creditors	11,315	(4,213)	(9,584)
Restructuring costs	(1,900)	—	—
Exchange rate movements	(638)	657	(416)
Net cash inflow from operating activities	<u>29,594</u>	<u>13,951</u>	<u>13,125</u>

(b) Analysis of management of liquid resources

Cash placed on term deposit	(9,485)	(9,311)	(6,328)
Net cash inflow from management of liquid resources	<u>(9,485)</u>	<u>(9,311)</u>	<u>(6,328)</u>

Liquid resources include bank deposits with a notice period of less than one year, but more than 24 hours or one business day and include deposits required by regulatory bodies, including the Financial Services Authority.

(c) Analysis of net debt

	At 1 April 2001 £'000	Cash flow £'000	Other non- cash movements £'000	Exchange differences £'000	At 31 March 2002 £'000
Cash at bank and in hand	14,524	(6,530)	—	(683)	7,311
Term deposits	18,545	9,485	—	—	28,030
Overdrafts	(2,103)	2,103	—	—	—
Total	<u>30,966</u>	<u>5,058</u>	<u>—</u>	<u>(683)</u>	<u>35,341</u>
Loans due within one year	(11,229)	7,300	(7,195)	220	(10,904)
Loans due after more than one year	(68,094)	912	7,195	1,439	(58,548)
Finance leases	(1,764)	1,136	(406)	(10)	(1,044)
	<u>(81,087)</u>	<u>9,348</u>	<u>(406)</u>	<u>1,649</u>	<u>(70,496)</u>
Net debt subtotal	<u>(50,121)</u>	<u>14,406</u>	<u>(406)</u>	<u>966</u>	<u>(35,155)</u>

Other non-cash movements comprise (i) new finance leases and (ii) transfers between loans due within and after more than one year.

The movement between the loans due within one year and more than one year is due predominantly to a reclassification.

	<i>At 1 April 2002 £'000</i>	<i>Cash flow £'000</i>	<i>Other non- cash movements £'000</i>	<i>Exchange differences £'000</i>	<i>At 31 March 2003 £'000</i>
Cash at bank and in hand	7,311	2,401	—	117	9,829
Term deposits	28,030	(9,311)	—	—	18,719
Total	35,341	(6,910)	—	117	28,548
Loans due within one year	(10,904)	9,026	(4,433)	—	(6,311)
Loans due after more than one year	(58,548)	—	5,238	1,345	(51,965)
Finance leases	(1,044)	839	(185)	15	(375)
	(70,496)	9,865	620	1,360	(58,651)
Net debt subtotal	(35,155)	2,955	620	1,477	(30,103)
	<i>At 1 April 2003 £'000</i>	<i>Cash flow £'000</i>	<i>Other non- cash movements £'000</i>	<i>Exchange differences £'000</i>	<i>At 31 March 2004 £'000</i>
Cash at bank and in hand	9,829	1,828	—	(31)	11,626
Term deposits	18,719	(6,328)	—	—	12,391
Total	28,548	(4,500)	—	(31)	24,017
Loans due within one year	(6,311)	(704)	(21,930)	1	(28,944)
Loans due after more than one year	(51,965)	6,799	21,930	1,874	(21,362)
Finance leases	(375)	65	—	46	(264)
	(58,651)	6,160	—	1,921	(50,570)
Net debt subtotal	(30,103)	1,660	—	1,890	(26,553)

(d) Reconciliation of net cash flow to movement in net debt

	<i>Year ended 31 March</i>		
	<i>2002 £'000</i>	<i>2003 £'000</i>	<i>2004 £'000</i>
Increase/(decrease) in cash/overdrafts in the year	(4,427)	2,401	1,828
Cash inflow/(outflow) from movement in liquid resources	9,485	(9,311)	(6,328)
Cash inflow/(outflow) from movement in debts and lease financing	9,348	9,865	6,160
Change in net debt resulting from cashflow	14,406	2,955	1,660
Other movements	(406)	620	—
Exchange differences	966	1,477	1,890
Movement in net debt in year	14,966	5,052	3,550
Net debt at the beginning of the year	(50,121)	(35,155)	(30,103)
Net debt at the end of the year	(35,155)	(30,103)	(26,553)

27. Acquisition of subsidiary

On 31 March 2004 FPG acquired 83 per cent. of the issued share capital of PTGL. This is the holding company of a group of companies whose principal activities are the provision of IT support and development to companies in the FPG Group. FPG has offered to acquire the remaining 17 per cent. of the issued share capital of PTGL during 2004/05. Although the acquisition was completed on 31 March 2004, this financial information has been prepared by aggregating the consolidated financial statements of FPG and PTGL until that date as set out in the basis of preparation in Note 1.

The fair values of assets acquired were as follows:

Net assets acquired:

	£'000
Fixed assets	3,306
Debtors	694
Creditors	(1,786)
Cash	185
Loan	(6,799)
	(4,400)
Goodwill	5,181
	<u>781</u>

Satisfied by:

	£'000
Share capital and share premium reserve	581
Minority interests	200
	<u>781</u>

The statutory re-acquisition of PTGL at 31 March 2004 has been dealt with, as referred to in Note 1, on 31 March 2004 as follows:

	£'000
Goodwill	4,181
Deficit on invested capital	3,981
Minority interest	200
	<u>4,181</u>

28. Mawlaw Group companies

As set out in Note 1, the financial information has been prepared including the financial information for the businesses of certain subsidiaries, referred to herein as the Mawlaw Group, which it is proposed will be sold to the principal shareholders of FPG on Completion. The subsidiaries proposed to be sold are:

- Prebon Yamane (Nederland) BV
- CCP Capital Limited

In addition the business of the Czech branch of Prebon Marshall Yamane (Czech Republic) is proposed to be sold.

Aggregate financial information is set out below. This summary financial information represents the financial information that has been aggregated with the FPG Group as described in Note 1. The balance sheet information in certain cases represents assets to be disposed on Completion.

Combined Mawlaw Group profit and loss accounts

	<i>31 March</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	8,505	7,181	5,075
Operating profit	2,301	646	743
Other interest receivable and similar income and interest payable and charges	48	31	(118)
Amortisation of goodwill	(304)	(319)	(257)
Profit on ordinary activities before tax	2,045	358	368
Tax on profit or loss on ordinary activities	(695)	(174)	(203)
Profit or loss on ordinary activities after tax	<u>1,350</u>	<u>184</u>	<u>165</u>

Combined Mawlaw Group balance sheets

	<i>31 March</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets			
Intangible assets	530	256	
Tangible assets	80	142	99
Other investment	2	2	2
Current assets	4,585	4,067	3,539
Creditors: amounts due within one year	(1,745)	(1,723)	(1,064)
Net current assets	2,840	2,344	2,475
Total assets less current liabilities	3,452	2,744	2,576
Creditors: amounts falling due after more than one year	(3)	—	—
	<u>3,449</u>	<u>2,744</u>	<u>2,576</u>

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART V

PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect on the net assets of the Group of the Acquisition and the proceeds of the Placing as if they had occurred on 30 June 2004. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group.

	<i>Collins Stewart Tullett 30 June 2004 £m</i>	<i>Adjustments</i>	<i>Prebon 31 March 2004 £m</i>	<i>Acquisition and Placing £m</i>	<i>Pro forma Enlarged Group £m</i>
Fixed Assets					
Intangible assets	276.9		21.3	100.3 ⁽²⁾	398.5
Tangible assets	23.3		13.4	—	36.7
Associates	6.6		—	—	6.6
Other fixed asset investments	1.7		3.9	—	5.6
	<u>308.5</u>		<u>38.6</u>	<u>100.3</u>	<u>447.4</u>
Current Assets					
Debtors	914.8		58.6	—	973.4
Investments	89.0		—	—	89.0
Cash at bank and in hand	123.9		24.0	(1.6) ⁽³⁾	146.3
	<u>1,127.7</u>		<u>82.6</u>	<u>(1.6)</u>	<u>1,208.7</u>
Creditors — Amounts falling due within one year	<u>(954.4)</u>		<u>(108.4)</u>	<u>(3.1)⁽²⁾</u>	<u>(1,065.9)</u>
Net Current Assets/(Liabilities)	<u>173.3</u>		<u>(25.8)</u>	<u>(4.7)</u>	<u>142.8</u>
Total Assets Less Current Assets/(Liabilities)	481.8		12.8	95.6	590.2
Creditors — Amounts falling due after more than one year	(64.8)		(26.7)	—	(91.5)
Provisions for liabilities and charges	(4.6)		(6.8)	—	(11.4)
Net Assets/(Liabilities)	<u><u>412.4</u></u>		<u><u>(20.7)</u></u>	<u><u>95.6</u></u>	<u><u>487.3</u></u>

Notes:

(1) The net assets of the Group and Prebon have been extracted without material adjustment from the unaudited consolidated interim balance sheet in part III and the accountants' report in part IV respectively. These have been adjusted in accordance with the notes set out below.

(2) Goodwill arising on the acquisition has been calculated as follows:

	<i>£ million</i>
Consideration	69.5
Transaction costs	7.0
Net liabilities of Prebon	20.7
Fair value adjustments, FRS 17 pension adjustment (£1.6 million) and other liabilities (£1.5 million)	3.1
Goodwill	<u><u>100.3</u></u>

(3) Consideration is satisfied by:

	<i>£ million</i>
Ordinary share capital issued to Vendors	19.9
Use of proceeds of Placing (after transaction costs)	48.0
Utilisation of internal resources	1.6
Consideration	<u><u>69.5</u></u>

(4) The proceeds of the Placing are assumed to be £48 million net of expenses.

(5) No account has been taken of trading or any results since the date of each balance sheet.

(6) Since the interim date the Company has completed a £150 million Eurobond issue on the London Stock Exchange, the proceeds of which were used to increase the Company's regulatory capital base and to repay £47.6 million of existing borrowings. This has not been reflected in the pro forma net asset statement.

The following letter has been delivered in connection with the pro forma financial information:

Deloitte.

Deloitte & Touche LLP
Stonecutter Court
1 Stonecutter Street
London EC4A 1NH

Report on Pro Forma Statement of Net Assets

The Directors
Collins Stewart Tullett plc
9th Floor
88 Wood Street
London EC2V 7QR

Lehman Brothers International (Europe)
25 Bank Street
London E14 5LE

24 September 2004

Dear Sirs

Collins Stewart Tullett plc ("Collins Stewart Tullett")

We report on the unaudited pro forma combined net assets statement (the "pro forma financial information") set out in Part V of the Listing Particulars dated 24 September 2004 (the "Listing Particulars") issued by Collins Stewart Tullett. The pro forma financial information has been prepared for illustrative purposes only to provide information about how the acquisition of FPG Holdings Limited ("Prebon") and the placing might have affected the financial information presented at 30 June 2004.

Responsibilities

It is the responsibility solely of the Directors of Collins Stewart Tullett to prepare the pro forma financial information in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority (the "Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom our reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and the Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors of Collins Stewart Tullett.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of Collins Stewart Tullett; and
- (c) the adjustments are appropriate for the purposes of the pro forma net assets statement as disclosed pursuant to paragraph 12.29 of the Listing Rules.

Yours faithfully

Deloitte & Touche LLP

PART VI

ADDITIONAL INFORMATION

1. Responsibility

The Directors of Collins Stewart Tullett plc, whose names appear on page 4, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and Registered Office

2.1 The Company was incorporated and registered in England and Wales on 11 January 2000 under the name Commtime Limited with registered number 3904126 as a private company limited by shares under the Companies Acts 1985 to 1989. The Company changed its name to Collins Stewart Holdings Limited on 2 May 2000. On 22 September 2000, the Company was re-registered as a public company and changed its name to Collins Stewart Holdings plc. On 2 June 2003, the Company changed its name to Collins Stewart Tullett plc.

2.2 The Company's registered office and place of business in the United Kingdom is 9th Floor, 88 Wood Street, London EC2V 7QR.

3. Subsidiaries

The Company is a holding company. Details of the Company's principal subsidiaries, all of which are private limited companies are set out below. Save as indicated with an asterisk, the capital is indirectly owned by the Company.

<i>Name of subsidiary</i>	<i>Principal activity</i>	<i>Proportion of capital held</i>	<i>Registered office</i>
Collins Stewart Limited*	Stockbroking	100%	9th Floor 88 Wood Street London EC2V 7QR
Collins Stewart Asset Management Limited	Asset management	100%	Hirzel House Smith Street St Peter Port Guernsey GY1 4AX
Collins Stewart (CI) Limited	Stockbroking and Investment Management	100%	2nd Floor TSB House Le Truchot St Peter Port Guernsey GY1 4AE
Collins Stewart Fund Management Limited	Fund management	100%	2nd Floor TSB House Le Truchot St Peter Port Guernsey GY1 4AE
Collins Stewart Inc	Stockbroking	100%	41st Floor 444 Madison Avenue New York NY 10022 U.S.A.
Collins Stewart Property Fund Management Limited	Property management	75%	First Floor Unit 5 The Grand Union Office Park Packet Boat Lane Uxbridge UB8 2GH

<i>Name of subsidiary</i>	<i>Principal activity</i>	<i>Proportion of capital held</i>	<i>Registered office</i>
Collins Stewart Tullett France S.A.S.	Securities broking	100%	89-91 rue du Faubourg Saint Honore 75008 Paris France
Tullett Liberty Limited*	Holding company	100%	Cable House 54-62 New Broad Street London EC2M 1ST
Tullett Liberty Financial Information (C.I.) Limited	Information sales	100%	PO Box 300 Town Mills Rue de Pre St Peter Port Guernsey GY1 3SA Channel Islands
Tullett Liberty Brokerage Inc	Securities broking	100%	80 Pine Street New York NY 10005 USA
Tullett Liberty (Canada) Limited	Derivatives and money broking	100%	154 University Avenue 4th Floor Toronto Ontario M5H 379 Canada
Tullett Liberty Capital Markets (France) S.A.S.	Derivatives and money broking	100%	89-91 rue du Faubourg Saint Honore 75008 Paris France
Tullett Liberty (Equities) Limited	Securities broking	100%	Cable House 54-62 New Broad Street London EC2M 1ST
Tullett Liberty (Hong Kong) Limited	Derivatives and money broking	100%	10th Floor CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Tullett Liberty Inc	Stockbroking	100%	80 Pine Street New York NY 10005 USA
Tullett Liberty Japan Limited	Derivatives and money broking	100%	Sakura Muromachi Building 5-1 Nihonbashi Muromachi 4 Chome Chuo-Ku Tokyo 103-0022 Japan
Tullett Liberty (Oil & Energy) Limited	Energy broking	90.2%	Cable House 54-62 New Broad Street London EC2M 1ST

<i>Name of subsidiary</i>	<i>Principal activity</i>	<i>Proportion of capital held</i>	<i>Registered office</i>
Tullett Liberty (Oil & Energy) Pte.	Energy broking	76.8%	83 Clemenceau Avenue 13-08 UE Square Singapore 239920
Tullett Liberty (Nederland) B.V.	Derivatives and money broking	100%	Ebbehout 4a 1507 EA Zaandam Netherlands
Tullett Liberty Pte. Ltd	Derivatives and money broking	51%	10 Anson Road 16-11 International Plaza Singapore 079903
Tullett Liberty Pty. Limited	Derivatives and money broking	100%	Level 36 60 Margaret Street Sydney NSW 2000 Australia
Tullett Liberty Securities Inc	Securities broking	100%	80 Pine Street New York NY 10005 USA
Tullett Liberty (Securities) Limited	Securities broking	100%	Cable House 54-62 New Broad Street London EC2M 1ST
Tullett Liberty (Treasury and Derivatives) Limited	Derivatives and money broking	100%	Cable House 54-62 New Broad Street London EC2M 1ST

4. Share Capital

4.1 General

Save as disclosed in paragraph 4.2 below of this Part VI, no changes have taken place during the three years preceding the date of this document to the amount of the issued capital of the Company or, if material, to the capital of any member of the Group save as in regard to intra group issues by wholly-owned subsidiaries, *pro rata* issues by partly owned subsidiaries and changes in the capital structure of subsidiaries which have remained wholly-owned throughout that period, and no such issues, other than pursuant to the Placing and the Acquisition are proposed by the Directors.

4.2 Changes in Share Capital

4.2.1 The following is a summary of the changes during the three years preceding the date of this document in the amount of the issued capital of the Company, all of which were fully paid up:

On 26 June 2002, the Company issued 2,360 Ordinary Shares at 292p each pursuant to the exercise of options over Ordinary Shares granted under the Collins Stewart Tullett plc Sharesave Scheme 2000.

On 19 February 2003, the Company issued 14,652,224 Ordinary Shares at 308p each pursuant to a placing to fund the redemption of the Company's Preference Shares. 308p per Ordinary Share represented a discount of 7.6 per cent. to the closing price of 333.5p per Ordinary Share on the day before the offer for Tullett Liberty was announced and underwritten.

On 6 March 2003, the Company redeemed all its 41,303,333 "A" preference shares of 1p each and all its 3,296,667 "B" preference shares of 1p each at their issue price of £1 per share.

On 10 March 2003, 68,075,088 Ordinary Shares were allotted pursuant to the acquisition of Tullett Liberty: 32,175,410 shares were allotted to Tullett Liberty shareholders, bondholders and optionholders at 337p per share and 35,899,567 shares were allotted for cash at 308p per share.

308p per Ordinary Share represented a discount of 7.6 per cent. to the closing price of 333.5p per Ordinary Share on the day before the offer for Tullett Liberty was announced.

On 18 December 2003, the Company issued 191,298 Ordinary Shares at 316p per share pursuant to the exercise of options over Ordinary Shares granted under the Collins Stewart Tullett plc Unapproved Share Option Scheme no 2.

On 6 May 2004, the Company issued 360,398 Ordinary Shares at 288.5p per share pursuant to the exercise of options over Ordinary Shares granted under the Collins Stewart Tullett plc Unapproved Share Option Scheme and the Collins Stewart Tullett plc Company Share Option Plan.

On 21 May 2004, the Company issued 172,500 Ordinary Shares at 288.5p per share pursuant to the exercise of options over Ordinary Shares granted under the Collins Stewart Tullett plc Unapproved Share Option Scheme and the Collins Stewart Tullett plc Company Share Option Plan.

On 1 June 2004, the Company issued 100,050 Ordinary Shares at 288.5p per share pursuant to the exercise of options over Ordinary Shares granted under the Collins Stewart Tullett plc Unapproved Share Option Scheme.

On 30 June 2004, the Company issued 499,950 Ordinary Shares at 288.5p per share pursuant to the exercise of options over Ordinary Shares granted under the Collins Stewart Tullett plc Unapproved Share Option Scheme.

4.2.2 As at 23 September 2004 (the latest practical date prior to the publication of this document), the authorised share capital of the Company is £71,174,862, divided into 284,699,448 Ordinary Shares. Prior to the allotment of the New Ordinary Shares to be issued pursuant to the Placing and the Acquisition, the issued and paid up share capital of the Company is £47,570,033.25 divided into 190,280,133 Ordinary Shares.

4.2.3 The authorised, issued and fully paid share capital of the Company as it is expected to be immediately following Admission is as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>Number</i>	<i>Amount £</i>	<i>Number</i>	<i>Amount £</i>
Ordinary Shares	284,699,448	71,174,862	211,517,102	52,879,276

4.2.4 At the annual general meeting of the Company duly convened and held on 3 June 2004, the following resolutions, amongst others, were duly passed:

That the authority to allot equity securities (as defined in section 94 of the Act) conferred on the directors by article 4(C) of the Company's Articles be renewed (unless previously revoked or varied by special resolution of the Company in general meeting), until the conclusion of the next annual general meeting of the Company or fifteen months from the date of the passing of this resolution whichever is the earlier, and for that period the "section 89" amount shall be £2,364,340, and that the power conferred on the directors by this resolution shall also apply to a sale of treasury shares (as defined in section 162A(3) of the Act), by virtue of section 94(3A) of the Act; and

That the authority to allot relevant securities (as defined in section 80 of the Act) conferred on the directors by article 4(B) of the Company's Articles be renewed (unless previously renewed, varied or revoked by the Company in general meetings), until the conclusion of the next annual general meeting of the Company or fifteen months from the date of the passing of this resolution whichever is the earlier, and for that period the "section 80" amount shall be £15,762,269.

4.2.5 The provisions of section 89(1) of the Act which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the resolutions referred to above.

4.2.6 Save as disclosed in this paragraph 4, within the three years immediately preceding the date of this document, no discounts or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share capital of the Company or any of its subsidiaries.

4.2.7 The maximum number of Ordinary Shares which are subject to options granted by the Company prior to the date of this document is as follows:

<i>Share Option Scheme</i>	<i>No of ordinary shares</i>	<i>Exercise price</i>	<i>Earliest exercise date</i>	<i>Expiry date</i>
The Collins Stewart Tullett plc Sharesave Scheme 2000	569,668 129,284	292p 415p	1.1.2006 1.7.2007	30.6.2006 31.12.2007
The Collins Stewart Tullett plc Company Share Option Plan	9,493 10,398 86,463	316p 88.5p 451p	16.10.2003 5.4.2004 22.4.2007	15.10.2010 4.4.2011 21.4.2014
The Collins Stewart Tullett plc Unapproved Share Option Scheme	790,507 214,204 818,537	316p 288.5p 449p	16.10.2003 5.4.2004 22.4.2007	15.10.2010 4.4.2011 21.4.2014
The Collins Stewart Tullett plc 2003 Share Option Scheme	2,125,000 2,100,000	349p 449p	29.4.2006 22.4.2007	28.4.2013 21.4.2014
The Tullett Liberty Equity Incentive Plan	4,452,356 48,477 72,716	nil nil nil	1.1.2007 1.1.2007 1.1.2007	7.1.2014 5.4.2014 21.4.2014
Louis Scotto	212,000	nil	3.6.2007	21.4.2014
Stephen Jack	106,045	nil	3.6.2007	6.6.2014
Total	11,745,148			

There was no consideration for the grant of the above options.

Save as disclosed above and in paragraph 8.2, no shares of the Company or any subsidiary are under option or have been agreed conditionally or unconditionally to be put under option.

4.2.8 The authorised but unissued share capital of the Company, following completion of the Acquisition and the Placing will be 73,182,346 Ordinary Shares, of which an aggregate of 6,853,554 Ordinary Shares will be reserved for issue pursuant to the exercise of existing options.

4.2.9 The Existing Ordinary Shares and the New Ordinary Shares may be held in either certificated form or under the CREST system. Paragraph 19.1 of this Part VI sets out details of the trading of Ordinary Shares in uncertificated form.

5. Memorandum and Articles of Association

5.1 Memorandum of Association

The memorandum of association of the Company was adopted pursuant to a written resolution of the members of the Company dated 22 September 2000.

The objects of the Company are set out in full in clause 4 of the memorandum of association of the Company which provides that the Company's principal object is to carry on business as a holding company.

5.2 Articles of Association

The Articles were adopted pursuant to a special resolution of the members of the Company dated 29 May 2003. The Articles contain provisions, *inter alia*, to the following effect:

5.2.1 Voting rights

Subject to special rights or restrictions as to voting attached to any share or class of shares by or in accordance with the Articles, at a general meeting every member present in person has on a show of hands one vote and every member present in person or by proxy has on a poll one vote for every share of which he is the holder. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the vote or votes of the other joint holder or holders, and seniority is determined by the order in which the names of the holders stand in the register. A company which is a member may, by resolution of its directors or other governing body, whether or not expressed to be pursuant to an provision of the Act, authorise one or more persons to act as its representatives at a meeting or at

a separate meeting of the holders of a class of shares; each representative is entitled to exercise on behalf of the company (in respect of that part of the company's holding of shares to which the authorisation relates) those powers that the company could exercise if it were an individual member.

Subject to the paragraph below, an instrument appointing a proxy shall be in writing in the form specified by the Articles executed under the hand of the appointor or his duly constituted attorney or, if the appointor is a company, under its seal or under the hand of its duly authorised officer or attorney or other person authorised to sign.

Subject to the paragraph above, the Board may accept appointment of a proxy received in an electronic communication on such terms and subject to such conditions as it considers fit. The appointment of a proxy received in an electronic communication shall not be subject to the requirements of the paragraph above.

5.2.2 Dividends

Subject to the Act and the Articles, the Company may by ordinary resolution declare a dividend to be paid to the members in accordance with their respective rights and interests, but no dividend may exceed the amount recommended by the Board. Subject to the Act, the Board may pay such interim dividends as appear to it to be justified by the profits of the Company available for distribution. Except as otherwise provided by the rights attached to, or the terms of issue of, shares: a dividend shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid, but no amount paid up on a share in advance of a call may be treated for this purpose as paid up on the share; and dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. A dividend unclaimed for a period of 12 years from the date it was declared or became due for payment is forfeited and ceases to remain owing by the Company.

Without prejudice to the articles dealing with disclosure of interests in shares, the Board may with the prior authority of an ordinary resolution of the Company, direct that payment of a dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid-up shares or debentures of another company. Where a difficulty arises in connection with the distribution, the Board may settle it as it thinks fit and in particular, without limitation, may: issue fractional certificates (or ignore fractions); fix the value for distribution of the specific assets (or any part of them); decide that a cash payment be made to a member on the basis of the value so fixed, in order to secure equality of distribution; and vest assets in trustees on trust for the persons entitled to the dividend as seems expedient to the Board.

Subject to the Act and the Articles, the Board may, with the prior authority of an ordinary resolution of the Company, allot to those holders of a particular class of shares who have elected to receive them further shares of that class or ordinary shares in either case credited as full paid instead of cash in respect of all or part of a dividend or dividends specified by the resolution.

5.2.3 Distribution of assets on a winding-up

On a voluntary winding up of the Company the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Company, whether or not the assets consist of property of one kind or of different kinds, and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he, with the like sanction, shall determine. For this purpose the liquidator may set the value he deems fair on a class or classes of property, and may determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out between members or classes of members. The liquidator may not, however, distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

5.2.4 Transfer of shares

A member may transfer all or any part of his certificated shares by instrument of transfer in writing in any usual form or in any other form approved by the Board, and the instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee. A member may transfer all or any of his

uncertificated shares in accordance with the Uncertificated Securities Regulations. Subject to the requirements of the listing rules of the UKLA, the Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of a certificated share which is not fully paid or the transfer of a certificated share on which the Company has a lien. The Board may also, in its absolute discretion and without giving a reason, refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment unless all of the following conditions are satisfied: it is in respect of only one class of share; it is in favour of (as the case may be) a single transferee or renounee or not more than four joint transferees or renounees; it is duly stamped (if required); and it is delivered for registration to the office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates (except in the case of a transfer by a recognized financial institution where a certificate has not been issued, or in the case of a renunciation) and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so. In accordance with and subject to the provisions of the Uncertificated Securities Regulations, the Operator of the relevant system shall register a transfer of title to any uncertificated share or any renounceable right of allotment of a share which is a participating share or any renounceable right of allotment of a share which is a participating security held in uncertificated form unless the Uncertificated Securities Regulations permit the Operator of the relevant system to refuse to register such a transfer in certain circumstances in which case the said Operator may refuse such registration. In accordance with and subject to the provisions of the Uncertificated Securities Regulations, where title to an uncertificated share is transferred by means of a relevant system to a person who is to hold such share in certificated form thereafter, the Company as participating issuer shall register the transfer in accordance with the relevant Operator instruction but so that the Company may refuse to register such a transfer in any circumstance permitted by the Uncertificated Securities Regulations. Subject to the Act, the registration of transfers may be suspended at such times and for such period (not exceeding 30 days in any year) as the Board may decide and either generally or in respect of a particular class of shares.

5.2.5 Variation of rights

Subject to the Act, the rights attached to a class of shares may be varied or abrogated (whether or not the Company is being wound up) either with the consent in writing of the holders of at least three-fourths of the nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the article dealing with class meetings. The rights attached to a class of shares are not, unless otherwise expressly provided for in the rights attaching to those shares, deemed to be varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of its own shares in accordance with the Act and the article dealing with the purchase of own shares.

5.2.6 Disclosure of interests

Having regard to the requirements of the Listing Rules, where notice is served by the Company under section 212 of the Act (a "section 212 notice") on a member, or another person appearing to be interested in shares held by that member, and the member or other person has failed in relation to any shares (the "default shares" which expression includes any shares allotted or issued after the date of the section 212 notice in respect of those shares) to give the Company the information required within the prescribed period from the date of service of the section 212 notice, the following sanctions apply, unless the Board otherwise decides: the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll; and where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class: (a) a dividend (or any part of a dividend) or other amount payable in respect of the default shares shall be withheld by the Company, which has no obligation to pay interest on it, and the member shall not be entitled to elect, pursuant to article dealing with payment of scrip dividends, to receive shares instead of a dividend; and (b) no transfer of any certificated default shares shall be registered unless the transfer is an excepted transfer or (i) the member is not himself in default in supplying the information required; and (ii) the member proves to the satisfaction of the Board

that no person in default in supplying the information required is interested in any of the shares the subject of the transfer.

5.2.7 Alteration of capital

The Company may, by ordinary resolution: increase its share capital by a sum to be divided into shares of an amount prescribed by the resolution; consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; subject to the Act, sub-divide all or any of its shares into shares of smaller amount and so that the resolution whereby any share is sub-divided may determine that the shares resulting from such sub-division have amongst themselves such preferred, deferred or other special rights or advantages or be subject to any such restrictions as the Company has power to attach to unissued or new shares; and cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by a person and diminish the amount of its share capital by the amount of the shares so cancelled. Subject to the Act and to the rights attached to existing shares, the Company may by special resolution reduce its share capital, capital redemption reserve, share premium account or other undistributable reserve in any way. Subject to the Act and to the rights attaching to existing shares, the Company may purchase or agree to purchase in the future, any shares of any class (including redeemable shares) in its own capital in any way.

5.2.8 Issue of shares

Subject to the Act and relevant authority given by the Company in general meeting, the Board has general and unconditional authority to allot, grant options over, or otherwise dispose of the unissued shares of the Company, or rights to subscribe for or convert any security into shares, to such persons, at such times and on such terms as the Board may decide except that no share may be issued at a discount. The Board has general and unconditional authority, pursuant to section 80 of the Act, to exercise all powers of the Company to allot relevant securities up to an aggregate nominal amount equal to the section 80 amount for (as the case may be) the first period and thereafter, each subsequent section 80 period. The "first period" means the period commencing on the date of adoption of the Articles and expiring on the date on which a resolution to renew the authority conferred above is passed or the fifth anniversary of the date of adoption of the Articles, whichever is earlier; "subsequent section 80 period" means any period starting on or after the expiry of the first period (and not exceeding five years on any occasion) for which the authority conferred above is renewed by ordinary or special resolution stating the section 80 amount. The "section 80 amount" means, for the first period £15,746,328 and, for a subsequent section 80 period, the amount stated in the relevant ordinary or special resolution or, in either case, another amount fixed by the resolution of the Company.

The Board has general power, pursuant to section 95 of the Act, to allot equity securities wholly for cash pursuant to the general authority conferred above, as if section 89(1) of the Act does not apply to that allotment for (as the case may be) the first period and thereafter, each subsequent section 89 period. This power is limited to (i) allotments of equity securities in connection with a rights issue in favour of holders of Ordinary Shares or other equity securities of any class made in proportion (as nearly as may be) to their respective existing holdings of Ordinary Shares or other equity securities of the class concerned (so that any offer to holders of other equity securities of any class shall be on the basis of their rights to receive that offer or, in the case of securities convertible into Ordinary Shares, proportionate to the number of Ordinary Shares which would be allotted upon the exercise in full of the attached conversion rights) but subject to the Board having a right to make such exclusions or other arrangements in connection with that offering as it deems necessary or expedient: (a) to deal with equity securities representing fractional entitlements; and (b) to deal with legal or practical problems arising in any territory or by virtue of shares being represented by depositary receipts, the requirements of any regulatory body or stock exchange in any territory, or any other matter whatsoever; and (ii) allotments other than pursuant to paragraph (i) up to an aggregate nominal amount equal to the section 89 amount. "Subsequent section 89 period" means any period starting on or after the expiry of the first period (and not exceeding five years on any occasion) for which the power conferred above is renewed by special resolution stating the section 89 amount. The "section 89 amount" means, for the first period, £2,361,949 and, for a subsequent section 89 period, the amount stated in the relevant special resolution or, in either case, another amount fixed by resolution of the Company.

5.2.9 Untraced shareholders

Subject to the Uncertificated Securities Regulations, the Company may sell the share of a member or of a person entitled by transmission at the best price reasonably obtainable at the time of sale, if: (i) during a period of not less than twelve years before the date of publication of the advertisements referred to in paragraph (iii) below (or, if published on two different dates, the first date) (the "relevant period") at least three cash dividends have become payable in respect of the share; (ii) throughout the relevant period no cheque, warrant or money order payable on the share has been presented by the holder of, or the person entitled by transmission to, the share to the paying bank of the relevant cheque, warrant or money order, no payment made by the Company by any other means permitted by the Articles has been claimed or accepted and, so far as any director of the Company at the end of the relevant period is then aware, the Company has not at any time during the relevant period received any communication from the holder of, or person entitled by transmission to, the share; (iii) on expiry of the relevant period the Company has given notice of its intention to sell the share by advertisement in a national newspaper and in a newspaper circulating in the area of the address of the holder of, or person entitled by transmission to, the share shown in the register; and (iv) the Company has not, so far as the Board is aware, during a further period of three months after the date of the advertisements referred to in paragraph (iii) above (or the later advertisement if the advertisements are published on different dates) and before the exercise of the power of sale received a communication from the holder of, or person entitled by transmission to, the share.

5.2.10 CREST

The Articles are consistent with participation in CREST and allow for the holding and transfer of shares in uncertificated form.

6. Directors' shareholdings and other interests

- 6.1 As at 23 September 2004 (the latest practicable date prior to the publication of this document) and immediately following Admission of the New Ordinary Shares, the interests of the Directors in the share capital of the Company which have been notified, or are or will be required to be notified, under section 324 or 328 of the Act or as are required to be entered into the register maintained under section 325 of the Act and the interests of all persons connected with the Directors (within the meaning of section 346 of the Act) which would, if the connected person were a director of the Company be required to be disclosed in accordance with the foregoing sections and the existence of which is known or could with reasonable diligence become known by the Director concerned, all of which are or will be beneficial unless otherwise stated, are as follows and as set out in paragraph 6.2 below:

	Prior to the Acquisition and Placing ⁽ⁱ⁾		Following the Acquisition and Placing	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
<i>Director⁽ⁱⁱ⁾</i>				
Keith Hamill	33,799	0.02%	33,799	0.02%
Terry Smith	8,800,000	4.62%	8,800,000	4.16%
Helen Smith	1,550,000	0.81%	1,550,000	0.73%
Terry Hitchcock	660,000	0.35%	660,000	0.31%
Stephen Jack	146,739	0.08%	146,736	0.07%
Louis Scotto	55,612	0.03%	55,612	0.03%
David Clark	—	—	—	—
Michael Fallon	—	—	—	—
Bernard Leaver	—	—	—	—
John Spencer	39,542	0.02%	39,542	0.02%

Notes:

(i) As at 23 September 2004.

(ii) The Collins Stewart Tullett plc Employee Share Ownership Trust held 666,258 shares at 23 September 2004, being the last practicable date prior to publication of this document, which had not been allocated to staff nor were subject to share options. The beneficiaries of the trust are the employees of the Group, including the executive Directors. Under schedule 13 of the Act the executive Directors are deemed to be interested in these shares.

- 6.2 Certain of the Directors have options to subscribe for Ordinary Shares which as at 23 September 2004 (the latest practicable date prior to the publication of this document) are as follows:

<i>Director</i>	<i>Ordinary Shares under Option</i>	<i>Exercise Price</i>	<i>Earliest Exercise Date</i>	<i>Expiry Date</i>
<i>Collins Stewart Tullett plc Sharesave Scheme 2000</i>				
Terry Smith	5,779	292p	1.1.2006	30.6.2006
Helen Smith	5,779	292p	1.1.2006	30.6.2006
<i>Collins Stewart Tullett plc 2003 Share Option Scheme</i>				
Stephen Jack	120,000	349p	29.4.2006	28.4.2013
Louis Scotto	120,000	349p	29.4.2006	28.4.2013
<i>Tullett Liberty Equity Incentive Plan</i>				
Louis Scotto	212,089	Nil	8.1.2007	7.1.2014
<i>Individual share options</i>				
Stephen Jack	106,045	Nil	3.6.2007	2.6.2014
Louis Scotto	212,000	Nil	22.4.2007	21.4.2014

Other than the share options granted under the Collins Stewart Tullett plc Sharesave Scheme 2000 the exercisability of the options detailed above is subject to performance conditions being met. The conditions attaching to the options granted under the Collins Stewart Tullett plc 2003 Share Option Scheme have been met and accordingly those options have vested.

There was no consideration for the grant of these options.

- 6.3 The Company is aware of the interests of the following persons (not being Directors, their families or persons connected (within the meaning of section 346 of the Act) with Directors) who are or (assuming the Acquisition and Placing are completed) will be directly or indirectly interested in 3 per cent. or more of the issued capital of the Company.

	<i>Prior to the Acquisition and Placing⁽ⁱ⁾</i>		<i>Following the Acquisition and Placing</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
<i>Shareholder</i>				
ToscaFund Limited	18,584,182	9.77%	19,184,182	9.07%
Fidelity International Ltd, FMR Corp and Edward C Johnson 3d	17,112,561	8.99%	18,412,561	8.70%
Walbrook Trustees (Guernsey) Limited	7,890,758	4.15%	7,890,758	3.73%
Totan Holdings Co., Ltd	7,576,134	3.98%	7,576,134	3.58%
Morgan Stanley Securities	6,926,227	3.64%	6,926,227	3.27%
Lazard Freres & Co LLC	6,748,065	3.55%	7,198,065	3.40%
Scottish Widows Investment Partnership Limited	5,948,137	3.13%	6,203,137	2.93%
Oppenheimer Funds Inc	5,725,636	3.01%	5,725,636	2.71%

Note:

(i) As at 23 September 2004, the latest practicable date prior to publication of this document.

- 6.4 Save as disclosed in paragraphs 6.1 and 6.3 above, the Company is not aware of any person who is, as at the date of this document or following the completion of the Acquisition and Placing will be, interested directly or indirectly in 3 per cent. or more of the issued capital of the Company (calculated exclusive of treasury shares). The Directors are not aware of any person or persons who can directly or indirectly, jointly or severally, exercise control or could exercise control over the Company.
- 6.5 Save as set out in this paragraph, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by any member of the Group in the current or immediately preceding financial year or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

Pursuant to the acquisition of a subsidiary undertaking by Collins Stewart Limited in 1996, secured loan notes were issued to Terry Hitchcock of which £0.1m remains outstanding at the date of this document. These loan notes are secured by cash deposits of the same amount and carry interest at $\frac{3}{8}$ per cent. below LIBOR. The loan notes are redeemable in 2006 or earlier at the holder's request.

Pursuant to the acquisition of Tullett Liberty Limited in March 2003 £0.2 million guaranteed unsecured loan notes were issued to Stephen Jack. The loan notes are guaranteed by the Governor and Company of Bank of Scotland with whom cash deposits of an equal amount are deposited. The loan notes carry interest at a rate of 1 per cent. below LIBOR. The loan notes are redeemable in 2008 or earlier at the holder's request.

- 6.6 No loans or guarantees have been granted or provided to, or for the benefit of, any of the Directors by any members of the Group.
- 6.7 Save as set out below, none of the Directors has held any directorships of any company (other than the companies in the Group and companies which are members of a group of which the Director is or was also a director) or partnerships within the last 5 years.

<i>Director</i>	<i>Current Directorships and Partnerships</i>	<i>Directorships in the past five years</i>
Keith Hamill	Aldrington Investments Limited Alterian Plc Bertram Limited Cadmus Communications Corp (USA) Electrocomponents Plc Greenwich & Bexley Hospice Limited Luminar plc Moss Bros Group PLC Newmarket Racecourses Trust Limited TDG plc Travelodge-Little Chef Ltd.	Puritan Maid Limited Forte plc Bid Defence Limited Virgin Retail Limited Waterstones Booksellers Limited William Hill Plc WH Smith plc Hodder Headline Plc Tempus Group Plc Go Fly Limited Codecam Limited*
Terry Smith	International Value Investments Value Investments Limited Clayhouse Shooting Schools Limited	Codecam Limited*
Helen Smith	—	Pinesmiths Limited Vic Smith Bedding Limited
Terry Hitchcock	Thames Reach Bondway Housing Association Limited John Lusty Group plc (in administrative receivership)	Framlington Second Dual Trust plc Independent Direction Limited Intrinsic Value plc Codecam Limited* Help the Aged Pure Entertainment Games plc (dissolved)
Stephen Jack	Greater London Fund for the Blind	Kleinwort Benson Group plc Roker Limited Natsource Tullett Liberty (Europe) Limited
Louis Scotto	—	—
David Clark	Charity Bank (owned by the Charities Aid Foundation) Caf Bank	CAFCASH (owned by the Charities Aid Foundation) Bankgesellschaft Berlin (UK) plc
Michael Fallon	Just Learning Holdings Limited Just Learning Limited	Bannatyne Fitness Limited
Bernard Leaver	—	—
John Spencer	—	Numerica Group PLC Snell & Wilcox Limited Softtechnet.com.plc Regent Inns plc Satellite Consultants Limited

Note:

- * This company was established in connection with the MBO, but was not used in the eventual structure. It has not traded and has been wound up.

Terry Hitchcock is a non-executive director of a company, John Lusty Group plc, which was put into receivership on 13 May 2002. Following estimation of assets left for the company to distribute of £1,570 and total sums due to preferential creditors of £1,027,699, the total deficiency as regards non-preferential creditors as set out in the directors' estimated statement of affairs dated 13 May 2002 was £1,026,129. However, the total liabilities of the group of which John Lusty Group plc is the holding company are likely to materially exceed this figure.

6.8 As at the date of this document, save as disclosed above, none of the Directors:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or entered into any voluntary arrangements;
- (c) was a director of any company with an executive function at the time or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of creditors;
- (d) has been a partner in a partnership at the time of, or within 12 months, preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had any of his or her assets the subject of any receivership or has been a partner of a partnership at the time of, or within 12 months preceding, any assets thereof being subject to receivership; or
- (f) has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of any affairs of a company.

6.9 The business address for each of the Directors is 9th Floor, 88 Wood Street, London EC2V 7QR. Their respective functions are shown on page 4 of this document.

7. Directors' service contracts and letters of appointment

7.1 Terry Smith and Helen Smith entered into service contracts with the Company on 26 May 2000 which provide for employment for an indefinite period, subject to early termination on 12 months' notice by either the Company or the Director concerned, a basic salary of £100,000 and a discretionary bonus. The Company is entitled to terminate the service contracts by paying salary in lieu of the Director's notice period and bonus calculated by reference to the bonus paid to that Director in the previous year, pro rated until the date of termination. No other compensation is payable upon early termination of the service contracts.

On 4 November 2002, Terry Hitchcock was appointed an Executive Director and entered into a service agreement with the Company for an indefinite period which provides for an annual salary of £50,000, a discretionary bonus and notice to be given by him to the Company of 12 months, and by the Company to him of 3 months. The Company is entitled to terminate the service contract by paying salary in lieu of the Director's notice period.

On 12 December 2001, Stephen Jack entered into a service agreement with Tullett Liberty confirming his position as Chief Financial Officer of the Tullett Liberty Group. Mr Jack's contract is for an indefinite period and is terminable by either party giving to the other twelve months' notice. Tullett Liberty is entitled to terminate the agreement by paying salary and a *pro rata* portion of bonus in lieu of notice period. The annual basic salary is £250,000 per annum and he is entitled to a minimum annual income (including bonus) of £550,000.

Louis Scotto has a service contract entered into with Tullett Liberty Inc on 21 November 2001, which provides for an annual salary of \$750,000 and a discretionary bonus. The contract is for an indefinite period and is terminable by either party giving to the other twelve months' notice. Tullett Liberty Inc is entitled to terminate the agreement by paying salary in lieu of notice period.

The Executive Directors are entitled to the following benefits:

<i>Director</i>	<i>Benefit</i>
Terry Smith	Discretionary bonus, death in service benefit, private medical insurance for the Director, spouse and any minor children
Helen Smith	Discretionary bonus, death in service benefit, private medical insurance for the Director, spouse and any minor children
Terry Hitchcock	Discretionary bonus, death in service benefit, private medical insurance for the Director, spouse and any minor children
Stephen Jack	Discretionary bonus, death in service benefit, private medical insurance for the Director, spouse and any minor children, permanent health insurance, money purchase pension membership; salary and bonus subject to a minimum guaranteed income
Louis Scotto	Discretionary bonus, death in service benefit, accident and disability insurance, private medical and dental insurance for the Director, spouse and any minor children, 401K pension scheme membership

- 7.2 Keith Hamill and John Spencer were appointed as Non-executive Directors of the Company by letter of appointment dated 22 September 2000. Mr Hamill was appointed as Non-executive Chairman and John Spencer was appointed senior independent Non-executive Director. Mr Hamill and Mr Spencer are entitled to receive a fee of £100,000 and £36,000 per annum respectively. Their appointments will terminate if they are not re-appointed following their retirement pursuant to the Articles or if they are otherwise removed from the Board by operation of law or pursuant to the articles of association of the Company or if they do not offer themselves for re-election by Shareholders or by 12 months' written notice from the Company or the director.
- 7.3 David Clark, Bernard Leaver and Michael Fallon were appointed Non-executive Directors with effect from 10 March 2003, 1 July 2003 and 1 September 2004 respectively. Their letters of appointment provide that they are each entitled to a fee of £32,000 per annum. The appointments are terminable on the same terms as Keith Hamill and John Spencer.
- 7.4 The total aggregate amount of salaries and fees paid to the Executive and Non-executive Directors, excluding bonuses and benefits in kind, for the year ended 31 December 2003 was £1,215,000.
- 7.5 Save as set out in this paragraph 7, no arrangements are in place between the Executive Directors and the Company which it would be necessary to disclose in order to enable the estimation of the possible liability of the Company upon early termination of any of the Executive Directors' service contracts.
- 7.6 The total emoluments of the Directors will not be varied as a result of the Acquisition.

8. Employee share schemes

8.1 Employee Option Schemes

The following is a summary of the rules of the employee option schemes operated by the Company:

8.1.1 Collins Stewart Tullett plc Company Share Option Plan (the "Company Share Plan")

The Company Share Plan was adopted by the Company on 13 June 2000 and amended on 22 September 2000.

The terms of the Company Share Plan are as follows:

Eligibility

Full time executive directors who are required to devote substantially the whole of their working time to their duties and employees of the Company and any subsidiaries of the Company (designated by the directors) who work not less than 20 hours a week are eligible to participate in the Company Share Plan.

Scheme Limits

The Company Share Plan is subject to the following overall limits on the number of shares which may be issued under it:

- (a) in any 10 year period, not more than 10 per cent. of the issued ordinary share capital of the Company for the time being may in aggregate be issued or be issuable under the Company Share Plan and any other employees' share scheme adopted by the Company or associated companies; and
- (b) in any 10 year period, not more than 5 per cent. of the issued ordinary share capital of the Company for the time being may in aggregate be issued or be issuable under all discretionary share schemes adopted by the Company or associated companies, excluding the Collins Stewart Tullett plc 2003 Share Option Scheme, (unless vesting is dependent on the achievement of more stretching performance criteria as determined by the Remuneration Committee in accordance with ABI guidelines, in which case the limit is 10 per cent.).

For the purposes of these limits options which have lapsed or which were granted before the admission of the Company's shares to listing in October 2000 will not be taken into account.

Grant of Options

Options will be granted by the Remuneration Committee which consists wholly of non-executive directors. Options will normally only be granted within 42 days of the announcement of the Company's results for any period.

Performance Condition

The Remuneration Committee may grant options subject to a performance condition.

Option Price

Options will be granted at an option price which is not less than the market value of the shares on the date of grant or, where shares are to be subscribed, the nominal value (if greater). Market value means a value for the shares agreed in advance with the Inland Revenue if the shares are not listed, or if they are, the average of the middle-market quotations over the three preceding business days.

Limitation on Employee Participation

An employee's participation is limited so that the aggregate price payable for shares under options granted under the Company Share Plan and any other Inland Revenue approved executive share option scheme established by the Company or associated companies, at any one time does not exceed £30,000.

Exercise of Options

Options will normally be exercisable, subject to any applicable performance condition being satisfied, by optionholders who remain a director or employee of the Group on the third anniversary of grant. Options may be exercised early following the death of an optionholder. Options are not transferable and may only be exercised by the persons to whom they are granted or their personal representatives. Options may not be exercised by an optionholder who retires at his contractual retirement age if the grant of his option took place within two years of his retirement.

Exchange of Options

In the event of a change of control of the Company, optionholders may in certain circumstances exchange their options for options over shares in the acquiring company.

Rights Attaching to Shares

Shares issued on the exercise of options will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date. The rules provide for application to be made to the UK Listing Authority for admission to listing of shares which may be issued under the Company Share Plan.

Variation in Share Capital

Options may be adjusted, subject to the prior approval of the Inland Revenue to take account of variations in the share capital of the Company including a capitalisation, rights issue or subdivision, consolidation or reduction in the capital of the Company.

Amendments to the Rules

The basic structure of the Company Share Plan and, in particular, the limits on the number of shares which may be issued under it cannot generally be altered to the advantage of participants without the prior sanction of the Company in general meeting. Alterations are subject to prior approval of the UK Inland Revenue while the Company Share Plan is to retain its approved status. No alteration may adversely affect the subsisting rights of optionholders.

Termination

No options may be granted under the Company Share Plan after the fifth anniversary of its adoption.

8.1.2 *Collins Stewart Tullett plc Sharesave Scheme 2000 (the "Sharesave Scheme")*

The Sharesave Scheme was adopted by the Company on 22 September 2000.

Outline

The Sharesave Scheme offers employees the opportunity to enter into a Sharesave contract and to use their savings to acquire shares in the Company. It is approved by the Inland Revenue. Benefits under the Sharesave Scheme are not pensionable.

Eligibility

Full time executive directors and all employees of the Company and any subsidiaries designated by the Board, who have worked for the Company or a participating subsidiary for a qualifying period as determined by the directors (not exceeding five years) are eligible to join the Sharesave Scheme.

Scheme Limits

Options may only be granted to the extent that the shares issuable on their exercise will not in any 10 year period exceed 10 per cent. of the Company's issued ordinary share capital on the proposed date of grant when added to the shares issued or issuable under the Sharesave Scheme and any other employees' share scheme adopted by the Company. For this purpose, no account is taken of options which have been released or lapsed or which were granted on or before admission of the Company's shares to listing in October 2000.

Issue of Invitations

Invitations to join the Sharesave Scheme will normally be despatched within 42 days of the announcement of the Company's results for any period.

Savings Contract

Employees joining the Sharesave Scheme must enter into a savings contract with a designated savings carrier under which they make a monthly saving for a period of three or five years or, if the directors so allow, any other period permitted under the relevant legislation. The monthly saving must not exceed such limit as is fixed by the directors within the ceiling imposed by the relevant legislation (currently £250 per month). A bonus equivalent to a fixed multiple of the monthly savings is payable on completion of the savings contract. An option is granted to the employee to acquire shares in the Company which is exercisable within six months after the bonus is payable under the savings contract.

Option Price

Options will be granted at an option price which will be not less than 80 per cent. of the market value of the shares on the date when invitations are issued to employees and, when shares are to be subscribed, their nominal value (if greater). Market value means a value for the shares agreed in advance with the UK Inland Revenue if the shares are not listed, or if they are, the middle-

market quotation of the preceding business day or if the directors so decide, the average of the middle-market quotations over the three preceding business days.

Exercise of Options

Options are normally exercisable for a six month period following the bonus date under the relevant savings contract. If the option is not exercised within this six month period, the option will lapse. Options may also, however, be exercised early, in certain circumstances, for example on an optionholder ceasing to be an employee due to death, injury, disability or redundancy, retirement, following a change of control of the employing company and in the event of a takeover or winding up of the Company. If an option is exercised early in one of these circumstances, the optionholder may only use the savings (and any interest) made under his savings contract at that time to exercise the option. Options which are not exercised, and options held by employees whose employment terminates in other circumstances, will lapse. Options are not transferable and may only be exercised by the person to whom they are granted or his personal representatives.

Exchange of Options

In the event of a change of control of the Company optionholders may in certain circumstances exchange their options for options over shares in the acquiring company.

Rights Attaching to Shares

Shares issued on the exercise of options will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date. Application will be made to the UK Listing Authority for admission to listing of shares which may be issued under the Sharesave Scheme.

Variation in Share Capital

Options may be adjusted, subject to the prior approval of the Inland Revenue to take account of a variation of the Company's share capital including a capitalisation, rights issue or subdivision, consolidation or reduction in the capital of the Company.

Amendments

The directors have power to amend the rules of the Sharesave Scheme subject to the approval of shareholders in respect of any amendments to the advantage of optionholders which relate, *inter alia*, to eligibility to participate, the limits on the number of shares over which options may be granted, the maximum entitlement of any optionholder, the basis for determining an optionholder's entitlement to shares and the adjustment of options in the event of a variation of the Company's share capital. Amendments are subject to the prior approval of the Inland Revenue while the Sharesave Scheme is to retain its approved status.

Termination of the Sharesave Scheme

No options may be granted under the Sharesave Scheme after the tenth anniversary of the date of the adoption of the Sharesave Scheme by the Company.

8.1.3 *The Collins Stewart Tullett plc Unapproved Share Option Scheme (the "Unapproved Scheme")*

The Company established the Unapproved Scheme on 13 June 2000 and amended it on 22 September 2000. The terms of the Unapproved Scheme are as follows:

Eligibility

Executive directors and employees of the Company and any subsidiaries of the Company (designated by the directors) who in the case of directors are required to devote substantially the whole of their working time to their duties, and who are not within two years of their normal retirement date, are eligible to participate in the Unapproved Scheme.

Scheme Limits

The Unapproved Scheme is subject to the following overall limits on the number of shares which may be issued under it:

- (a) in any 10 year period, not more than 10 per cent. of the issued ordinary share capital of the Company for the time being may in aggregate be issued or be issuable under the Unapproved Scheme and any other employees' share scheme adopted by the Company or associated companies; and
- (b) in any 10 year period, not more than 5 per cent. of the issued ordinary share capital of the Company for the time being in aggregate be issued or be issuable under all discretionary share schemes adopted by the Company or associated companies excluding the Collins Stewart Tullett plc 2003 Share Option Scheme (unless vesting is dependent on the achievement of more stretching performance criteria as determined by the Remuneration Committee in accordance with ABI guidelines, in which case the limit is 10 per cent.).

For the purposes of these limits options which have lapsed, been released or otherwise become incapable of exercise and options granted before admission of the Company's shares to listing in October 2000 will not be taken into account.

Grant of Options

Options will be granted by the Company or the Trustees of the Company's employee benefit trust (the "Grantor"). Options will normally only be granted within 42 days of the announcement of the Company's results.

Performance Conditions

The Grantor may grant options subject to a performance condition.

Option Price

Options will be granted at an option price which is not less than the market value of the shares on the date of grant or, where shares are to be subscribed, the nominal value (if greater). Market value means a value for the shares determined by the Grantor if the shares are not listed, or if they are, the lower of the middle-market quotation on the date of grant and the average of the middle-market quotations over the three preceding business days.

Exercise of Options

Options will normally be exercisable, subject to any applicable performance condition being satisfied, by an optionholder who remains a director or employee of the Group, on the third anniversary of grant. Options are not transferable and may only be exercised by the persons to whom they are granted or their personal representatives. Options may also, however, be exercised early in certain circumstances, for example on an optionholder ceasing to be an employee due to death, ill-health, retirement, or following a change of control of the Company. Options may also be exercised early if an optionholder ceases to be an employee for other reasons, with the agreement of the directors.

Exchange of Options

In the event of a change of control of the Company option holders may in certain circumstances exchange their options for options over shares in the acquiring company.

Rights Attaching to Shares

Shares issued on the exercise of options will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date. The rules provide for application to be made to the UK Listing Authority for admission to listing of shares which may be issued under the Unapproved Scheme.

Variation in Share Capital

Options may be adjusted to take account of variations in the share capital of the Company including a capitalisation, rights issue or subdivision, consolidation or reduction in the capital of the Company.

Amendments to the Rules

The basic structure of the Unapproved Scheme and, in particular, the limits on the number of shares which may be issued under it cannot be altered to the advantage of participants without the prior sanction of the Company in general meeting, except for minor amendments relating to tax and administrative matters. No alteration may adversely affect the subsisting rights of option holders. The directors may amend the Unapproved Scheme to take account of any overseas taxation, securities or exchange control laws to allow the Unapproved Scheme to be operated for the benefit of employees overseas.

Termination

No options may be granted under the Unapproved Scheme after the fifth anniversary of its adoption.

8.1.4 The Collins Stewart Tullett plc 2003 Share Option Scheme (the "2003 Scheme")

The 2003 Scheme makes provision for the grant of both Inland Revenue approved options and unapproved options. Save as described below, the provisions of the 2003 Scheme regarding approved options and unapproved options are in all material respects identical.

Eligibility

Subject to the scheme rules and at the discretion of the directors, employees of Tullett Liberty and its subsidiaries, (other than those within three years of their retirement date), are eligible to participate in the 2003 Scheme at the discretion of the directors.

Limits on the grant of Options

Up to 8,500,000 new Ordinary Shares may be put under option under the 2003 Scheme. Not more than 2,125,000 new Ordinary Shares may be put under option under the 2003 Scheme in any twelve month period. Other than under the Approved Section of the 2003 Scheme, there is no maximum entitlement per participant.

Grant of Options

Options will normally only be granted within 42 days of the announcement of the Company's results.

Grant of options to participants outside the UK

The 2003 Scheme makes provision for the grant of options to participants outside the United Kingdom and the creation of sub-plans within the 2003 Scheme for that purpose with a view to taking advantage of any beneficial tax or regulatory regimes in those jurisdictions.

Provisions applying to the approved section of the 2003 Scheme

Option grants under the approved section of the 2003 Scheme are limited and take effect so that the market value (assessed as at the time of grant of the relevant option) of the aggregate of (i) the Ordinary Shares subject to the option under the approved section of the 2003 Scheme; and (ii) the Ordinary Shares over which an individual has a subsisting option under the approved section of the 2003 Scheme or any other Inland Revenue approved share option scheme (other than a Save As You Earn scheme) shall not exceed £30,000 or such other limit as may be provided for in the relevant legislation.

Alterations to the 2003 Scheme rules are subject to prior approval of the UK Inland Revenue while the 2003 Scheme is to retain its approved status.

Performance Condition

The Board may grant options subject to a performance condition.

Option Price

Options will be granted at an option price which is not less than the market value of the shares on the date of grant or, where shares are to be subscribed, the nominal value (if greater). Market value means in respect of options granted under the approved section of the 2003 Scheme, a value for the shares agreed in advance with the Inland Revenue if the shares are not listed, or if they are,

the middle-market quotation on the date of grant or in respect of options granted under the unapproved section of the 2003 Scheme, a value for the shares agreed with the Inland Revenue if the shares are not listed, or if they are, the lower of the middle-market quotation on the date of grant and the average of the middle-market quotations over the three preceding business days.

Exercise of Options

An option granted under the 2003 Scheme will not normally be exercisable before the third anniversary of its date of grant and then only to the extent that the option has vested due to the satisfaction of the performance targets set at the time of grant of the option. Options will normally lapse on cessation of employment. However, exercise of an individual's subsisting options will be permitted, subject to satisfaction of the performance target referred to above, during the 6 (12 in the case of death only) months following cessation of employment because of death, ill health or disability, the option holder's employing company ceasing to be controlled by or associated with the Company, the transfer or sale of the undertaking or part-undertaking in which that individual is employed to a person who is neither under the control of the Company nor associated with the Company (as defined in the 2003 Scheme), or the option holder being unfairly or wrongfully dismissed or being made redundant.

Where an option holder ceases to be employed for any of the reasons stated above during the period over which performance targets are assessed he will be entitled to exercise the option only (i) to the extent that the performance targets are satisfied; and (ii) over the proportion of the Ordinary Shares in respect of which the option vests that is equal to the proportion of the accounting period for which the employee works for the group (i.e. an employee leaving half way through an accounting period would be entitled to exercise the option over one half of the shares over which the option vests). In addition, in any of the above circumstances (other than following death), the Remuneration Committee has discretion to extend the period during which the option may be exercised after the employment ends.

Exercise of options will be permitted within the 42 days after a general offer to acquire all the shares of the Company becomes unconditional or within 42 days after a change of control of the Company, provided that any performance target has been met. Options will also become exercisable for certain periods in the event of the winding-up or a reconstruction of the Company.

Option holders must indemnify the Company for the amount of any PAYE and employees and employer's National Insurance contributions ("NIC") liability arising on the exercise of options. The 2003 Scheme also permits the Company to require an option holder to elect to assume direct liability for the amount of any employer's NIC liability due in respect of Options granted under the unapproved section of the scheme.

Rights Attaching to Shares

All Ordinary Shares allotted under the 2003 Scheme rank equally with all other Ordinary Shares in issue on the date of allotment (except for any rights arising by reference to a record date before the date of allotment). The rules provide for application to be made to the UK Listing Authority for admission to listing of Ordinary Shares issued under the 2003 Scheme.

Variation in Share Capital

Options (as well as the limits on the number of Ordinary Shares over which options can be granted under the 2003 Scheme) may be adjusted to take account of variations in the share capital of the Company including a capitalisation, rights issue or subdivision, consolidation or reduction in the capital of the Company.

Exchange of Options

In the event of a change of control of the Company holders may in certain circumstances exchange their options over shares for options over shares in the acquiring company.

Amendments to the Rules

The Board may at any time alter or add to the 2003 Scheme in any respect provided that the prior consent of the Company in general meeting is obtained for amendments to the material advantage of participants to the provisions regarding eligibility, variations in share capital, the overall limit on the issue of new shares and the basis for determining the entitlement of any

participant (save for minor amendments to benefit the administration of the 2003 Scheme, to take account of changes in legislation or to obtain or maintain favourable taxation or regulatory treatment for participants or the Company or its subsidiaries. Amendments or additions to the rules of the 2003 Scheme which adversely affect the rights of subsisting option holders may be made only with the consent of option holders holding 75 per cent. or more of the subsisting options.

Pensionability

Benefits received under the 2003 Scheme are not pensionable.

Termination

No option may be granted later than the fifth anniversary of the date on which the 2003 Scheme was adopted by the Company in general meeting.

8.1.5 *The Tullett Liberty Equity Incentive Plan (the "Tullett Liberty Plan")*

The Tullett Liberty Plan was adopted by the Board on 8 January 2004.

Eligibility

Subject to the scheme rules and at the discretion of the directors, employees of Tullett Liberty and any other company nominated by the Board which is under the control of the Company (other than those within three years of their normal retirement date), are eligible to participate in the Tullett Liberty Plan.

Limits on the grant of Options

The maximum number of shares over which options may be granted under the Tullett Liberty Plan shall not exceed three per cent. of the Company's issued share capital as at the date the Tullett Liberty Plan was adopted. The market value at the date of grant of the number of shares over which options may be granted to any person in any financial year shall normally not exceed his salary and bonus for that year, or exceptionally, 150 per cent. of his salary and bonus paid in the previous financial year.

Grant of Options

Options will normally only be granted within 42 days of the announcement of the Company's results. Options are granted over shares in the Company and their exercise may be satisfied only by the transfer of existing shares.

Performance Condition

The Board may grant options subject to a performance condition.

The number of shares (if any) over which options granted in 2004 will vest depends on the extent to which an operating margin target is achieved in any financial year during the period commencing on 1 January 2004 and ending on the earlier of 31 December 2006 and the completion of an acquisition of a business whose historic turnover exceeds £100 million. In addition, the options will only vest if a turnover target is reached in the relevant financial year.

If such an acquisition, as described above, occurs, the performance conditions are measured at the date of the acquisition (pro-rated in the case of the turnover target). As regards the financial year in which the acquisition is made, the period before the acquisition is treated as a complete financial year; however, the number of shares in respect of which an option can vest in respect of that period will be reduced depending on the quarter of that financial year in which the acquisition was completed. If the acquisition occurs in the first quarter there will be a 100 per cent. reduction, in the second quarter a 75 per cent. reduction, the third quarter a 50 per cent. reduction and the last quarter a 25 per cent. reduction.

Exercise Price

The Board will decide the exercise price, if any.

Exercise of Options

Options will normally be exercisable, subject to any applicable performance condition being satisfied, by an optionholder who remains a director or employee of the Group, from the third anniversary of grant up to the tenth anniversary of the date of grant. Options are not transferable and may only be exercised by the persons to whom they are granted or their personal representatives. Options may also, however, be exercised early for specified periods in certain circumstances, to the extent they have vested in accordance with performance conditions to which they are subject: for example, on an optionholder ceasing to be an employee due to death, ill-health, disability, retirement, redundancy, dismissal in breach of his contract or employment or being unfairly dismissed or following a change of control of the Company. Options may also be exercised early if an optionholder ceases to be an employee for other reasons, with the agreement of the directors.

Exchange of Options

In the event of a change of control of the Company option holders may in certain circumstances exchange their options for options over shares in the acquiring company.

Rights Attaching to Shares

Shares acquired on the exercise of options will rank equally with shares of the same class in issue on the date of transfer except in respect of rights arising by reference to a record date preceding the date of exercise.

Variation in Share Capital

Options may be adjusted to take account of variations in the share capital of the Company including a capitalisation, rights issue or subdivision, consolidation or reduction in the capital of the Company.

Amendments to the Rules

The rules of the Tullett Liberty Plan cannot be altered to the detriment of existing participants without the prior consent of holders of not less than three quarters of the shares which would be transferred if all options granted under the Tullett Liberty Plan were exercised in full.

Pensionability

Benefits received under the Tullett Liberty Plan are not pensionable.

Termination

No options may be granted under the Tullett Liberty Plan after the tenth anniversary of its adoption.

8.1.6 Options granted to Stephen Jack and Louis Scotto

Number of shares over which options have been granted

Options over existing Ordinary Shares have been granted to Stephen Jack and Louis Scotto over 106,045 Ordinary Shares and 212,000 Ordinary Shares respectively.

Grant of Options

Stephen Jack's option was granted on 3 June 2004 and Louis Scotto's option was granted on 22 April 2004.

Performance Condition

The options are subject to a performance condition.

The number of shares (if any) over which the options will vest depends on the extent to which an operating margin target is achieved in any two consecutive financial years during the period commencing on 1 January 2004 and ending on 31 December 2006. In addition, the options will only vest if a turnover target is reached in each of the financial years in the period 1 January 2004 to 31 December 2006.

If the performance conditions have been met in the period before completion of an acquisition of a business whose historic turnover exceeds £100 million, the options will vest but the number of shares in respect of which they vest will be reduced by the proportion of the three year performance period which has not expired before completion of such acquisition.

Exercise Price

The exercise price of each option is nil.

Exercise of Options

Options will normally be exercisable, subject to the applicable performance condition being satisfied, provided the optionholder remains a director or employee of the Group, from the third anniversary of grant up to the tenth anniversary of the date of grant. Options are not transferable and may only be exercised by the persons to whom they are granted or their personal representatives. Options may also, however, be exercised early in certain circumstances, to the extent they have vested in accordance with performance conditions to which they are subject: for example, on the optionholder ceasing to be an employee due to death or following a change of control of the Company. In the event of death options may be exercised within 12 months after the date of termination of employment and in the event of a change of control of the Company within such time as the Board decides after the an offer for the Company becomes unconditional. Options may also be exercised early if the optionholder ceases to be an employee for other reasons, with the agreement of the directors.

Exchange of Options

In the event of a change of control of the Company the option holders may in certain circumstances exchange their options for options over shares in the acquiring company.

Rights Attaching to Shares

Shares acquired on the exercise of the options will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

Variation in Share Capital

Options may be adjusted to take account of variations in the share capital of the Company including a capitalisation, rights issue or subdivision, consolidation or reduction in the capital of the Company.

Amendments to the Option Terms

The terms attaching to the options cannot be altered to the detriment of the optionholders.

Pensionability

The benefit represented by the options is not pensionable.

8.1.7 Options to be granted to Louis Scotto and Stephen Jack conditional on Shareholder approval and completion of the Acquisition

Number of shares subject to options

An option over 424,087 Existing Ordinary Shares is proposed to be granted to Louis Scotto and an option over 106,045 Existing Ordinary Shares is proposed to be granted to Stephen Jack, in each case conditional on Shareholder approval (to be sought at the EGM) and completion of the Acquisition. The number of Ordinary Shares subject to Louis Scotto's or Stephen Jack's option, as appropriate, in respect of which the option may be exercised will be reduced by the number of Ordinary Shares subject to their respective options described in paragraph 8.1.6 above (the "Existing Options") that vest on completion of the Acquisition.

Performance Condition

The options are subject to the following performance conditions.

In order for the options to vest (i) the enlarged inter-dealer broking business' turnover must exceed £650 million in each of the financial years 2005-2007; and (ii) the enlarged inter-dealer

broking business' operating margin (before reorganisation costs) must be at least 13 per cent. per annum in any two consecutive years in the financial years 2005-2007. At an operating margin of 13 per cent. the options would vest in respect of 30 per cent. of the Ordinary Shares subject to them; vesting would increase by 5 per cent. of the Ordinary Shares subject to the options for every 0.5 per cent. improvement in operating margin up to 15 per cent. and thereafter by 8.33 per cent. of the Ordinary Shares subject to them for every 0.5 per cent. improvement in operating margin. Once the number of Ordinary Shares over which the options vest under the performance conditions has been determined that number will then be reduced by that number of Ordinary Shares subject to the relevant optionholder's existing option that vested on completion of the Acquisition. The operating margin will be calculated before charging any FRS 20 or similar accounting costs to the profit and loss account in connection with the options or any options granted under the Tullett Liberty Equity Incentive Plan.

If a significant acquisition is made by the enlarged inter-dealer broking business during the performance period, the performance conditions will be measured up until the time that the acquisition is completed. Provided the turnover and operating margin targets are achieved during this period the number of Ordinary Shares subject to the option that vest will be pro rated. If the performance conditions have not been met before a significant acquisition is made, the option will lapse. A significant acquisition is an acquisition of a business with an annual turnover of more than £100 million.

Following achievement of the operating margin target, an option will only be exercisable if the optionholder remains employed by the Enlarged Group for a further twelve months.

Exercise Price

The options will each have a total exercise price of £1.

Exercise of Options

The options will normally be exercisable, subject to the applicable performance conditions and any continued service condition being satisfied, and provided the optionholder remains a director or employee of the Enlarged Group, from the third anniversary of grant up to the tenth anniversary of grant. The options are not transferable and may only be exercised by the person to whom they were granted or their personal representatives. The options may be exercised early in certain circumstances, to the extent vested in accordance with the performance condition. For example, an option may be exercised within 12 months after the date of the optionholder's death and, if there is a change of control of the Company, the options may be exercised within the time the Board decides. An option may also be exercised early with the agreement of the directors if the optionholder ceases to be an employee of the Group for another reason.

Exchange of Options

In the event of a change of control of the Company the options may, in certain circumstances, be exchanged for options over shares in the acquiring company.

Rights attaching to Shares

Shares acquired on the exercise of the options will rank equally with shares of the same class in issue on the date of transfer except in respect of rights arising by reference to a record date preceding the date of exercise.

Variation in Share Capital

The options may be adjusted to take account of variations in the share capital of the Company including a capitalisation, rights issue or subdivision, consolidation or reduction in the capital of the Company.

Amendments to the terms of the option

The terms attaching to the options cannot be altered to the detriment of the optionholders without their consent. Further, no amendment to the advantage of the optionholders can be made without the prior approval of the Shareholders in general meeting unless the amendment is minor and made to benefit the administration of the options, to take account of a change in legislation

or to obtain or maintain favourable tax, exchange control or regulatory treatment for the optionholders or for any member of the Enlarged Group.

Pensionability

The benefit represented by the options is not pensionable.

8.2 Employee Share Ownership Trusts

8.2.1 CST ESOT

The trustee of CST ESOT, Walbrook Trustees (Guernsey) Limited (the "Trustee"), currently holds the legal title to 7,890,758 Ordinary Shares as nominee and trustee for employees. Of these Ordinary Shares, 4,347,000 have been allocated unconditionally to employees and a further 2,877,500 Ordinary Shares are under option to employees.

8.2.2 CIESOT

CIESOT was established on 26 January 1996 to hold shares in Collins Stewart (CI) Limited for the benefit of the Channel Island employees. Following the management buy-out of Collins Stewart Limited, these shares were transferred to Collins Stewart Limited and CIESOT subscribed for shares in the Company and subsequently purchased further shares from CST ESOT. As at the date of this document, Forest Services Limited, trustee of CIESOT, holds 1,280,847 Ordinary Shares on trust and as nominee for the employees in the Channel Islands, 791,347 of which have not been allocated to specific employees.

8.3 Employee bonus schemes

The Group remunerates its employees by means of discretionary and performance related bonuses as well as through salaries. The discretionary bonuses, although awarded at the discretion of the Board, are linked to the Group's results and individual performance levels.

9. Pensions

Tullett Liberty operates an exempt approved occupational pension scheme which comprises a defined benefit section and a defined contribution section in the UK. The defined benefit section was closed to new members in 1991 and since May 2003 future accrual on a defined benefit basis has ceased. The scheme is non-contributory for all members, with Tullett Liberty also making contributions to cover scheme expenses including life insurance. All other pension schemes operated by the Group are on a defined contribution basis.

The total pension cost for the Group in 2003 was £4.0 million.

10. Material contracts

10.1 The following are all of the contracts, not being contracts entered into in the ordinary course of business, that have been entered into by members of the Group within a period of two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by a member of the Group and contain provisions under which a member of the Group has an obligation or entitlement which is, or may be, material to the Group at the date of this document.

10.1.1 An agreement dated 22 January 2003 between Gains Acquisition Corp. ("Gains Acquisition") and Gains Asia Acquisition Corp. ("Gains Asia") (1) and Gains International Infocom Holdings BV (2) (the "Seller"), pursuant to the terms of which: (i) Gains Acquisition acquired from the Seller the entire issued share capital of Gains International (Europe) Limited and Gains International (US) Inc.; and (ii) Gains Asia acquired from the Seller the entire issued share capital of Gains International Asia Holdings Limited; for an aggregate maximum cash consideration of £15,400,000 (subject to adjustment and certain earn-out criteria being achieved). The agreement contained general commercial representations and warranties by the Seller, regarding the existence, power and authority of the Seller, and the absence of any required consents and encumbrances on the shares.

10.1.2 Japanese Investment Transactions

(a) A share sale and purchase agreement between Tullett Liberty and The Tokyo Tanshi Co., Limited ("Totan"), dated 27 August 2003 pursuant to which Tullett Liberty sold 50,000 ordinary shares (20 per cent.) of The Totan Derivatives Co., Limited ("TD") for

¥3,105,400,000. The sale completed on 27 August 2003. The warranties that were given were limited in their scope.

- (b) A share sale and purchase agreement between Totan and Tullett Liberty, dated 27 August 2003 pursuant to which Tullett Liberty bought 444 ordinary shares (9.991 per cent.) of TIU Derivatives Co., Limited ("TIU") for ¥714,445,284. The sale completed on 27 August 2003. The warranties that were given were limited in their scope.
- (c) A share sale and purchase agreement between TD and Tullett Liberty, dated 27 August 2003 pursuant to which Tullett Liberty bought 445 ordinary shares (10.014 per cent.) of TIU for ¥716,054,395. The sale completed on 27 August 2003. The warranties that were given were limited in their scope.
- (d) A side letter from Totan to Tullett Liberty, dated 27 August 2003, pursuant to which:
 - (i) Totan and TD confirmed that up to the second anniversary of the completion (27 August 2005) of the share sales above and at the request of Tullett Liberty, Totan, TD or one of the vehicles of the Totan Group would repurchase Tullett Liberty's holding of TIU shares for the same consideration as paid in the share sale and purchase agreements less any dividends paid by TIU to Tullett Liberty; and
 - (ii) Tullett Liberty accepted that the pre-emption rights of Garban International ("GI") pursuant to their joint venture agreement would be respected.

As a result of the above acquisitions, Tullett Liberty has a 20 per cent. interest in a joint venture with Totan (57.5 per cent.) and Garban Group Holdings Limited (22.5 per cent.) ("ICAP").

- (e) A side letter from Tullett Liberty to Totan, TIU, TD and GI, dated 27 August 2003, pursuant to which Tullett Liberty acceded to a joint venture agreement dated 25 September 2000 (as amended) to which TD and GI are also parties and which Totan was released from upon Tullett Liberty's accession. The joint venture agreement includes provisions dealing with the transfer of interests in the joint venture company, TIU, and for certain loans to be made available to TIU by its shareholders. It also includes provisions relating to the management and operations of TIU. Each party guarantees, in proportion to their shareholding, the payment and performance by the company of its borrowings.

10.1.3 A merger agreement dated 22 January 2003 between Collins Stewart Holdings plc (renamed Collins Stewart Tullett plc) and Tullett Liberty which has been on display in the two years immediately preceding the date of this document.

10.1.4 A placing and open offer agreement dated 23 January 2003 between Collins Stewart Holdings plc (renamed Collins Stewart Tullett plc) and HSBC Bank plc and which has been on display in the two years immediately preceding the date of this document.

10.2 The following are all of the contracts, not being contracts entered into in the ordinary course of business, that have been entered into by members of the Prebon Group within a period of two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by a member of the Prebon Group and contain provisions under which a member of the Prebon Group has an obligation or entitlement which is, or may be, material to the Prebon Group at the date of this document.

10.2.1 Mawlaw Group Documentation

As explained in Part I of this document, Prebon has agreed to sell certain businesses to Mawlaw 611 Limited ("the Mawlaw Group").

- (a) A share sale agreement, dated 24 September 2004, between Prebon, Prebon Holdings B.V. ("PHBV"), Arthur Hughes and the Mawlaw Group under which Prebon has agreed to sell its entire share holding (95 per cent.) in CCP Capital Limited ("CCP"), together with its one third interest in the remaining issued shares in CCP (which are held by Mermaid Overseas Limited and Smithfield Holdings Limited), and Copernicus Finance Limited to the Mawlaw Group and to assign the benefit of certain loans made to CCP. Included in this sale is the sale by PHBV of the entire issued share capital in Prebon Yamane (Nederland) B.V. ("PYNED") to the Mawlaw Group. The total consideration for the sale of the Mawlaw Group will be £4.3 million. The transaction is conditional upon consent from Autoriteit Financiële Markten, the Dutch regulator, Fortis agreeing to provide clearing

services to the Mawlaw Group and completion of the Acquisition. The agreement provides for the sale of all the assets and shares other than the share capital of PYNED in the event that the Fortis agreement is not forthcoming but the other conditions are satisfied. The consideration would then be reduced to £2.0 million. The Mawlaw Group will give an undertaking that it will not use the names "Prebon", "Marshall" or "Yamane". The agreement contains limited warranties given by Prebon, PHBV and the Mawlaw Group to each other.

- (b) A transitional services agreement to be entered into at completion of the Acquisition (subject to the sale of PYNED under the share sale agreement in (a) above) between Prebon Administration Limited ("PAL") and PYNED under which PAL will provide certain services including, *inter alia*, market data and analytics, access to the Trayport Global Vision Broking System for Dutch and Belgium power broking, trade processing, telecoms and infrastructure support to the Mawlaw Group businesses following completion of the share sale agreement detailed in (a) above. The fees for these services are fixed at approximately £200,000 per annum for the services provided and payable monthly in arrears. The service fees are fixed for the first year and may subsequently be increased by mutual agreement. The agreement may, after the first year, be terminated on three months' notice.

10.2.2 Global Credit Derivatives

- (a) A LLP members agreement, dated 2 August 2004, between Joe Santomo ("JS"), Prebon Yamane International Limited ("PYI") and Prebon Global Credit LLP ("LLP") (formerly JAS Global Credit LLP) governing the provision of credit derivative broking services by JS and the LLP for PYI. Pursuant to the LLP Members Agreement, PYI transferred assets and employees to the LLP. Prebon Group Limited ("PGL") granted a licence of the name "Prebon" to the LLP.
- (b) A loan facility, dated 2 August 2004, between LLP and PYI pursuant to which PYI agreed to lend US\$4.8 million to LLP to finance the payment of signing on fees to employees. It is anticipated that US\$1.6 million will be drawn each financial year to 31 March 2007. The loan is to be repaid before any bonus payments or distribution of profits and is repayable in full by 31 March 2007.
- (c) A deed of retirement, dated 21 September 2004, between JS, PYI and LLP pursuant to which, conditional upon completion of the Acquisition, JS will retire from the LLP and the terms of the LLP Members Agreement will be terminated.

10.2.3 Yamane Prebon Securities Co., Limited ("YPS")

YPS is a joint venture between the Prebon Group, Central Tanshi Co., Limited ("Tanshi"), Nikko Securities Co., Limited and Nikko Building Co., Limited formed to engage in various businesses including the sale and purchase and broking of securities, interest rate products and derivatives in both the Japanese and international markets.

- (a) A master agreement relating to Tanshi, dated 20 March 2003, was entered into by Fulton Prebon Group Limited ("FPG"), Prebon, PGL, Van der Moolen Holding N.V. ("VDM"), AH, Jamestron Limited, Tanshi and Yamane Prebon Co., Limited ("Yamane") pursuant to which, *inter alia*, the terms of a deed of amendment to the Tanshi Loan Note (a loan from Yamane of ¥1.5 billion to PYI) are set out.
- (b) A deed of amendment between PYI, Tanshi, FPG, Yamane, PGL and Prebon, dated 20 March 2003, pursuant to which the Tanshi Loan Note was restructured. Repayments of principal are to commence on 31 December 2006 and are payable annually until 31 December 2014. ¥5 million is payable on 31 December 2006, ¥10 million on 31 December 2007, ¥55 million on 31 December 2008, ¥65 million on 31 December 2009 and 2010 and ¥325 million on 31 December 2011, 2012, 2013 and 2014. The interest rate was changed to the British Bankers Association Interest Settlement Rate for Yen plus a 0.5 per cent. margin subject to a minimum of 1.5 per cent. per annum.
- (c) On 5 April 1999, PHBV sold to Tanshi the YPS business broking option and swap transactions of Japanese stock indexes and Japanese individual stocks for a consideration of ¥600 million plus a deferred consideration tied into annual revenue growth. The

maximum potential deferred consideration payable was ¥400 million. Tanshi lent the whole of this potential ¥400 million deferred consideration upfront to PYI on 26 April 1999.

An amendment agreement, dated 20 March 2003, pursuant to which Tanshi, PYI, FPG, PHBV and Prebon Yamane (Hong Kong) Limited agreed to fix the deferred consideration payable by Tanshi to PHBV at ¥150 million. This amount was partially set-off against the ¥400 million loan. The remaining ¥250 million of the loan was restructured to provide for repayments of principal each quarter from 31 March 2003 to 31 December 2005. ¥17.5 million was payable each quarter in 2003, ¥20 million is payable in each quarter in 2004 and ¥25 million will be payable in each quarter in 2005.

A change of control clause was inserted into the loan. This will be triggered by the Acquisition. On a change of control occurring prior to 17 December 2004, Tanshi and PYI are to meet to agree a revised schedule of repayment instalments designed to effect a repayment in full on or before 31 December 2004.

- (d) A sale agreement, dated 20 March 2003, pursuant to which Prebon Yamane (Hong Kong) Limited sold its entire interest in YPS to Tanshi for ¥700 million. The consideration was set off against ¥700 million owed by Prebon Technology Group Limited ("PTG") to Tanshi in connection with an investment in PTG.

10.2.4 PTG Remerger

A share exchange agreement, dated 31 March 2004, pursuant to which Prebon agreed to acquire PTG. Under the agreement AH, David Rutter and Jamestron Limited sold 12,050,000 shares of £0.10 in PTG to Prebon for the allotment of 1,205 shares in Prebon. In addition Raster Investments Inc., which beneficially owns approximately 17 per cent. of the issued share capital of PTG, has an option to exchange its 2,050,000 ordinary shares of £0.10 in PTG for 205 shares in FPGH. This option expires on 30 September 2004.

10.2.5 Van der Moolen Holding N.V. ("VDM")

- (a) A master agreement, dated 28 November 2003, between VDM and PYI pursuant to which the parties agreed to amend the terms of a US\$15 million loan note from VDM to PYI. VDM currently holds 176 convertible shares of 10p each in PGL (see (b) below). The master agreement sets out a new form of the articles of association for PGL which include the provisions governing the convertible shares.

VDM may at any time up to 30 April 2007 serve a notice on PGL electing to pay the premium due on the convertible shares. The premium is payable within 7 days of issue of the notice or 7 days from such later date as the VDM loan note is repaid to VDM. On payment of the entire premium, the convertible shares may be converted into 12.3 per cent. of the ordinary share capital of PGL. VDM is deemed to have elected to convert the shares and pay the premium if it serves a notice on PYI requiring repayment of the loan other than for default.

Up to 30 April 2005, the premium on the convertible shares is equal to US\$15 million and thereafter is equal to the principal amount outstanding under the VDM loan note. The loan note is repayable on a change of control. As the principal outstanding under the VDM loan note decreases, so does the percentage figure applicable to the conversion rights. The formula for this is:

$$A = \frac{(\text{Premium} \times 12.3)}{\text{US\$15,000,000}}$$

where A represents the number of Ordinary Shares in issue immediately following conversion.

As long as VDM holds the convertible shares or not less than 7.5 per cent. of the ordinary shares of PGL, VDM has the right to appoint two directors to the PGL board.

- (b) A restated VDM loan note of US\$15 million, dated 29 November 2003, between VDM and PYI amending the original loan note, dated 25 January 1999, pursuant to which VDM had advanced US\$15 million to PYI.

Interest is carried at LIBOR plus 2 per cent. and is payable quarterly commencing 30 April 2004 up to and including 30 April 2007.

The loan note is repayable in quarterly instalments of US\$1.15 million from 30 April 2004 to 30 April 2007 (the final payment being US\$1.2 million). PYI may on any interest payment date prepay the loan in full provided at least 10 business days' notice is given. VDM may at any time request PYI to repay the loan in full within 20 business days provided that VDM undertakes to pay the premium for conversion of the shares on receipt of the principal amount of the loan.

10.2.6 Marshall Loan Notes

(a) Marshall Sterling Loan Notes

An instrument, dated 28 May 1999, pursuant to which PGL (formerly Marshalls Finance Limited) created £22,497,000 unsecured floating rate loan notes due 2004 which were issued in integral multiples of 35p (the "Marshall Sterling Loan Notes").

The notes rank *pari passu* in all respects with the Marshall Yen loan notes (detailed in (b) below the "Marshall Yen Loan Notes" and, together with the Marshall Sterling Loan Notes, the "Notes"). The terms and conditions of the Marshall Sterling Loan Notes and the Marshall Yen Loan Notes are the same and they are regarded as a single series.

Interest accrues on the Notes at LIBOR and is payable annually in arrears commencing 1 April 2002. The final redemption date is 31 March 2004. However, such redemption is subject to certain overriding conditions. These conditions include a requirement that no payment will be made whether as to principal or interest unless after the payment, PGL would be solvent (as determined in accordance with the terms of the Notes), and all existing liabilities of PGL (at the time the Notes were issued) have been repaid or the payment is made out of PGL's distributable profits.

(b) Marshall Yen Loan Notes

An instrument, dated 28 March 1999, pursuant to which PGL created ¥327,392,000 of unsecured floating rate loan notes due 2004 which were issued in integral multiples of ¥1.

11. Details of the Acquisition

11.1 Acquisition Agreement

On 24 September 2004, Collins Stewart Tullett entered into a share sale and purchase agreement with Arthur Hughes, Patrick Keenan and Jamestron Limited (a company associated with Patrick Keenan) to purchase 106,555 shares in Prebon comprising approximately 87.5 per cent. of the issued share capital of Prebon. The consideration for the sale of these shares is the allotment of 12,407,350 Placing Shares and the allotment of 4,835,212 Consideration Shares. Arthur Hughes and Jamestron Limited will receive the proceeds of the placing of 12,407,350 Placing Shares at the Placing Price being £43.4 million.

The Acquisition Agreement is conditional on: (a) the passing at a general meeting of Collins Stewart Tullett of a resolution to approve the Acquisition, (b) the UKLA and London Stock Exchange respectively admitting the Consideration Shares and Placing Shares to the Official List and to trading on the London Stock Exchange, (c) the Acquisition not being referred by the Office of Fair Trading to the competition commission and, if a request is made to and accepted by the European Commission under Council Regulation N.139/2004 (the "Merger Regulation"), the European Commission not initiating proceedings under article 6(1)(c) of the Merger Regulation, (d) the grant of certain regulatory approvals relating to the Acquisition by regulatory authorities or bodies in several jurisdictions including in The Netherlands and Canada and (e) the Placing Agreement becoming unconditional except for conditions relating to the Acquisition Agreement, the Placing Shares being admitted to the Official List and to trading on the London Stock Exchange, the Acquisition Agreement being completed in escrow and the Acquisition Agreement not having terminated before admission of the Placing Shares to the Official List. If the conditions are not satisfied or, where applicable, waived on or before 2 November 2004 then the obligations of the parties to sell and purchase the shares in Prebon lapse.

Between signing and completion Arthur Hughes and Jamestron Limited have undertaken to procure that the Prebon Group carries on its business in the ordinary course. Arthur Hughes and Jamestron

Limited have also given certain specific undertakings in relation to the operation of the business of the Prebon Group between signing and completion.

The consideration payable under the Acquisition Agreement is subject to adjustment by deducting 87.5 per cent. of the amount by which the net indebtedness (as that term is defined in the Acquisition Agreement) of the Prebon Group at completion exceeds £50.9 million or adding approximately 87.5 per cent. of the amount by which such net indebtedness is less than £41.4 million.

Arthur Hughes and Jamestron Limited are to place £10 million in aggregate of the proceeds of allotment of the Placing Shares into an escrow account which is to be available to satisfy any claims by Collins Stewart Tullett under the Acquisition Agreement or the tax deed. £3 million of the escrow is to be released on the first and the second anniversaries of Completion and the escrow is to be fully released to Arthur Hughes and Jamestron Limited on the third anniversary of Completion subject to claims made prior to that date.

The obligations of Jamestron Limited under the Acquisition Agreement and tax deed have been guaranteed by Patrick Keenan.

Arthur Hughes and Jamestron Limited and Patrick Keenan have given warranties in respect of the ownership of the shares in Prebon, their capacity and authority to enter into the Acquisition Agreement and in respect of the business of the Prebon Group.

The liability of Arthur Hughes and Jamestron Limited under the warranties is limited to (in respect of claims other than under the tax warranties) claims for which notice is given to Arthur Hughes and Jamestron Limited by no later than 30 September 2006. Claims in respect of the tax warranties must be notified to Arthur Hughes and Jamestron Limited by the seventh anniversary of Completion. Arthur Hughes and Jamestron Limited are not liable for single warranty claims which do not exceed £25,000. The maximum liability of Arthur Hughes and Jamestron Limited for warranty claims is not to exceed the amount of the Consideration.

Arthur Hughes and Jamestron Limited have agreed to indemnify Collins Stewart Tullett and the Prebon Group against liabilities arising from certain taxation matters under the tax deed.

Arthur Hughes and Patrick Keenan have agreed to give a protective covenant that they and persons connected with them will not, for three years from Completion, be involved in a business in the European Union which is competitive with the Prebon businesses or, for five years after Completion, be involved in such a business outside the European Union. Arthur Hughes and Patrick Keenan have also undertaken that they will not, for five years from Completion, induce or attempt to induce any senior employee of the Prebon Group or Tullett Liberty business to leave their employment with the Enlarged Tullett Liberty Group.

11.2 Rutter Agreement

On 24 September 2004 Collins Stewart Tullett entered into an agreement with the US Trust Company of Delaware (the "US Trustee"), pursuant to which Collins Stewart Tullett agreed to purchase 15,150 ordinary shares in Prebon (the "Rutter Shares") comprising approximately 12.5 per cent. of the issued share capital of Prebon. The consideration for the Rutter Shares is satisfied by the allotment by Collins Stewart Tullett of 1,764,079 Placing Shares and 687,471 Consideration Shares to the US Trustee. The agreement is conditional on: (a) the completion of the Acquisition Agreement; and (b) the UK Listing Authority and the London Stock Exchange respectively agreeing to admit the Consideration Shares and the Placing Shares to the Official List and to trading on the London Stock Exchange.

The US Trustee agreed to waive all rights or claims it or its associates and affiliates may have against the Prebon Group. Minimal warranties are given.

11.3 Rutter Guarantee

By deed dated 24 September 2004, David Rutter as primary obligor unconditionally and irrevocably guaranteed the US Trust Company of Delaware's obligations to Collins Stewart Tullett under the agreement referred to in paragraph 11.2 above.

12. Arrangements for the Placing

12.1 Placing Agreement

A placing agreement dated 24 September 2004 (the "Placing Agreement") between Lehman Brothers and the Company whereby Lehman Brothers has agreed conditionally, as agent for the Company, to

use its reasonable endeavours to procure Placees, or failing which to subscribe itself for the Placing Shares at the Placing Price. Under the Placing Agreement the Company has agreed to pay Lehman Brothers an underwriting and sponsor's fee of £600,000 (together with any related value added tax) and the Company may in its sole discretion pay to Lehman Brothers an additional fee of up to £600,000 (together with any related value added tax). The Company has agreed to pay (together with any related value added tax) certain costs, charge, fees and expenses of, or in connection with, the Placing. The obligations of Lehman Brothers under the Placing Agreement are subject to certain conditions that are typical for an agreement of this nature. These conditions include, amongst others, the accuracy of the warranties under the Placing Agreement, the Acquisition Agreement having been entered into and all conditions to the Acquisition Agreement having been fulfilled (or with the consent of Lehman Brothers waived) and Admission of the new Ordinary Shares occurring on or before 13 October 2004. The Placing Agreement contains an indemnity and warranties from the Company in favour of Lehman Brothers (which are not subject to any limits as to amount or time), together with provisions which enable Lehman Brothers to terminate the Placing Agreement in certain limited circumstances prior to Admission of the Placing Shares, including the occurrence of certain material adverse changes in the condition (financial or otherwise) of the Company or any other member of the Group or the Prebon Group and certain changes in financial, political or economic conditions. If any of the above mentioned conditions are not satisfied (or waived, where capable of being waived) by, or the Placing Agreement is terminated prior to, Admission, the Placing will lapse and the Acquisition will not complete.

13. Litigation

- 13.1 The Company has been and continues to be involved in litigation with the HOLT Value Associates LP (whose assets were acquired in 2002 by CSFB HOLT LLC) ("HOLT"). This involves three cases: (a) CSL -v- HOLT whereby CSL applied to the English High Court *inter alia* for cancellation of the Community Trade Mark ("CTM") "CFROI" registered by HOLT. Shortly before the trial HOLT submitted to judgment in CSL's favour on all of CSL's claims; CSL was awarded an injunction and costs and the trade mark was being removed from the CTM register; (b) CSL -v- HOLT whereby CSL has applied to the court in Washington for the cancellation of HOLT's USA trade mark "CFROI". It has been agreed that this case be stayed until the litigation in (c) below is resolved; (c) HOLT -v- CSL, Collins Stewart Inc ("CS Inc") and Terry Smith. This case was initiated in Illinois on 31 August 2001 by HOLT who alleged, *inter alia*, breach of a 1995 contract, trade secret misappropriation, copyright infringement, trade mark infringement and unfair competition. The Illinois judge found that the Illinois court had no jurisdiction to deal with the claim and the case was dismissed and transferred to New York. The trial is not expected to take place until the end of 2005. The claim has not been quantified.
- 13.2 In September 2003, the Company announced that it proposed to issue defamation proceedings against The *Financial Times* Limited, publishers of The *Financial Times* (the "FT") in connection with the FT's coverage of a former employee's allegations of serious regulatory breaches at Collins Stewart Limited. The Company is seeking a retraction of the articles, apology and substantial damages. Legal proceedings have commenced but have not yet come to trial. The claim against the FT is for an unliquidated sum. The documents filed with the court include data to be used in quantifying the claim when the matter comes to trial, however, no overall claim figure has been included.
- 13.3 Other than disclosed above in paragraphs 13.1 and 13.2, no member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the 12 months prior to the date of this document, a significant effect on the financial position of the Company or the Group, nor is the Company aware that any such proceedings are pending or threatened by or against any member of the Collins Stewart Tullett Group.
- 13.4 Joseph A Santomo ("Santomo") issued a claim against his former employer, Jersey Partners Inc., formerly known as GFI Group Inc. ("Jersey Partners") alleging a failure on the part of Jersey Partners to pay his bonus according to the terms of his contract of employment. The claim was issued in the United States District Court of New York on 17 September 2003.

In their defence to Santomo's claim, Jersey Partners disputed the claim and counter claimed against Santomo and joined Prebon Marshall Yamane (UK) Limited ("PMYUK") as a third party defendant in the action. PMYUK is a member of the Prebon Group.

Jersey Partners allege that PMYUK conspired with Santomo to breach the non-compete covenants in his employment contracts (one employment agreement with Jersey Partners, one employment agreement with GFI Holdings, an affiliate of Jersey Partners located in the UK, and a stock option

agreement with Jersey Partners) by soliciting four employees at GFI Holdings to join PMYUK; misappropriating confidential information belonging to GFI Holdings; and setting up a competitive business with PMYUK.

On 23 March 2004, PMYUK filed a motion to dismiss the claims brought against it by Jersey Partners on the grounds of a lack of jurisdiction on the part of the New York District Court in relation to PMYUK, that Jersey Partners have failed to state a claim upon which relief can be granted and that New York is an inconvenient forum for the parties.

On 27 May 2004, the Court held oral argument on PMYUK's motion at which the Court ordered limited jurisdictional discovery on PMYUK's contacts with New York. Following this limited jurisdictional discovery, the Court intends to schedule an evidentiary hearing on the issue of personal jurisdiction. Jurisdictional discovery is ongoing and the evidentiary hearing is expected to take place later this year but no date has been set.

Jersey Partners have not quantified their loss in their claim against PMYUK. They have requested that they be awarded compensatory and punitive damages in an amount to be determined at trial.

Prebon has stated its intention to defend the claim and expects to reach a satisfactory conclusion. No provision has been made in the Prebon Group accounts for the period ended 31 March 2004 and Prebon does not believe that the claim alleged will have a significant effect upon the financial position on Prebon or the Prebon Group as a whole. However, in the event that PMYUK were to lose the case, it may have to pay compensatory and punitive damages.

- 13.5 The Inland Revenue have issued separate claims against Fulton Prebon Group Limited ("FPG") and Prebon Administration Limited ("PAL") for the recovery of arrears of Class 1 National Insurance Contributions. The claim against FPG is to the value of £288,841 plus costs and £886,164 plus costs is claimed against PAL. The claims were issued in the London County Court in May 2000.

In respect of both FPG and PAL, the Inland Revenue have claimed that they have failed to make the necessary National Insurance Contributions payable under Section 6 of the Social Security Contributions and Benefits Act 1992 for the period 6 April 1994 to 5 April 1995.

The Inland Revenue have not pursued these claims beyond issuing claim forms. The proceedings are stayed pending the outcome of a number of test cases brought by the Inland Revenue seeking clarification on issues relating to their claims against FPG and PAL. The first of such test cases has been decided in favour of the Inland Revenue and a decision in the second test case is pending.

In the absence of detailed particulars Prebon believe the claims against FPG and PAL relate to a employee incentive plan, devised by Ernst & Young, for their respective employees. FPG and PAL have not instructed lawyers or sought legal advice. It is not clear whether or not the claims will be pursued by the Inland Revenue.

Prebon has stated its intention to consider the merits of the claim if proceedings are continued. A provision in the PAL accounts for the period ended 31 March 2004 has been made. Prebon does not believe that the claim alleged will have a significant effect upon the financial position of Prebon or the Prebon Group as a whole.

- 13.6 Save as referred to in paragraphs 13.4 and 13.5 above there are no, nor have there been any, legal or arbitration proceedings nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against Prebon or any other member of the Prebon Group which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Prebon Group's financial position.

14. Principal Establishments

14.1 Details of the principal establishments are:

<i>Establishment</i>	<i>Area occupied</i>	<i>Agreements</i>	<i>Details</i>
8th and 9th Floors 88 Wood Street London EC2V 7QR	18,342 square feet	In respect of the 9th floor lease between (1) Daiwa Europe Property plc ("Daiwa") and (2) Collins Stewart Limited and (3) the Company	The lease was entered into on 8 November 2000. The term is for 20 years. The annual rent is £1,100,520 pa plus service charge and insurance, to be reviewed after 5 years. On 23 January 2004 Daiwa sold the building to Sachwert Rendite-Fonds England GmbH & Co. KG.
	7,951 square feet	In respect of the 8th floor leases between (1) Enskilda Securities AB and (2) Collins Stewart Limited	Underleases entered into on 1 May 2001 and 7 February 2002. The underleases provide for rent of £316,080 and £146,135 respectively, plus service charges and insurance. The former underlease has a term of 10 years and the latter expires on 30 April 2011. The rent review dates for both underleases are 4 September 2005 and 4 September 2010.
Cable House 54-62 New Broad Street London EC2M 1ST	57,055 square feet	Lease between (1) Rushmore Properties Limited and (2) Tullett Liberty Limited	The lease was inceptioned on 25 December 1987 and expires on 24 March 2013. The annual rent is £2,790,000 plus service charge and insurance. Rent reviews are on 24 June 2007 and 2012.
New Broad Street House 35 New Broad Street London EC2M 1NH	16,260 square feet	Lease between (1) Norwich Union Life and Pensions Limited and (2) Tullett Liberty Limited	The lease is currently being renegotiated and will be inceptioned on or about the date of this document and will expire on 30 April 2006. The annual rent is £423,000 plus service charge and insurance.
80 Pine Street New York 10005 USA	68,660 square feet	In respect of the 26th to 30th floors, part of the 25th floor and the basement, leases between (1) Rudin Management and (2) Tullett Liberty Inc	The leases were inceptioned on 3 November 1995 and expire on 30 November 2010. The annual rents are currently \$1,907,784 plus service charge. The rents will increase to \$2,033,144 on 1 January 2007. The tenant has the option to extend the leases by two further periods of five years.
	13,461 square feet	In respect of the 31st floor, a lease between (1) To Waterhouse Investor Services, Inc and (2) Tullett Liberty Inc	The lease expires on 30 October 2005. The rent is \$524,979 per annum plus service charge. After expiry of the lease, a new lease between Rudin Management and Tullett Liberty Inc expiring 30 November 2010 at the same rent as above will inception.

15. Taxation

15.1 UK Taxation

The following statements are intended only as a general guide to current UK tax legislation and to the current published practice of the UK Inland Revenue (the "Inland Revenue") and may not apply to certain Shareholders, such as dealers in securities. They relate to persons who are resident and ordinarily resident in the United Kingdom for UK tax purposes (except where expressly stated otherwise) and who hold their Ordinary Shares beneficially as an investment. Any person who is in any doubt as to his tax position, or who is subject to taxation in any jurisdiction other than the United Kingdom, should consult his professional advisers immediately.

15.2 Dividends

The Company is not required to withhold tax from dividend payments and it no longer has to account for advance corporation tax ("ACT"). Shareholders who are individuals and who are resident for tax purposes in the United Kingdom should generally be entitled to a tax credit in respect of any dividend received currently equal to one ninth of the cash dividend (or 10 per cent. of the aggregate of the cash dividend and tax credit (the "gross dividend")). An individual Shareholder's liability to UK income tax is calculated on the gross dividend and the tax credit will be available to set against such Shareholder's liability (if any) to income tax.

Individual Shareholders liable to tax on income only at the lower or basic rates will be liable to tax on dividend income received at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy the income tax liability of such a Shareholder. The upper rate of income tax on dividends is currently 32.5 per cent. so that, taking account of the tax credit of 10 per cent., a Shareholder who is a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend (or 25 per cent. of the cash dividend). Tax credits are not generally repayable to Shareholders.

A corporate Shareholder resident for tax purposes in the United Kingdom will not normally be liable to corporation tax on any dividend received. Such corporate Shareholders will not be able to claim repayment of the tax credit attaching to any dividend.

Shareholders who are resident for tax purposes in jurisdictions other than the United Kingdom will generally not be able to claim repayment of the tax credit and should consult their own advisers concerning their tax liabilities (in the United Kingdom and any other country) on dividends received, whether they are entitled to claim or utilise any part of the tax credit and, if so, the procedure for doing so, and whether any double taxation relief is available in any country in which they are subject to tax.

UK pension funds will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company.

15.3 Capital Gains

A disposal of Ordinary Shares by a Shareholder, who is either resident or ordinarily resident in the United Kingdom for tax purposes, or is not so UK resident but carries on a trade, profession or vocation in the United Kingdom through a branch or agency, or, in the case of a company, through a permanent establishment, and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch, agency or permanent establishment, may, depending on the Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains. A Shareholder who is an individual and who has ceased to be resident or ordinarily resident in the United Kingdom for tax purposes for a period of less than five years, and who disposes of the Ordinary Shares during that period may also be liable on his return to the United Kingdom to tax on any capital gain realised (subject to any available exemption or relief) whilst not resident or ordinarily resident.

15.4 Stamp Duty and Stamp Duty Reserve Tax

The allocation and issue of New Ordinary Shares by the Company will not generally give rise to a liability to Stamp Duty or Stamp Duty Reserve Tax in the United Kingdom. Any instrument operating as a transfer on sale of Ordinary Shares will usually give rise to Stamp Duty, currently at a rate of 0.5 per cent. (rounded up to the nearest £5) of the amount or value of the consideration. Stamp duty is normally the liability of the purchaser or transferee of the Ordinary Shares. A charge to Stamp Duty Reserve Tax at the rate of 0.5 per cent. will arise in relation to an unconditional agreement to transfer Ordinary Shares including an agreement to transfer Ordinary Shares through CREST (where this is for consideration in money/money's worth). However, where within six years of the date of the agreement,

an instrument of transfer is executed pursuant to any such agreement and the instrument is duly stamped, any liability to Stamp Duty Reserve Tax will be cancelled or repaid. CREST is obliged to collect Stamp Duty Reserve Tax from the purchaser of Ordinary Shares on relevant transactions settled within the system. Stamp Duty Reserve Tax is normally the liability of the purchaser or transferee of the Ordinary Shares.

Certain categories of person including certain intermediaries are not liable to Stamp Duty or Stamp Duty Reserve Tax. Other persons including depositories and persons operating clearance services may be liable to Stamp Duty or Stamp Duty Reserve Tax at the rate of 1.5 per cent. of the amount or value of the consideration or, in certain circumstances, the value of the Ordinary Shares or, in the case of an issue of Ordinary Shares to them, 1.5 per cent. of the issue price of the Ordinary Shares.

15.5 US Taxation

This document does not include any information with respect to US taxation. Prospective investors who may be subject to tax in the United States are urged to consult their tax adviser regarding the US Federal, State, local and other tax consequences of owning and disposing of Ordinary Shares.

16. Comparative data

Set out below is certain information relating to Tullett Liberty and other companies within the IDB business in which Tullett Liberty operates.

Company	Turnover	Operating profit	Operating margin	Average employees
	December 2003/ March 2004 £m	December 2003/ March 2004 pre-goodwill	December 2003/ March 2004	December 2003/ March 2004
ICAP	801.4	160.3	20.1%	2,860
Tullett Liberty	427.4	43.2	10.1%	1,747
Tradition	357.7	27.8	7.8%	1,830
Prebon	288.5	15.0	5.2%	1,664
GFI	161.6	16.6	10.3%	668
eSpeed	95.2	32.4	34.0%	335

Revenue/employee comparison

Company	December 2003/ March 2004 £'000
ICAP	280.2
Tullett Liberty	244.6
Tradition	195.5
Prebon	173.3
GFI	241.8
eSpeed	284.1

Staff costs as a percentage of turnover 2003/2004

Company	Staff costs/turnover
ICAP	59%
Tullett Liberty	68%
Tradition	69%
Prebon	71%
GFI	63%
eSpeed	23%

Notes:

1. Tullett Liberty, Tradition and eSpeed have 31 December year ends, ICAP and Prebon Group have 31 March year ends.
2. Total reported revenue excludes joint-ventures. Operating profit is reported before share of joint venture profits, exceptional items and amortisation of goodwill.
3. Average number of staff has been used to calculate revenue per employee. Where the average figure has not been disclosed, a mean of the previous year's number of employees and current year's number of employees is used.
4. Operating margin = operating profit/turnover.
5. Currencies have been converted to GBP using daily exchange rates at end of 2003 (£1: CHF2.198 and £1: US\$1.6453).
6. Data is from disclosed numbers in company financial statements, 10-k reports and IPO documentation.

17. Consents

- 17.1 Deloitte & Touche LLP, as auditors of the Company, has given and not withdrawn its written consent to the inclusion in this document of their letter in Part V of this document and the reference to such letter and to its name in the form and the context in which they are included and have authorised the contents of such parts of this document as comprise its letter for the purposes of article 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.
- 17.2 PricewaterhouseCoopers LLP, as reporting accountants, has given and not withdrawn its written consent to the inclusion in this document of their report in Part IV of this document and the reference to such report and to its name in the form and context in which they are included and have authorised the contents of such parts of this document as comprise its report for the purposes of article 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.
- 17.3 Lehman Brothers, which is regulated by the FSA and which is a member of the London Stock Exchange, is acting as sponsor and stockbroker to the Company in connection with the Placing. Its principal place of business is at 25 Bank Street, London E14 5LE. Lehman Brothers has given and has not withdrawn its written consent to the issue of this document with the inclusion of, and the references to, its name in the form and context in which they are included.

18. Working Capital

The Company is of the opinion that in the event that the Acquisition and the Placing become wholly unconditional, taking into consideration bank and other facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document;

19. General

- 19.1 The existing ordinary share capital of the Company is, and the New Ordinary Shares will be, in registered form. The Articles allow for the holding and transfer of shares in uncertificated form, and are consistent with participation in CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Directors have applied for the New Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, it is expected that the New Ordinary Shares will be enabled for settlement in CREST following Admission. Under the Placing, Placees who are system members (as defined in the Uncertificated Securities Regulations) may elect to have their New Ordinary Shares allocated to them in uncertificated form through CREST.
- 19.2 No temporary documents of title will be issued in connection with the Placing. CREST accounts are expected to be credited on 13 October 2004 and share certificates are expected to be posted under the Placing by 25 October 2004.
- 19.3 The Placing Shares have a nominal value of 25 pence each and the premium on their issue pursuant to the Placing will be 325 pence per Placing Share.
- 19.4 The Consideration Shares have a nominal value of 25 pence each and the premium on their issue will be 335 pence per Consideration Share.
- 19.5 There has been no significant change in the financial or trading position of the Collins Stewart Tullett Group since 30 June 2004, being the end of the last financial period for which unaudited interim statements have been published.
- 19.6 There has been no significant change in the financial or trading position of the Prebon Group since 31 March 2004, being the end of the financial period for which the accountants' report set out in Part IV of this document has been prepared.
- 19.7 The financial information concerning the Company contained in this document does not constitute full statutory accounts as referred to in section 240 of the Act. Statutory accounts for the Company for each of the three years ended 31 December 2003 have been delivered to the Registrar of Companies pursuant to section 242 of the Act.
- 19.8 The auditors of the Company are Deloitte & Touche LLP, chartered accountants and registered auditors, whose address is Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR. Deloitte & Touche LLP audited the accounts of the Group for the year ended 31 December 2003. Deloitte & Touche, chartered accountants, whose address is Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR, audited the accounts of the Group for the years ended 31 December 2001 and 2002. The

auditors made reports under section 236 of the Act in respect of the three years ended 31 December 2003 and such reports were unqualified reports within the meaning of section 270 to 275 of the Act.

- 19.9 Save in respect of the unallocated Ordinary Shares held in the Collins Stewart Tullett plc Employee Share Ownership Trust, there are no arrangements in existence under which future dividends are to be waived or agreed to be waived.
- 19.10 The total costs, charges and expenses payable by the Enlarged Group in connection with the Placing and Acquisition, including advisers' fees, underwriting commissions, registration and listing fees, printing, advertising and distribution costs, legal and accounting fees and expenses are estimated to amount to approximately £7.0 million (inclusive of VAT). Included within this total are fees of up to £1.2 million payable by the Company to Lehman Brothers pursuant to the Placing Agreement referred to in paragraph 12 of this Part VI.
- 19.11 The issue of 15,714,286 new Ordinary Shares (representing 100 per cent. of the Placing Shares) has been underwritten by Lehman Brothers.
- 19.12 The new Ordinary Shares have not been sold or made available in whole or in part to the public in conjunction with the application for Admission.
- 19.13 There have not been any interruptions to the business of either the Collins Stewart Tullett Group or the Prebon Group which may have, or have had, a significant effect on their respective financial position in the last 12 months.
- 19.14 The Directors are unaware of any exceptional factors which may have influenced the Group's recent activities or products, breakdown of turnover by geographical or categories of activity or use of its principal premises.
- 19.15 The Group is not dependent on any patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the Group's business.
- 19.16 The Ordinary Shares are listed and trade on the London Stock Exchange.

20. Documents for inspection

Copies of the following documents will be available for inspection at the offices of Allen & Overy LLP, One New Change, London EC4M 9QQ during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until the conclusion of the EGM and also at the Company's offices for 15 minutes prior to the EGM until its conclusion:

- 20.1 the memorandum and articles of association of the Company;
- 20.2 the audited consolidated accounts of the Company for the three years ended 31 December 2003 and the unaudited interim results for the six months ended 30 June 2004;
- 20.3 the audited accounts of FPG Holdings Limited for the three years ended 31 March 2004;
- 20.4 the accountants' report set out in Part IV of this document;
- 20.5 the statement signed by PricewaterhouseCoopers LLP setting out the adjustments made by them in arriving at the figures shown in the accountants' report set out in Part IV of this document and giving the reasons therefore;
- 20.6 the statement of pro forma net assets set out in Part V of this document;
- 20.7 the trust deed of the employee share ownership trusts referred to in paragraph 8 above;
- 20.8 the Acquisition Agreement;
- 20.9 the Executive Directors' service contracts and the Non-executive Directors' appointment letters referred to in paragraph 7 above;
- 20.10 the material contracts referred to in paragraph 10 above;
- 20.11 the deeds relating to the options proposed to be granted to Louis Scotto and Stephen Jack conditional on Shareholders' approval and Completion as described in paragraph 8.1.7 above;
- 20.12 the letters of consent referred to in paragraph 17 above; and
- 20.13 this document.

Date: 24 September 2004

APPENDIX I

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

"Acquisition"	the proposed acquisition of the entire issued share capital of Prebon on the terms and subject to the conditions set out in the Acquisition Agreement.
"Acquisition Agreement"	the sale and purchase agreement dated 24 September 2004 between the Vendors and the Company described in paragraph 11 of Part VI.
"Act"	the Companies Act 1985, as amended.
"Articles"	the articles of association of Collins Stewart Tullett.
"Admission"	admission of the New Ordinary Shares to the Official List in accordance with paragraph 7.1 of the Listing Rules and to trading on the London Stock Exchange becoming effective in accordance with the Listing Rules and the London Stock Exchange's Admission and Disclosure Standards.
"Board"	the board of directors of the Company as constituted from time to time.
"CIESOT"	the Collins Stewart (CI) Limited Employee Share Ownership Trust
"Collins Stewart" or "CSL"	Collins Stewart Limited.
"Collins Stewart Tullett" or the "Company"	Collins Stewart Tullett plc or, where the context permits, Collins Stewart Tullett plc and its subsidiary undertakings.
"Collins Stewart Tullett Group" or "Group"	Collins Stewart Tullett and its subsidiary undertakings.
"Completion"	completion of the Acquisition, which is expected to occur on 13 October 2004.
"Consideration"	the consideration for the Acquisition, being £69.5 million (subject to adjustments in accordance with the terms of the Acquisition Agreement) of which £49.6 million will be satisfied in cash and £19.9 million by the issue of the Consideration Shares.
"Consideration Shares"	5,522,683 new Ordinary Shares to be issued to, and retained by, the Vendors pursuant to the Acquisition Agreement.
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 2001) operated by CRESTCo Limited in accordance with which securities may be held and transferred in uncertificated form.
"CRESTCo"	CRESTCo Limited.
"CST ESOT"	the Collins Stewart Tullett plc Employee Share Ownership Trust.
"Directors"	the directors of the Company as at the date of this document whose names are set out on page 4.
"EMEA"	Europe, Middle East and Africa
"Enlarged Group"	the Company or the Collins Stewart Tullett Group (as the context requires) as enlarged following the Acquisition.
"Enlarged Tullett Liberty Group"	the combination of Tullett Liberty and Prebon following the Acquisition.

"Enterprise Value"	the value of the share capital of Prebon, and the debt and other obligations of Prebon which Collins Stewart Tullett will assume or repay on Completion, being approximately £125.3 million not including the cash held by Prebon, a large proportion of which is held to satisfy regulatory and clearing requirements.
"Eurobond"	the £150 million 8.25 per cent. Subordinated Notes due 2014.
"Existing Ordinary Shares"	the Ordinary Shares in issue on the date of this document.
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company, notice of which is set out at the end of this document.
"Form of Proxy"	the proxy form for use at the EGM or any of them as applicable.
"FSA"	the Financial Services Authority.
"IDB"	inter-dealer broker.
"Lehman Brothers"	Lehman Brothers International (Europe).
"Listing Rules"	the listing rules of the UK Listing Authority made under section 74 of the Financial Services and Markets Act 2000.
"London Stock Exchange"	the London Stock Exchange plc.
"MBO"	The management buyout of CSL and its main subsidiaries which was completed on 26 May 2000.
"New Ordinary Shares"	the Consideration Shares and the Placing Shares.
"Official List"	the Official List of the UK Listing Authority.
"Ordinary Shares"	ordinary shares of 25 pence each in the capital of the Company.
"Placees"	means the placees procured by Lehman Brothers pursuant to the Placing Agreement.
"Placing"	the placing by Lehman Brothers of the Placing Shares at the Placing Price as further discussed in this document.
"Placing Agreement"	the conditional placing agreement dated 24 September 2004 in connection with the Placing between the Company and Lehman Brothers, the principal terms of which are summarised in paragraph 12 of Part VI of this document.
"Placing Price"	350 pence per Placing Share.
"Placing Shares"	the 15,714,286 new Ordinary Shares to be placed by Lehman Brothers pursuant to the Placing Agreement.
"Prebon" or, where applicable, "FPG"	FPG Holdings Limited, parent company of a group of companies trading, <i>inter alia</i> , as Prebon.
"Prebon Group"	Prebon and its subsidiary undertakings.
"QUEST™"	the Company's proprietary on-line database and share evaluation system, a registered trademark in the UK.
"Resolutions"	the resolutions to be proposed at the EGM, and each is a Resolution.
"Securities Act"	the US Securities Act of 1933, as amended.
"Shareholders"	holders of Ordinary Shares.
"Tullett Liberty"	Tullett Liberty Limited (formerly Tullett plc), a wholly owned subsidiary of Collins Stewart Tullett.
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland and its dependent territories.
"UK Listing Authority" or "UKLA"	the FSA acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services and Markets Act 2000.

"Uncertificated Securities Regulations"	the Uncertificated Securities Regulations 2001 issued as statutory instrument number 2001/3755.
"US" or "USA" or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia and all other areas subject to its jurisdiction.
"US Securities Act"	the United States Securities Act of 1933, as amended.
"Vendors"	the existing shareholders of Prebon comprising Arthur Hughes, Jameston Limited and the US Trust Company of Delaware (a family trust of David Rutter).

APPENDIX II

NOTICE OF EXTRAORDINARY GENERAL MEETING

Collins Stewart Tullett plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 3904126)

Notice is hereby given that an Extraordinary General Meeting of Collins Stewart Tullett plc (the "Company") will be held at 9th Floor, 88 Wood Street, London EC2V 7QR on 12 October 2004 at 9.30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

Ordinary Resolutions

1. That the proposed purchase by the Company of the whole of the share capital of FPG Holdings Limited in issue and to be issued (or any part thereof) upon the terms and conditions contained in the Acquisition Agreement (as described in the circular, comprising listing particulars, to Shareholders of the Company dated 24 September 2004), be and is hereby approved and that the Directors of the Company be and are hereby authorised to take all such steps as may be necessary or appropriate in relation thereto including, without limitation, to cause the Acquisition Agreement and all matters provided therein or related thereto to be completed and, at their discretion, to amend, waive, vary and/or extend any of the terms and conditions of the Acquisition Agreement and/or any document referred to therein and/or connected with it in whatever way they may consider to be necessary and/or desirable and/or to do and/or procure such acts or things to be done and/or enter into such agreements or arrangements as may, in the opinion of the Directors of the Company, be necessary or desirable in connection with it provided that these are not material.
2. That the grant to Louis Scotto of an option (the "Scotto Option") over 424,087 Ordinary Shares in the Company (as summarised in paragraph 8.1.7 of Part VI of the circular, comprising listing particulars, to Shareholders of the Company dated 24 September 2004) conditional on completion of the acquisition proposed in resolution 1 be and is hereby approved and that the Directors of the Company be and are hereby authorised to take any steps necessary to effect the grant of the Scotto Option.
3. That the grant to Stephen Jack of an option (the "Jack Option") over 106,045 Ordinary Shares in the Company (as summarised in paragraph 8.1.7 of Part VI of the circular, comprising listing particulars, to Shareholders of the Company dated 24 September 2004) conditional on completion of the acquisition proposed in resolution 1 be and is hereby approved and that the Directors of the Company be and are hereby authorised to take any steps necessary to effect the grant of the Jack Option.

BY ORDER OF THE BOARD

Diana Dyer Bartlett
Company Secretary

Dated 24 September 2004

Registered Office:
9th Floor
88 Wood Street
London
EC2V 7QR

Notes:

- (1) Every member who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her stead. A proxy need not be a member of the Company. Appointment of proxies does not preclude members from attending and voting at the meeting should they wish to do so. A Form of Proxy is enclosed; alternatively if you hold shares in uncertificated form (ie in CREST) you may vote using the CREST system (please see the notes below).*
- (2) To be valid, an instrument appointing a proxy in hard copy form must be deposited at the office to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the time of the meeting. Alternatively if you submit your proxy electronically through CREST, to be valid, the appropriate CREST message (regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by the Company's registrars, Capita Registrars (ID RA10) by no later than 48 hours before the time of the meeting. The time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which Capita Registrars are able to retrieve the message by enquiry to CREST.*
- (3) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, changes to entries in the register after 6.00 p.m. on 8 October 2004 will be disregarded in determining the rights of any person to attend or vote at the meeting or any adjourned meeting (as the case may be). Accordingly, only a member registered in the register of members of the Company as at 6.00 p.m. on 8 October 2004 shall be entitled to attend and vote at the meeting or any adjourned meeting (as the case may be) in respect of the number of shares registered in his name at that time.*
- (4) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.*
- (5) In order for a proxy appointment by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CRESTCo's specification and must contain the information required for such instructions, as described in the CREST Manual.*
- (6) CREST members and, where applicable, their CREST sponsors or voting service providers, should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.*
- (7) Completion and return of a Form of Proxy will not affect the right of such member to attend and vote in person at the meeting or any adjournment thereof.*
- (8) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.*

