

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 in the United Kingdom.

If you have sold or otherwise transferred all your Existing 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. If you have sold or transferred all of your Existing Ordinary Shares (other than ex entitlement) you should forward this document and enclosed documentation with the enclosed Application Form with box H duly completed to the purchaser or transferee. If you have sold or transferred part of your registered holding of Existing Ordinary Shares, please contact your agent through whom the sale or transfer was effected and refer to the instructions relating to split applications set out in the Application Form. However, as described below, neither this document nor such accompanying documentation should be distributed, forwarded to or transmitted in or into the United States, Canada, Australia, Japan or the Republic of Ireland or their respective territories or possessions.

A copy of this document, which comprises a prospectus relating to Collins Stewart Holdings 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 shares to be issued pursuant to the Offers and the Placing and Open Offer and the Cash Placing to be admitted to the Official List. Application has also been made for the shares to be issued pursuant to the Offers and the Placing and Open Offer and the Cash Placing to be admitted to trading on the London Stock Exchange's main market for listed securities.

Collins Stewart Holdings plc

(incorporated in England and Wales with No 3904126)

**Issue of up to 71,205,949 New Ordinary Shares in connection with the
Recommended Ordinary and Bond Offers, Option Proposals
and related proposals for**

Tullett plc

and Placing and Open Offer by

HSBC 

**of 14,652,224 New Ordinary Shares at 308p per 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 or under the securities laws of any state of the United States. Accordingly, subject to certain exceptions, the New Ordinary Shares are not being, and will not be, offered or sold in the United States. 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. Overseas Shareholders and any persons (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward this document, in connection with the Open Offer, to a jurisdiction outside the United Kingdom should read paragraph 6 of Part II of this document.

HSBC, which is regulated in the United Kingdom by the Financial Services Authority, is acting for Collins Stewart, and no one else in connection with the matters described in this document and will not be responsible to any person other than Collins Stewart for providing the protections afforded to customers of HSBC, or for providing advice in relation to the Offers, the Placing and Open Offer, the Cash Placing and other matters described herein.

Notice of an Extraordinary General Meeting of Collins Stewart Holdings plc to be held at 9th Floor, 88 Wood Street, London EC2V 7QR at 3.00 p.m. on 17 February 2003 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 thereon, to Capita IRG Plc, P.O. Box 25, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR as soon as possible but, in any event, so as to be received no later than 3.00 p.m. on 15 February 2003.

Applications under the Open Offer may only be made on the enclosed Application Form, which is personal to the Qualifying Shareholders named thereon and may not be assigned or transferred, except to satisfy *bona fide* market claims. The Open Offer to Qualifying Shareholders will close at 3.00 p.m. on 13 February 2003. The procedure for application is set out in the letter from HSBC in Part II of this document, and the Application Form.

The distribution of this document, the Application Form and the Offer Document in certain jurisdictions may be restricted by law and persons into whose possession this document, the Application Form or the Offer 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 to permit a public offering of the New Ordinary Shares or to permit the possession or distribution of the Application Form in any jurisdiction other than the United Kingdom where action for that purpose is or may be required. Accordingly, this document, the Application Form and the Offer 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, the Application Form and the Offer Document do 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, the Application Form and the Offer Document are confidential in the United States and this document and the Offer Document, but not the Application Form, are being furnished by Collins Stewart 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, the Application Form or the Offer Document, in whole or in part, and any disclosure of their contents or use of any information herein or therein in the United States for any purpose other than considering the resolutions to be adopted at the EGM is prohibited.

The contents of this document, the Application Form and the Offer Document are not to be construed as legal, business or tax advice. Each person should consult with their own lawyer, financial adviser or tax adviser for legal, financial or tax advice.

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ISSUE STATISTICS AND EXPECTED TIMETABLE

Issue statistics and issue structure

Issue Price per Open Offer Share	308p
Maximum number of Ordinary Shares in issue on completion of the Placing and Open Offer, Cash Placing and the Offers and Option Proposals	192,086,797

Timetable of Open Offer

Record Date for the Open Offer	17 January 2003
Latest time for Splitting Application Forms in respect of the Open Offer (to satisfy <i>bona fide</i> market claims)	3 p.m. on 11 February 2003
Latest time for receipt of Application Forms and payment in full	3 p.m. on 13 February 2003
Latest time for receipt of Forms of Proxy for the Collins Stewart Extraordinary General Meeting	3 p.m., 15 February 2003
Collins Stewart Extraordinary General Meeting	3 p.m., 17 February 2003
Expected Date of Admission of Open Offer Shares	19 February 2003

Expected timetable of the Offers

Offer announcement made	23 January 2003
Posting of Offer Document	23 January 2003
Latest time for receipt of Forms of Proxy for the Collins Stewart Extraordinary General Meeting	3 p.m., 15 February 2003
Collins Stewart Extraordinary General Meeting	3 p.m., 17 February 2003
Latest time for receipt of forms of proxy for Tullett extraordinary general meeting and class meetings	11 a.m., 19 February 2003
Tullett extraordinary general meeting and class meetings	11 a.m., 21 February 2003
First Closing Date of the Offers	21 February 2003

INSTRUCTIONS FOR COLLINS STEWART SHAREHOLDERS:

- Read this document carefully in order to understand fully the merits of the proposed Combination and the Placing and Open Offer and the Cash Placing.
- 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 3.00 p.m. on 15 February 2003.
- 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.
- If you want to apply for New Ordinary Shares under the Open Offer, complete the Application Form in accordance with the instructions set out in Part II of this document and the Application Form and return it to Capita IRG Plc at the address shown on the Application Form with the correct remittance in the enclosed reply paid envelope as soon as possible and in any event so as to be received no later than 3.00 p.m. on 13 February 2003.

INSTRUCTIONS FOR TULLETT SECURITYHOLDERS:

- Read this document and the accompanying Offer Document carefully in order to understand fully the merits of the proposed Combination. You can ignore Part II of this document which sets out the terms of the Placing and Open Offer of New Ordinary Shares which is only relevant to Collins Stewart Shareholders.
- The full procedure for accepting the Offers is set out in the letter from HSBC in Part III of the accompanying Offer Document.
- In order to accept the Offers, you should complete and return the relevant Form(s) of Acceptance enclosed with the accompanying Offer Document to Capita IRG Plc as soon as possible and, in any event, to be received by no later than 3.00 p.m. (London time) 10.00 a.m. (New York City time) on 21 February 2003. (A pre-paid envelope has been enclosed with the Offer Document for your use if you are posting your Form(s) of Acceptance from within the UK).

DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

Present Directors	Keith Hamill <i>Non-Executive Chairman</i> Andrew Stewart <i>Executive Deputy Chairman</i> Terry Smith <i>Chief Executive</i> Helen Smith <i>Finance Director</i> Terry Hitchcock <i>Executive Director</i> Rob Lucas <i>Non-Executive Director</i> John Spencer <i>Non-Executive Director</i>
Proposed Directors	Bruce Collins <i>Executive Director</i> Stephen Jack <i>Executive Director</i> David Clark <i>Non-Executive Director</i>
Company Secretary	Diana Dyer Bartlett
Registered Office	9th Floor 88 Wood Street London EC2V 7QR
Sponsor, Financial Adviser and Broker	HSBC Bank plc 8 Canada Square London E14 5HQ
Auditors and Reporting Accountants	Deloitte & Touche Stonecutter Court 1 Stonecutter Street London EC4A 4TR
Reporting Accountants	Ernst & Young Rolls House 7 Rolls Building Fetter Lane London EC4A 1NH
Solicitors to the Company	Gouldens 10 Old Bailey London EC4M 7NG Clifford Chance LLP 200 Aldersgate Street London EC1A 4JJ
Solicitors to the Sponsor	Norton Rose Kempson House Camomile Street London EC3A 7AN
Public relations advisers to the Company	Redleaf Communications Ltd 9-13 St Andrew Street London EC4A 3AF
Registrars, Paying Agent and Receiving Agents	Capita IRG Plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TH

PART I

LETTER FROM THE CHAIRMAN OF COLLINS STEWART



(incorporated and registered in England and Wales under the Companies Act 1985 No 3904126)

Directors:

Keith Hamill (*Non-Executive Chairman*)
Andrew Stewart (*Executive Deputy Chairman*)
Terry Smith (*Chief Executive*)
Helen Smith (*Finance Director*)
Terry Hitchcock (*Executive Director*)
Rob Lucas (*Non-Executive Director*)
John Spencer (*Non-Executive Director*)

Registered Office:

9th Floor
88 Wood Street
London EC2V 7QR

23 January 2003

To Shareholders, holders of Collins Stewart Preference Shares and holders of options in Collins Stewart. For information only, to Tullett Securityholders.

Dear Shareholder/Optionholder,

Recommended Ordinary and Bond Offers, Option Proposals and related proposals for Tullett plc and Placing and Open Offer and Cash Placing

Background and introduction

It was announced earlier today that the board of Collins Stewart had agreed terms with the board of Tullett for the Offers and related proposals to be made for Tullett. The Offers and Option Proposals are being made by HSBC on behalf of Collins Stewart and value the fully diluted ordinary and preference share capital of Tullett at approximately £250.7 million (assuming full acceptance of the Offers and the Option Cancellation Proposal, no election for the Partial Cash Alternative, no election under the Bond Offer Additional Share Facility and that the Further Payment is made in cash without deduction). The board of Tullett (other than Michael Whitaker who is considered by the Takeover Panel to be acting in concert with Collins Stewart and has therefore not been able to join in the recommendation to Tullett Securityholders and Tullett Optionholders), which has been so advised by Amethyst, considers the terms of the Ordinary Offer, the Bond Offer and the Option Proposals to be fair and reasonable and the Tullett Directors, other than Michael Whitaker, have unanimously recommended that Tullett Ordinary Shareholders, Tullett Bondholders and Tullett Optionholders accept the Ordinary Offer, the Bond Offer and one of the Option Proposals respectively.

The Offer Document has been issued today (together with a copy of this document) to Tullett Securityholders and a copy is enclosed with this document for information purposes only for Shareholders, holders of Collins Stewart Preference Shares and holders of options in Collins Stewart.

In addition to the Offers and Option Proposals and not conditional on their success, Collins Stewart is proposing to redeem its own preference share capital, which is to be funded through the net proceeds of the Placing and Open Offer. The formal letter from HSBC setting out the terms of the Placing and Open Offer is set out in Part II of this document, with additional information contained in Part IX.

The Directors of Collins Stewart believe that the Combination with Tullett will make the Enlarged Group a stronger entity which is more likely to provide stronger and more consistent returns to shareholders in all market conditions than either Collins Stewart or Tullett could do as independent entities. In addition, the Enlarged Group will have better access to capital markets for the development of the business and should be able to provide superior service to customers than either company can provide on its own.

In view of their size, the Offers are conditional, *inter alia*, upon the approval of Collins Stewart Shareholders at the EGM convened for 3.00 p.m. on 17 February 2003. The Placing and Open Offer is also

conditional upon the approval of Shareholders being given at the EGM. The purpose of this document is to provide you with details of the Offers and the Option Proposals, the Cash Placing and the Placing and Open Offer and to explain why the directors of Collins Stewart believe they are in the best interests of Collins Stewart and Tullett and their respective shareholders.

The Offers and Option Proposals are also conditional, *inter alia*, upon admission of the New Ordinary Shares other than those to be issued in respect of the Placing and Open Offer (or such of them as are due to be allotted at the time the Offers become or are declared unconditional in all other respects) to the Official List becoming effective, in accordance with the Listing Rules and admission to trading on the London Stock Exchange's market for listed securities becoming effective, and upon approval being obtained from the Financial Services Authority and certain other regulatory bodies.

The Offers

The boards of Collins Stewart and Tullett have today announced the terms of recommended Ordinary and Bond Offers and related proposals for the whole of the issued and to be issued share capital of Tullett and all of the issued Tullett Bonds which value the fully diluted ordinary and preference share capital of Tullett at £250.7 million (assuming full acceptance of the Offers and the Option Cancellation Proposal, no election for the Partial Cash Alternative, no election under the Bond Offer Additional Share Facility and that the Further Payment is made in cash without deduction).

Terms of the Ordinary Offer

The recommended Ordinary Offer is being made on the following basis:

for every Tullett Ordinary Share

2.52 New Ordinary Shares

and so in proportion to any other number of Tullett Ordinary Shares held. Fractions of New Ordinary Shares will not be allotted and the number of New Ordinary Shares allotted to each accepting Tullett Ordinary Shareholder who validly accepts the Ordinary Offer will be rounded down to the nearest whole number.

The Ordinary Offer values the whole of the issued ordinary share capital of Tullett at approximately £212.7 million based on Collins Stewart's Closing Price of 333.5p on 22 January 2003 (the latest practicable date prior to the posting of this document).

The Ordinary Offer is conditional upon a number of conditions including, *inter alia*, Admission of the New Ordinary Shares to be issued in relation to the Offers and the relevant resolutions being passed at Tullett and Collins Stewart's respective extraordinary general meetings and at Tullett's class meetings.

Terms of the Tullett A Preference Offer

The Tullett A Preference Offer is being made on the following basis:

for every Tullett A Preference Share

236 pence in cash and the Further Payment (being a further payment of 91.4 pence in either cash or new Ordinary Shares subject to certain contingent deductions)

and so in proportion for any other number of Tullett A Preference Shares held.

The Tullett A Preference Offer values all of the existing issued Tullett A Preference Shares at approximately £17.8 million (assuming the Further Payment is made in cash without any deduction and disregarding any time value relating to its payment terms).

The amount of the Further Payment (which is payable on 19 November 2004) is dependent on the extent to which Tullett or any subsidiary of Tullett becomes obliged to make any payment to the Belgium Office of Social Security or under a deed of tax indemnity in favour of Madge Networks NV prior to 19 November 2004. The Further Payment essentially replicates certain rights attaching to the Tullett A Preference Shares under the Tullett Articles. The amount of the Further Payment payable to each Tullett A Preference Shareholder who validly accepts the Tullett A Preference Offer shall be equal to the amount that would be payable to such persons under the Tullett Articles (as proposed to be amended by the resolutions to be proposed at the Tullett EGM and class meeting of Tullett A Preference Shareholders) if they were still holders of Tullett A Preference Shares on 19 November 2004 taking into account certain costs which Collins Stewart would not have incurred if it had redeemed the shares.

Tullett A Preference Shareholders who validly accept the Tullett A Preference Offer may elect to receive all but not part only of any sum becoming due for payment as the Further Payment in the form of new Ordinary Shares. If such an election is made: (i) the new Ordinary Shares to be issued will be allotted on the

next business day following 19 November 2004 and credited as fully paid and will, on issue, rank *pari passu* in all respects with the Ordinary Shares then in issue and (ii) the number of new Ordinary Shares to be allotted in respect of the Further Payment for each Tullett A Preference Share pursuant to such election will be calculated by reference to the average Closing Price of an Ordinary Share on each of the five business days prior to the date of allotment (with an appropriate adjustment in the event that the record date falls on any of the relevant business days). Collins Stewart shall use all reasonable endeavours to ensure that such new Ordinary Shares are admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. Fractions of new Ordinary Shares will not be allotted and the number of new Ordinary Shares issued will be rounded down to the nearest whole number.

The Tullett A Preference Offer is conditional upon, *inter alia*, the Ordinary Offer becoming or being declared unconditional in all respects and the passing of the relevant resolutions at a class meeting of Tullett A Preference Shareholders to allow the Tullett A Preference Offer to be implemented.

Terms of the Tullett B Preference Offer

The Tullett B Preference Offer is being made on the following basis:

for every Tullett B Preference Share **37.7 pence in cash**

and so in proportion for any other number of Tullett B Preference Shares held.

The Tullett B Preference Offer values all of the existing issued Tullett B Preference Shares at approximately £4.1 million (net of costs expected to be incurred by Collins Stewart in making the Tullett B Preference Offer and reflecting the time value of money).

The Tullett B Preference Offer is conditional upon, *inter alia*, the Ordinary Offer becoming or being declared unconditional in all respects and the passing of the relevant resolution at a class meeting of Tullett B Preference Shareholders to allow the Tullett B Preference Offer to be implemented.

Terms of the Bond Offer

The recommended Bond Offer is being made on the following basis:

**for every £3.33 in nominal value of Tullett Bonds
denominated in pounds sterling** **400 pence in cash and
1.26 New Ordinary Shares**

**for every US\$4.754 in nominal value of Tullett Bonds
denominated in US dollars** **400 pence in cash and
1.26 New Ordinary Shares**

and so in proportion for any other nominal amount of Tullett Bonds held. Fractions of New Ordinary Shares will not be allotted to Tullett Bondholders but will be aggregated and sold in the Cash Placing with the cash equivalent of the fractional entitlement being added to the cash element of the consideration.

On the basis of Collins Stewart's closing price of 333.5p on 22 January 2003 (the latest practicable date prior to the posting of this document), the Bond Offer values all of the existing issued Tullett Bonds at approximately £11.4 million.

Collins Stewart will withhold from the cash element of the consideration payable to each eligible Tullett Bondholder who validly accepts the Bond Offer an amount equal to any Relevant Tax Liabilities and to the extent that the available cash is insufficient to meet such liabilities Collins Stewart will be entitled to sell some of the New Ordinary Shares which the Tullett Bondholder would otherwise receive to meet the liability.

The Bond Offer is conditional upon, *inter alia*, the Ordinary Offer becoming or being declared unconditional in all respects and holders of 75 per cent. or more in nominal amount of the Tullett Bonds consenting to certain amendments to the terms of their Tullett Bonds. In the event that the Ordinary Offer becomes unconditional in all respects but the Bond Offer lapses as a result of a failure to satisfy the 75 per cent. condition referred to above, Collins Stewart intends to make an appropriate proposal for the Tullett Bonds which will contain no such condition.

Terms of the Bond Offer Additional Share Facility

Tullett Bondholders who validly accept the Bond Offer may elect to receive New Ordinary Shares instead of all (but not part only) of the cash that they would otherwise be entitled to receive under the Bond Offer, being the cash element of the consideration under the Bond Offer less the amount of cash which Collins Stewart is entitled to withhold in respect of Relevant Tax Liabilities. By making an election under the Bond Offer Additional Share Facility, such Tullett Bondholders will receive New Ordinary Shares on the basis of one New Ordinary Share for every 317.5p in cash to which they would be entitled under the Bond Offer.

per annum below six month LIBOR subject to a minimum of zero per cent.. The first interest payment date will be 31 December 2003. The Loan Notes will be freely transferable, save to certain overseas persons, in amounts and integral multiples of £100 or the whole amount of the transferor's holding of Loan Notes. No application will be made for the Loan Notes to be listed on the Official List or dealt on any recognised investment exchange.

The Loan Note Alternative is conditional upon the Ordinary Offer becoming or being declared unconditional in all respects. In addition, if valid elections for the Loan Note Alternative received by 3.00 p.m. (London time) on the later of (i) the date falling 14 days after the Ordinary Offer becomes or is declared unconditional as to acceptances and (ii) the business day prior to the date on which the Ordinary Offer becomes or is declared unconditional in all respects do not require the issue of at least £2 million in nominal amount of Loan Notes, no Loan Notes will be issued unless Collins Stewart otherwise determines. Tullett Securityholders who validly elect to receive Loan Notes will then receive the cash to which they would otherwise have been entitled.

Collins Stewart will also have the right, at any time on or after 31 December 2003, to redeem all Loan Notes in issue for the time being in the event that less than £200,000 in nominal amount of the Loan Notes remain in issue.

Undertaking in relation to the virt-x plc payment entitlement

All persons who were ordinary shareholders on the register of members of Tullett on 21 October 1999 are entitled under the terms of an agreement between Tullett, Liberty Brokerage Investment Corporation and Cable House Limited dated 25 October 1999 to receive a special payment pro rata to their holding of Tullett Ordinary Shares on that date when Tullett sells all of its shares in virt-x plc. Tullett currently holds an investment in that company with a book value of approximately £0.1 million. The amount that will fall due to be paid to those Tullett Ordinary Shareholders eligible to receive this special payment will be approximately £3.8 million adjusted by any profit or loss after taxation on the remaining investment in virt-x plc when realised. If the offer for virt-x plc by SWX Holding AG made on 10 January 2003 becomes or is declared unconditional in all respects, the special payment due will be £3.8 million. Collins Stewart has agreed with Tullett in the Merger Agreement (the key terms of which are summarised in paragraph 11.1.4 of Part IX of this document) that, in the event that the Ordinary Offer becomes unconditional and if the SWX Holding AG offer does not become unconditional in all respects, it will procure that Tullett sells the remaining shares in virt-x plc held by Tullett and that this payment of approximately £3.8 million will be made by Tullett by no later than 31 December 2004. If the SWX Holding AG offer becomes or is declared unconditional in all respects and Tullett disposes of its remaining virt-x plc shares under the terms of such offer, eligible Tullett Ordinary Shareholders will receive a special payment as follows:

for each Tullett Ordinary Share held in their name on the register at 21 October 1999	approximately 28p in cash
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Proposals to Tullett Optionholders

No outstanding Tullett Options are currently exercisable, but they will become so if the Ordinary Offer becomes or is declared unconditional and Collins Stewart (and persons who, under the rules of the Tullett Share Option Plan, are deemed to be associates of Collins Stewart) acquires at least 75 per cent. by nominal value of the Tullett Ordinary Shares then in issue.

Collins Stewart is making, through HSBC, two proposals to Tullett Optionholders, the Option Cancellation Proposal and the Option Exercise Proposal, the details of which are set out below.

Option Cancellation Proposal

The Option Cancellation Proposal is being made to Tullett Optionholders in return for the release by such Tullett Optionholders of their Tullett Options (to the extent not already exercised) on the following basis:

for each Tullett Ordinary Share subject to an option with an option price of 333 pence per Tullett Ordinary Share	239 pence in cash and 0.81 New Ordinary Shares
and	
for each Tullett Ordinary Share subject to an option with an option price of 375 pence per Tullett Ordinary Share	219 pence in cash and 0.74 New Ordinary Shares

and so in proportion for any other number of options held. Fractions of New Ordinary Shares will not be allotted and will be rounded down to the nearest whole number. Fractions of New Ordinary Shares not allotted to Tullett Optionholders will be aggregated and sold under the cash underpinning and cash placing arrangements and the cash equivalent of the Tullett Optionholder's fractional entitlement will then be added to the cash element of the consideration.

The consideration payable pursuant to the Option Cancellation Proposal reflects, in each case, the difference between the relevant option price and the value of the Ordinary Offer, based on the Closing Price of an Ordinary Share on 22 January 2003, (the latest practicable date prior to the posting of this document), and is subject to deductions of an amount equal to any Relevant Tax Liabilities. To the extent that the available cash is insufficient to meet such liabilities Collins Stewart will be entitled to sell some of the New Ordinary Shares which the Tullett Optionholder would otherwise receive to meet the liability.

The Option Cancellation Proposal is conditional, *inter alia*, on the Ordinary Offer becoming or being declared unconditional in all respects. If the Ordinary Offer does not become unconditional and lapses, all applications for the Option Cancellation Proposal will lapse and be of no effect.

Option Exercise Proposal

Tullett Optionholders who do not accept the Option Cancellation Proposal may elect under the Option Exercise Proposal to exercise their Tullett Options if the Ordinary Offer becomes or is declared unconditional in all respects and Collins Stewart (and persons who, under the rules of the Tullett Share Option Plan, are deemed to be associates of Collins Stewart) acquires not less than 75 per cent., in nominal value, of the Tullett Ordinary Shares then in issue. Tullett Optionholders who exercise their options will be able to assent their resulting new Tullett Ordinary Shares to the Ordinary Offer in accordance with the terms of the Ordinary Offer.

The Option Exercise Proposal is conditional, *inter alia*, on the Ordinary Offer being or becoming declared unconditional in all respects and Collins Stewart (and persons who, under the rules of the Tullett Share Option Plan, are deemed to be associates of Collins Stewart) acquiring at least 75 per cent. by nominal value of the Tullett Ordinary Shares then in issue. If the Ordinary Offer does not become unconditional and lapses, all applications for the Option Exercise Proposal will lapse and be of no effect.

Tullett Overseas Securityholders and Optionholders

Tullett Securityholders and Tullett Optionholders who are resident in, or have a registered address in, any jurisdiction outside the United Kingdom and their nominees should read paragraph 8 of Part B, paragraphs 1.5 to 1.7 of Part C and paragraphs 1.10 to 1.12 and 2.12 to 2.14 of Part D of Appendix I to the Offer Document for additional terms of the Offers applicable to them and the relevant notices on pages 2 to 4 of the Offer Document.

General information on Collins Stewart

Background

Collins Stewart is a financial services group whose activities span institutional and private client stockbroking, market making, corporate finance, fund management and the supply of on-line financial information. It was founded in 1991 as a partnership with Singer & Friedlander. Its operations are conducted through three principal operating entities: CSL in London, CSCI which operates from offices in Guernsey, Jersey, Isle of Man and Uxbridge and CS Inc. in New York.

Since its formation Collins Stewart has grown rapidly, partly through acquisition (Greig Middleton's Channel Islands business in 1996 and the private client division of NatWest Stockbrokers in 2001) and partly through organic development, and has established itself as one of London's leading independent UK stockbrokers.

In May 2000, CSL became an independent company via a management buy-out backed by CVC Capital Partners, Parallel Ventures and Bank of Scotland. This was quickly followed by a flotation on the main market of the London Stock Exchange in October 2000. The new money raised at the time of the flotation was principally used to repay much of the debt taken on at the time of the MBO and the Collins Stewart Group is today lightly geared.

Since its formation, the Collins Stewart Group has expanded to its current level, with revenues of £103.2 million in the year to 31 December 2001, producing operating profits before goodwill and exceptional income of £32.9 million in the year ended 31 December 2001. It has consistently produced above average returns for groups of its size and type despite poor conditions in its core markets over the past three years.

The estimate of operating profits before goodwill for the year ended 31 December 2002 is set out in the paragraph on current trading below.

Collins Stewart's main quantitative research product is its QUESTTM on-line share evaluation system which is currently supplied to 218 institutional investors in the UK, Europe, North America, and the Middle and Far East. In 2003 CSL expects to complete a two year development project which will expand the coverage of stocks by QUESTTM from European to Asian and North American companies and which it believes should lead to an increase in its large company broking revenues. The Directors have noted the purchase of QUESTTM's closest competitor by a major investment bank last year and believe that Collins Stewart's ownership of QUESTTM places the Collins Stewart Group in a strong position given the pressure on investment banks to demonstrate independence of research. Two hedge funds based upon the QUESTTM product have already been launched and are expected to be followed by other products.

Business principles and approach to business development

Collins Stewart believes that its shareholders are best served by structuring the Group's business in order to enhance the likelihood of strong returns in all foreseeable market conditions, through maintaining a spread of revenue streams and tight control of trading risks and costs. To this end:

- the Group continues to seek ways to diversify in areas which are capable of complementing the existing business;
- the Group maintains as low a level of fixed costs as is practicable to guard against a downturn in volume; performance related incentive payments form a significant proportion of staff costs;
- trading limits are set with Collins Stewart's low risk appetite in mind; and
- the Group maintains capital comfortably in excess of its required regulatory capital so that none of its businesses have to date been constrained in their development by capital adequacy considerations.

General information on Tullett

Background

Tullett was founded in 1971 and focused during its early years on foreign exchange markets. Following that time, during the 1970s and 1980s, Tullett developed a number of overseas offices. Today it is an IDB operating as an intermediary in the wholesale financial markets by facilitating the trading activities of its clients, in particular, commercial and investment banks. Comparative data about the major industry participants is set out in paragraph 16 of Part IX of this document. In certain product areas Tullett's customer base also includes financial institutions and other professional investors.

The Tullett Group has around 1800 staff. Its principal offices are in London, New York, Hong Kong, Singapore, Sydney, Paris, Frankfurt and Toronto. It also has alliances with or investments in IDB businesses in Tokyo, Bahrain, Bangkok, Mumbai and in Latin America. These alliances include a strategic alliance established in 1983 with Tokyo Tanshi, a Japanese IDB, as a result of which Tullett has a 20 per cent. shareholding in Totan Derivatives, a Japanese broker and subsidiary of Tokyo Tanshi. Totan Derivatives and Tokyo Tanshi have an aggregate holding of 28.6 per cent. of Tullett's ordinary shares. Tullett's other principal ordinary shareholders are Spütz (11.0 per cent.), Hermes (10.2 per cent.) and Derek Tullett and related interests (8.8 per cent.). A further 16.8 per cent. is held by three other major financial institutions, being Citigroup, Goldman Sachs and Lehman Brothers. Tullett changed its name from Tullett & Tokyo Liberty plc with effect from 29 November 2002.

Tullett's business comprises four major product groups: Fixed Income Securities, Treasury Products, Interest Rate and Credit Derivatives and Equities. Tullett also offers certain cross product packages and arbitrage opportunities for its customers.

Tullett has 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. Tullett brokes a broad range of financial market products on either a "name give up" (where the counter-parties to a transaction settle directly with each other) basis or a "matched principal" (where Tullett is the counter-party to each leg of a transaction) basis. Tullett also collects and distributes price information which it then on-sells to data vendors. In addition, through its Gains subsidiary, Tullett manages the provision of voice and data lines to its own businesses and other market participants. On 22 January 2003, Tullett entered into a conditional contract for the sale of its Gains subsidiary. Further details in relation to the terms of the sale are set out in paragraph 11.2 of Part IX of this document.

Tullett has developed a proprietary multi-product broking platform, Market:Marker, which supports both Tullett's brokers and clients with capabilities such as on-screen price display, analytics, access to historical price information and automated post-trade feeds.

Tullett's strategy is to broaden and deepen its product base, maintaining its standing in those areas where it has a leading position and developing new product areas, not necessarily limited to the financial markets, where it can leverage its business model, infrastructure, and technology.

Fixed Income Securities

Tullett has a broadly based business in Fixed Income products across North America, Europe and Asia. Tullett's operations cover cash products including US Treasuries, US Government Agencies, US mortgage-backed securities, European Government Bonds and local government bonds, as well as Repos and bond derivatives. Tullett's operations also cover credit products ranging from high grade corporates to high-yield bonds and certain emerging markets bonds.

Treasury Products

Tullett's brokers cover treasury products which embrace the traditional money broking products areas (Foreign Exchange and Cash) as well as Foreign Exchange Forwards (including non-deliverable forwards) and Foreign Exchange Options ("FXOs").

In Spot Foreign Exchange, Tullett provides voice broking services and a rates listening service, which may be accessed via traditional telephone lines, and the internet. In the Forward Foreign Exchange market Tullett combines voice broking with an electronic system known as Fast Forwards.

Tullett's Cash business is built around the traditional products of Loans and Deposits and negotiable securities including Certificates of Deposit, Bankers' Acceptances and Commercial paper in G3 and local currency markets, for banking and wholesale financial market users.

Tullett's FXO business is co-ordinated through London, New York, Singapore and Tokyo. Overall product coverage includes the main traded currencies, crosses, emerging markets currencies and exotic options.

Interest Rate and Credit Derivatives

Tullett's brokers cover derivative products which facilitate the management of interest rate and credit risk. Tullett has a business covering the full yield curve on a multi currency basis. Tullett offers a variety of over the counter (OTC) products, including Forward Rate Agreements, Interest Rate Swaps in all forms (Spread, Coupons and Basis) and Interest Rate Options (Caps, Floors and Swaptions).

Tullett has been involved in the growth of the wholesale market for credit derivatives for approximately five years. Its teams in New York, London and Asia provide pricing, execution and information in a range of Investment Grade, High Yield and Emerging Market products that include Default Swaps. Tullett uses its network and proprietary database, coupled with its internal access to various credit markets, to provide pricing for credit product structures.

Equities

Tullett's operations in London offer services in European cash equities and equity derivatives. Its multiple exchange memberships (including the London Stock Exchange) ensure that Tullett is positioned to cater for most of its clients' equity trading needs. In addition, Tullett has developed specialist automated trading tools, which execute pairs, risk and arbitrage strategies simultaneously across multiple markets.

Tullett also has a share of the IDB market in European convertible securities. Its proprietary internet-delivered IPO pricing service has approximately 1500 users. Tullett's operations cover both Global Depository Receipts and American Depository Receipts, using the Market:Marker service to distribute price information. The equity option market is covered in terms of major market sectors and single securities from Tullett's London office.

In early 2002, Tullett established a domestic US cash equity business in New York.

Energy and Oil

Tullett has a 20 per cent. interest in Natsource LLC ("Natsource"), an energy broker in gas, power and coal, with considerable expertise in the emerging emissions market, which has also established advisory services. Natsource and Tullett have a strategic joint venture in Europe, NTEL Holdings Limited ("NTEL"), which is focused on developing the emissions business throughout Europe and building on its existing consultancy contracts. In May 2002, Tullett acquired the traditional power broking business in Europe from a wholly-owned subsidiary of NTEL and is developing this business in a number of key

European markets. The joint venture also owns an energy broker named Natsource Tullett Scandinavia AS in Norway. The energy desk of Tullett Sydney provides a range of broking and information services in the Australian electricity, and gas markets, as well as information services in the Australian coal market. It also has the capacity to provide broking services in the Australian coal market.

Tullett, through its joint venture with Starsupply Energy Limited, known as Starsupply Tullett, has an oil broking operation with desks in London and Singapore, specialising in the derivatives markets.

Reasons for the Offers and the strengths of the Enlarged Group

Collins Stewart's existing business operations are based on the principle of maintaining a spread of revenue streams to safeguard results and shareholders' returns from volatility in any one area of the market. The Directors believe that Collins Stewart's success as an independent broking firm is partly attributable to this.

At present, Collins Stewart's revenues are primarily derived from services to corporate, institutional and retail clients whilst nearly all of Tullett's revenues come from dealing with other market intermediaries and principals such as banks and investment banks. The Enlarged Group would therefore service the entire range of potential clients in the financial markets.

Substantially all of Collins Stewart's revenues are currently derived from equity markets. It has little exposure to fixed interest products and none to derivatives or foreign exchange. In contrast, Tullett derives less than 10 per cent. of its revenues from equity products. The Directors believe that the derivatives market in general has experienced significant growth over the last fifteen years, with interest rate swaps performing most strongly in the most recent past. Derivatives volumes are largely independent of market direction as they are driven principally by volatility and trading volumes in the underlying assets. The Directors believe that some of the products of the Enlarged Group will be at different stages of their economic life cycles contributing to a more balanced risk profile for the Enlarged Group.

Many of the services which Collins Stewart provides are relatively high value added, command high margins and are reliant upon the direction of markets. By contrast, Tullett's operations can be characterised as being dependent upon the volume of trading. The combination of Collins Stewart and Tullett should therefore provide a more balanced exposure to customers, products and markets. Both groups' trading activities are primarily agency based, meaning that their risk profiles are complementary.

Tullett operates in the IDB market which has recently been consolidating. Membership of the Enlarged Group, whose shares are traded on the main market of the London Stock Exchange, should provide Tullett with access to capital needed to take part in this consolidation. The Enlarged Group intends to support Tullett to continue to develop as a major independent operator in the IDB market which, Tullett believes, would be welcomed by its client base, many of whom are likely to become shareholders in the Enlarged Group as they are currently shareholders in Tullett. It is intended that a resolution to change the Company's name will be proposed at the next annual general meeting of the Company to reflect the change in emphasis of the Enlarged Group's activities. However, it is intended that Collins Stewart and Tullett will be retained as the principal trading names for the respective businesses.

Collins Stewart's rationale in making the Offers for Tullett is not reliant upon synergies between Collins Stewart and Tullett within the Enlarged Group, although it is expected that some will be realisable. The Directors believe there is the potential to improve Tullett's efficiency and operating margins. From early 2003, it is expected that Collins Stewart's QUESTTM Plus project will expand the coverage of Collins Stewart's on-line company evaluation database to cover Asian and North American securities. It is expected that Tullett's operations in Asia and North America will be able to assist in the development of the revenues derived from QUESTTM. Collins Stewart does not currently have any significant ability to execute trades in equities in these regions and does not have a marketing capability to domestic investors based in Asia. The Directors believe there should also be other opportunities for Collins Stewart to leverage Tullett's infrastructure, technology and client base.

Management and Employees

At present Collins Stewart has four executive directors, an independent non-executive Chairman, one independent non-executive Director and one other non-executive Director. Bruce Collins, Chief Executive of Tullett and Stephen Jack, Chief Financial Officer of Tullett, have been invited to join the Collins Stewart Board in an executive capacity and David Clark has been invited to join the Board in a non-executive capacity, conditional upon the Ordinary Offer being declared unconditional in all respects. They have all indicated their intention to accept these appointments. The board of the Enlarged Group would therefore be comprised of six executive directors and four non-executive directors (three of whom will be independent). The board of Collins Stewart has given assurances to the board of Tullett that the existing employment rights, including pension rights, of all employees of the Tullett Group will be fully safeguarded.

New Share Option Plan

It is proposed that a new share option plan (having both an approved section and a unapproved section) be established for the benefit of the directors and staff of Tullett. Options to be granted under this plan will (save as described below) be incorporated within the Group's overall limits on option grants, in accordance with investor protection committee guidelines.

The Directors believe that the New Share Option Plan will promote the growth and profitability of the Enlarged Group by giving certain key employees and directors of Tullett an opportunity to acquire or increase their interest in the Company. They also believe that options can help to attract and retain highly qualified personnel and to link such personnel's interests directly to shareholders' interests. The implementation of the New Share Option Plan is conditional, *inter alia*, upon the approval of Shareholders at the EGM. Accordingly, resolution number 2 which, if passed, will approve the Offers and Option Proposals and is set out in the Notice of EGM, includes a proposal to adopt the New Share Option Plan. Further details of the New Share Option Plan are set out in paragraph 9.2 of Part IX of this document.

Existing Employee Option Schemes

The Collins Stewart Holdings plc Company Share Option Plan and the Collins Stewart Holdings plc Unapproved Share Option Scheme (together the "Existing Discretionary Schemes"), which were adopted by the Company in 2000, reflect the investor protection committee guidelines on share incentives in place at the time when they were adopted. In particular, the Existing Discretionary Schemes provide that the number of Ordinary Shares over which options may be granted under the Existing Discretionary Schemes, together with any other rights to acquire Ordinary Shares issued or issuable under similar schemes in the preceding ten year period, must not exceed five per cent. of the Company's share capital at that time (the "5% Limit").

As stated above, the Board is proposing, subject to the Ordinary Offer becoming or being declared unconditional in all respects, to adopt the New Share Option Plan specifically for the purpose of incentivising employees of Tullett and its subsidiaries. The Board has committed to granting options over up to 8.5 million Ordinary Shares under the New Share Option Plan, further details of which are set out in Part IX of this document.

The Board considers that it is important for the Existing Discretionary Schemes to continue to be available to incentivise other employees of the Collins Stewart Group and is therefore proposing to alter the limits on the grant of options under the Existing Discretionary Schemes to ensure that it is not prevented from issuing options under them to employees of the Collins Stewart Group over the remaining life of the schemes (these schemes will cease to operate in 2005). The Board is therefore proposing to exclude the Ordinary Shares subject to options granted under the New Share Option Plan (which will only be available to certain Tullett employees) from the Ordinary Shares to be taken into account in determining whether a proposed option grant is within the 5% Limit.

Further details of the amendments proposed to be made to the Existing Discretionary Schemes are set out in Part VIII of this document.

Merger Agreement

As an inducement to Collins Stewart to make the Offers and under the terms of the Merger Agreement, Tullett has agreed that it will pay Collins Stewart an inducement fee of £2 million in cash (representing approximately 0.8 per cent. of the value of the Offers, based on the Closing Price of an Ordinary Share on 22 January 2003, the latest practicable date prior to posting of this document) if the Ordinary Offer is withdrawn or lapses in accordance with its terms due to the Tullett EGM failing to pass the resolutions to be proposed thereat.

Under the terms of the Merger Agreement, Collins Stewart has agreed, *inter alia*, in most circumstances to keep the Ordinary Offer open and to extend the closing date(s) for the Ordinary Offer for up to 60 days from the date of the Offer Document unless the Ordinary Offer becomes or is declared unconditional in all respects at an earlier date.

Collins Stewart has further agreed that it will pay Tullett a break fee of £2 million in cash in the event that Shareholders do not approve the resolution necessary for Collins Stewart to implement the Offers (which will be proposed as Resolution 2 at the EGM). A summary of the terms of the Merger Agreement is set out in Paragraph 11.1.4 of Part IX of this document.

Dividend policy

The Enlarged Group will continue with the dividend policy of Collins Stewart, which is only to retain earnings where it foresees a return on the capital employed which is sufficient to create value for shareholders.

Proposed redemption of Collins Stewart Preference Shares

Collins Stewart currently has A and B preference shares in issue which were issued as part of the funding of the MBO of CSL. The date of redemption is 1 July 2007 or, by Board resolution, at any time prior to that date. The Collins Stewart A Preference Shares carry the right to a dividend which rose from 6 per cent. per annum (calculated on nominal value plus premium) to 9 per cent. per annum on 1 January 2003 and which will rise to 15 per cent. per annum from 1 January 2005. The Collins Stewart B Preference Shares carry the right to a dividend of 4 per cent. per annum (calculated on nominal value plus premium). Both classes of shares are redeemable *pari passu*.

It is proposed that the proceeds of the Placing and Open Offer be utilised to redeem all the Collins Stewart Preference Shares as soon as is practicable, and prior to their stated redemption date, at a price of £1 per preference share (together with accrued interest). The Company will write to holders of Collins Stewart Preference Shares following the receipt of the net proceeds of the Placing and Open Offer to explain the mechanics of and proposed timetable for redemption. The redemption through a fresh issue of shares maintains the Company's distributable reserves. This capital base allows Collins Stewart to take on debt to assist in the funding of the expansion of the Group including, *inter alia*, contributing to the funding of the Offers and Option Proposals. The redemption will also allow the Company to save the cost of the considerably increased coupon on the Collins Stewart A Preference Shares of 9 per cent. per annum (post tax) applicable from 1 January 2003.

Details of the Placing and Open Offer

The Placing and Open Offer will raise approximately £44.6 million (net of expenses). HSBC, as agent on behalf of the Company, is inviting Qualifying Shareholders to apply under the Open Offer for 14,652,224 Open Offer Shares at the Issue Price on the basis of:

4 New Ordinary Shares for every 29 Existing Ordinary Shares

held by Qualifying Shareholders at close of business on the Record Date, and so in proportion for any other number of Existing Ordinary Shares then held. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Open Offer Shares. Fractional entitlements will be aggregated and included in the Placing, with the proceeds retained for the benefit of the Company. Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their maximum entitlement as set out on their Application Form. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate entitlements under the Open Offer.

The Directors, other than Keith Hamill, and certain other shareholders have undertaken not to take up their entitlement to 5,840,208 Open Offer Shares which constitute their entitlement to Open Offer Shares under the Open Offer and those shares have therefore been placed firm by HSBC under the Placing.

Keith Hamill has irrevocably undertaken to take up his entitlement to 2,182 Open Offer Shares under the Open Offer.

The Open Offer Shares will be offered at the Issue Price to Qualifying Shareholders validly applying for the same on a pre-emptive basis under the terms of the Open Offer. Pursuant to the Placing and Open Offer Agreement, HSBC has agreed to place conditionally with institutional and other investors, or, to the extent that it fails to do so, itself subscribe for the Open Offer Shares which are not the subject of irrevocable undertakings to take up or valid applications made by Qualifying Shareholders under the Open Offer, on the terms and subject to the conditions set out in the Placing and Open Offer Agreement. A summary of the main terms of the Placing and Open Offer Agreement is set out in paragraph 12.1 of Part IX of this document.

No application in excess of a Qualifying Shareholder's entitlement set out in his Application Form will be met, and any Qualifying Shareholder so applying will be deemed to have applied for his or her maximum entitlement.

The Open Offer Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and the New Ordinary Shares to be issued pursuant to the Offers and Option Proposals and will rank in full for

dividends and other distributions declared, made or paid after Admission in respect of the ordinary share capital of the Company.

The Placing and Open Offer are conditional, *inter alia*, upon:

- (i) the Placing and Open Offer Agreement (save for any condition relating to Admission in that agreement) not having lapsed or been terminated in accordance with its terms prior to Admission;
- (ii) the passing of Resolution number 1 at the Extraordinary General Meeting; and
- (iii) Admission of the Open Offer Shares having become effective by no later than 8.00 a.m. on 19 February 2003 or such later time and/or date as Collins Stewart and HSBC may agree (but, in any event, not later than 5.00 p.m. on 4 March 2003).

If the Placing and Open Offer does not become unconditional, no New Ordinary Shares will be issued under the Placing or the Open Offer and all monies received by Capita IRG Plc, the receiving agent, will be returned to the applicants (at the applicants' risk and without interest) within 14 days of the Placing and Open Offer Agreement lapsing or being terminated.

Application has been made for the Open Offer Shares to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. Admission is expected to occur on 19 February 2003, when dealings in the Open Offer Shares are expected to begin.

The Board has considered competitive tendering of sub-underwriting commissions. However, after careful consideration, the Directors do not believe that there would be a material benefit to the Company and its Shareholders from such a process.

Qualifying Shareholders should note that the Open Offer is not a rights issue and that Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of Qualifying Shareholders who do not apply under the Open Offer. Entitlements under the Open Offer are not transferable unless to satisfy a *bona fide* market claim and the Application Form, not being a document of title, cannot be traded.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in the letter from HSBC in Part II of this document and on the Application Form. **Completed Application Forms, accompanied by full payment, must be received by New Issues Department, Capita IRG Plc, P.O. Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH by not later than 3.00 p.m. on 13 February 2003.**

Overseas Shareholders are referred to the section entitled "Overseas Shareholders and others" set out in paragraph 6 of Part II of this document.

Financing of the cash commitments under the Offers and related proposals

The Partial Cash Alternative in respect of the existing issued ordinary share capital of Tullett is being funded as to approximately 97 per cent. through a cash underpinning arrangement which has been underwritten by HSBC. The remaining cash requirements for the Partial Cash Alternative and the cash requirements for the Tullett A Preference Offer and the Tullett B Preference Offer are being provided through additional bank facilities made available to Collins Stewart by Bank of Scotland and through Collins Stewart's own existing cash resources. Pursuant to the Cash Underpinning and Cash Placing Agreement, the New Ordinary Shares to which Tullett Ordinary Shareholders who validly elect for the Partial Cash Alternative would otherwise have been entitled, will be placed by HSBC with institutional investors at a price of 308 pence per New Ordinary Share, the same price at which New Ordinary Shares are being allotted pursuant to the Placing and Open Offer.

The cash elements of the consideration payable in respect of the Bond Offer and the Option Cancellation Proposal will be funded, as required, out of the proceeds of the Cash Placing which has been underwritten by HSBC. The 1,506,501 New Ordinary Shares to be issued pursuant to the Cash Placing will be placed firm by HSBC with institutional investors at a price of 308 pence per New Ordinary Share and will be issued by the Company regardless of whether or not the Bond Offer and the Option Proposals become unconditional or the level of acceptances under them. To the extent that the net proceeds of the Cash Placing exceed the amount required by the Company to satisfy the cash elements of the consideration payable under the Bond Offer and the Option Cancellation Proposal the balance will be available to the Company for general working capital purposes.

The Cash Underpinning and Cash Placing Agreement is conditional upon the Ordinary Offer being declared unconditional in all respects (save only for the condition to the Ordinary Offer relating to Admission). A summary of the terms of the Cash Underpinning and Cash Placing Agreement is set out in paragraph 12.1.2 of Part IX of this document. A summary of the terms of the additional bank facilities

made available to Collins Stewart by Bank of Scotland is set out in paragraph 11.1.1 of Part IX of this document.

All New Ordinary Shares to be issued pursuant to the Cash Underpinning and Cash Placing Agreement and the Open Offer Shares to be issued pursuant to the Placing and Open Offer Agreement (save in respect of which irrevocable undertakings from shareholders to take up their entitlements under the Open Offer have been received) have been underwritten by HSBC at the Issue Price.

Current trading

Collins Stewart

On 2 September 2002 Collins Stewart reported unaudited interim results for the six months ended 30 June 2002. The interim results for this period show profit before tax for the six months to 30 June 2002 of £11.9 million compared with £11.6 million for same period in 2001.

Although equity market conditions continue to be volatile and difficult, the performance of Collins Stewart has remained resilient, aided by continued strong trade within smaller companies corporate finance which has grown in relative importance to the Collins Stewart Group in the period, as shown in the interim results announced in September 2002. Although revenues for the year to 31 December 2002 were below those for the year to 31 December 2001, with stronger margins the Collins Stewart Directors estimate that the operating profit before goodwill amortisation of the Collins Stewart Group for the year ended 31 December 2002 will not be less than £32 million.

Letters relating to the profit estimate for Collins Stewart in respect of the year ended 31 December 2002 are set out in full in Part VII of this document.

Tullett

Historically, Tullett's annual performance has shown some seasonality with stronger performance normally in the first half of the financial year. The audited results for the six-month period to 30 June 2002 set out in Part V of this document showed that the Tullett Group made a profit before taxation of £19.1 million for the half year. The Tullett Group has continued to trade strongly since that time and, as anticipated, has benefited from the continuing high levels of volatility in a number of key financial markets which the Tullett Group serves.

Split capital investment trusts

As is widely known the split capital investment trust sector has been and continues to be the subject of enquiries by the House of Commons, Treasury Select Committee and the Financial Services Authority since early 2002. The sector has also been the subject of adverse media coverage and legal actions have been threatened and possibly, commenced against certain participants in the sector following serious and widespread falls in share prices.

The principal issues raised have included the effect of high gearing (and in particular high levels of bank debt) within split capital investment trust capital structures, holdings of other split capital investment trust shares within the portfolios of split capital investment trusts which have suffered diminution in value, allegations of market manipulation and abuse, and collusion between split capital investment trust managers. The fact that a relatively small number of participants have been particularly active in the split capital investment trust sector has fuelled these allegations. There have also been allegations of mis-selling of split capital investment trust shares, and in particular zero dividend preference shares, to retail investors as well as the use of misleading marketing material.

The Collins Stewart Group has been one of the most active participants within the split capital investment trust sector. The Group currently acts as retained corporate broker and/or financial adviser to 26 split capital investment trusts. Since 1999, the Group has been sponsor to new and secondary issues 28 of the split capital investment trusts raising approximately £2,232,381,000. Members of the Group also act as investment manager to 6 split capital investment trusts. As is common across the sector, the share price performance of the majority of the split capital investment trusts which the Collins Stewart Group is retained adviser and/or investment manager has been poor when compared with the FTSE All Share Index over the last 2 years and trading in the shares of eight of the split capital investment trusts to which Collins Stewart acted as sponsor, and in one case also investment manager, is now suspended. In addition, some Collins Stewart employees have served as non-executive directors of split capital investment trusts. Members of the Group have also sold shares in split capital investment trusts to private clients.

Collins Stewart, in light of the concerns about the split capital investment trust sector, has conducted an internal review. The result of its review has not led the Board of Collins Stewart to believe that the Group

has any material liability in relation to its involvement in split capital investment trusts and the Board does not currently intend to make any material specific provision in its accounts for the year ended 31 December 2002 in relation to its involvement in split capital investment trusts. On 20 January 2003 Collins Stewart Limited, the Company's FSA regulated subsidiary, received a notification from the FSA that it was being investigated in connection with its activities in the split capital investment trust sector. In light of this notification and the widely publicised more general regulatory investigations into the split capital investment industry, Collins Stewart has stated that no assurances can be given that any adverse findings in respect of the Group's involvement in, or developments in respect of, the split capital investment trust sector would not have a negative impact on the Enlarged Group.

NewMedia SPARK plc ("NewMedia SPARK")

On 10 September 2002, NewMedia SPARK announced that it was considering a range of strategic options, one of which was a possible sale of the company, and that discussions were being held in relation to this possibility. Such discussions were at an early stage and it was stated they may or may not lead to an offer being made for the company.

Collins Stewart confirms that it was in discussions with NewMedia SPARK. Collins Stewart carried out initial due diligence into a possible acquisition of NewMedia SPARK. However these discussions have not been actively pursued since discussions with Tullett commenced in earnest. Collins Stewart is still considering a transaction with NewMedia SPARK but such a transaction, which would be subject to further due diligence, would not be actively pursued before the date that the Ordinary Offer becomes unconditional in all respects or lapses.

Strategy and prospects

It is envisaged that the Board will seek opportunities to develop the Enlarged Group. Capital will be allocated to those parts of the business capable of demonstrating the greatest return and, the Board expects Tullett's business to be a key area for strategic investment. Collins Stewart has assured the Tullett Board that it has no present intention to make any major changes to the business of Tullett which as part of the Enlarged Group will continue to be managed by the same Tullett management team.

In addition to the strategic rationale for the Offers, it is the view of the Collins Stewart Board that a combination with Tullett will provide a strong initial return on capital for shareholders in the Enlarged Group which should be enhanced once Tullett's existing plans for the development of its profitability and market position are implemented.

Overseas Shareholders

The attention of Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than those forming part of the United Kingdom, is drawn to paragraph 6 of Part II of this document. The Open Offer may not be, and is not being, made to certain Overseas Shareholders. This document is being sent to such Overseas Shareholders for information only in connection with the EGM.

Taxation

The attention of Shareholders is drawn to paragraph 15 of Part IX of this document.

If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

Extraordinary General Meeting

You will find at the end of this document a notice convening an Extraordinary General Meeting of the Company for 3.00 p.m. on 17 February 2003.

At the Extraordinary General Meeting, four resolutions will be proposed:

1. Resolution number 1, which will be proposed as a special resolution to approve the Placing and Open Offer, and in particular will, conditional upon the Placing and Open Offer becoming unconditional (save only for the conditions relating to the passing of this Resolution and Admission of the Open Offer Shares):
 - (i) give the Directors authority, under Section 80 of the Act, to allot shares; and
 - (ii) give the Directors authority to allot the new share capital for cash otherwise than *pro rata* to the holders of Existing Ordinary Shares in order to implement the Placing and Open Offer; and

2. Resolution number 2, which will be proposed as an ordinary resolution to approve the making of the Offers and Option Proposals, and in particular will:
 - (i) approve the terms of the Offers and Option Proposals;
 - (ii) subject to the Ordinary Offer becoming or being declared unconditional in all respects increase the authorised share capital of the Company by the creation of 69,699,448 New Ordinary Shares in order for the Company to have sufficient share capital to implement each of the Offers and Option Proposals;
 - (iii) subject to the Ordinary Offer becoming or being declared unconditional in all respects give the Directors authority under Section 80 of the Act to allot the new share capital created under paragraph (ii) above in order to implement each of the Offers; and
 - (iv) subject to the Ordinary Offer becoming or being declared unconditional in all respects approve the adoption of the New Share Option Plan, details of which are set out in paragraph 9.2 of Part IX of this document; and
3. Resolution number 3, which will be proposed as a special resolution subject to the passing of Resolution 2 and the Ordinary Offer becoming or being declared unconditional, will further increase the authorised share capital of the Company by the creation of 65,000,000 New Ordinary Shares, will give the directors authority to allot such additional New Ordinary Shares under Section 80 of the Act and will disapply Section 89 of the Act in connection with normal rights issues, the satisfaction of the Further Payment by the issue of shares and other issues by way of rights and issues of ordinary shares for cash representing, but not more than, approximately 5 per cent. of the issued share capital of the Company following implementation of the Offers and Option Proposals, the Cash Placing and the Placing and Open Offer; and
4. Resolution number 4, which will be proposed as an ordinary resolution and is unconditional will amend the Collins Stewart Company Share Option Plan and Collins Stewart Unapproved Share Option Scheme.

In the event that the Resolutions are duly passed, Resolution 1 would enable the Directors to carry out the Placing and Open Offer. Resolution 2 would enable the Company to effect each of the Offers relating to Tullett and to issue such number of New Ordinary Shares as necessary, as consideration in accordance with the terms of the respective Offers and Option Proposals. Resolution 3 would grant the Company headroom in its authorised share capital and give the necessary authority to allot further shares for cash in the future over and above the Placing and Open Offer, Cash Placing and the Offers and Option Proposals, in advance of the next Annual General Meeting of the Company both in relation to its obligations in connection with the Further Payment and generally. Resolution 4 will amend certain of the existing Collins Stewart discretionary share schemes to take account of the New Share Option Plan. The Company has sufficient authority pursuant to the resolutions passed at its last annual general meeting to effect the Cash Placing.

Should you wish to approve the Placing and Open Offer in order to enable the Company to redeem the Collins Stewart Preference Shares, you should vote in favour of Resolution 1. Should you wish for the Offers and Option Proposals for Tullett to go ahead, having regard to the break fee payable by the Company to Tullett under the Merger Agreement if the resolution is not passed, and for the New Share Option Plan to be adopted, you should vote in favour of Resolution 2. Should you wish for the Company to be able to issue further shares as it sees fit, up to the maximum specified in Resolution 3, you should vote in favour of this resolution. Should you wish to update the limits on options able to be granted pursuant to the Company's Existing Discretionary Schemes, you should vote in favour of Resolution 4.

Full acceptance of the Ordinary Offer, Bond Offer and Option Proposals (assuming no election for the Bond Offer Additional Share Facility and full acceptance of the Option Cancellation Proposal) and the New Ordinary Shares to be issued under the Cash Placing and the Placing and Open Offer, would result in the issue of 82,439,161 New Ordinary Shares (representing approximately 43.7 per cent. of the share capital as enlarged by the shares to be issued pursuant to the Offers and Option Proposals, the Cash Placing and the Placing and Open Offer). On this basis, following the implementation of the Offers and Option Proposals, the Cash Placing and the Placing and Open Offer and assuming that Resolution 3 is duly passed, 188,667,786 Ordinary Shares will be in issue and 96,031,662 Ordinary Shares will remain authorised but unissued (of which 3,205,807 will be reserved for issue on exercise of existing options and 2,125,000 would be reserved for issue on exercise of the first tranche of options to be granted under the New Share Option Plan). These authorised but unissued shares will represent approximately 50.9 per cent. of the enlarged issued share capital of the Company following completion of the Offers and Option Proposals, the Cash Placing and the Placing and Open Offer (calculated on the assumptions set out above).

Action to be taken by Collins Stewart Shareholders

Extraordinary General Meeting

The reply paid Form of Proxy enclosed with this document is for use in connection with the EGM. 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 IRG Plc, P.O. Box 25, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR as soon as possible, and in any event so as to be received by not later than 3.00 p.m. on 15 February 2003. The completion and return of the Form of Proxy will not preclude you from attending the EGM and voting in person should you wish to do so.

Procedure for Application under the Open Offer

The Application Form accompanying this document shows the number of Existing Ordinary Shares registered in each Qualifying Shareholder's name at the Record Date and the maximum number of Open Offer Shares for which such Qualifying Shareholder is entitled to apply under the Open Offer. Qualifying Shareholders may apply for less than their maximum entitlement should they so wish. No application in excess of a Qualifying Shareholder's entitlement will be met and any Qualifying Shareholder attempting so to apply will be deemed to have applied for his or her maximum entitlement. Application Forms have not been and will not be sent to certain Overseas Shareholders who are prohibited from participating in the Open Offer.

Qualifying Shareholders wishing to apply for all or any of the Open Offer Shares to which they are entitled should complete the Application Form in accordance with the instructions printed on it and set out in Part II of this document and lodge the Application Form, together with the appropriate remittance for the full amount payable on application, by hand or by post with New Issues Department, Capita IRG Plc, P.O. Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH so as to be received by no later than 3.00 p.m. on 13 February 2003. Applications will only be accepted at the above address. The instructions and other terms set out in Part II of this document (the letter from HSBC) and on the Application Form are terms of the Placing and Open Offer.

Recommendation

Your Directors, who have been provided with financial advice by HSBC, consider the terms of the Offers and Option Proposals to be fair and reasonable and view the proposed combination of Collins Stewart and Tullett to be in the best interests of Collins Stewart shareholders as a whole.

Your Directors, who have been provided with financial advice by HSBC, also consider the terms of the Placing and Open Offer and the amendments to the Collins Stewart Company Share Option Plan and Collins Stewart Unapproved Share Option Scheme to be in the best interests of Collins Stewart and its shareholders as a whole. Further, your Directors consider the adoption of the New Share Option Plan and the additional share allotment authority in the event that the Ordinary Offer becomes or is declared unconditional, to be in the best interests of the Collins Stewart and Tullett shareholders as a whole. In providing its advice to the Directors of Collins Stewart, HSBC has relied upon the Directors' commercial assessments of the Offers, Option Proposals, the Cash Placing and the Placing and Open Offer.

Accordingly, your Directors unanimously recommend all Shareholders to vote in favour of each of the Resolutions to be proposed at the EGM as they and their connected persons have committed to do so in respect of their beneficial and non-beneficial interests comprising 16,107,467 Existing Ordinary Shares, representing approximately 15.2 per cent. of Collins Stewart's existing issued ordinary share capital.

Yours sincerely

Keith Hamill

Non-Executive Chairman

PART II

LETTER FROM HSBC RELATING TO THE PLACING AND OPEN OFFER



(HSBC Bank plc incorporated in England and registered under number 14259)

Registered office:
8 Canada Square
London E14 5HQ

23 January 2003

To Qualifying Shareholders and for information only to holders of Collins Stewart Preference Shares and holders of options in Collins Stewart

Dear Qualifying Shareholder

Placing and Open Offer of 14,652,224 New Ordinary Shares at 308p per share

1. Introduction

As explained in the letter from your Chairman set out in Part I of this document, the Company proposes to raise approximately £45.1 million (approximately £44.6 million net of commissions and expenses) by way of the Placing and Open Offer of 14,652,224 New Ordinary Shares at a price of 308p per share in order to finance the redemption of the Company's preference share capital. Of these shares, 2,182 Open Offer Shares are the subject of irrevocable undertakings by certain shareholders to take up their entitlements under the Open Offer, 5,840,208 Open Offer Shares are the subject of irrevocable undertakings not to take up entitlements under the Open Offer, and are being placed firm at the Issue Price, and 8,809,834 Open Offer Shares are being conditionally placed at the Issue Price subject to clawback to satisfy valid applications from Qualifying Shareholders under the Open Offer.

Subject to the conditions contained in the Placing and Open Offer Agreement, the Placing and Open Offer has been underwritten by HSBC (as described in the section on the Details of the Placing and the Open Offer of Part I of this document). The Placing and Open Offer is not conditional on all or any of the Offers for Tullett becoming unconditional.

A summary of the arrangements relating to the Open Offer is set out below. This document and the accompanying Application Form contain the formal terms and conditions of the Open Offer.

Persons resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of any jurisdiction outside the UK and their nominees should read paragraph 6 of this letter.

2. The Open Offer

Subject to the terms and conditions set out herein and in the enclosed Application Form, HSBC, as agent for the Company, hereby invites Qualifying Shareholders to apply for Open Offer Shares at a price of 308p per share, free of all expenses, payable in full on application, on the basis of:

4 Open Offer Shares for every 29 Existing Ordinary Shares

held by each Qualifying Shareholder on the Record Date, and so in proportion for any other number of Existing Ordinary Shares then held. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Open Offer Shares. Fractional entitlements that would otherwise have arisen will be aggregated and included in the Placing, with the proceeds retained for the benefit of the Company. The maximum number of Open Offer Shares for which each Qualifying Shareholder may apply under the Open Offer is set out in his/her Application Form. No application in excess of a Qualifying Shareholder's maximum entitlement will be met and any Qualifying Shareholder so applying will be deemed to have applied for his/her maximum entitlement only. Any monies paid in excess of the amount due in respect of an application will be returned to the applicant (at the applicant's risk) without interest within 14 days of receipt. **Completed Application Forms, accompanied by full payment, must be received by New Issues Department, Capita IRG Plc, P.O. Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH, by 3.00 p.m. on 13 February 2003.**

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their full entitlement to Open Offer Shares will have no rights in respect of their entitlements not applied for under the Open Offer. Any Open Offer Shares not taken up under the Open Offer will be placed under the Placing along with aggregated fractional entitlements.

The Existing Ordinary Shares have been admitted to the Official List and to trading on the London Stock Exchange. Application has been made to the UK Listing Authority and to the London Stock Exchange for the Open Offer Shares to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the Open Offer Shares will commence on 19 February 2003. The Open Offer Shares when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares and the New Ordinary Shares to be issued pursuant to the Offers and the Option Proposals and the Cash Placing. Further details of the rights attaching to the Existing Ordinary Shares and the New Ordinary Shares are set out in section 6 of Part IX of this document.

3. Conditions and Further Terms of the Open Offer

The Open Offer is conditional upon the Placing and Open Offer Agreement becoming unconditional in all respects by 8.00 a.m. on 19 February or such later date as HSBC and the Company may agree (not being later than 5.00 p.m. on 4 March 2003), and not having been terminated in accordance with its terms. The Placing and Open Offer Agreement is conditional upon, *inter alia*, the satisfaction of the following conditions:

- (i) the passing of the Resolution numbered 1 at the Extraordinary General Meeting;
- (ii) Admission of the Open Offer Shares having become effective by no later than 8.00 a.m. on 19 February 2003 or such later time and/or date as Collins Stewart and HSBC may agree (but, in any event, not later than 5.00 p.m. on 4 March 2003).

Further details of the Placing and Open Offer Agreement are set out in paragraph 12.1.1 of Part IX of this document.

Further terms of the Open Offer are set out in this letter and in the Application Form.

4. Procedure for Application and Payment

If you are a Qualifying Shareholder, you will find an Application Form enclosed with this document. The Application Form shows the number of Existing Ordinary Shares registered in your name at the close of business on the Record Date. It also shows the maximum number of Open Offer Shares for which you are entitled to apply under the Open Offer. You may apply for less, but not more, than your maximum entitlement should you wish to do so.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer.

Applications may only be made on the Application Form, which is personal to the Qualifying Shareholder named therein, and may not be assigned, transferred or split except in the circumstances described below. The Application Form represents an invitation to apply for Open Offer Shares; it is not a document of title and cannot be traded. It is transferable only to satisfy *bona fide* market claims in relation to market purchases pursuant to the rules of the London Stock Exchange prior to the Existing Ordinary Shares being marked "ex" the Open Offer. Application Forms may be split to satisfy *bona fide* market claims up to 3.00 p.m. on 11 February 2003. A Qualifying Shareholder who has sold or transferred all or part of his holding of Existing Ordinary Shares should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares may be a benefit which may be claimed by the transferee or purchaser from him pursuant to the rules of the London Stock Exchange. Qualifying Shareholders who have sold all or part of their holdings should complete Box 2 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

If you wish to apply for all or part of your entitlement to Open Offer Shares, you should complete and sign the Application Form in accordance with the instructions on it and send it, together with the appropriate remittance in full, by post or by hand to New Issues Department, Capita IRG Plc, P.O. Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH, so as to arrive no later than 3.00 p.m. on 13 February 2003. If an Application Form is sent by first class post from within the United Kingdom, Qualifying Shareholders are recommended to allow at least four business days for delivery. HSBC may also

(on behalf of the Company and in its sole discretion) elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions, or if it is not accompanied by a power of attorney (where required), or if it does not strictly comply with the terms and conditions of application. Applications, once made, will not be acknowledged.

HSBC, on behalf of the Company, also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3.00 p.m. on 13 February 2003 from an authorised person (as defined in the Financial Services and Markets Act 2000) specifying the number of Open Offer Shares concerned, and undertaking to lodge the relevant Application Form in due course but in any event, within 2 days thereafter.

Cheques or bankers' drafts should be made payable to "Capita IRG Plc re: Collins Stewart Holdings plc" and crossed "A/C Payee only". All payments must be made for the full amount by cheque or bankers' draft in pounds sterling drawn on a bank or building society in the United Kingdom, Channel Islands or Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited, or a member of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques or bankers' drafts to be cleared through the facilities provided by either of those companies or committees. Please also note that such payments must bear the appropriate sort code in the top right hand corner. No interest will be allowed on payments made.

An application may not be considered unless the requirements described above are fulfilled. Once submitted, applications are irrevocable. Cheques and bankers' drafts are liable to be presented for payment upon receipt. Qualifying Shareholders should note that the Application Form contains a warranty (which is a term of the Open Offer) that cheques will be honoured on first presentation. Any application accompanied by a cheque that has not been so honoured by 3.00 p.m. on 13 February 2003 may, in the absolute discretion of the Company and/or HSBC (on behalf of the Company), be deemed invalid.

The Directors reserve the right to instruct Capita IRG Plc to seek special clearance of bankers' drafts and cheques to allow the Company to obtain the value of any remittance at the earliest opportunity.

Application monies will be paid into a separate bank account pending the Open Offer becoming unconditional. In the event that it does not become unconditional by 8.00 a.m. on 19 February 2003 or such later time and date as the Company and HSBC shall agree, but not, in any event, later than 5.00 p.m. on 4 March 2003, the Open Offer will lapse and application monies will be returned by post to applicants, at the applicants' risk and without interest, to the address specified by the applicant on the Application Form, within 14 days thereafter. Any interest earned on monies held in the separate bank account will be retained for the benefit of the Company.

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, the applicant(s):

- (i) agree(s) that all applications, acceptances of applications and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, English law; and
- (ii) confirm(s) that in making the application no reliance has been placed on any information or representation other than that contained in this document, and the applicant(s) accordingly agree(s) that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such information or representation not so contained.

If you do not wish to apply for any of the Open Offer Shares to which you are entitled to under the Open Offer, you should not complete and return the Application Form. Qualifying Shareholders are nevertheless requested to complete and return the enclosed Form of Proxy for use at the EGM to be held at 9th Floor, 88 Wood Street, London EC2V 7QR at 3.00 p.m. on 17 February 2003.

If you are in doubt whether or not you should apply for any of the Open Offer Shares to which you are entitled to under the Open Offer, you should consult your independent financial adviser immediately. Queries relating to the procedure for application or payment under the Open Offer should be addressed to Capita IRG Plc on telephone number: 0870 162 3100 or, from outside the UK, on +44 20 8639 2157, quoting the serial number on your Application Form.

5. Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations 1993 (as amended), Capita IRG Plc may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). The person (the "applicant") who, by lodging an Application Form with payment,

applies for Open Offer Shares and any agent lodging such Application Form on his/her behalf shall thereby be deemed to have agreed to provide Capita IRG Plc with such information and other evidence as Capita IRG Plc may require to satisfy the verification of identity requirements.

If Capita IRG Plc determines that the verification of identity requirements applicable to any application are not satisfied to its satisfaction, the Open Offer Shares will not be allotted to the applicant (notwithstanding any other term of the Placing and Open Offer) until the verification of identity requirements have been satisfied. If the verification of identity requirements have not been satisfied within a reasonable period following a request for evidence of identity the Company and/or HSBC, as its agent, shall, at its or their sole discretion, be entitled to elect to treat the relevant application as invalid, in which event the monies paid by the applicant will be returned without interest to the account of the bank or building society on which the relevant cheque or draft was drawn.

Capita IRG Plc shall be entitled, at its sole discretion, to determine whether the verification of identity requirements apply to any applicant and whether such requirements have been satisfied and none of Capita IRG Plc, the Company nor HSBC will be liable to any person for any loss suffered or incurred as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary verification of identity within a reasonable time may result in an application being treated as invalid or in a delay in either the despatch of a share certificate in relation to the Open Offer Shares applied for or the crediting of an applicant's CREST account with New Ordinary Shares.

The verification of identity requirements will not usually apply:

- (a) if the applicant is an organisation required to comply with the EU Money Laundering Directive (91/308/EEC); or
- (b) if the applicant (not being an applicant who delivers his/her application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; or
- (c) if the aggregate subscription price for the relevant New Ordinary Shares is less than £9,400.

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by building society cheque (not being a cheque drawn on an account in the name of the applicant) or bankers' draft, by the building society or bank endorsing on the cheque or banker's draft the applicant's name and the number of the account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature; or
- (ii) if payment is not made by cheque drawn on an account in the name of the applicant and (i) above does not apply, the applicant should enclose with his/her Application Form(s) evidence of his/her name and address from an appropriate third party; for example, a recent bill addressed to the applicant from a gas, electricity or telephone company or a bank statement, in each case bearing the applicant's name and address (originals of such documents (not copies) are required which will be returned in due course); or
- (iii) if the Application Form(s) is (are) lodged with payment by an agent(s) which is/are an organisation(s) of the kind referred to in (a) above, or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Singapore, Switzerland, Turkey, the UK Crown Dependencies and the United States), the agent should provide with the Application Form(s) written confirmation that it has that status and that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Capita IRG Plc.

In any other case, the applicant should telephone Capita IRG Plc on 0870 162 3100 or, if calling from outside the UK, on +44 20 8639 2157. If (an) Application Form(s) in respect of New Ordinary Shares with an aggregate subscription price of £9,400 or more is/are lodged by hand by the applicant, he/she should ensure that he/she has with him/her evidence of identity bearing his/her photograph (for example his/her passport) and evidence of his/her address. If an Application Form is delivered by hand and the accompanying payment is not the applicant's own cheque, the applicant should ensure that he/she has with him/her evidence of identity bearing his/her photograph, for example a valid full passport.

6. Overseas Shareholders

If you are resident in any jurisdiction other than the United Kingdom, you should consult a professional adviser immediately.

(i) General

The making of the Open Offer to persons who are resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the jurisdictions within the United Kingdom may be affected by the laws and regulations of the relevant country or jurisdiction. No person receiving a copy of this document and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an offer or an invitation to that person to subscribe, apply for or purchase Open Offer Shares, nor should that person in any event use such Application Form unless, in the relevant territory, such offer or invitation could lawfully be made in compliance with any registration or other legal or regulatory requirements other than any such requirements which have been fulfilled.

Accordingly, persons (including, without limitation, nominees and trustees) receiving this document and/or an Application Form should not, in connection with the Placing and Open Offer, distribute or send the same into any jurisdiction where to do so would or might contravene local securities laws or regulations. The Company reserves the right to treat as invalid any application or purported application to subscribe for Open Offer Shares on an Application Form which appears to the Company or its agents to have been sent from a person in any such jurisdiction and accordingly to reject such application.

It is the responsibility of any person outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy himself or herself or itself or themselves as to the full observance of the laws and any regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consent which may be required, and compliance with other necessary formalities including the payment of any issue, transfer or other taxes due in such territory.

(ii) United States

The New Ordinary Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state of the United States. Accordingly, Application Forms have not been sent to Shareholders with registered or mailing addresses in the United States and, subject to certain exceptions, no New Ordinary Shares will be sent to or credited to the stock account in CREST of any Shareholder with a registered or mailing address in the United States. This document, but not the Application Form, is being sent to Shareholders with registered or mailing addresses in the United States for information only in connection with the EGM and, in that context, does not constitute an offer or invitation to subscribe for Open Offer Shares.

Collins Stewart reserves the right to reject any Application Form that appears to Collins Stewart to have been executed in or dispatched or sent from the United States.

(iii) Canada

The Open Offer is not being made in or into Canada. Neither the Application Form nor the Open Offer Shares have been nor will they be registered under the securities legislation of any province or territory of Canada. Furthermore, relevant exemptions are not being obtained from the Securities Commission of any province of Canada. Accordingly, the Open Offer Shares may not (other than in certain circumstances) be offered, sold, transferred, taken up or delivered directly or indirectly in or into Canada, its territories and possessions, or any political subdivision thereof or to any other resident of Canada.

Subject to certain exceptions, no application to subscribe for Open Offer Shares may be made under this document or the Application Form in Canada and, subject to those exceptions, Application Forms have not been sent to Shareholders with registered addresses in Canada. This document but not the Application Form is being sent to such Shareholders for information only in connection with the EGM and, in that context, does not constitute an offer or an invitation to subscribe for Open Offer Shares.

(iv) Australia

No prospectus in relation to the Open Offer Shares has been lodged with, or registered by, the Australian Securities and Investments Commission.

A person may not:

- (i) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe for or buy or sell, the Open Offer Shares; or
- (ii) distribute any draft or definitive document in relation to any such offer, invitation, or sale,

inside the Commonwealth of Australia, its territories or possessions (“Australia”) or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such corporation or entity located outside Australia).

Accordingly, no offer of Open Offer Shares is being made in Australia. Application Forms have not been sent to Shareholders with registered addresses in Australia. This document, but not the Application Form, is being sent to such Shareholders for information only in connection with the EGM and, in that context, does not constitute an offer or invitation to subscribe for Open Offer Shares.

(v) Japan

The relevant clearances have not been and will not be obtained from the Ministry of Finance of Japan and no prospectus has been or will be lodged with, or registered by, the Ministry of Finance of Japan.

The Open Offer is not being made in Japan, no Application Forms will be sent to Shareholders with registered addresses in Japan and the Open Offer Shares will not be available for subscription by any resident of Japan, including corporations organised under the laws of Japan.

(vi) The Republic of Ireland

In order to comply with the laws of the Republic of Ireland, no Application Forms have been sent to Shareholders with registered addresses in the Republic of Ireland.

(vii) Representation and warranty

Save where the Company and, acting on its behalf, HSBC otherwise determine as described below, the making of an application on an Application Form will constitute a representation and warranty that *inter alia* the applicant is not a Shareholder with a registered or mailing address in the United States, Canada, Australia, Japan, or the Republic of Ireland nor is the applicant applying for Open Offer Shares for the account of any person, or with a view to re-offering, selling, transferring or delivering such securities in any of those territories or possessions, and otherwise, that the applicant has fully observed the laws and any regulatory requirements of any relevant jurisdiction.

In particular, unless otherwise agreed with Collins Stewart, by completing and delivering an Application Form each Qualifying Shareholder represents and warrants that he/she/it is not (i) a resident of or with a registered address in the United States, (ii) located in the United States when executing the Application Form, (iii) sending the Application Form on a non-discretionary basis on behalf of a person located in the United States at the time the instruction to accept the Open Offer was given and (iv) accepting the Open Offer Shares with a view to offer, sell, pledge or otherwise transfer the Open Offer Shares directly or indirectly in or into the United States.

Notwithstanding the above, the Company and, on its behalf, HSBC (acting in their absolute discretion) reserve the right to make the Open Offer Shares available to Overseas Shareholders under the Open Offer, or to overseas persons under the Placing (irrespective of the effect of any statement or representation and warranty contained in this document or the Application Form), provided that they are advised to their satisfaction that any such Overseas Shareholder can properly accept the invitation comprised in the Open Offer or participate in the Placing (as the case may be). The Company and HSBC reserve, without limitation, the right to treat an application on an Application Form as invalid if they believe the application or acceptance of it may violate applicable legal or regulatory requirements.

7. United Kingdom Taxation

Certain limited information on United Kingdom taxation with regard to the Placing and Open Offer is set out in paragraph 15 of Part IX of this document. If you are in any doubt as to your tax position, or if you are resident or subject to tax in any jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

8. CREST

Although the Open Offer will be processed outside CREST for the purposes of calculating entitlements on the Record Date, shareholdings held in uncertificated form and certificated form will be treated independently.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form on the Record Date. Notwithstanding any other provision of this document, the Company reserves

the right to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST, or any part of CREST, or any part of the facilities and/or system operated by Capita IRG Plc in connection with CREST. The right may also be exercised if the correct details (such as CREST member account ID and CREST participant ID details) are not provided in Box K of the Application Form.

Qualifying Shareholders who hold their Existing Ordinary Shares in uncertificated form who are CREST sponsored members should refer to their CREST sponsor regarding what action should be taken by them in connection with this document, Application Form and the Open Offer.

9. Settlement and Dealing

Application has been made to the UK Listing Authority for the Open Offer Shares to be issued pursuant to the Placing and Open Offer to be admitted to the Official List. Application has also been made for the Open Offer Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Subject to the Placing and Open Offer Agreement becoming unconditional in all respects and not being terminated in accordance with its terms, it is expected that dealings in the Open Offer Shares to be issued pursuant to the Placing and Open Offer will commence on the London Stock Exchange at 8.00 a.m. on 19 February 2003.

The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the Open Offer Shares.

Subject to the conditions of the Placing and the Open Offer being satisfied or waived, all Open Offer Shares to be issued in uncertificated form are expected to be credited to the appropriate CREST stock accounts on 19 February 2003 unless the Company exercises its right to issue such Open Offer Shares in certificated form. Subject as aforesaid, definitive certificates in respect of the Open Offer Shares to be issued in certificated form are expected to be despatched by first class post, at the risk of the person entitled thereto, and in the case of joint holders, to the holder whose name stands first in the Company's register of members in respect of the joint holding concerned, in the week commencing 17 February 2003 and, pending such despatch, transfers will be certified against the register. No temporary documents of title will be issued.

Qualifying Shareholders who hold their Existing Ordinary Shares in uncertificated form should note that they will not be sent any confirmation of the credit of the Open Offer Shares, to their CREST stock accounts, nor will they be sent any other written communication by the Company in respect of the issue of the Open Offer Shares.

10. Further Information

Your attention is drawn to the further information set out in Part IX of this document and the notice of the Extraordinary General Meeting set out at the end of this document and also to the terms, conditions and other information set out in the Application Form.

Yours sincerely,

Edward Williams
Managing Director – Corporate Finance and Advisory

For and on behalf of
HSBC Bank plc

PART III
FINANCIAL INFORMATION ON COLLINS STEWART

Nature of Financial Information

The information set out in this document for the 51 weeks ended 31 December 2000 and the year ended 31 December 2001 has been extracted without material adjustment from the audited consolidated financial statements of the periods then ended in respect of which unqualified reports were given. The information for the 6 months ended 30 June 2000 and the year ended 31 December 1999 has been extracted without material adjustment from the unqualified accountants' report contained in the listing particulars of Collins Stewart Holdings plc dated 17 October 2000.

Collins Stewart Holdings plc was incorporated on 11 January 2000 with a view to carrying out a management buyout of Collins Stewart Limited from Singer & Friedlander Group plc. The MBO occurred on 26 May 2000 and, therefore, the 51 week period ended 31 December 2000 consolidates the trading results of Collins Stewart Limited from that date only. Collins Stewart Holdings plc did not trade from the date of incorporation through to the date of the MBO. The comparative figures for the year ended 31 December 1999 are the results of Collins Stewart Limited only. The financial information on the 6 months ended 30 June 2000 comprises the trading results of Collins Stewart Limited prior to the MBO and Collins Stewart Holdings plc after the MBO. The financial information on the 6 months ended 30 June 2000 includes turnover of £44,585,000, goodwill amortisation of £42,000, other expenses of £28,435,000 and operating profit of £16,108,000 for Collins Stewart Limited prior to the MBO.

Consolidated profit and loss account

	<i>Year ended 31 December 1999 £'000</i>	<i>6 months ended 30 June 2000 £'000</i>	<i>51 weeks ended 31 December 2000 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
Turnover				
Continuing operations	53,213	50,097	54,969	99,191
Acquisitions	—	—	—	4,025
	1,2	53,213	54,969	103,216
Administrative expenses				
Goodwill amortisation:				
Continuing operations	—	(523)	(3,300)	(5,636)
Acquisitions	—	—	—	(514)
	—	(523)	(3,300)	(6,150)
Other expenses:				
Continuing operations	(34,419)	(31,982)	(34,468)	(65,982)
Acquisitions	—	—	—	(5,384)
	(34,419)	(31,982)	(34,468)	(71,366)
Total administrative expenses	(34,419)	(32,505)	(37,768)	(77,516)
Other operating income				
Continuing operations	—	—	247	905
Acquisitions	—	—	—	170
	3	—	247	1,075
Operating profit				
Continuing operations	18,794	17,592	17,448	28,478
Acquisitions	—	—	—	(1,703)
	2,4	18,794	17,448	26,775

	<i>Notes</i>	<i>Year ended 31 December 1999 £'000</i>	<i>6 months ended 30 June 2000 £'000</i>	<i>51 weeks ended 31 December 2000 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
Interest receivable and similar income		1,293	1,368	2,583	3,523
Interest payable and similar charges	7	(477)	(1,164)	(7,322)	(4,203)
Exceptional items: profit on sale of fixed asset investments in continuing operations	6	—	—	—	6,684
Profit on ordinary activities before taxation		19,610	17,796	12,709	32,779
Taxation on profit on ordinary activities	8	(5,853)	(5,957)	(4,456)	(11,401)
Profit on ordinary activities after taxation		13,757	11,839	8,253	21,378
Equity minority interests		(613)	(1,106)	(25)	5
Profit after taxation and minority interests		13,144	10,733	8,228	21,383
Dividends					
Ordinary dividend on equity shares	9	—	(10,000)	(1,289)	(6,875)
Preference dividend on non-equity shares	9	(587)	(218)	(1,573)	(2,602)
Retained profit for the period		12,557	515	5,366	11,906
Earnings per share					
Basic (p)	10	9.92	105.15	12.23	18.21
Diluted (p)	10	8.26	105.15	12.07	18.05
Basic before goodwill amortisation and exceptional item (p)	10	9.92	110.38	18.29	19.64
Retrospective earnings per ordinary share (p)	10	12.18	10.20	—	—
Diluted retrospective earnings per ordinary share (p)	10	11.93	9.99	—	—
Consolidated statement of total recognised gains and losses					
		<i>Year ended 31 December 1999 £'000</i>	<i>6 months ended 30 June 2000 £'000</i>	<i>51 weeks ended 31 December 2000 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
Profit for the period attributable to the shareholders		13,144	10,733	8,228	21,383
Costs of equity issue in connection with MBO		—	(1,542)	—	—
Currency translation differences		—	—	—	11
Total recognised gains & losses for the period		13,144	9,191	8,228	21,394

Consolidated balance sheet

		<i>31</i>		<i>31</i>	<i>31</i>
	<i>Notes</i>	<i>December</i>	<i>30 June</i>	<i>December</i>	<i>December</i>
		<i>1999</i>	<i>2000</i>	<i>2000</i>	<i>2001</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets					
Intangible assets	11	—	116,533	109,574	120,891
Tangible assets	12	2,109	2,184	2,164	6,866
Investments	13	—	—	103	103
		<u>2,109</u>	<u>118,717</u>	<u>111,841</u>	<u>127,860</u>
Current assets					
Investments	14	12,569	21,952	12,671	14,625
Debtors	15	108,582	308,520	158,132	103,376
Cash at bank and in hand	16	11,609	28,312	70,064	66,299
		<u>132,760</u>	<u>358,784</u>	<u>240,867</u>	<u>184,300</u>
Creditors: amounts falling due within one year	17	<u>(108,249)</u>	<u>(328,561)</u>	<u>(208,742)</u>	<u>(150,801)</u>
Net current assets		<u>24,511</u>	<u>30,223</u>	<u>32,125</u>	<u>33,499</u>
Total assets less current liabilities		26,620	148,940	143,966	161,359
Creditors: amounts falling due after more than one year	18	(6,593)	(105,394)	(25,407)	(18,605)
Equity minority interests		(1,280)	(104)	(138)	(158)
Net assets	2	<u>18,747</u>	<u>43,442</u>	<u>118,421</u>	<u>142,596</u>
Capital and reserves					
Called up share capital	19, 20	3,566	546	26,221	27,003
Share premium account	20	—	42,612	86,834	98,310
Profit and loss account	20	15,181	284	5,366	17,283
		<u>18,747</u>	<u>43,442</u>	<u>118,421</u>	<u>142,596</u>
Shareholders' funds		<u>18,747</u>	<u>43,442</u>	<u>118,421</u>	<u>142,596</u>
Equity		16,447	(1,158)	73,821	97,996
Non equity		2,300	44,600	44,600	44,600
		<u>18,747</u>	<u>43,442</u>	<u>118,421</u>	<u>142,596</u>

Consolidated statement of cash flows

	<i>Notes</i>	<i>Year ended 31 December 1999 £'000</i>	<i>6 months ended 30 June 2000 £'000</i>	<i>51 weeks ended 31 December 2000 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
Net cash inflow from operating activities	24	13,586	16,978	52,500	25,875
Returns on investments & servicing of finance:					
Interest received		1,293	1,368	2,435	3,434
Interest paid		(477)	(1,164)	(4,283)	(2,629)
Preference dividends paid		(587)	—	—	(1,573)
Dividends paid to minorities		—	—	—	(34)
		229	204	(1,848)	(802)
Taxation:					
Corporation tax paid		(3,665)	(3,159)	(4,417)	(8,843)
Overseas tax paid		—	(292)	(387)	(2,213)
		(3,665)	(3,451)	(4,804)	(11,056)
Capital expenditure and financial investments:					
Purchase of tangible fixed assets		(1,409)	(552)	(592)	(6,346)
Proceeds from sale of tangible fixed assets		9	—	—	7
Sale of fixed asset investments	6	—	—	—	6,684
		(1,400)	(552)	(592)	345
Acquisitions and disposals:					
Purchase of subsidiary undertakings		(170)	(138,342)	(138,917)	(17,408)
Net cash acquired with subsidiary undertaking		—	—	26,960	—
Proceeds from disposal of subsidiaries		270	—	—	—
		100	(138,342)	(111,957)	(17,408)
Equity dividends paid		—	(10,000)	—	(3,581)
Net cash outflow before financing		8,850	(135,163)	(66,701)	(6,627)
Financing:					
Issue of ordinary share capital		—	100	73,100	12,500
Issue of preference share capital		—	43,058	44,600	—
Share issue costs		—	—	(4,645)	(242)
(Repayment)/ issue of debt and loans net of issue costs		—	101,501	23,222	(9,868)
Repayment of secured loan notes		—	—	(50)	(13)
		—	144,659	136,227	2,377
(Decrease)/increase in cash	25, 26	8,850	9,496	69,526	(4,250)

Notes to the financial statements

1. Accounting Policies

Basis of Preparation

The financial information has been prepared in accordance with applicable accounting standards and UK company law. The principal accounting policies of the Group are set out below. These financial statements have been prepared under the historical cost convention, modified to include trading positions at market prices.

Basis of Consolidation

The financial information consolidates the results of Collins Stewart Holdings plc (and previously Collins Stewart Limited) and all its subsidiary undertakings, drawn up to 31 December 2001. Collins Stewart Holdings plc was incorporated on 11 January 2000 with a view to carrying out the Management Buyout of Collins Stewart Limited. The Management Buyout occurred on 26 May 2000 and, therefore, the 51 week period ended 31 December 2000 includes the trading results of Collins Stewart Limited from that date only. The figures for the year ended 31 December 1999 are the results for Collins Stewart Limited. The financial information on the 6 months ended 30 June 2000 comprises the trading results of Collins Stewart Limited prior to the Management Buyout and Collins Stewart Holdings plc post the Management Buyout. The financial information on the 6 months ended 30 June 2000 includes turnover of £44,585,000, goodwill amortisation of £42,000, other expenses of £28,435,000 and operating profit of £16,108,000 for Collins Stewart Limited prior to the Management Buyout.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired during the year are included in the consolidated profit and loss account from the date of acquisition.

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, gross commissions 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, which is currently estimated at 20 years in respect of all recent 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.

Costs of Raising Debt Finance

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.

In the year ended 31 December 1999 and the six months ended 30 June 2000 debt costs were capitalised as an intangible asset to be amortised through the profit and loss account on a straight line basis over 7 years.

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:

Furniture, fixtures and fittings	25%
Office equipment	25%
Leasehold improvements	7-10 years
Freehold land and buildings	100 years

Securities Long and Short Positions

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.

Profits and losses of overseas subsidiaries are translated into sterling at the average rates of exchange during the year. Assets and liabilities of overseas subsidiaries are translated at the rates ruling at the balance sheet date. Unrealised gains and losses arising on translation are taken directly to reserves.

Deferred Taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Operating Leases

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

Pension Contributions

Defined contributions made to employees' approved personal pension plans are charged to the profit and loss account as and when incurred.

Capital Instruments

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

Client Moneys and Other Operating Income

The Group holds moneys on behalf of clients in accordance with the client money rules of the Financial Services Authority. Such moneys and their 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 16. The net return received on managing client moneys is included within other operating income. In the year ended 31 December 1999 and the six month period ended 30 June 2000 the return on management client moneys is included in interest receivable and payable.

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 Group. These shares, not being held for trading purposes, are held at cost and are disclosed as own shares.

Dividends have not been waived by the employee share ownership trusts. Accordingly, the dividend income arising on shares which have not yet vested unconditionally pursuant to employee awards, is deducted 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.

Securities Borrowing

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

2. Segmental Analysis of Turnover, Operating Profits and Net Assets

The Group operates within three main geographical markets: the United Kingdom, the Channel Islands and the United States.

The geographical split of the Group's activities for the year ended 31 December 2001, together with comparatives for the period to 31 December 2000, was as follows:

	<i>UK</i> <i>£'000</i>	<i>Channel Islands</i> <i>£'000</i>	<i>USA</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Year ended 31 December 1999				
Turnover	40,974	10,643	1,596	53,213
6 months ended 30 June 2000				
Turnover	36,070	9,017	5,010	50,097
51 weeks ended 31 December 2000				
Turnover	41,905	9,499	3,565	54,969
Operating profit	12,848	3,300	1,300	17,448
Net assets	105,207	12,769	445	118,421
Year ended 31 December 2001				
Turnover	75,176	19,113	8,927	103,216
Operating profit	16,769	6,383	3,623	26,775
Net assets	120,134	22,012	450	142,596

The geographical split and constituents of operating profit and net assets in respect of the periods to 30 June 2000 have not been disclosed as the Directors of the Company considered this to be prejudicial to the interests of the Collins Stewart Limited Group.

The following table indicates the contributions to turnover made by each major category of activity. Some of these activities are carried out across a number of different divisions/subsidiaries.

	<i>Market making/ principal turns</i> <i>£'000</i>	<i>Commissions</i> <i>£'000</i>	<i>Corporate fees</i> <i>£'000</i>	<i>Management fees</i> <i>£'000</i>	<i>Other income</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Year ended 31 December 1999	16,775	21,901	12,809	1,563	165	53,213
6 months ended 30 June 2000	16,299	21,965	10,551	1,177	105	50,097
51 Weeks ended 31 December 2000	6,349	22,842	23,592	2,164	22	54,969
Year ended 31 December 2001	10,667	49,999	35,264	7,108	178	103,216

3. Other Operating Income

Other operating income comprises:

	<i>Year ended</i> <i>31 December</i>	<i>6 months</i> <i>ended 30 June 2000</i>	<i>51 weeks</i> <i>ended 31 December</i>	<i>Year ended</i> <i>31 December</i>
	<i>1999</i>	<i>2000</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Continuing operations</i>				
Net interest receivable on clients' free money	—	—	247	510
Other income	—	—	—	395
	<u>—</u>	<u>—</u>	<u>247</u>	<u>905</u>
<i>Acquisitions</i>				
Net interest receivable on clients' free money	—	—	—	170
	<u>—</u>	<u>—</u>	<u>247</u>	<u>1,075</u>

The net returns on managing client deposit balances in 1999 and the six months ended 30 June 2000 have been reclassified to other operating income from interest receivable and payable.

4. Operating Profit

Operating profit is stated after charging/(crediting):

	<i>Year</i> <i>ended 31</i>	<i>6 months</i> <i>ended 30</i>	<i>51 weeks</i> <i>ended 31</i>	<i>Year</i> <i>ended 31</i>
	<i>December</i>	<i>June 2000</i>	<i>December</i>	<i>December</i>
	<i>1999</i>	<i>2000</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Loss on sale of tangible fixed assets	2	—	—	—
Gain on sale of fixed asset investment	(120)	—	—	—
Amortisation of intangible fixed assets	—	523	3,300	6,150
Depreciation of tangible fixed assets	791	477	640	1,550
Foreign exchange losses/(gains)	78	(517)	(282)	(489)
Operating lease rentals and hire of equipment	54	31	742	1,840
Auditors' remuneration:				
Audit work in the UK	130	—	111	138
Audit work overseas	—	—	17	30
Non-audit work*	65	39	126	157
	<u>65</u>	<u>39</u>	<u>126</u>	<u>157</u>

* In the period to 31 December 2000, an additional £1,148,000 paid to Deloitte & Touche, the Group's auditor, in connection with the MBO and the IPO, was charged to the Company's share premium account. A further £1,687,000 paid in respect of the costs of the debt issue in connection with the MBO was capitalised and offset against the debt raised.

5. Staff Costs

	<i>Year ended 31 December 1999</i>	<i>6 months ended 30 June 2000</i>	<i>51 weeks ended 31 December 2000</i>	<i>Year ended 31 December 2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Salaries and bonuses	21,347	22,333	24,128	45,092
Social security costs	1,960	2,074	2,337	5,126
Other pension costs	234	151	174	491
Other	26	—	24	63
Payment on termination	—	—	—	696
	<u>23,567</u>	<u>24,558</u>	<u>26,663</u>	<u>51,468</u>

The average number of directors and employees of the Group, all of whom are employed in financial services, is as follows:

	<i>Year ended 31 December 1999</i>	<i>6 months ended 30 June 2000</i>	<i>51 week period ended 31 December 2000</i>	<i>Year ended 31 December 2001</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Directors and employees	170	227	250	320

Directors' emoluments

Directors' emoluments were as follows:

<i>Year ended 31 December 1999</i>	<i>Salaries and fees £'000</i>	<i>Benefits⁽¹⁾ £'000</i>	<i>Performance related bonuses £'000</i>	<i>Total £'000</i>
Collins Stewart Limited				
Executive directors				
A M Stewart	100	—	933	1,033
T C Smith	100	—	933	1,033
H L Smith (appointed 02/03/99)	88	—	150	238
G L Collins	100	—	616	716
T J Hitchcock (appointed 01/11/99)	—	—	—	—
J D Morley (resigned 23/04/99)	56	—	130	186
M K Whitaker (resigned 02/07/99)	23	—	159	182
Non-executive directors				
M E S Gibbins	—	—	—	—
J Hodson	—	—	—	—
S C Melling (alternate director for M E S Gibbins)	—	—	—	—
	<u>467</u>	<u>—</u>	<u>2,921</u>	<u>3,388</u>

<i>Six months ended 30 June 2000</i>	<i>Salaries and fees £'000</i>	<i>Performance related</i>		<i>Total £'000</i>
		<i>Benefits⁽¹⁾ £'000</i>	<i>bonuses £'000</i>	
Collins Stewart Limited				
Executive directors				
A M Stewart	51	—	—	51
T C Smith	51	—	—	51
H L Smith	50	—	—	50
P Wedge (appointed 12/04/00)	50	—	—	50
T J Hitchcock	50	—	—	50
G L Collins* (resigned 07/03/00)	18	—	597	615
Non-executive directors				
M E S Gibbins (resigned 26/05/00)	—	—	—	—
J Hodson (resigned 26/05/00)	—	—	—	—
S C Melling (alternate director for M E S Gibbins) (resigned 26/05/00)	—	—	—	—
	<u>270</u>	<u>—</u>	<u>597</u>	<u>867</u>

* An allocation from the bonus pool representing compensation in respect of breach of Mr Collins' employment contract.

<i>51 week period ended 31 December 2000⁽²⁾</i>	<i>Salaries and fees £'000</i>	<i>Performance related</i>		<i>Total £'000</i>
		<i>Benefits £'000</i>	<i>bonuses £'000</i>	
Collins Stewart Holdings plc				
Executive directors				
A M Stewart (appointed 25/02/00)	58	2	2,102	2,162
T C Smith (appointed 25/02/00)	58	1	2,102	2,161
H L Smith (appointed 25/02/00)	58	1	234	293
P Wedge (appointed 12/04/00)	58	1	577	636
Non-executive directors				
K Hamill (appointed 22/09/00)	13	—	—	13
T J Hitchcock (appointed 25/02/00)	—	—	176	176
R R Lucas (appointed 26/05/00)	—	—	—	—
J S Spencer (appointed 22/09/00)	7	—	—	7
	<u>252</u>	<u>5</u>	<u>5,191</u>	<u>5,448</u>

<i>Year ended 31 December 2001⁽³⁾</i>	<i>Salaries and fees £'000</i>	<i>Performance related</i>		<i>Total £'000</i>
		<i>Benefits £'000</i>	<i>bonuses £'000</i>	
Collins Stewart Holdings plc				
Executive directors				
A M Stewart	100	2	1,800	1,902
T C Smith	100	1	2,100	2,201
H L Smith	100	1	300	401
P Wedge (resigned 14/09/01)	67	—	—	67
Non-executive directors				
K Hamill	48	—	—	48
T J Hitchcock	—	1	125	126
R R Lucas	—	—	—	—
J S Spencer	24	—	—	24
	<u>439</u>	<u>5</u>	<u>4,325</u>	<u>4,769</u>

Notes:

1. Benefits in kind in respect of the year ended 31 December 1999 and the six months ended 30 June 2000 were included in salaries and fees. They amounted to less than £10,000 in aggregate in each period.

2. The remuneration information for the 51 week period ended 31 December 2000 was for the period which commenced on 26 May 2000 and ended 31 December 2000. The remuneration paid to A M Stewart, T C Smith, H L Smith, P Wedge and T J Hitchcock in respect of the year ended 31 December 2000 (by Collins Stewart Limited in the period to 25 May 2000 and by Collins Stewart Holdings plc thereafter) was £3,728,000, £3,727,000, £502,000, £1,097,000 and £351,000 respectively.
3. In the year ended 31 December 2001, in addition to the above payments, £696,000 was paid to P Wedge on termination of his employment. He was further allowed to retain 479,542 of the shares which he acquired pursuant to the MBO, the balance of 3,093,258 ordinary shares being transferred to the Collins Stewart Holdings plc Employee Share Ownership Trust at cost.

Directors' shareholdings

Collins Stewart Limited and Collins Stewart Holdings plc

Other than as stated below, none of the directors held any beneficial interest in the ordinary share capital of Collins Stewart Limited and Collins Stewart Holdings plc and their subsidiaries at any time during the financial periods to 31 December 2001. Collins Stewart Holdings plc was incorporated on 11 January 2000.

Collins Stewart Holdings plc

The following directors held various shares in Collins Stewart Holdings plc as at 30 June 2000, 31 December 2000 and 31 December 2001.

30 June 2000

	<i>"A"</i> <i>ordinary</i> <i>shares of</i> <i>1p</i> <i>No.</i>	<i>"B"</i> <i>ordinary</i> <i>shares of</i> <i>1p</i> <i>No.</i>	<i>"B"</i> <i>preference</i> <i>shares of</i> <i>1p</i> <i>No.</i>
A M Stewart		550,000	329,666
T C Smith	—	1,100,000	659,333
H L Smith	—	275,000	164,833
P Wedge*	6,600	440,000	263,733
T J Hitchcock	—	165,000	98,900
R R Lucas	22,212	—	—

* Of this holding, P Wedge held 6,600 "A" ordinary shares of 1p each and 61,265 "A" preference shares of 1p each through the Collins Stewart Holdings plc Employee Share Ownership Trust. P Wedge also held 3,220 ordinary shares in Singer & Friedlander Limited, Collins Stewart Limited's ultimate parent company until 25 May 2000.

31 December 2000

	<i>Ordinary</i> <i>shares of</i> <i>25p</i> <i>No.</i>	<i>"A"</i> <i>preference</i> <i>shares of</i> <i>1p</i> <i>No.</i>	<i>"B"</i> <i>preference</i> <i>shares of</i> <i>1p</i> <i>No.</i>
A M Stewart	4,400,000	—	329,666
T C Smith	8,800,000	—	659,333
H L Smith	2,200,000	—	164,833
P Wedge ⁽ⁱ⁾	3,572,800	61,265	263,733
T J Hitchcock	1,320,000	—	98,900
R R Lucas ⁽ⁱⁱ⁾	133,294	—	—
K Hamill	15,822	—	—
J S Spencer	31,645	—	—

(i) Includes 52,800 ordinary shares of 25p and 61,265 "A" preference shares of 1p held through the Collins Stewart Holdings plc Employee Share Ownership Trust.

(ii) Shares held by Capital Ventures Nominees Limited.

31 December 2001

	<i>Ordinary shares of 25p No.</i>	<i>“A” preference shares of 1p No.</i>	<i>“B” preference shares of 1p No.</i>
A M Stewart	4,400,000	—	329,666
T C Smith	8,800,000	—	659,333
H L Smith	2,200,000	—	164,833
T J Hitchcock ⁽ⁱ⁾	660,000	—	98,900
R R Lucas ⁽ⁱⁱ⁾	133,294	—	—
K Hamill	15,822	—	—
J S Spencer	31,645	—	—

(i) During the year Terry Hitchcock donated 660,000 ordinary shares of 25p to The Essex Fairway Charitable Trust.

(ii) Shares held by Capital Ventures Nominees Limited.

Directors' share options

Collins Stewart Limited

At 31 December 1999, 30 June 2000 and 31 December 2000 the following directors held options to acquire “B” ordinary shares of 1p each in the capital of Collins Stewart Limited:

<i>Director</i>	<i>Number</i>	<i>Exercise price</i>	<i>Period during which options are exercisable</i>
A M Stewart	2,878,923	1p	15 May 1998 to 31 December 2002
T C Smith	2,638,979	1p	15 May 1998 to 31 December 2002
G L Collins	2,878,923	1p	15 May 1998 to 31 December 2002
J D Morley	2,638,979	1p	15 May 1998 to 31 December 2002
P Wedge	2,033,333	1p	15 May 1998 to 31 December 2002
M K Whitaker	2,878,923	1p	15 May 1998 to 31 December 2002
	<u>15,948,060</u>		

The bid and offer market price of each “B” ordinary share of 1p each in the capital of Collins Stewart Limited remained unchanged at 1p throughout the period. The options were granted free of any charge to the directors. On 31 August 2001, all of the above options were exercised. Upon exercise of the options, Singer & Friedlander Group plc acquired all such shares at 71p per share. Under an acquisition agreement relating to the MBO, Singer & Friedlander Group plc transferred all these shares to Collins Stewart Holdings plc for no consideration.

Singer & Friedlander Group plc

At 31 December 1999 and 30 June 2000 the following directors held options in the Singer & Friedlander Sharesave Scheme to acquire ordinary shares of 10p each in the capital of Collins Stewart Limited's former ultimate parent company:

<i>Director</i>	<i>Number</i>	<i>Exercise price</i>	<i>Period during which options are exercisable</i>
T C Smith	22,465	86.8p	26 May 2000 to 26 November 2000
H L Smith	2,757	86.8p	26 May 2000 to 26 November 2000
H L Smith	12,268	92.8p	26 May 2000 to 26 November 2000
H L Smith	3,145	122.4p	26 May 2000 to 26 November 2000
P Wedge	18,588	92.8p	26 May 2000 to 26 November 2000
	<u>59,223</u>		

The bid and offer market prices for shares in the capital of Singer & Friedlander Group plc ranged between 174p to 242p during the six months ended 30 June 2000.

Messrs M E S Gibbins and J Hodson also held options in this scheme and their holdings are stated in the annual report and accounts of Singer & Friedlander Group plc. All options were granted free of charge.

Collins Stewart Holdings plc

Details of the directors' share options outstanding at 31 December 2000 and 31 December 2001, all of which were granted during the 51 week period ended 31 December 2000 are set out below:

<i>Director</i>	<i>Ordinary shares of 25p under option</i>	<i>Earliest exercise date</i>	<i>Expiry date</i>	<i>Exercise price</i>
Collins Stewart Holdings plc Unapproved Share Option Scheme no 2				
K Hamill	127,532	16.10.2003	15.10.2010	316p
J S Spencer	63,766	16.10.2003	15.10.2010	316p
Collins Stewart Holdings plc Sharesave Scheme 2000				
A M Stewart	5,779	1.1.2006	30.6.2006	292p
T C Smith	5,779	1.1.2006	30.6.2006	292p
H L Smith	5,779	1.1.2006	30.6.2006	292p

In addition to the above, P Wedge held 5,779 options over ordinary shares of 25p under the Collins Stewart Holdings plc Sharesave Scheme 2000 upon the same terms as above.

The share options granted under the Collins Stewart Holdings plc Unapproved Share Option Scheme no 2 are subject to a performance condition being met, based on Collins Stewart's return on capital employed exceeding the median for the FTSE Mid 250 Index.

The market price of the Collins Stewart Holdings plc ordinary shares ranged from 316p on flotation to 461p during the period from flotation to 31 December 2000. At 29 December 2000 (the last business day before the period end) it was 425p. During the year ended 31 December 2001 the market price of the ordinary shares of 25p ranged from a low of 263p to a high of 444p. At 31 December 2001 it was 390p.

Directors' loans

Collins Stewart Limited

Collins Stewart Limited issued secured loan notes at par on 1 March 1996 to various directors in order to effect the purchase of Collins Hitchcock Stewart Whitaker Limited. The amounts owing at 31 December 1999, 30 June 2000 and 31 December 2000 were:

	£'000
A M Stewart and spouse	2,380
T J Hitchcock and spouse	812
G L Collins and spouse (December 1999 and June 2000 only)	1,901

The following directors held loan notes as described above at 31 December 2001:

	£'000
A M Stewart and spouse	2,367
T J Hitchcock and spouse	812

These loan notes are referred to at Note 17 "Creditors – amounts falling due within one year" and the terms attaching to these loan notes are stated therein.

Collins Stewart Holdings plc

Variable rate loans advanced to Collins Stewart Holdings plc by directors are referred to as loans from directors at Note 17 "Creditors – amounts falling due within one year". Rates varied between 4 to 10 per cent per annum. These loans were all repaid on 7 August 2000. Variable rate loans outstanding at 30 June 2000 were:

	£
A M Stewart	375,000
T C Smith via International Value Investments Limited	550,000
T C Smith via Value Investments Limited	550,000
T J Hitchcock	250,000
	<hr/>
	1,725,000
	<hr/> <hr/>

Subordinated loans which accrue interest at 10 per cent are referred to at Note 18 "Creditors – amounts falling due after more than one year". These loans were repayable on 30 June 2012 by agreement. The balances outstanding at 30 June 2000 and 31 December 2000 were as follows:

	£
A M Stewart	164,834
T C Smith	329,667
H L Smith	82,417
T J Hitchcock	49,450
P Wedge	131,867
	<hr/>
	758,235
	<hr/> <hr/>

These loans were repaid at the same time as all the other loans made by staff and consultants pursuant to the MBO, on 31 July 2001.

Pension contributions

No pension contributions were made in respect of any of the directors.

6. Exceptional Item: Profit on Sale of Fixed Asset Investments in Continuing Operations

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 £6,684,000. These shares had been held as fixed asset investments.

7. Interest Payable and Similar Charges

	<i>Year ended 31 December 1999 £'000</i>	<i>6 months ended 30 June 2000 £'000</i>	<i>51 weeks ended 31 December 2000 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
Bank loans and overdrafts	91	703	819	392
Subordinated loan interest	114	126	3,927	1,807
Amortisation of debt costs	—	—	2,186	1,736
Other interest payable	271	335	390	268
Operating lease rentals	1	—	—	—
	<u>477</u>	<u>1,164</u>	<u>7,322</u>	<u>4,203</u>

As detailed in Note 3, interest payable and receivable on client deposit balances in the 51 week period ended 31 December and the year ended 31 December 2001 has been reclassified to other operating income.

8. Taxation on Profit on Ordinary Activities

The taxation charge is made up as follows:

	<i>Year ended 31 December 1999 £'000</i>	<i>6 months ended 30 June 2000 £'000</i>	<i>51 weeks ended 31 December 2000 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
Corporation tax at 30% (1999: 30.25%)	4,967	4,187	3,437	7,377
Overseas tax	973	1,001	1,047	2,067
(Under)/over provision in prior years' tax charge	130	—	16	(37)
Deferred tax charge/(credit)	(217)	769	(44)	(11)
	<u>5,853</u>	<u>5,957</u>	<u>4,456</u>	<u>9,396</u>
Corporation tax on exceptional item	—	—	—	1,010
Deferred tax on exceptional item	—	—	—	995
	<u>5,853</u>	<u>5,957</u>	<u>4,456</u>	<u>11,401</u>

Deferred tax is provided to the extent that the liability or asset is expected to crystallise. There were no material unprovided deferred taxes at any of the above reporting period ends.

Deferred tax was provided on the exceptional gain arising on the sale of investments by Collins Stewart (CI) Limited on the grounds that it is intended that such proceeds will be remitted to the UK in the future.

9. Dividends

	<i>Year ended 31 December 1999 £'000</i>	<i>6 months ended 30 June 2000 £'000</i>	<i>51 weeks ended 31 December 2000 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
Equity dividends on ordinary shares				
Interim paid (2.25p)	—	—	—	2,292
Final proposed (June 2000: 7.90p) (December 2000: 1.25p) (2001: 4.5p)	—	10,000	1,289	4,583
	—	10,000	1,289	6,875
Non-equity dividends on preference shares				
Proposed	587	218	1,573	2,602
	<u>587</u>	<u>10,218</u>	<u>2,862</u>	<u>9,477</u>

10. Earnings per Share

The calculation of basic and diluted earnings per ordinary share was based on earnings being profit after taxation for the period adjusted for minority interests and preference dividends as set out below. The basic earnings per share before goodwill amortisation and the exceptional item was calculated on the basic earnings above, adjusted to add back the post tax cost of amortisation of goodwill, and the exceptional post-tax gain on disposal of shares in The London Stock Exchange plc. The weighted average number of ordinary shares is set out below:

	<i>Year ended 31 December 1999</i>	<i>6 months ended 30 June 2000</i>	<i>51 weeks ended 31 December 2000</i>	<i>Year ended 31 December 2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Earnings				
Basic and diluted	12,557	10,515	6,655	18,781
Goodwill and exceptional items	—	523	3,300	1,471
	<u>12,557</u>	<u>11,038</u>	<u>9,955</u>	<u>20,252</u>
Weighted average				
Basic earnings per share denominator	126,601	10,000	54,435	103,117
Dilutive effect of share options ⁽ⁱ⁾	25,421	—	704	944
Diluted earnings per share denominator	<u>152,022</u>	<u>10,000</u>	<u>55,139</u>	<u>104,061</u>
Basic earnings per share (p)	9.92	105.15	12.23	18.21
Diluted earnings per share (p)	8.26	105.15	12.07	18.05
Basic earnings per share before goodwill and exceptional items (p)	9.92	110.38	18.29	19.64
Retrospective earnings per share (p) ⁽ⁱⁱ⁾	12.18	10.20	N/A	N/A
Diluted retrospective earnings per share (p) ⁽ⁱⁱⁱ⁾	11.93	9.99	N/A	N/A

Notes:

- (i) 25,421,502 represents the number of options over 'B' ordinary shares of 1p each in the capital of Collins Stewart Limited which remain unexercised from 1 January to 30 June 2000. Further details of these options are provided in Note 19 – Share Capital".
- (ii) Retrospective earnings per share was calculated based on the expected share capital structure of the Company on admission of the Company's Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange in October 2000. This reflects the distributable post-tax earnings attributable to 103,101,265 ordinary shares of 25p each.
- (iii) Diluted retrospective earnings per ordinary share is calculated by increasing the number of ordinary shares in issue of 103,101,265 by a further 2,191,298 of unexercised share options prevailing at that date. This results in a total of 105,292,563 of diluted ordinary shares.

11. Intangible Fixed Assets

	<i>31</i> <i>December</i> <i>1999</i> <i>£'000</i>	<i>30 June</i> <i>2000</i> <i>£'000</i>	<i>31</i> <i>December</i> <i>2000</i> <i>£'000</i>	<i>31</i> <i>December</i> <i>2001</i> <i>£'000</i>
Cost				
At start of period	—	—	—	112,874
Additions	—	117,056	102,762	17,721
Acquired with subsidiary	—	—	10,112	—
Adjustment to fair value on acquisition	—	—	—	(254)
At end of period	<u>—</u>	<u>117,056</u>	<u>112,874</u>	<u>130,341</u>
Accumulated amortisation				
At the start of the period	—	—	—	3,300
Charge for the period	—	523	3,300	6,150
At the end of the period	<u>—</u>	<u>523</u>	<u>3,300</u>	<u>9,450</u>
Net book value				
At the end of the period	<u>—</u>	<u>116,533</u>	<u>109,574</u>	<u>120,891</u>

Goodwill which arose during the 6 months ended 30 June 2000, all of which arose at 26 May 2000, comprised:

- £10,112,000 of purchased goodwill from the acquisition of the equity minority interest in Collins Stewart (CI) Ltd by Collins Stewart Limited – which is to be amortised over 20 years; and
- £102,361,000 of purchased goodwill from the acquisition of Collins Stewart Limited's equity share capital by the Collins Stewart Holdings plc – which is to be amortised over 20 years; and
- £4,583,000 of capitalised debt costs from the acquisition of Collins Stewart Limited by Collins Stewart Holdings plc – which is to be amortised over 7 years.

Goodwill which arose during the 51 week period ended 31 December 2000 comprised:

- £10,112,000 from the acquisition of the equity minority interest in Collins Stewart (CI) Limited by Collins Stewart Limited to be amortised over 20 years; and
- £102,762,000 from the acquisition of Collins Stewart Limited's equity share capital by Collins Stewart Holdings plc to be amortised over 20 years.

Goodwill which arose during the year ended 31 December 2001 included:

- £17.6m in respect of the acquisition by Collins Stewart Limited of the business and goodwill of the private client division of NatWest Stockbrokers, the retail stockbroking arm of The Royal Bank of Scotland to be amortised over 20 years.
- £0.1m (after adjustment to fair value) in respect of the establishment of Collins Stewart Property Fund Management Limited, the acquisition of Cater Allen's Jersey business and the acquisition of the minority interests in Matrix International Limited by Collins Stewart (CI) Limited; and
- a fair value adjustment of £0.2m to the assets acquired with Collins Stewart Limited at the time of the management buyout pursuant to the exercise of share options in Collins Stewart Limited detailed in note 19.

12. Tangible Fixed Assets

	<i>Freehold land & buildings £'000</i>	<i>Office equipment £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Leasehold improve- ments £'000</i>	<i>Total £'000</i>
Collins Stewart Limited					
Cost					
At 1 January 1999	98	2,551	416	—	3,065
Additions	—	1,271	145	—	1,416
Disposals	(6)	(40)	—	—	(46)
At 31 December 1999	92	3,782	561	—	4,435
Depreciation					
At 1 January 1999	4	1,302	256	—	1,562
Charge for the period	—	689	102	—	791
Disposals	—	(27)	—	—	(27)
At 31 December 1999	4	1,964	358	—	2,326
Net book value At 31 December 1999	88	1,818	203	—	2,109
Cost					
At 1 January 2000	92	3,782	561	—	4,435
Additions	—	363	189	—	552
At 30 June 2000	92	4,145	750	—	4,987
Depreciation					
At 1 January 2000	4	1,964	358	—	2,326
Charge for the period	—	419	58	—	477
At 30 June 2000	4	2,383	416	—	2,803
Net book value At 30 June 2000	88	1,762	334	—	2,184
Collins Stewart Holdings plc					
Cost					
At 11 January 2000	—	—	—	—	—
Acquired with subsidiaries	92	4,074	738	—	4,904
Additions	—	633	(31)	—	602
At 31 December 2000	92	4,707	707	—	5,506
Depreciation					
At 11 January 2000	—	—	—	—	—
Acquired with subsidiaries	4	2,293	405	—	2,702
Charge for the period	1	551	88	—	640
At 31 December 2000	5	2,844	493	—	3,342
Net book value At 31 December 2000	87	1,863	214	—	2,164

	<i>Freehold land & buildings £'000</i>	<i>Office equipment £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Leasehold improvements £'000</i>	<i>Total £'000</i>
Cost					
At 1 January 2001	92	4,707	707	—	5,506
Additions	—	3,228	186	2,932	6,346
Disposals	—	(151)	(290)	—	(441)
Foreign exchange difference	—	7	1	—	8
At 31 December 2001	92	7,791	604	2,932	11,419
Depreciation					
At 1 January 2001	5	2,844	493	—	3,342
Charge for the period	1	1,176	107	266	1,550
Disposals	—	(113)	(228)	—	(341)
Foreign exchange difference	—	2	—	—	2
At 31 December 2001	6	3,909	372	266	4,553
Net book value					
At 31 December 2001	86	3,882	232	2,666	6,866

13. Fixed Asset Investments

Investment in subsidiary undertakings

The principal subsidiary undertakings at 31 December 2001 were as follows:

Subsidiary undertakings held directly	<i>Registered in</i>	<i>Principal Activities</i>	<i>Issued ordinary shares, all voting</i>
Collins Stewart Limited	England and Wales	Stockbroking	100%
Subsidiary undertakings held indirectly			
Collins Stewart Inc ⁽ⁱ⁾	USA	Stockbroking	100%
Collins Stewart Quest Limited ⁽ⁱ⁾	England and Wales	Dormant	100%
Collins Stewart (CI) Limited ⁽ⁱ⁾	Guernsey	Stockbroking	100%
Collins Stewart Asset Management Limited ⁽ⁱⁱ⁾	Guernsey	Investment fund management	100%
Collins Stewart Fund Management Limited ⁽ⁱⁱ⁾	Guernsey	Investment fund management	100%
Matrix International Limited ⁽ⁱⁱⁱ⁾	Guernsey	Introducer of investment fund business	100%
Global Capital Management Limited ⁽ⁱⁱⁱ⁾	Guernsey	Investment fund management	100%
Collins Stewart Property Fund Management Limited ^(iv)	England and Wales	Property management	75%

(i) shares held directly by Collins Stewart Limited

(ii) shares held by Collins Stewart (CI) Limited

(iii) shares held by Collins Stewart Asset Management Limited

(iv) shares held by Collins Stewart Fund Management Limited

Acquisitions

Acquisition of minority interests in Collins Stewart (CI) Ltd by Collins Stewart Ltd

On 26 May 2000, Collins Stewart Limited acquired the 35 per cent. minority equity interest (20 per cent. prior to 31 December 1999) in Collins Stewart (CI) Ltd from the latter's ESOP trust. The goodwill arising on this acquisition has been capitalised on the consolidated balance sheet of the Collins Stewart Limited Group and is to be amortised on a straight line basis over 20 years.

	<i>Book and fair value of assets/ (liabilities) acquired £'000</i>
Net assets at date of acquisition:	
Tangible fixed assets	99
Debtors and other current assets	15,526
Cash	1,901
Trade and other creditors	(15,110)
Corporate and deferred tax	(151)
	<hr/> 2,265 <hr/>
Consideration discharged by:	
Cash	12,377
	<hr/>
Goodwill arising on acquisition	10,112 <hr/> <hr/>

Acquisition of Collins Stewart Limited by Collins Stewart Holdings plc

On 26 May 2000, Collins Stewart Holdings plc, which was formed by the management of Collins Stewart Limited, acquired the entire issued share capital of Collins Stewart Limited from the Singer & Friedlander Group. The goodwill arising on this acquisition has been capitalised on the balance sheet of Collins Stewart Holdings plc and is being amortised on a straight line basis over 20 years. The acquisition of Collins Stewart Limited was accounted for under the acquisition accounting rules.

	<i>Book and fair value of assets/ (liabilities) acquired £'000</i>
Net assets at date of acquisition:	
Tangible fixed assets	12,417
Debtors and other current assets	283,689
Cash	26,960
Trade and other creditors	(279,410)
Corporate and deferred tax	(7,510)
	<hr/> 36,155 <hr/>
Consideration discharged by:	
Cash	138,917
	<hr/>
Goodwill arising on acquisition	102,762 <hr/> <hr/>

Acquisition of NatWest Stockbrokers private client division by Collins Stewart Holdings plc

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

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

The acquisition was accompanied by a placing by Collins Stewart Holdings plc of 3,125,000 ordinary shares of 25p to raise approximately £12.2m 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 £0.1m, was £17.6m giving rise to goodwill of £17.6m. 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.

	<i>Book and fair value of assets/ (liabilities) acquired £'000</i>
Net assets at date of acquisition:	—
Consideration discharged by:	
Cash	17,619
	<hr/>
Goodwill arising on acquisition	17,619
	<hr/> <hr/>

During 2001 Collins Stewart (CI) Limited 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 £0.1m and the goodwill arising thereon amounted to £0.1m.

During the year there was an adjustment to the fair value of the assets acquired with Collins Stewart Limited pursuant to the exercise of share options in Collins Stewart Limited detailed in note 19. This gave rise to a reduction in the goodwill arising on the acquisition of Collins Stewart Limited of £0.2m.

Disposals

Disposal of Rowan & Company (Financial Services) Limited by Rowan & Company Limited, a subsidiary undertaking of Collins Stewart (CI) Limited

During 1999 Rowan & Company Limited sold the entire issued share capital of its subsidiary, Rowan & Company (Financial Services) Limited to Farlake Group plc, details of which are stated in the table below. No goodwill arose at the time that this subsidiary was acquired.

	<i>Book and fair value of assets/ (liabilities) sold £'000</i>
Net assets sold:	
Tangible fixed assets	6
Debtors and other current assets	5,339
Cash	177
Trade and other creditors	(5,372)
	<hr/>
	150
	<hr/>
Consideration received:	
Cash	270
	<hr/>
Gain arising on disposal	120
	<hr/> <hr/>

Group Interest in Associated Undertakings

The Group has an interest in European Fund Dynamics Limited, a company incorporated in Guernsey. At 31 December 2001 it had issued share capital of £10,000 in which the Group had an interest of 20 per cent. The interest is held by Collins Stewart (CI) Limited.

Group Investment in Securities

The Group's investments in securities were as follows:

<i>31 December</i>			<i>31 December</i>		<i>31 December</i>	
<i>1999</i>	<i>30 June 2000</i>		<i>2000</i>		<i>2001</i>	
<i>£'000</i>	<i>£'000</i>		<i>£'000</i>		<i>£'000</i>	
—	—		103		103	

Investments in securities comprised equity shares in CRESTCO Limited and The London Stock Exchange plc, which were held at their cost. During the year ended 31 December 2001, shares in The London Stock Exchange plc were sold giving rise to an exceptional pre-tax profit on disposal of £6,684,000. These investments were reclassified from current asset investments in the financial statements for the 51 week period ended 31 December 2000 and the year ended 31 December 2001.

14. Current Asset Investments

	<i>31 December</i>		<i>31 December</i>		<i>31 December</i>	
	<i>1999</i>	<i>30 June 2000</i>	<i>2000</i>		<i>2001</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>		<i>£'000</i>	<i>£'000</i>
Long positions in equity and debt securities						
Listed in the UK	11,685	19,344	11,530		12,553	
Listed overseas	129	2	55		634	
Unlisted UK companies	91	902	711		963	
Unlisted overseas companies	85	751	287		—	
Long positions in share options						
Listed in the UK	579	953	82		293	
Own shares	—	—	6		182	
	<u>12,569</u>	<u>21,952</u>	<u>12,671</u>		<u>14,625</u>	

During 2001, ordinary and preference shares of Collins Stewart Holdings plc were acquired at cost by the Collins Stewart Holdings plc Employee Share Ownership Trust from staff who left the Group for £176,000. These investments are included in the Group balance sheet in accordance with UITF 13.

15. Debtors

	<i>31 December</i>		<i>31 December</i>		<i>31 December</i>	
	<i>1999</i>	<i>30 June 2000</i>	<i>2000</i>		<i>2001</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>		<i>£'000</i>	<i>£'000</i>
Trade debtors	92,629	302,641	152,790		98,117	
Amounts due from Singer & Friedlander Group plc undertakings	12,462	—	—		—	
Loan to the Collins Stewart (CI) Limited Employee Share Ownership Trust	377	—	—		—	
Loan to Collins Stewart Holdings Limited Employee Share Ownership Trust	—	2,700	—		—	
Prepayments and accrued income	460	739	638		1,427	
Other debtors	2,437	2,103	2,328		3,535	
Corporation tax	—	337	2,173		116	
Deferred tax – other timing differences	217	—	203		181	
	<u>108,582</u>	<u>308,520</u>	<u>158,132</u>		<u>103,376</u>	

16. Cash at Bank and in Hand

Cash at bank and in hand was denominated in:

	<i>31 December</i>	<i>30 June 2000</i>	<i>31 December</i>	<i>31 December</i>
	<i>1999</i>	<i>2000</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Sterling	10,500	26,969	54,772	53,325
Euros	310	3	1,173	938
US dollars	646	1,206	1,193	4,172
Other	153	134	149	195
Client settlement balances*	—	—	12,777	7,669
	<u>11,609</u>	<u>28,312</u>	<u>70,064</u>	<u>66,299</u>
Client money held, not reflected in the balance sheet	<u>33,002</u>	<u>75,653</u>	<u>81,134</u>	<u>135,558</u>

* Client settlement balances at 31 December 1999 and 30 June 2000 were not separately disclosed.

17. Creditors: Amounts Falling Due Within One Year

	<i>31 December</i>	<i>30 June 2000</i>	<i>31 December</i>	<i>31 December</i>
	<i>1999</i>	<i>2000</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank overdraft	177	7,384	538	1,023
Trade creditors	76,300	280,670	149,685	91,772
Securities – short positions	3,020	3,459	4,077	3,651
Amounts due to Singer & Friedlander Group plc undertakings	4,437	—	—	—
Loans from directors*	—	2,700	—	—
Other creditors	2,422	1,355	3,394	3,164
Corporation tax and social security	6,155	8,223	9,596	6,854
Deferred tax creditor – other timing differences	—	541	—	—
Secured loan notes	—	—	5,043	5,030
Accruals and deferred income	15,738	24,011	33,547	32,122
Proposed dividends	—	218	2,862	7,185
	<u>108,249</u>	<u>328,561</u>	<u>208,742</u>	<u>150,801</u>

* Loans from directors comprise £1.725m as referred to in note 5 and £0.975m from an individual investor.

Bank Overdraft

The bank overdraft is denominated in the following currencies:

	<i>31 December</i>	<i>30 June 2000</i>	<i>31 December</i>	<i>31 December</i>
	<i>1999</i>	<i>2000</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Sterling	177	204	402	973
US dollars	—	74	136	7
Euros	—	7,106	—	43
	<u>177</u>	<u>7,384</u>	<u>538</u>	<u>1,023</u>

Secured Loan Notes

Collins Stewart Limited issued £6,123,192 nominal of secured loan notes at par on 1 March 1996. £935,602 nominal amount of these loan notes was redeemed during 1997, and a further £95,000 nominal amount was redeemed during 1998. Following these redemptions, the nominal amount of the outstanding loan notes is £5,092,590. Collins Stewart Limited deposited an amount equal to this sum with Singer & Friedlander Limited which acts as security for the loan notes.

Interest on the loan notes is payable at 0.375 per cent per annum below the London Interbank offered rate for three month sterling deposits (“LIBOR”) prevailing on the business day immediately preceding the commencement of the relevant interest period.

The loan notes are redeemable in 2006. However, at six monthly intervals on 30 June and 31 December respectively before the final redemption date, the loan note holders are entitled to give notice 21 days prior to either of these dates and redeem the nominal amount of the loan notes specified in such notice.

The loan notes are also referred to in note 5 “Staff costs” under directors’ loans, in note 21, disclosing related party transactions, and in note 22 disclosing directors’ material interests in contracts with the Group.

These loans were reclassified from creditors falling due after more than one year to creditors falling due within one year for the 51 week period ended 31 December 2000 and the year ended 31 December 2001.

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

	<i>31 December</i> 1999	<i>30 June 2000</i>	<i>31 December</i> 2000	<i>31 December</i> 2001
	£'000	£'000	£'000	£'000
Secured loan notes (see note 17)	5,093	5,093	—	—
Subordinated loans	1,500	90,801	23,648	17,800
Bank loans	—	9,500	5,000	1,000
Cost of raising subordinated debt and bank loans	—	—	(3,926)	(2,210)
Deferred tax creditor – other timing differences	—	—	685	1,680
Other	—	—	—	335
	<u>6,593</u>	<u>105,394</u>	<u>25,407</u>	<u>18,605</u>

These creditors, all of which are denominated in sterling, fall due as follows:

	<i>31 December</i> 1999	<i>30 June 2000</i>	<i>31 December</i> 2000	<i>31 December</i> 2001
	£'000	£'000	£'000	£'000
Between two and five years	6,593	46,093	21,759	18,605
In five years or more	—	59,301	3,648	—
	<u>6,593</u>	<u>105,394</u>	<u>25,407</u>	<u>18,605</u>

Subordinated Loans

The subordinated loans were entered into pursuant to the MBO on 26 May 2000 and are unsecured. The various lenders are:

	<i>31 December</i> 1999	<i>30 June 2000</i>	<i>31 December</i> 2000	<i>31 December</i> 2001
	£'000	£'000	£'000	£'000
Singer & Friedlander	1,500	7,000	—	—
The Governor and Company of the Bank of Scotland ⁽ⁱ⁾	—	61,500	20,000	17,800
Other Institutional Investors	—	20,652	—	—
Directors, staff and consultants ⁽ⁱⁱ⁾	—	1,649	3,648	—
	<u>1,500</u>	<u>90,801</u>	<u>23,648</u>	<u>17,800</u>

(i) These loans accrue interest at 1.5% above LIBOR. The loans are repayable in full by 30 June 2004.

(ii) These loans, which carried initial interest rates at 10%-15% per annum, were repaid in full on 31 July 2001.

Bank Loans

The bank loan is secured by floating charge over the Company's assets and is repayable by 30 June 2004. £1,500,000 was repaid on 30 June 2001 and £2,000,000 on 31 December 2001.

There is also a revolving credit facility of £25,000,000, which is available to the Group until 30 June 2004.

Cost of Raising Debt and Loans

Costs of raising debt finance of £6,132,000 incurred on 26 May 2000 in connection with the MBO, 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.

Deferred Tax Creditor

	<i>31 December</i>		<i>31 December</i>	
	<i>1999</i>	<i>30 June 2000</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At start of period	—	—	—	685
Other timing differences	—	—	685	995
At end of period	—	—	685	1,680

Provision has been made for additional tax that may be payable on remittance to the UK of profits retained by overseas subsidiary undertakings to the extent that such remittance is currently intended in the foreseeable future.

19. Share Capital

	<i>Collins Stewart Limited</i>		<i>Collins Stewart Holdings plc</i>	
	<i>31 December</i>	<i>30 June 2000</i>	<i>31 December</i>	<i>31 December</i>
	<i>1999</i>	<i>2000</i>	<i>2000</i>	<i>2001</i>
	<i>No'000</i>	<i>No'000</i>	<i>No'000</i>	<i>No'000</i>
Authorised				
"A" Ordinary shares of 1p	126,601	4,500	—	—
"B" Ordinary shares of 1p	28,300	5,500	—	—
Ordinary shares of 25p	—	—	150,000	150,000
"A" preference shares of 1p	—	41,303	41,303	41,303
"B" preference shares of 1p	—	3,297	3,297	3,297
Convertible irredeemable preference shares of £1	2,300	—	—	—

Allotted, issued and fully paid

	<i>Collins Stewart Limited</i>		<i>Collins Stewart Holdings plc</i>	
	<i>31 December</i>	<i>30 June 2000</i>	<i>31 December</i>	<i>31 December</i>
	<i>1999</i>	<i>2000</i>	<i>2000</i>	<i>2001</i>
	<i>No'000</i>	<i>No'000</i>	<i>No'000</i>	<i>No'000</i>
"A" ordinary shares of 1p	126,601	4,500	—	—
"B" ordinary shares of 1p	—	5,500	—	—
Ordinary shares of 25p	—	—	103,101	106,226
"A" preference shares of 1p	—	41,303	41,303	41,303
"B" preference shares of 1p	—	3,297	3,297	3,297
Convertible irredeemable preference shares of £1	2,300	—	—	—

	<i>Collins Stewart Limited</i>		<i>Collins Stewart Holdings plc</i>	
	<i>31 December 1999 £'000</i>	<i>30 June 2000 £'000</i>	<i>31 December 2000 £'000</i>	<i>31 December 2001 £'000</i>
Authorised				
“A” ordinary shares of 1p	1,266	45	—	—
“B” ordinary shares of 1p	283	55	—	—
Ordinary shares of 25p	—	—	37,500	37,500
“A” preference shares of 1p	—	413	413	413
“B” preference shares of 1p	—	33	33	33
Convertible irredeemable preference shares of £1	2,300	—	—	—
	<u>3,849</u>	<u>546</u>	<u>37,946</u>	<u>37,946</u>
Allotted, issued and fully paid				
“A” ordinary shares of 1p	1,266	45	—	—
“B” ordinary shares of 1p	—	55	—	—
Ordinary shares of 25p	—	—	25,775	26,557
“A” preference shares of 1p	—	413	413	413
“B” preference shares of 1p	—	33	33	33
Convertible irredeemable preference shares of £1	2,300	—	—	—
	<u>3,566</u>	<u>546</u>	<u>26,221</u>	<u>27,003</u>

Rights attaching to various classes of preference shares

Collins Stewart Limited

Holders of convertible irredeemable preference shares of £1 each in the capital of Collins Stewart Limited possess the right to receive, in priority to any dividends or other distributions to the holders of any other classes of shares, a variable non-cumulative preferential dividend in each year calculated as £3,000,000 x (2 per cent + LIBOR) + 7.5 per cent x £4,778,461. No dividends were in arrears at any time during the period under review.

These irredeemable preference shares entitle the holder to convert their holdings into “A” ordinary shares of 1p each in the capital of Collins Stewart Limited upon the occurrence of either: (a) the listing of Collins Stewart Limited; (b) the holding of more than 50 per cent by any one group of persons in the equity share capital of Singer & Friedlander Group plc; or (c) where profits attributable to “A” ordinary shareholders exceed £11,325,000 in any two consecutive years. As at 30 June 2000, 31 December 2000 and 31 December 2001 these shares are fully owned by Collins Stewart Holdings plc and any future conversions, should they occur, will not result in the creation of any new minority interest.

Only “B” ordinary shareholders possess the right to receive a cumulative dividend in each year at the applicable rate of the amount for the time being paid up on such shares. There are no such rights attributable to “A” ordinary shareholders.

The holders of both “A” and “B” ordinary shares of 1p each are entitled to the balance of the profits resolved by the directors of Collins Stewart Limited to be distributed in any year in accordance with the amount paid up on such shares so that each fully paid “A” and “B” ordinary share ranks equally. On a return of capital at a winding-up or otherwise, the assets available for distribution amongst the members of Collins Stewart Limited would have, after payment of all amounts due to the holders of any preference shares, been applied in repaying the holders of “A” and “B” ordinary shares such amounts paid up on these shares, where any balance remaining would have been distributed amongst the “A” and “B” ordinary shareholders *pari passu* in accordance with the number of such shares held by them.

Collins Stewart Holdings plc

Holders of “A” preference shares are entitled to receive, in priority to any dividends or other distributions to the holders of any other classes of shares (other than the “B” preference shares), a fixed non-cumulative

preferential dividend in each year calculated as: (a) 6 per cent from date of issue until 31 December 2002; (b) 9 per cent from 1 January 2003 to 31 December 2004; and (c) 15 per cent from 1 January 2005 onwards, on the nominal amount and premium paid on each “A” preference share.

Holders of “B” preference shares are entitled to receive, in priority to any dividends or other distributions to the holders of any other classes of shares (other than the “A” preference shares), a fixed non-cumulative preferential dividend in each year of 4 per cent on the nominal amount and premium paid on each “B” preference share.

Both “A” and “B” preference shares rank *pari passu* in all other respects. The redemption date for the preference shares is 1 July 2007, though early redemption by Collins Stewart Holdings plc is permitted. The redemption price is 100p per share (being the nominal amount of 1p plus the premium paid of 99p). The preference shares carry no votes at meetings unless the dividend thereon is at least six months in arrears or Collins Stewart Holdings plc fails to redeem the shares on the redemption date or the business of the meeting includes a resolution for the winding up of Collins Stewart Holdings plc, reduction in capital or a resolution to vary the rights of the preference shareholders.

The holders of ordinary shares are entitled to the balance of the profits resolved by the directors of Collins Stewart Holdings plc to be distributed in any year in accordance with the amount paid up on such shares. On a return of capital on a winding-up or otherwise, the assets available for distribution amongst the members of Collins Stewart Holdings plc would, after payment of all amounts due to the holders of any preference shares (nominal amount plus premium paid thereon and any unpaid dividend), be applied in repaying the holders of ordinary shares such amounts paid up on these shares, any balance remaining being distributed amongst the holders of ordinary shares in accordance with the number of such shares held by them.

Movements in authorised and issued share capital

Collins Stewart Holdings plc

The Collins Stewart Limited Group was acquired by Collins Stewart Holdings plc on 26 May 2000. Collins Stewart Holdings plc was incorporated on 11 January 2000 with an authorised share capital of 1,000 ordinary shares of £1 each. One ordinary share was issued at par to the subscriber to the Collins Stewart Holdings plc’s memorandum of association. Since incorporation, the following changes to Collins Stewart Holdings plc’s authorised and issued share capital have taken place:

- (a) To facilitate the MBO, on 12 April 2000 the authorised share capital was increased from £1,000 to £546,000 by the creation of an additional 545,000 ordinary shares of £1. On the same day, the ordinary shares were subdivided into 54,600,000 ordinary shares of 1p each. The 100 ordinary shares in issue resulting from the subdivision of the subscriber share were reclassified as 100 “B” ordinary shares of 1p and remaining 54,599,900 new shares were reclassified as 4,500,000 “A” ordinary shares of 1p, 41,303,333 “A” preference shares of 1p, 5,499,999 “B” ordinary shares of 1p and 3,296,667 “B” preference shares of 1p.
- (b) Also on 12 April 2000 a total of 2,529,000 “B” ordinary shares were allotted to the directors at par. In addition, 1,486,465 “B” preference shares were allotted conditionally to the directors, 1,780,202 “B” preference shares and 2,970,000 “B” ordinary shares were allotted conditionally to Walbrook Trustees (Guernsey) Limited as trustees of the Collins Stewart Holdings Employee Share Ownership Trust, and 4,500,000 “A” ordinary shares and 41,303,333 “A” preference shares were allotted conditionally to institutional investors backing the MBO. The conditional allotments were conditional upon completion of a shareholders agreement, which took place on 26 May 2000, on completion of the MBO. The “A” and “B” preference shares were allotted at a price of £1 each and the “A” and “B” ordinary shares were allotted at par.
- (c) To facilitate the flotation on the London Stock Exchange on 22 September 2000 all the “A” and “B” ordinary shares of 1p were reclassified as one class of shares and were consolidated into 25p ordinary shares. On the same day the authorised share capital of Collins Stewart Holdings plc was increased to £37,946,000 divided into 150,000,000 25p ordinary shares, 41,303,333 “A” preference shares and 3,296,667 “B” preference shares.
- (d) On 24 October 2000 the Collins Stewart Holdings plc ordinary shares were admitted to the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange. Pursuant to the flotation, 33,831,719 ordinary shares were placed at a price of 316p per share (23,101,265 new ordinary shares issued by Collins Stewart Holdings plc). The new money raised in the flotation was used to repay some of the debt taken on to finance the MBO.

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

Share Options

Collins Stewart Limited

At 31 December 1999, 30 June 2000, 31 December 2000 options to acquire 25,421,502 “B” ordinary shares of 1p each in the capital of Collins Stewart Limited (“the Second Tranche Shares”), which were granted on 15 May 1998, were exercisable until 31 December 2002. These were held by various employees and directors of Collins Stewart Limited and had an exercise price of 1 pence each. However, pursuant to the agreement for the sale and purchase of shares in Collins Stewart Limited dated 1 September 1998 (“the 1998 Agreement”), all optionholders were required to exercise all their options in their entirety upon the earliest occurrence of any of the following events: (a) 31 August 2001; (b) a change in control of Singer & Friedlander Group plc; or (c) the winding up of Singer & Friedlander Group plc. The exercise of the options resulted in the creation of an equivalent number of “B” ordinary shares of 1p each in the capital of Collins Stewart Limited. Upon exercise of the options, Singer & Friedlander Group plc was required to acquire all such shares at an aggregate consideration of £15,000,000 together with any interest accruing. Under an acquisition agreement relating to the MBO, Singer & Friedlander Group plc was obliged to transfer all these shares to Collins Stewart Holdings plc for no consideration. Accordingly, although the share capital of Collins Stewart Limited was enlarged upon the exercise of the options, Collins Stewart Holdings plc’s stake in Collins Stewart Limited was not diluted.

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 Collins Stewart Holdings for no consideration.

Collins Stewart Holdings plc

At 30 June 2000 there were no options over Collins Stewart Holdings plc’s ordinary shares.

At 31 December 2000 and 2001 the following options over ordinary shares had been granted under Collins Stewart Holdings plc’s share option schemes and were outstanding:

	<i>At 31</i>		<i>At 31</i>		<i>Exercise Price</i>	<i>Exercise Period</i>
	<i>December</i>	<i>Granted</i>	<i>Lapsed</i>	<i>December</i>		
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>		
Sharesave scheme	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
Unapproved share option scheme No. 2	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>5,291,363</u>		

All of the options outstanding at 31 December 2000 had been granted during the 51 week period ended at that date. No options lapsed during the 51 week period ended 31 December 2000.

Options granted under the Sharesave scheme 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.

20. Reserves

	<i>Share Capital Account £'000</i>	<i>Share Premium Account £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
Collins Stewart Limited				
Balance 1 January 1999	3,566	—	2,624	6,190
Retained profit for the year	—	—	12,557	12,557
Balance at 31 December 1999	<u>3,566</u>	<u>—</u>	<u>15,181</u>	<u>18,747</u>
Collins Stewart Holdings plc				
Balance at 1 January 2000	—	—	—	—
Retained profit for the six month period			515	515
Elimination of pre-acquisition reserves		—	(231)	(231)
Costs of share issue in connection with the MBO		(1,542)	—	(1,542)
Ordinary share capital subscribed	100	—	—	100
Issue of "A" preference shares of 1p each	413	40,890	—	41,303
Issue of "B" preference shares of 1p each	33	3,264	—	3,297
Balance at 30 June 2000	<u>546</u>	<u>42,612</u>	<u>284</u>	<u>43,442</u>
Balance at 1 January 2000				
Retained profit for the 51 week period	—	—	5,366	5,366
Ordinary share capital subscribed	25,775	67,225	—	93,000
Bonus issue	—	(19,900)	—	(19,900)
Preference shares subscribed (as above)	446	44,154	—	44,600
Costs of share issues	—	(4,645)	—	(4,645)
Balance at 31 December 2000	<u>26,221</u>	<u>86,834</u>	<u>5,366</u>	<u>118,421</u>
Balance at 1 January 2001				
Retained profit for the year	—	—	11,906	11,906
Ordinary share capital placed	782	11,718	—	12,500
Costs of share issue	—	(242)	—	(242)
Foreign currency translation	—	—	11	11
Balance at 31 December 2001	<u>27,003</u>	<u>98,310</u>	<u>17,283</u>	<u>142,596</u>

21. Related Party Transactions

Continuing related party transactions

During the 51 week period ended 31 December 2000 Collins Stewart Holdings plc paid an arrangement fee relating to the costs of equity issue in connection with the MBO, to CVC, a major shareholder, of £1,225,589. £817,059 of this was capitalised as part of debt costs, and £408,530 was charged to the share premium account.

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 as detailed in note 22 below.

Variable rate loans of £1,725,000 made to Collins Stewart Holdings plc by various directors pursuant to the MBO were repaid on 7 August 2000.

Subordinated loans of £758,235 made to Collins Stewart Holdings plc by various directors pursuant to the MBO were repaid on 31 July 2001.

Past related party transactions

These related to the Collins Stewart Limited Group over the period from 1 January 1999 to 26 May 2000. These relationships ceased following the MBO.

Income and expenses received or incurred by past related parties were:

	<i>Year ended 31 December 1999 £'000</i>	<i>6 months ended 30 June 2000 £'000</i>
Singer & Friedlander Limited		
Income	241	280
Expenses	(2,097)	(892)

22. Directors' Material Interest in Contracts

	<i>Year ended 31 December 1999 £'000</i>	<i>6 months ended 30 June 2000 £'000</i>	<i>51 weeks ended 31 December 2000 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
A M Stewart and spouse	2,380	2,380	2,380	2,367
T J Hitchcock and spouse	812	812	812	812
	<u>3,192</u>	<u>3,192</u>	<u>3,192</u>	<u>3,179</u>

As stated in note 21 above, these amounts relate to secured loan notes issued on 1 March 1996 by Collins Stewart Limited. They were issued to these individuals as part of the consideration for the acquisition of Collins Hitchcock Stewart Whitaker Limited.

Interest is payable on the notes half yearly in arrears on 30 June and 31 December each year. Interest is payable at a rate per annum equal to 3/8% below LIBOR. The loan notes, which are secured by cash deposits of the same amount, are redeemable in 2006, or earlier at the holder's request.

23. Commitments

Group companies have entered into various leases. The future obligations are as follows:

	<i>31 December 1999 £'000</i>	<i>30 June 2000 £'000</i>	<i>31 December 2000 £'000</i>	<i>31 December 2001 £'000</i>
Buildings				
Annual commitments on leases expiring:				
– within one year	116	115	501	43
– two to five years	34	34	156	2,359
– over five years	109	109	795	216
Total	<u>259</u>	<u>258</u>	<u>1,452</u>	<u>2,618</u>

	<i>31 December 1999 £'000</i>	<i>30 June 2000 £'000</i>	<i>31 December 2000 £'000</i>	<i>31 December 2001 £'000</i>
Other				
Annual commitments on leases expiring				
– within one year	36	55	10	26
– two to five years	22	50	55	48
– over five years	—	—	—	—
	<u>58</u>	<u>105</u>	<u>65</u>	<u>74</u>

Capital Commitments

At 31 December 2000 the Group had contracted for £1.7m of move costs which had not been provided in the accounts and authorised a further £2.5m that had not been contracted or provided in the accounts in connection with the move to the Group's new London offices.

At 31 December 2001 the Group had contracted to spend approximately £900,000 in 2002 for the continued development of the QUEST system and the further development of the private client division.

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 therefrom cannot be precisely quantified, it is not believed to be material.

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

	<i>Year ended</i>	<i>6 months</i>	<i>51 weeks</i>	<i>Year ended</i>
	<i>31 December</i>	<i>ended 30</i>	<i>ended</i>	<i>31 December</i>
	<i>1999</i>	<i>June 2000</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating profit	18,794	17,592	17,448	26,775
Depreciation of tangible assets	791	477	640	1,550
Goodwill amortisation	—	523	3,300	6,150
Loss on sale of fixed assets	—	—	—	83
Movement in deferred income	—	—	—	335
(Decrease)/ increase in net market and client balances	(6,591)	(5,642)	6,029	(3,242)
(Increase)/ decrease in net investment positions	(6,537)	(8,944)	9,767	(2,205)
Decrease/(increase) in other debtors	(5,857)	10,193	(517)	(2,081)
(Decrease)/increase in other creditors	12,986	2,779	15,833	(1,490)
Net cash inflow from operating activities	<u>13,586</u>	<u>16,978</u>	<u>52,500</u>	<u>25,875</u>

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

	<i>Year ended</i>	<i>6 months</i>	<i>51 weeks</i>	<i>Year ended</i>
	<i>31 December</i>	<i>ended 30</i>	<i>ended</i>	<i>31 December</i>
	<i>1999</i>	<i>June 2000</i>	<i>2000</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
(Decrease)/increase in cash during the year	8,850	9,496	69,526	(4,250)
Cash inflow from increase in debt financing and issue of preference shares	—	(145,301)	(128,949)	—
Cash inflow from increase in net investment positions	6,537	8,944	—	—
Cash outflow from repayment of loans & secured loan notes	—	1,500	101,851	9,861
Debt issue costs	—	—	6,112	20
Amortisation of debt costs	—	—	(2,186)	(1,736)
Change in net debt resulting from cash flows	15,387	(125,361)	46,354	3,895
Loans acquired with subsidiary	—	—	(6,593)	—
Net funds at start of period	<u>(3,299)</u>	<u>12,088</u>	<u>—</u>	<u>39,761</u>
Net funds at end of period	<u>12,088</u>	<u>(113,273)</u>	<u>39,761</u>	<u>43,656</u>

26. Analysis of Net Funds

	<i>At 1 January 1999</i>	<i>Cash flow £'000</i>	<i>Acquisitions and disposals excluding cash and overdrafts £'000</i>	<i>At 31 December 1999 £'000</i>
Cash in hand and at bank	2,837	8,942	(170)	11,609
Overdraft	(255)	78	—	(177)
	2,582	9,020	(170)	11,432
Irredeemable convertible preference shares	(2,300)	—	—	(2,300)
Debenture loan notes due after one year	(5,093)	—	—	(5,093)
Subordinated loans due after one year	(1,500)	—	—	(1,500)
	(6,311)	9,020	(170)	2,539
Net bull/(bear) investment positions	3,012	6,537	—	9,549
Total net funds/(debt)	(3,299)	15,557	(170)	12,088
			<i>Acquisitions and disposals excluding cash and overdrafts £'000</i>	
	<i>At 1 January 2000 £'000</i>	<i>Cash flow £'000</i>		<i>At 30 June 2000 £'000</i>
Cash in hand and at bank	11,609	16,703	—	28,312
Overdraft	(177)	(7,207)	—	(7,384)
	11,432	9,496	—	20,928
Irredeemable convertible preference shares	(2,300)	—	2,300	—
Redeemable preference shares	—	(44,600)	—	(44,600)
Loans from directors due within one year	—	(2,700)	—	(2,700)
Debenture loan notes due after one year	(5,093)	—	—	(5,093)
Bank loans due after one year	—	(9,500)	—	(9,500)
Subordinated loans due after one year	(1,500)	(89,301)	—	(90,801)
	2,539	(136,605)	2,300	(131,766)
Net bull/(bear) investment positions	9,549	8,944	—	18,493
Total net funds/(debt)	12,088	(127,661)	2,300	(113,273)
			<i>Acquisitions and disposals excluding cash and overdrafts £'000</i>	
	<i>At 11 January 2000 £'000</i>	<i>Cash flow £'000</i>		<i>At 31 December 2000 £'000</i>
Cash in hand and at bank	—	70,064	—	70,064
Overdraft	—	(538)	—	(538)
	—	69,526	—	69,526
Loans due after one year	—	(23,222)	(1,500)	(24,722)
Loan notes due within one year	—	50	(5,093)	(5,043)
Total net funds	—	46,354	(6,593)	39,761

	<i>At</i> <i>1 January</i> <i>2001</i> <i>£'000</i>	<i>Cash flow</i> <i>£'000</i>	<i>Non-cash</i> <i>item</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2001</i> <i>£'000</i>
Cash in hand and at bank	70,064	(3,765)	—	66,299
Overdraft	(538)	(485)	—	(1,023)
	<u>69,526</u>	<u>(4,250)</u>	<u>—</u>	<u>65,276</u>
Loan notes due within one year	(5,043)	13	—	(5,030)
Loans due after one year	(24,722)	9,868	(1,736)	(16,590)
	<u>39,761</u>	<u>5,631</u>	<u>(1,736)</u>	<u>43,656</u>

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

27. Financial Instruments

The financial assets and liabilities of the Group comprise long and short securities positions, cash and liquid resources and borrowings. The revenue generated in 2001 from trading in financial assets and liabilities was £10,728,000 (2000: £6,621,000). Disclosures concerning financial instruments including, *inter alia*, the fair value of such instruments, currency denomination and maturity of loans are set out in notes 14, 16, 17 and 18. As permitted by FRS 13 no disclosures have been made in respect of short term debtors and creditors. Prior to the 51 week period ended 31 December 2000, the Group was not obliged to comply with FRS 13. Accordingly no disclosures are included in respect of the year ended 31 December 1999 or the six months ended 30 June 2000.

The main risks arising from these instruments are as follows:

Market Risk

The Group is exposed to market risk in respect of its trading in equities and debt instruments. The Group makes markets primarily in small company stocks, investment trusts and fixed interest securities. 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 period. The policy of holding trading positions is to facilitate liquidity in the shares of certain companies to whom the Group acts as market maker, broker or adviser. Limits are set on the size of individual and aggregate positions. Day to day risk monitoring is undertaken by the Executive directors.

Foreign Currency Risk

The Group's foreign currency balances at the period ends are disclosed in notes 16 and 17. 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. The Group does not hedge its net investment in its US subsidiary undertaking.

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 18. Owing to the immateriality of the subordinated debt, the Company does not hedge this interest.

In addition, the Group has outstanding loan notes which are secured by a cash deposit. The interest on the deposit is matched against the interest due on the loan notes.

28. Employee Share Ownership Trusts

The Collins Stewart Holdings 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 MBO. These

trusts were to hold, as trustee and nominee, shares which were subscribed by employees of the Group pursuant to the MBO.

All the shares held by the directors and the ESOTs pursuant to the MBO are subject to selling restrictions entered into at the time of Collins Stewart Holdings plc's flotation on the London Stock Exchange, whereby the shares cannot be disposed of within a period of approximately one and a quarter years from the year end, with further restrictions limiting the amount of sales applying in the following 12 month period. During the period of selling restrictions, the shareholdings to which restrictions apply are subject to "bad leaver" agreements which have been entered into as part of each employment contract between Collins Stewart Holdings plc and individual employees. These agreements provide for the transfer of ordinary shares and preference shares at the direction of Collins Stewart Holdings plc in the event that an employee resigns or is dismissed from office or employment by Collins Stewart Holdings plc in certain circumstances.

Shares acquired by the ESOTs from staff who have left the Group under the bad leaver agreements are then 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 2001, of the 29m ordinary shares, 4m "A" preference shares and 1.6m "B" preference shares held by the Group's ESOTs, some 3.1m ordinary shares, 62,000 "A" preference shares and 99,000 "B" preference shares had not been allocated to specific employees (31 December 2000: 754,000, 60,000 and 60,000 respectively) and a further 1.2m ordinary shares and 14,000 "A" preference shares (2000: nil) 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 Collins Stewart Holdings plc's ordinary shares at 31 December 2001 was 390p per share. The preference shares are unlisted and are all redeemable at £1 per share.

There were no balances recorded in respect of the ESOTs in respect of the year ended 31 December 1999 and the six months ended 30 June 2000.

Dividends on shares held by the ESOTs 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 Collins Stewart Holdings plc in accordance with FRS 14. Such shares are also not included 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.

29. Post Balance Sheet Events

At the date the 2001 accounts were signed, 25 March 2002, there were no material post balance sheet events.

PART IV

COLLINS STEWART GROUP'S UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2002

The following is the full text of the announcement of the unaudited interim results for the six months ended 30 June 2002 which were announced by the Company on 2 September 2002.

“INTERIM STATEMENT

These interim results have been produced against the background of continuing severe market conditions. Indeed, this is probably the worst trading environment since the early 1970s. Once again all major market indices fell during the first half and there were further declines in both primary issuance and secondary trading.

In the face of these continuing adverse market conditions, Collins Stewart has once again maintained its performance. Revenues in the first half amounted to £51.2m (2001: £45.7m), which included other income of £1.2m (2001: £0.2m). Acquisitions made during 2001 contributed some £4m to the increase, but our underlying business held its own with a marginal increase. Operating profits before goodwill amortisation were £15.4m (2001: £15.1m), representing an increase of 2%. This was after bonus provisions of £12.9m (2001: £15.5m).

The Directors have maintained the interim ordinary dividend at 2.25p. This is payable on 5 December 2002 to ordinary shareholders on the register at the close of business on 8 November 2002.

We made substantial progress with the development of QUEST™ that includes, *inter alia*, coverage of North American and Asian securities. Our investment in this system remains an important element of our business development.

Since the half year litigation in the UK concerning the EU alleged trade mark in CFROI (the main evaluation tool used by QUEST™) was concluded in our favour. QUEST™'s main competitor, CSFB HOLT, conceded that its trade mark was invalid and agreed to pay our costs. There is ongoing litigation in the United States in connection with the US trade mark and the Board is confident of a similar outcome there.

The first half of 2002 additionally saw the new private client division make significant progress. The division benefited from the cessation of dual running costs at the end of last year. The integration process is nearing completion, which should allow us to start to grow the business more aggressively.

The outlook for the stock market for the remainder of the financial year continues to be bleak. Nevertheless, the Group has to date found ways to maintain its business in the face of such conditions and the Board remains optimistic that it will continue to do so.

The following table shows the results for the first half of 2002 together with those for the comparative period in 2001.

	<i>Six months ended 30 June 2002 £'000</i>	<i>Six months ended 30 June 2001 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
Turnover	49,979	45,450	103,216
Operating profit:			
Before goodwill amortisation	15,360	15,148	32,925
After goodwill amortisation	12,103	12,104	26,775
Profit before tax	11,937	11,645	32,779
Profit after tax attributable to ordinary shareholders	6,112	6,234	19,237
Earnings per share			
Basic	6.00p	6.02p	18.66p
Diluted	5.92p	5.96p	18.49p
Basic before goodwill amortisation and exceptional items	9.19p	8.96p	19.64p

Performance of Divisions and Subsidiaries

The following table indicates the contributions to turnover made by each of our divisions/subsidiaries.

	<i>Six months ended</i> <i>30 June 2002</i>		<i>Six months ended</i> <i>30 June 2001</i>		<i>Year ended</i> <i>31 December 2001</i>	
	<i>£'000</i>	<i>%</i>	<i>£'000</i>	<i>%</i>	<i>£'000</i>	<i>%</i>
Larger Companies & QUEST™	11,054	22.1	13,231	29.1	25,208	24.4
Smaller Companies	15,062	30.1	8,366	18.4	19,397	18.8
Investment Trusts	4,071	8.2	8,129	17.9	23,929	23.2
Fixed Interest	1,983	4.0	1,734	3.8	3,817	3.7
UK Private Clients	3,304	6.6	492	1.1	2,656	2.6
Collins Stewart Inc	4,138	8.3	4,175	9.2	8,927	8.6
Collins Stewart (CI)	10,367	20.7	9,323	20.5	19,282	18.7
	<u>49,979</u>	<u>100.0</u>	<u>45,450</u>	<u>100.0</u>	<u>103,216</u>	<u>100.0</u>

Acquisitions made at the end of the first half of 2001 contributed £4m of the increase in turnover, with the existing business generating slightly higher revenues than in the first half of 2001. The growth in turnover in the smaller companies division was 80% resulting from the increase in corporate finance transactions. The Investment Trusts division's revenues were down 50% from the first half last year, which was a combination of reduced corporate finance activity and difficult market making conditions.

United Kingdom

Larger Companies

Turnover in larger companies in London was down by 16% compared with the first half of 2001. Market conditions have been very poor indeed. The first few months of the half year saw markets moving in a narrow trading range. This was then followed by the resumption of a relentless bear market trend allied to high levels of volatility and frequent event risk in the form of accounting scandals. Whilst we have continued to grow market share, this is in the face of a sharp downturn in activity, so that even holding last year's level in commission income proved to be impossible.

QUEST™

The first half has seen continued progress on the "QUEST™ Plus" project, the expansion of QUEST™ coverage to stocks to include North America and Asia/Japan and the redevelopment of the QUEST™ website, www.csquest.com, to integrate all the various QUEST™ products. "QUEST™ Plus" is planned to launch at the end of 2002.

In the first half there was a steady increase in the number of registered users. We introduced further product add-ons such as a monthly client newsletter and portfolioAngle™, a bespoke service for portfolio managers incorporating the successful QUEST™ triAngle™ methodology and made enhancements to our popular weekly commentary publication, QUEST™ Companies in the News™.

Our continued aim is to make QUEST™ the product of choice for international equity portfolio managers for evaluating corporate performance and share valuation. QUEST™'s main competitor has recently been acquired by a major integrated investment bank. QUEST™ is therefore now the only independent product in the sense that Collins Stewart is not owned by a larger organisation and does not have any corporate finance or trading activities outside the small cap area so that it is free from any potential conflicts of interest. We hope that users of online financial information services will recognise the benefits of our independence and switch to QUEST™.

Smaller Companies

Smaller companies had an extremely successful first half of the year with overall revenues increasing by 80%. Fee income was the main contributor to this performance as we raised more equity through new issues on the AIM market than all our competitors put together. The Group advised on 22 transactions (2001: 9) and funds raised amounted to £250m compared to £88m in the first half of 2001. Secondary trading and commission revenues remained at the same level as the first half of 2001 despite conditions being materially worse. The number of companies to which we are appointed brokers rose from 73 at the year end to 83 at the half year. We are continuing to gain market share through the addition of high quality corporate relationships.

Investment Trusts

Difficult trading conditions have continued to affect the Investment Trust sector. Many private investors have withdrawn from equity markets generally, and Investment Trusts specifically. The decline in liquidity in the sector has been a significant negative factor. The problems surrounding splits and the continuing fall in the value of technology stocks have added to the sector's woes. Market making revenues were particularly affected by the lack of liquidity in the sector.

Revenues from the Investment Trust team declined by around 50% in the first half of the year as compared to the similar period in 2001. Three corporate transactions were completed in the first half, of which two were new issues. The larger of the new issues, Ecofin Water & Power Opportunities, was a £175m issue investing in the water and power utility sectors in the UK, Europe and the USA.

Since the half year a further fundraising has been completed for Pantheon International Participations. We are continuing to seek mandates and a number of new issues and corporate transactions are planned, all of which are subject to market conditions.

Fixed Interest

The first half of 2002 continued the strong performance of 2001, with revenues slightly ahead of the first half of 2001. This reflects a good level of institutional business and continued strong retail demand for preference shares.

UK Private Clients

The establishment of the Private Clients division has been a major project for the Group, the objective of which is to build a solid platform from which to establish Collins Stewart as a substantial player in the UK Private Client market.

Significant progress has been made in integrating the division following the transfer of operations from NatWest Stockbrokers on 10 December 2001. It has been pleasing that such progress has been made against a difficult market background. The response from clients has generally been positive, particularly to the quality of our research. Further work needs to be completed before we are in a position to grow the business but recent new business wins of high net worth clients have demonstrated the potential of our approach to Private Client business. In the meantime, the focus remains on improving efficiency and the returns achieved from the existing client base.

Funds under management have remained unchanged since the year end at £1.1bn, which is an achievement when taking into account the fall in market levels since that date.

Collins Stewart Inc

New York's turnover was virtually flat when compared with the first half of 2001. This was a good result, as market conditions have remained tough and many competitors have struggled. In the first half we started dealing in ADRs for the first time and continued to expand our client base.

Collins Stewart (CI) Limited

In line with market conditions, our Channel Islands business experienced another challenging period. Turnover increased by 11%, although excluding the contribution made by Collins Stewart Property Fund Management, our property fund management business which was established in April 2001, it fell by 1%.

The changing mix of our business during 2000 and 2001, which saw consistent expansion of our Asset Management and, in particular, our Fund Management activities, helped to contribute to the stability of our financial performance. During the first half of 2002 funds under management in the Channel Islands rose to £1.32 billion from £1.27 billion at the year end. Collins Stewart Property Fund Management continued to establish its business and to diversify its client base.

The Stockbroking divisions continue to find trading conditions difficult whilst producing creditable results. The execution only stockbroking business of Cater Allen in Jersey, which we purchased in the last quarter of 2001, has produced pleasing results as we continue to convert these clients to higher revenue producing arrangements. We believe that further value adding acquisition opportunities are likely to arise during the next six to twelve months.

In January this year we launched two hedge funds, whose investment methodology is based on the QUESTTM triAngleTM. These are long/short equity funds, with one fund investing in FTSE 350 stocks and the other in Eurotop 300 stocks. Up until 31 July, the UK fund was up by 6.7% and had outperformed the FTSE 350 Index by 24.3% and the CSFB/Tremont Index by 17.8%. The Euro Fund, in the same period, was up by 3.5% and had outperformed the Eurotop 300 Index by 24.8% and the CSFB/Tremont Index by

14.6%. These funds remain small but we expect to start marketing them once they have a proven track record.

Financial Performance

The following table indicates the contributions to turnover made by each of our major areas of activity. Some of these activities are carried out across a number of different divisions/subsidiaries.

	<i>Six months ended 30 June 2002</i>		<i>Six months ended 30 June 2001</i>		<i>Year ended 31 December 2001</i>	
	<i>£'000</i>	<i>%</i>	<i>£'000</i>	<i>%</i>	<i>£'000</i>	<i>%</i>
Market making/principal turns	3,830	7.7	6,064	13.4	10,667	10.3
Commissions	26,172	52.3	24,984	55.0	49,999	48.5
Corporate Finance	15,329	30.7	11,742	25.8	35,264	34.2
Management fees	4,575	9.2	2,602	5.7	7,108	6.9
Other income	73	0.1	58	0.1	178	0.1
	<u>49,979</u>	<u>100.0</u>	<u>45,450</u>	<u>100.0</u>	<u>103,216</u>	<u>100.0</u>

The contributions made by the various activities during the first half varied from the first half of 2001, with corporate finance fees being significantly higher. This was particularly creditable given the continuing decline in the corporate finance market in general. It further underlines the importance of the Group's strategy to diversify its business away from reliance on any one activity.

The Directors have declared an interim dividend of 2.25p (2001: 2.25p). This is payable on 5 December 2002 to shareholders on the register at the close of business on 8 November 2002.

At the end of the half year the Group had net funds of £18.3m (2001: £13.1m), down from £43.7m at 31 December 2001. Operating activities accounted for £12.2m of this reduction largely through funding of trades (which were predominantly timing differences) and the payment of the remainder of 2001's bonuses. In addition, in the first half there were payments of £4.8m taxation, £7.2m dividends, £1m capital expenditure and a scheduled repayment of £4m on loans taken out at the time of the MBO.

Future Developments and Outlook

We continue to seek new recruits in both our large and small company teams and the private client division.

We expect the "QUESTTM Plus" development and the costs associated with this project to be complete at the end of this year, which should enable us to improve our service to existing institutional clients and to enhance our marketing efforts.

We continue to explore opportunities to diversify our business. However, no suitable opportunities have to date been found.

The end of the bear market does not yet appear in sight and we therefore expect and assume that there will be no improvement in market conditions before the end of the year. Nevertheless we expect to continue to develop our business during the second half.

Keith Hamill
Chairman

Terry Smith
Chief Executive

30 August 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Six months ended 30 June 2002 (Unaudited) £'000</i>	<i>Six months ended 30 June 2001 (Unaudited) £'000</i>	<i>Year ended 31 December 2001 (Restated) £'000</i>
Turnover	49,979	45,450	103,216
Administrative expenses			
Amortisation of goodwill	(3,257)	(3,044)	(6,150)
Other expenses	(35,823)	(30,538)	(71,366)
	<u>(39,080)</u>	<u>(33,582)</u>	<u>(77,516)</u>
Other operating income	1,204	236	1,075
	<u>12,103</u>	<u>12,104</u>	<u>26,775</u>
Operating profit	12,103	12,104	26,775
Exceptional item: profit on sale of fixed asset investments	—	—	6,684
	<u>12,103</u>	<u>12,104</u>	<u>33,459</u>
Profit on ordinary activities before interest and tax	12,103	12,104	33,459
Interest receivable and similar income	1,372	1,887	3,523
Interest payable and similar charges	(1,538)	(2,346)	(4,203)
	<u>11,937</u>	<u>11,645</u>	<u>32,779</u>
Profit on ordinary activities before taxation	11,937	11,645	32,779
Taxation on profit on ordinary activities	(4,472)	(4,185)	(10,945)
	<u>7,465</u>	<u>7,460</u>	<u>21,834</u>
Profit on ordinary activities after taxation	7,465	7,460	21,834
Minority interests – equity	(63)	68	5
	<u>7,402</u>	<u>7,528</u>	<u>21,839</u>
Profit for the period attributable to shareholders of Collins Stewart Holdings plc	7,402	7,528	21,839
Dividends proposed			
Ordinary dividend on equity shares	(2,292)	(2,390)	(6,875)
Preference dividend on non-equity shares	(1,290)	(1,294)	(2,602)
	<u>3,820</u>	<u>3,844</u>	<u>12,362</u>
Retained profit for the period	3,820	3,844	12,362
Earnings per share			
Basic	6.00p	6.02p	18.66p
Diluted	5.92p	5.96p	18.49p
Basic before goodwill amortisation and exceptional items	9.19p	8.96p	19.64p
Dividend per share	2.25p	2.25p	6.75p

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>30 June</i>	<i>30 June</i>	<i>31</i>
	<i>2002</i>	<i>2001</i>	<i>December</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Restated)</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit for the period attributable to shareholders of Collins Stewart Holdings plc	7,402	7,528	21,383
Foreign currency translation differences	(50)	26	11
	7,352	7,554	21,394
Total recognised gains and losses for the period	7,352	7,554	21,394
Prior year adjustment in respect of FRS 19	456		
	456		
Total recognised gains and losses since last annual report	7,808		

CONSOLIDATED BALANCE SHEET

	30 June 2002 <i>(Unaudited)</i> £'000	30 June 2001 <i>(Unaudited)</i> £'000	<i>31</i> December 2001 <i>(Restated)</i> £'000
Fixed assets			
Intangible assets	117,632	124,451	120,891
Tangible assets	6,814	4,782	6,866
Investments	104	246	103
	124,550	129,479	127,860
Current assets			
Investments	14,714	13,124	14,625
Debtors	300,949	357,083	103,376
Cash at bank and in hand	43,332	42,158	66,299
	358,995	412,365	184,300
Creditors: amounts falling due within one year	(330,062)	(389,631)	(158,131)
Net current assets	28,933	22,734	26,169
Total assets less current liabilities	153,483	152,213	154,029
Creditors: amounts falling due after more than one year	(6,434)	(17,569)	(10,819)
Equity minority interests	(221)	(95)	(158)
Net assets	146,828	134,549	143,052
Capital and reserves			
Called up share capital	27,003	27,002	27,003
Share premium account	98,316	98,311	98,310
Profit and loss account	21,509	9,236	17,739
	146,828	134,549	143,052
Shareholders' funds			
Equity	102,228	89,949	98,452
Non equity	44,600	44,600	44,600
	146,828	134,549	143,052

CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Six months ended 30 June 2002 (Unaudited) £'000</i>	<i>Six months ended 30 June 2001 (Unaudited) £'000</i>	<i>Year ended 31 December 2001 £'000</i>
Net cash (outflow)/inflow from operating activities	(12,182)	(11,432)	25,875
Returns on investments and servicing of finance:			
Interest received	1,372	1,891	3,434
Interest paid	(853)	(1,437)	(2,629)
Preference share dividend	(2,602)	(1,573)	(1,573)
Dividends paid to minorities	—	—	(34)
	(2,083)	(1,119)	(802)
Taxation:			
Corporation tax paid	(3,710)	(2,302)	(8,843)
Overseas tax paid	(1,069)	(710)	(2,213)
	(4,779)	(3,012)	(11,056)
Capital expenditure and financial investments:			
Purchase of tangible fixed assets	(1,017)	(3,247)	(6,346)
Proceeds from sale of tangible fixed assets	—	—	7
Sale of fixed asset investments	—	—	6,684
	(1,017)	(3,247)	345
Acquisitions and disposals:			
Purchase of subsidiary undertakings	—	(17,921)	(17,408)
Equity dividends paid	(4,583)	(1,289)	(3,581)
Net cash outflow before financing	(24,644)	(38,020)	(6,627)
Financing:			
Issue of ordinary share capital	6	12,500	12,500
Share issue costs	—	(242)	(242)
Repayment of loans	(4,050)	(2,500)	(9,868)
Repayment of secured loan notes	—	—	(13)
	(4,044)	9,758	2,377
Decrease in cash	(28,688)	(28,262)	(4,250)

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

The interim accounts for the six months ended 30 June 2002 have been prepared using the same accounting policies as those applied in the accounts for the year ended 31 December 2001 other than in respect of deferred tax. The Group has adopted Financial Reporting Standard no 19 on Deferred Taxation for the period ended 30 June 2002. This has led to a restatement of the comparatives for the year ended 31 December 2001: the deferred tax charge and creditor balance have been reduced by £456,000.

These interim accounts are unaudited. A review of the interim information has been performed by the Company's auditors, Deloitte & Touche, and their report is set out at the end of this document. The comparative information for the year ended 31 December 2001 contained in this report does not constitute statutory accounts under s240 of the Companies Act 1985. Statutory accounts for that year have been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified.

2 Segmental analysis

The Group operates from within three main geographical markets: the United Kingdom, the Channel Islands and the United States of America. The geographic split of the Group's activities for the period ended 30 June 2002 was as follows:

Turnover

	<i>Six months ended 30 June 2002 £'000</i>	<i>Six months ended 30 June 2001 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
United Kingdom	36,777	32,102	76,376
Channel Islands	9,064	9,173	17,913
United States	4,138	4,175	8,927
	<u>49,979</u>	<u>45,450</u>	<u>103,216</u>

Operating profit

	<i>Six months ended 30 June 2002 £'000</i>	<i>Six months ended 30 June 2001 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
United Kingdom	7,681	6,229	16,582
Channel Islands	3,116	4,129	6,570
United States	1,306	1,746	3,623
	<u>12,103</u>	<u>12,104</u>	<u>26,775</u>

3 Earnings per share

The calculation of basic and diluted earnings per ordinary share was based on earnings after taxation, minority interests and preference shares of £6,112,000 (30 June 2001: £6,234,000 and 31 December 2001: £19,237,000). The basic earnings per share before goodwill amortisation and the exceptional item was calculated on the basic earnings above, adjusted to add back the post tax cost of amortisation of goodwill (and in respect of the comparative for the year ended 31 December 2001, the exceptional post tax gain on disposal of shares in The London Stock Exchange plc of £5,135,000). The post tax cost of amortisation of goodwill amounted to £3,257,000 in respect of the period to 30 June 2002, £3,044,000 in respect of the period to 30 June 2001 and £6,150,000 for the year ended 31 December 2001.

The weighted average number of ordinary shares comprised the following:

Weighted average

	<i>Six months ended 30 June 2002 No'000</i>	<i>Six months ended 30 June 2001 No'000</i>	<i>Year ended 31 December 2001 No'000</i>
Shares at start of period	101,893	103,101	103,101
Issued during the period	—	432	1,789
Acquired by ESOTs from staff leaving the Group	—	—	(1,773)
Basic earnings per share denominator	101,893	103,533	103,117
Issuable on exercise of options	1,378	1,126	944
Diluted earnings per share denominator	103,271	104,659	104,061

4 Taxation on ordinary activities

	<i>Six months ended 30 June 2002 £'000</i>	<i>Six months ended 30 June 2001 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
UK corporation taxation	3,437	2,987	8,387
Overseas taxation	1,043	1,185	2,030
Deferred taxation	(8)	13	984
Restatement of deferred tax in respect of FRS 19	—	—	(456)
	4,472	4,185	10,945

Adoption of FRS19 has required a change in the method of accounting for deferred tax. As a result the comparative figure for tax on ordinary activities for the year ended 31 December 2001 has been restated from the previously reported amount of £11,401,000 to £10,945,000. There has been no impact from adopting FRS19 on the results for 2002.

5 Movement in shareholders' funds

	<i>Share capital account £'000</i>	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
Balance at start of period	27,003	98,310	17,283	142,596
Prior year adjustment in respect of FRS 19	—	—	456	456
Restated balance at start of period	27,003	98,310	17,739	143,052
Retained profit for period	—	—	3,820	3,820
Issue of shares	—	6	—	6
Foreign currency translation	—	—	(50)	(50)
Balance at end of period	27,003	98,316	21,509	146,828

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

	<i>Six months ended 30 June 2002 £'000</i>	<i>Six months ended 30 June 2001 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
Operating profit	12,103	12,104	26,775
Depreciation of tangible fixed assets	1,064	508	1,550
Goodwill amortisation	3,257	3,044	6,150
Loss on sale of fixed assets	—	76	83
Movement in deferred income	(41)	—	335
Decrease in net market and client balances	(11,761)	(11,007)	(3,242)
(Increase)/decrease in net investment positions	(889)	605	(2,205)
Increase in other debtors	(90)	(642)	(2,081)
Decrease in other creditors	(15,825)	(16,120)	(1,490)
Net cash (outflow)/inflow from operating activities	<u>(12,182)</u>	<u>(11,432)</u>	<u>25,875</u>

7 Reconciliation of net cash flow to movements in net funds

	<i>Six months ended 30 June 2002 £'000</i>	<i>Six months ended 30 June 2001 £'000</i>	<i>Year ended 31 December 2001 £'000</i>
Decrease in cash during the period	(28,688)	(28,262)	(4,250)
Cash outflow from repayment of loans	4,050	2,500	9,861
Debt issue costs	—	—	20
Amortisation of debt issue costs	(687)	(895)	(1,736)
Change in net debt	(25,325)	(26,657)	3,895
Net funds at the start of the period	<u>43,656</u>	<u>39,761</u>	<u>39,761</u>
Net funds at the end of the period	<u>18,331</u>	<u>13,104</u>	<u>43,656</u>

Net funds at 30 June 2002 comprised £18.3m debt net of unamortised issue costs (June 2001: £28.2m and December 2001: £21.6m) and cash balances net of overdrafts of £36.6m (June 2001: £41.3m and December 2001: £65.3m).

8 Client settlement moneys

Cash balances include client settlement moneys of £9,391,000 (30 June 2001: £6,961,000 and 31 December 2001: £7,669,000), 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 2.25p will be paid on 5 December 2002 to those shareholders on the register on 8 November 2002.

Preference dividends payable on 'A' and 'B' Preference shares are accrued throughout the period and will be paid to holders on 1 May the following year.

10 Report availability

This interim report is being sent to all shareholders; further copies may be obtained from the Company's registered office at 9th Floor, 88 Wood Street, London EC2V 7QR.

INDEPENDENT REVIEW REPORT TO COLLINS STEWART HOLDINGS PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2002 which comprises the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated statement of cashflows and related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

Deloitte & Touche

Chartered Accountants

London

30 August 2002"

PART V

FINANCIAL INFORMATION ON TULLETT PLC AND ITS SUBSIDIARY UNDERTAKINGS



The Directors and Proposed Directors
Collins Stewart Holdings plc
9th Floor
88 Wood Street
London EC2V 7QR

The Directors
HSBC Bank plc
8 Canada Square
London E14 5HQ

Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

23 January 2003

Dear Sirs

We report on the financial information set out below. This financial information has been prepared for inclusion in the Prospectus dated 23 January 2003 (the "Prospectus") relating to the proposed combination of Tullett plc ("Tullett" formerly Tullett and Tokyo Liberty plc) with Collins Stewart Holdings plc.

Basis of preparation

The financial information set out below is based on the audited consolidated financial statements of Tullett and its subsidiary undertakings (the "Tullett Group") for the three years ended 31 December 1999, 2000, 2001 and the six months ended 30 June 2002 and has been prepared after making such adjustments as we considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of Tullett (the "Tullett Directors"), who approved their issue.

The Directors and Proposed Directors of Collins Stewart Holdings plc are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the 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 financial information. The evidence included that previously obtained by us relating to the audit of the consolidated 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 financial information and whether the accounting policies are appropriate to the circumstances of the Tullett 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 financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Tullett Group as at the dates stated and of its profits and losses, cash flows and recognised gains and losses for the periods then ended.

Ernst & Young LLP
London

Consolidated Profit and Loss Accounts

	<i>Year ended</i> <i>31 December</i> <i>1999</i>	<i>Year ended</i> <i>31 December</i> <i>2000</i>	<i>Year ended</i> <i>31 December</i> <i>2001</i>	<i>Six months</i> <i>ended</i> <i>30 June</i> <i>2002</i>
<i>Notes</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Turnover				
Group and share of joint venture's turnover	200,087	298,549	—	—
Less: share of joint venture's turnover	(10,107)	(16,297)	—	—
Continuing operations	166,628	281,277	385,640	213,008
Discontinued operations	23,352	975	678	—
Group turnover	3 189,980	282,252	386,318	213,008
Operating costs	4 (199,007)	(297,276)	(365,344)	(199,469)
Other operating income	4 1,459	2,488	3,917	2,479
Operating profit/(loss):				
Continuing operations	4,967	6,193	26,165	16,018
Discontinued operations	(12,535)	(18,729)	(1,274)	—
Group operating profit/(loss)	5 (7,568)	(12,536)	24,891	16,018
Share of operating profits and losses in joint venture – continuing operations	(1,274)	352	—	—
Share of operating profits and losses in associates – continuing operations	1,174	1,809	(352)	(135)
Share of operating profits and losses in joint venture and associates – discontinued operations	158	(1,084)	(8)	—
	58	1,077	(360)	(135)
Continuing operations	4,867	8,354	25,813	15,883
Discontinued operations	(12,377)	(19,813)	(1,282)	—
Total operating profit/(loss): Group and share of joint venture and associates	(7,510)	(11,459)	24,531	15,883
Continuing operations:				
Profit on disposal of investments	26 —	10,577	810	—
Associate's share of release of prior period provision for fixed asset investment	28 —	—	565	2,314
Discontinued operations:				
Profit on sale of operations and termination of businesses	27 16,022	527	475	1,379
Restructuring costs (includes amounts relating to associates of £924,000 in 1999 and £1,947,000 in 2000)	28 (4,156)	(10,897)	(300)	(67)
Provision for loss on termination of business	—	(439)	16	—
	11,866	(232)	1,566	3,626

Consolidated Profit and Loss Accounts

		<i>Year ended</i> <i>31 December</i> <i>1999</i> <i>£000</i>	<i>Year ended</i> <i>31 December</i> <i>2000</i> <i>£000</i>	<i>Year ended</i> <i>31 December</i> <i>2001</i> <i>£000</i>	<i>Six months</i> <i>ended</i> <i>30 June</i> <i>2002</i> <i>£000</i>
Profit/(loss) on ordinary activities before interest and taxation		4,356	(11,691)	26,097	19,509
Net interest receivable/(payable)	8	1,946	932	617	(394)
Profit/(loss) on ordinary activities before taxation	3	6,302	(10,759)	26,714	19,115
Taxation on profit/(loss) on ordinary activities	9	(1,924)	1,629	(14,991)	(9,571)
Profit/(loss) on ordinary activities after taxation		4,378	(9,130)	11,723	9,544
Equity minority interests		591	(156)	(512)	(396)
Profit/(loss) for the financial period attributable to members of the parent company		4,969	(9,286)	11,211	9,148
Dividend on equity shares		(16,800)	—	—	—
Other appropriations – non-equity shares	10	—	(1,848)	—	—
Retained profit/(loss) for the period		(11,831)	(11,134)	11,211	9,148
Earnings/(loss) per share – basic	11	36.5p	(49.7)p	46.0p	37.0p
– diluted	11	36.5p	(49.7)p	46.0p	35.9p

Consolidated Statements of Total Recognised Gains and Losses

	<i>Year ended</i> <i>31 December</i> <i>1999</i> <i>£000</i>	<i>Year ended</i> <i>31 December</i> <i>2000</i> <i>£000</i>	<i>Year ended</i> <i>31 December</i> <i>2001</i> <i>£000</i>	<i>Six months</i> <i>ended</i> <i>30 June</i> <i>2002</i> <i>£000</i>
Profit/(loss) for the financial period excluding share of profits/(losses) of associates and joint venture	5,917	(10,821)	11,018	7,192
Share of profits/(losses) of joint venture	(1,312)	189	—	—
Share of associates' profits/(losses) for the period	364	1,346	193	1,956
Profit/(loss) for the financial period attributable to members of the parent company	4,969	(9,286)	11,211	9,148
Exchange difference on retranslation of net assets of subsidiary undertakings	(669)	5,064	(606)	(2,259)
Exchange difference on retranslation of net assets of associates	1,258	(676)	(1,111)	75
Exchange difference on retranslation of joint venture	(229)	48	—	—
Total recognised gains and losses relating to the period	5,329	(4,850)	9,494	6,964

Reconciliation of movement in Group Shareholders' Funds

	<i>Year ended</i> <i>31 December</i> <i>1999</i> <i>£000</i>	<i>Year ended</i> <i>31 December</i> <i>2000</i> <i>£000</i>	<i>Year ended</i> <i>31 December</i> <i>2001</i> <i>£000</i>	<i>Six months</i> <i>ended</i> <i>30 June</i> <i>2002</i> <i>£000</i>
Total recognised gains and losses relating to the period	5,329	(4,850)	9,494	6,964
Dividends paid on equity shares	(16,800)	—	—	—
Dividends paid on non-equity shares	—	—	—	(1,848)
Issue of ordinary shares under the Tullett plc reward management scheme	—	—	761	408
Issue of ordinary shares in respect of acquisitions	15,543	4,608	525	—
Ordinary shares purchased and cancelled	—	—	(321)	(3)
Total movements during the period	4,072	(242)	10,459	5,521
Shareholders' funds at 1 January	83,649	87,721	87,479	97,938
Shareholders' funds at end of period	87,721	87,479	97,938	103,459

Consolidated Balance Sheets

		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>
		<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fixed assets					
Intangible assets	12	6,642	10,483	9,331	8,723
Tangible assets	13	26,148	22,334	23,886	23,169
Investment in joint venture					
– share of gross assets		12,679	—	—	—
– share of gross liabilities		(5,535)	—	—	—
	14	7,144	—	—	—
Associates and other fixed asset investments	14	25,245	19,555	16,527	19,669
		65,179	52,372	49,744	51,561
Current assets					
Debtors	17	153,564	166,884	514,302	384,314
Investments	18	17,410	26,754	35,343	37,551
Cash at bank and in hand	18	63,463	66,284	78,133	75,445
		234,437	259,922	627,778	497,310
Creditors:					
Amounts falling due within one year	19	(204,053)	(208,961)	(570,687)	(431,923)
Net current assets		30,384	50,961	57,091	65,387
Total assets less current liabilities		95,563	103,333	106,835	116,948
Creditors:					
Amounts falling due after more than one year	20	(3,556)	(10,989)	(4,164)	(8,584)
Provisions for liabilities and charges					
Deferred taxation	22	(200)	(106)	(97)	(87)
		(3,756)	(11,095)	(4,261)	(8,671)
		91,807	92,238	102,574	108,277
Capital and reserves					
Called up share capital	23	8,699	8,976	9,007	9,017
Share premium account	24	14,765	19,096	19,597	19,597
Capital redemption reserve	24	80	80	96	99
Profit and loss account	24	64,177	59,327	69,238	74,746
Shareholders' funds:					
Equity		81,184	79,094	89,553	96,925
Non-equity		6,537	8,385	8,385	6,534
		87,721	87,479	97,938	103,459
Equity minority interests		4,086	4,759	4,636	4,818
		91,807	92,238	102,574	108,277

Consolidated Cash Flow Statements

		<i>Year ended</i> <i>31 December</i> <i>1999</i> <i>£000</i>	<i>Year ended</i> <i>31 December</i> <i>2000</i> <i>£000</i>	<i>Year ended</i> <i>31 December</i> <i>2001</i> <i>£000</i>	<i>Six months</i> <i>ended</i> <i>30 June</i> <i>2002</i> <i>£000</i>
Net cash inflow from operating activities	32(a)	10,876	6,878	39,021	7,804
Dividends from associates		703	1,936	1,568	529
Returns on investments and servicing of finance	32(b)	1,894	825	516	(437)
Taxation	32(b)	(3,140)	530	(14,009)	(10,030)
Capital expenditure and financial investment	32(b)	(4,920)	3,997	(8,901)	(3,778)
Acquisitions and disposals	32(b)	11,864	(13,488)	(1,343)	(2,700)
Equity dividends paid		—	(16,800)	—	—
Non equity dividends paid	—	—	—	—	(1,848)
		<hr/>	<hr/>	<hr/>	<hr/>
Net cash inflow/(outflow) before management of liquid resources and financing		17,277	(16,122)	16,852	(10,460)
Management of liquid resources	32(b)	740	5,795	(11,492)	6,486
Financing					
– (decrease)/increase in debt	32(b)	(19,687)	18,740	(11,678)	2,160
– redemption of redeemable non-equity preference shares		(2,051)	—	—	(3)
– issue of ordinary shares		—	—	47	408
– redemption of ordinary shares		—	—	(321)	—
		<hr/>	<hr/>	<hr/>	<hr/>
(Decrease)/increase in cash		(3,721)	8,413	(6,592)	(1,409)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of Net Cash Flow to Movement in Net Funds

	<i>Note</i>	<i>Year ended 31 December 1999 £000</i>	<i>Year ended 31 December 2000 £000</i>	<i>Year ended 31 December 2001 £000</i>	<i>Six months ended 30 June 2002 £000</i>
(Decrease)/increase in cash		(3,721)	8,413	(6,592)	(1,409)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		19,687	(18,740)	11,678	(2,160)
Cash outflow/(inflow) from increase/(decrease) in liquid resources		(740)	(5,795)	11,492	(6,486)
Change in net funds resulting from cash flows		15,226	(16,122)	16,578	(10,055)
Current asset investments acquired with subsidiary undertakings		36,494	4,848	—	—
Loans and finance leases acquired with subsidiary undertakings		(27,593)	—	—	—
Current investment transferred (to)/from other fixed asset investments		1,000	(139)	—	—
New finance leases		(314)	—	—	—
Translation differences		576	5,322	567	4,493
Movement in net funds		25,389	(6,091)	17,145	(5,562)
Net funds at 1 January		40,296	65,685	59,594	76,739
Net funds at end of period	32(c)	65,685	59,594	76,739	71,177

Notes to the Financial Information

1. Accounting policies

Accounting convention

The financial information has been prepared from the audited consolidated financial statements of Tullett plc for each of the three years ended 31 December 1999, 2000, 2001 and the six month period ended 30 June 2002. The consolidated financial information has been prepared under the historical cost convention, in accordance with applicable accounting standards.

Basis of consolidation

Entities other than subsidiary undertakings, in which the Tullett Group has a participating interest and over whose operating and financial policies the Tullett Group exercises a significant influence, are treated as associates. In the Tullett Group accounts, joint ventures and associates are accounted for using the equity method. The Tullett Group financial information includes the appropriate share of these undertakings' results and retained reserves at each respective balance sheet date, with the exception of The Totan Derivatives Co., Ltd. which has a 30 November year end.

Goodwill

Goodwill is the excess of purchase consideration over the fair value of the net assets acquired. Goodwill arising on the acquisition of subsidiary, joint venture and associated undertakings is capitalised and amortised on a straight line basis over a period of 5 to 10 years, being its estimated useful economic life. All acquisitions are accounted for by the acquisition method.

Depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold property	— 2%
Leasehold	— over the period of the lease
Fixtures, fittings and equipment	— 10% to 33 $\frac{1}{3}$ %
Motor vehicles	— 20% to 33 $\frac{1}{3}$ %

Assets held under finance leases are depreciated over the shorter of the period of the lease and their useful lives. Assets held under hire purchase contracts are depreciated over their useful lives.

Set-up costs

Set-up costs and initial costs of new ventures are written off in the year that the expenditure is incurred.

Deferred taxation

FRS19 on deferred tax was implemented for the first time for the period ended 30 June 2002. This represented a change in accounting policy. The main impact of this change was that, whereas previously deferred tax assets were not recognised where they were expected to be recoverable with replacement by equivalent assets, now assets are recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. The new accounting policy for deferred tax is set out in the next paragraphs.

Deferred tax 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. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Tullett Group's taxable profits and its results as stated in the financial information, which are capable of reversal in one or more subsequent periods.

1. Accounting policies (continued)

Deferred taxation (continued)

Deferred tax is measured at a non-discounted basis at the 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 substantively enacted at the balance sheet date.

The impact of this change in accounting policy is set out in note 9.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account, with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments.

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 of overseas subsidiary undertakings, joint ventures and associates 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.

Leasing 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 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.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Investments

Investments held as fixed assets are recorded at cost, adjusted for any permanent diminution in value.

Investments held as current assets are valued at the lower of cost and net realisable value.

Pensions

The expected annual cost of pensions in respect of the Tullett Group's pension scheme in the UK (see note 31) 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 costs 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.

The cost of pensions in respect of the Tullett Group's defined contribution schemes is the amount of contributions payable in respect of the accounting period.

Employee share schemes

When shares, or rights to shares, are granted to staff under employee share schemes, the cost that is recognised is the difference between the fair value of the shares at the date the award is made and the amount of the consideration, if any, that participants may be required to pay for the shares. When share options are awarded to staff, the intrinsic value of the share options granted is charged to the profit and loss account.

2. Changes in Tullett Group composition

On 29 December 1999 the company acquired Liberty Brokerage Investment Corp. in exchange for the issue of 8,011,980 ordinary shares and cash. The transaction has been accounted for using acquisition accounting principles. Accordingly, the consolidated profit and loss account for 1999 includes only the results of the Tullett Group as it was constituted before 29 December 1999, whilst the consolidated balance sheet

includes all subsidiaries as at 31 December 1999 including Liberty Brokerage Investment Corp. and its subsidiaries.

On 22 September 2000 the Tullett Group acquired a further 47 per cent interest in Tullett & Spütz Capital Markets AG (now named Tullett Liberty GmbH) by the issue of 2,771,918 ordinary shares, which increased the Tullett Group's shareholding to 95 per cent. Accordingly, Tullett & Spütz Capital Markets AG was accounted for as a joint venture until 22 September 2000 and as a subsidiary thereafter.

On 18 July 2001 the Tullett Group purchased certain assets relating to the Trader Voice business of the Madge.web subsidiaries of Madge Networks NV for a consideration of £731,000. The Tullett Group set up various subsidiaries after the purchase of these assets to carry on an international telecommunications business under the trading name of Gains.

On 29 August 2001 the company acquired a further 5 per cent interest in Tullett AG (formerly Tullett & Spütz Capital Markets AG, now named Tullett Liberty GmbH) by the issue of 246,432 ordinary shares, which increased the Tullett Group's shareholding to 100 per cent.

On 27 June 2002 the company sold 28.57% of its interest in Gains International Infocom Holdings BV for a consideration of £1,000,000, which reduced the Tullett Group's shareholding to 71.43%.

3. Turnover and segmental analysis

Turnover represents net brokerage and other income derived from the provision of services falling within the Tullett Group's ordinary activities, stated net of value added tax and other sales taxes.

Turnover, Tullett Group profit on ordinary activities before tax and net assets are analysed as follows:

Geographical area 31 December 1999

	<i>Europe</i> £000	<i>North America</i> £000	<i>Pacific Basin and Australasia</i> £000	<i>Total</i> £000
Group turnover				
Turnover by destination:				
Turnover derived from third parties				
Continuing	81,499	62,045	23,084	166,628
Discontinued	14,394	6,643	2,315	23,352
	<u>95,893</u>	<u>68,688</u>	<u>25,399</u>	<u>189,980</u>
Turnover by origin:				
Continuing operations:				
Total turnover	88,934	54,007	23,827	166,768
Inter-segment turnover	(86)	(54)	—	(140)
	<u>88,848</u>	<u>53,953</u>	<u>23,827</u>	<u>166,628</u>
Turnover derived from third parties	88,848	53,953	23,827	166,628
Discontinued operations	14,270	6,088	2,994	23,352
	<u>103,118</u>	<u>60,041</u>	<u>26,821</u>	<u>189,980</u>
Profit				
Profit/(loss) by segment – Continuing	673	2,547	1,747	4,967
– Discontinued	(4,620)	(7,498)	(417)	(12,535)
	<u>(3,947)</u>	<u>(4,951)</u>	<u>1,330</u>	<u>(7,568)</u>
Share of operating profit/(loss) of joint venture and associates:				
Continuing operations	(1,274)	118	1,056	(100)
Discontinued operations	158	—	—	158
	<u>(1,116)</u>	<u>118</u>	<u>1,056</u>	<u>58</u>

3. Turnover and segmental analysis (continued)

Geographical area 31 December 1999 (continued)

	<i>Europe</i> £000	<i>North</i> <i>America</i> £000	<i>Pacific</i> <i>Basin and</i> <i>Australasia</i> £000	<i>Total</i> £000
Total operating loss	(5,063)	(4,833)	2,356	(7,510)
Profit on sale of operations				16,022
Net interest				1,946
Restructuring costs				(4,156)
Profit on ordinary activities before taxation				<u>6,302</u>
Net assets				
Net assets by segment:				
Continuing operations	16,389	37,380	9,780	63,549
Discontinued operations	(194)	198	2,068	2,072
	<u>16,195</u>	<u>37,578</u>	<u>11,848</u>	<u>65,621</u>
Share of net assets of associates:				
Continuing operations	7,204	5,720	13,262	26,186
	<u>7,204</u>	<u>5,720</u>	<u>13,262</u>	<u>26,186</u>
Total net assets	<u>23,399</u>	<u>43,298</u>	<u>25,110</u>	<u>91,807</u>

Geographical area 31 December 2000

	<i>Europe</i> £000	<i>North</i> <i>America</i> £000	<i>Pacific</i> <i>Basin and</i> <i>Australasia</i> £000	<i>Total</i> £000
Group turnover				
Turnover by destination:				
Turnover derived from third parties				
Continuing	115,762	140,465	25,050	281,277
Discontinued	662	110	203	975
	<u>116,424</u>	<u>140,575</u>	<u>25,253</u>	<u>282,252</u>
Turnover by origin:				
Continuing operations:				
Total turnover	118,931	135,634	26,808	281,373
Inter-segment turnover	—	—	(96)	(96)
Turnover derived from third parties	118,931	135,634	26,712	281,277
Discontinued operations	632	131	212	975
	<u>119,563</u>	<u>135,765</u>	<u>26,924</u>	<u>282,252</u>
Profit				
Profit/(loss) by segment – Continuing	(4,147)	7,431	2,909	6,193
– Discontinued	(1,990)	(16,510)	(229)	(18,729)
Group operating profit/(loss)	<u>(6,137)</u>	<u>(9,079)</u>	<u>2,680</u>	<u>(12,536)</u>
Share of operating profit/(loss) of joint venture and associates:				
Continuing operations	264	122	1,775	2,161
Discontinued operations	(437)	—	(647)	(1,084)
	<u>(173)</u>	<u>122</u>	<u>1,128</u>	<u>1,077</u>

3. Turnover and segmental analysis (continued)

Geographical area 31 December 2000 (continued)

	<i>Europe</i> £000	<i>North America</i> £000	<i>Pacific Basin and Australasia</i> £000	<i>Total</i> £000
Total operating loss	(6,310)	(8,957)	3,808	(11,459)
Profit on disposal of investments				10,577
Profit on sale of operations				527
Net interest				932
Group restructuring costs				(8,950)
Share of associates' restructuring costs				(1,947)
Provision for loss on termination of business				(439)
Loss on ordinary activities before taxation				<u>(10,759)</u>
Net assets				
Net assets by segment:				
Continuing operations	50,600	14,100	12,935	77,635
Discontinued operations	4,508	(8,518)	2,311	(1,699)
	<u>55,108</u>	<u>5,582</u>	<u>15,246</u>	<u>75,936</u>
Share of net assets of associates:				
Continuing operations	—	5,310	11,214	16,524
Discontinued operations	(222)	—	—	(222)
	<u>(222)</u>	<u>5,310</u>	<u>11,214</u>	<u>16,302</u>
Total net assets	<u>54,886</u>	<u>10,892</u>	<u>26,460</u>	<u>92,238</u>

Geographical area 31 December 2001

	<i>Europe</i> £000	<i>North America</i> £000	<i>Pacific Basin and Australasia</i> £000	<i>Total</i> £000
Group turnover				
Turnover by destination:				
Turnover derived from third parties				
Continuing	165,726	188,497	31,417	385,640
Discontinued	678	—	—	678
	<u>166,404</u>	<u>188,497</u>	<u>31,417</u>	<u>386,318</u>
Turnover by origin:				
Continuing operations:				
Total turnover	165,686	185,361	35,823	386,870
Inter-segment turnover	(497)	(36)	(697)	(1,230)
Turnover derived from third parties	165,189	185,325	35,126	385,640
Discontinued operations	678	—	—	678
	<u>165,867</u>	<u>185,325</u>	<u>35,126</u>	<u>386,318</u>
Profit				
Profit/(loss) by segment – Continuing	(2,667)	23,638	5,194	26,165
– Discontinued	(601)	(672)	(1)	(1,274)
Group operating profit/(loss)	<u>(3,268)</u>	<u>22,966</u>	<u>5,193</u>	<u>24,891</u>

3. Turnover and segmental analysis (continued)
Geographical area 31 December 2001 (continued)

	<i>Europe</i> £000	<i>North</i> <i>America</i> £000	<i>Pacific</i> <i>Basin and</i> <i>Australasia</i> £000	<i>Total</i> £000
Share of operating profit/(loss) of joint venture and associates:				
Continuing operations	(680)	(29)	357	(352)
Discontinued operations	(8)	—	—	(8)
	<u>(688)</u>	<u>(29)</u>	<u>357</u>	<u>(360)</u>
Total operating profit	(3,956)	22,937	5,550	24,531
Profit on disposal of investments				810
Profit on sale of operations				475
Net interest				617
Group restructuring costs				(300)
Provision for loss on termination of business				16
Release of prior year provision for associates				565
Profit on ordinary activities before taxation				<u>26,714</u>
Net assets				
Net assets by segment:				
Continuing operations	47,658	25,414	16,192	89,264
Discontinued operations	5,270	(8,923)	2,359	(1,294)
	<u>52,928</u>	<u>16,491</u>	<u>18,551</u>	<u>87,970</u>
Share of net assets of associates:				
Continuing operations	209	4,856	9,809	14,874
Discontinued operations	(270)	—	—	(270)
	<u>(61)</u>	<u>4,856</u>	<u>9,809</u>	<u>14,604</u>
Total net assets	<u>52,867</u>	<u>21,347</u>	<u>28,360</u>	<u>102,574</u>

Geographical area 30 June 2002

	<i>Europe</i> £000	<i>North</i> <i>America</i> £000	<i>Pacific</i> <i>Basin and</i> <i>Australasia</i> £000	<i>Total</i> £000
Group turnover				
Turnover by destination:				
Turnover derived from third parties				
Continuing	87,521	109,151	16,336	213,008
Discontinued	—	—	—	—
	<u>87,521</u>	<u>109,151</u>	<u>16,336</u>	<u>213,008</u>

3. Turnover and segmental analysis (continued)
Geographical area 30 June 2002 (continued)

	<i>Europe</i> £000	<i>North America</i> £000	<i>Pacific Basin and Australasia</i> £000	<i>Total</i> £000
Turnover by origin:				
Continuing operations:				
Total turnover	86,946	107,318	19,417	213,681
Inter-segment turnover	(179)	(494)	—	(673)
Turnover derived from third parties	86,767	106,824	19,417	213,008
Discontinued operations	—	—	—	—
	<u>86,767</u>	<u>106,824</u>	<u>19,417</u>	<u>213,008</u>
Profit				
(Loss)/profit by segment – Continuing	(1,015)	13,854	3,179	16,018
– Discontinued	—	—	—	—
Group operating (loss)/profit	<u>(1,015)</u>	<u>13,854</u>	<u>3,179</u>	<u>16,018</u>
Share of operating (loss)/profit of joint venture and associates and amortisation of goodwill:				
Continuing operations	(942)	250	557	(135)
Discontinued operations	—	—	—	—
	<u>(942)</u>	<u>250</u>	<u>557</u>	<u>(135)</u>
Total operating profit	(1,957)	14,104	3,736	15,883
Profit on sale of operations				1,379
Net interest payable				(394)
Group restructuring costs				(67)
Release of prior year provision for associates				2,314
Profit on ordinary activities before taxation				<u>19,115</u>
Net assets				
Net assets by segment:				
Continuing operations	45,470	27,694	17,520	90,684
Discontinued operations	5,232	(7,817)	2,384	(201)
	<u>50,702</u>	<u>19,877</u>	<u>19,904</u>	<u>90,483</u>
Share of net assets of associates:				
Continuing operations	503	4,639	12,923	18,065
Discontinued operations	(271)	—	—	(271)
	<u>232</u>	<u>4,639</u>	<u>12,923</u>	<u>17,794</u>
Total net assets	<u>50,934</u>	<u>24,516</u>	<u>32,827</u>	<u>108,277</u>

3. Turnover and segmental analysis (continued)

Area of Activity 31 December 1999

	<i>Broking</i> £000	<i>Communi- cation and software sales</i> £000	<i>Information sales</i> £000	<i>Total</i> £000
Group turnover				
Continuing operations:				
Turnover derived from third parties	157,522	—	9,106	166,628
Discontinued operations:				
Total turnover	21,561	437	2,024	24,022
Inter-segment turnover	—	—	(670)	(670)
Turnover derived from third parties	21,561	437	1,354	23,352
	<u>179,083</u>	<u>437</u>	<u>10,460</u>	<u>189,980</u>
Profit				
Profit/(loss) by segment – Continuing	2,598	—	2,369	4,967
– Discontinued	(7,675)	(4,012)	(848)	(12,535)
Group operating (loss)/profit	<u>(5,077)</u>	<u>(4,012)</u>	<u>1,521</u>	<u>(7,568)</u>
Share of operating profit/(loss) of joint venture and associates and amortisation of goodwill:				
Continuing operations	(100)	—	—	(100)
Discontinued operations	158	—	—	158
	<u>58</u>	<u>—</u>	<u>—</u>	<u>58</u>
Total operating loss	(5,019)	(4,012)	1,521	(7,510)
Profit on sale of operations				16,022
Net interest				1,946
Closure costs				(4,156)
Profit on ordinary activities before taxation				<u>6,302</u>
Net assets				
Net assets by segment:				
Continuing operations	58,427	1,678	3,444	63,549
Discontinued operations	2,042	—	30	2,072
	<u>60,469</u>	<u>1,678</u>	<u>3,474</u>	<u>65,621</u>
Share of net assets of associates:				
Continuing operations	26,186	—	—	26,186
Discontinued operations	—	—	—	—
	<u>26,186</u>	<u>—</u>	<u>—</u>	<u>26,186</u>
Total net assets	<u>86,655</u>	<u>1,678</u>	<u>3,474</u>	<u>91,807</u>

3. Turnover and segmental analysis (continued)
Area of Activity 31 December 2000

	<i>Broking</i> £000	<i>Communi- cation and software sales</i> £000	<i>Information sales</i> £000	<i>Total</i> £000
Group turnover				
Continuing operations:				
Turnover derived from third parties	264,728	757	15,792	281,277
Discontinued operations:				
Turnover derived from third parties	844	131	—	975
	<u>265,572</u>	<u>888</u>	<u>15,792</u>	<u>282,252</u>
Profit				
Profit/(loss) by segment – Continuing	1,350	(31)	4,874	6,193
– Discontinued	(16,372)	(2,356)	(1)	(18,729)
Group operating profit/(loss)	<u>(15,022)</u>	<u>(2,387)</u>	<u>4,873</u>	<u>(12,536)</u>
Share of operating profit/(loss) of joint venture and associates:				
Continuing operations	2,161	—	—	2,161
Discontinued operations	(1,084)	—	—	(1,084)
	<u>1,077</u>	<u>—</u>	<u>—</u>	<u>1,077</u>
Total operating loss	(13,945)	(2,387)	4,873	(11,459)
Profit on disposal of investments				10,577
Profit on sale of operations				527
Net interest				932
Group restructuring costs				(8,950)
Share of associates' restructuring costs				(1,947)
Provision for loss on termination of business				(439)
Loss on ordinary activities before taxation				<u>(10,759)</u>
Net assets				
Net assets by segment:				
Continuing operations	75,648	—	1,987	77,635
Discontinued operations	(1,699)	—	—	(1,699)
	<u>73,949</u>	<u>—</u>	<u>1,987</u>	<u>75,936</u>
Share of net assets of associates:				
Continuing operations	16,524	—	—	16,524
Discontinued operations	(222)	—	—	(222)
	<u>16,302</u>	<u>—</u>	<u>—</u>	<u>16,302</u>
Total net assets	<u>90,251</u>	<u>—</u>	<u>1,987</u>	<u>92,238</u>

3. Turnover and segmental analysis (continued)
Area of Activity 31 December 2001

	<i>Broking</i> £000	<i>Communi- cation and software sales</i> £000	<i>Information sales</i> £000	<i>Total</i> £000
Group turnover				
Continuing operations:				
Turnover derived from third parties	365,505	7,901	12,234	385,640
Discontinued operations:				
Turnover derived from third parties	678	—	—	678
	<u>366,183</u>	<u>7,901</u>	<u>12,234</u>	<u>386,318</u>
Profit				
Profit/(loss) by segment – Continuing	21,766	(595)	4,994	26,165
– Discontinued	(604)	—	(670)	(1,274)
	<u>21,162</u>	<u>(595)</u>	<u>4,324</u>	<u>24,891</u>
Share of operating profit/(loss) of joint venture and associates:				
Continuing operations	(352)	—	—	(352)
Discontinued operations	(8)	—	—	(8)
	<u>(360)</u>	<u>—</u>	<u>—</u>	<u>(360)</u>
Total operating profit/(loss)	20,802	(595)	4,324	24,531
Profit on disposal of investments				810
Profit on sale of operations				475
Net interest				617
Group restructuring costs				(300)
Provision for loss on termination of business				16
Release of prior year provision for associates				565
Profit on ordinary activities before taxation				<u>26,714</u>
Net assets				
Net assets by segment:				
Continuing operations	87,529	(249)	1,984	89,264
Discontinued operations	(1,294)	—	—	(1,294)
	<u>86,235</u>	<u>(249)</u>	<u>1,984</u>	<u>87,970</u>
Share of net assets of associates:				
Continuing operations	14,874	—	—	14,874
Discontinued operations	(270)	—	—	(270)
	<u>14,604</u>	<u>—</u>	<u>—</u>	<u>14,604</u>
Total net assets	<u>100,839</u>	<u>(249)</u>	<u>1,984</u>	<u>102,574</u>

3. Turnover and segmental analysis (continued)
Area of Activity 30 June 2002

	<i>Broking</i> £000	<i>Communi- cation and software sales</i> £000	<i>Information sales</i> £000	<i>Total</i> £000
Group turnover				
Continuing operations:				
Turnover derived from third parties	201,412	5,610	5,986	213,008
Discontinued operations:				
Turnover derived from third parties	—	—	—	—
	<u>201,412</u>	<u>5,610</u>	<u>5,986</u>	<u>213,008</u>
Profit				
Profit by segment – Continuing	14,908	(830)	1,940	16,018
– Discontinued	—	—	—	—
	<u>14,908</u>	<u>(830)</u>	<u>1,940</u>	<u>16,018</u>
Group operating profit	<u>14,908</u>	<u>(830)</u>	<u>1,940</u>	<u>16,018</u>
Share of operating (loss)/profit of joint venture and associates and amortisation of goodwill:				
Continuing operations	(135)	—	—	(135)
Discontinued operations	—	—	—	—
	<u>(135)</u>	<u>—</u>	<u>—</u>	<u>(135)</u>
Total operating profit	14,773	(830)	1,940	15,883
Profit on sale of operations				1,379
Net interest				(394)
Group restructuring costs				(67)
Release of prior year provision for associates				2,314
Profit on ordinary activities before taxation				<u>19,115</u>
Net assets				
Net assets by segment:				
Continuing operations	86,490	300	3,894	90,684
Discontinued operations	(201)	—	—	(201)
	<u>86,289</u>	<u>300</u>	<u>3,894</u>	<u>90,483</u>
Share of net assets of associates:				
Continuing operations	18,065	—	—	18,065
Discontinued operations	(271)	—	—	(271)
	<u>17,794</u>	<u>—</u>	<u>—</u>	<u>17,794</u>
Total net assets	<u>104,083</u>	<u>300</u>	<u>3,894</u>	<u>108,277</u>
Analysis of broking turnover derived from third parties				
	<i>Year to 31 December 2000 £000</i>	<i>Year to 31 December 2001 £000</i>	<i>Six months to 30 June 2002 £000</i>	
Securities	144,786	205,271	119,149	
Derivatives and money broking	120,786	160,912	82,263	
Total	<u>265,572</u>	<u>366,183</u>	<u>201,412</u>	

4. Operating costs and other operating income

	<i>Continuing</i> £000	<i>Discontinued</i> £000	<i>Total</i> £000
31 December 1999			
Operating costs	169,312	29,695	199,007
Other operating income	1,343	116	1,459
	<u>169,312</u>	<u>29,695</u>	<u>199,007</u>
31 December 2000			
Operating costs	277,552	19,724	297,276
Other operating income	2,468	20	2,488
	<u>277,552</u>	<u>19,724</u>	<u>297,276</u>
31 December 2001			
Operating costs	363,376	1,968	365,344
Other operating income	3,901	16	3,917
	<u>363,376</u>	<u>1,968</u>	<u>365,344</u>
30 June 2002			
Operating costs	199,469	—	199,469
Other operating income	2,479	—	2,479
	<u>199,469</u>	<u>—</u>	<u>199,469</u>

5. Group operating profit/(loss)

	<i>31 December</i> <i>1999</i> £000	<i>31 December</i> <i>2000</i> £000	<i>31 December</i> <i>2001</i> £000	<i>30 June</i> <i>2002</i> £000
This is stated after charging:				
Directors' remuneration (note 6)	4,081	1,904	3,118	1,479
Depreciation of owned fixed assets	6,270	12,673	9,046	4,297
Depreciation of assets held under finance leases and hire purchase contracts	446	54	—	—
Impairment in value of tangible fixed assets	—	47	4	—
Amortisation of goodwill in respect of subsidiary undertakings	191	745	1,210	608
Amortisation of goodwill in respect of joint venture and associates	451	961	716	239
Operating lease rentals – land and buildings	6,753	9,478	10,711	5,563
– plant and machinery	104	86	33	10
– other assets	125	63	50	24
Auditors' remuneration – audit work	418	752	902	1,000
– non audit work	341	473	161	250
Exceptional item – provision against investment in Bridge Information Systems Inc.	—	3,333	—	—
Bad debts written off (including £756,000 associated with Bridge Information Systems Inc.'s Chapter 11 filing)	—	—	918	—

6. Directors' remuneration and interests

The directors' emoluments disclosed below include the total emoluments for the Board of Directors of Tullett plc.

	<i>31 December 1999</i>	<i>31 December 2000</i>	<i>31 December 2001</i>	<i>30 June 2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Aggregate emoluments	4,072	1,904	3,114	1,468
Company pension contributions to defined contribution scheme	9	—	4	11
	<u>4,081</u>	<u>1,904</u>	<u>3,118</u>	<u>1,479</u>
Compensation for loss of office	<u>545</u>	<u>1,607</u>	<u>—</u>	<u>—</u>
Emoluments (excluding pension contributions) of the highest paid director	633	633	1,761	860
Benefit accrued under defined benefit scheme	101	—	66	69
	<u>734</u>	<u>633</u>	<u>1,827</u>	<u>929</u>

At 31 December 1999, 31 December 2000, 31 December 2001 and 30 June 2002 retirement benefits were accruing to one director under a defined benefit scheme.

The information below is provided for each director of Tullett who has been invited to serve as a director of Collins Stewart Holdings plc, following the proposed acquisition of Tullett by Collins Stewart Holdings plc.

	<i>Basic salary and fees £000</i>	<i>Benefits £000</i>	<i>Performance related bonuses £000</i>	<i>Total £000</i>
Year ended 31 December 1999				
Executive Director:				
B Collins (resigned 29 December 1999)	265	15	500	780
	<u>265</u>	<u>15</u>	<u>500</u>	<u>780</u>
For the year ended 31 December 2000				
Executive Director:				
B Collins (appointed 31 October 2000)	111	—	—	111
Non Executive Director				
D W Clark (appointed 18 September 2000)	10	—	—	10
	<u>121</u>	<u>—</u>	<u>—</u>	<u>121</u>
For the year ended 31 December 2001				
Executive Directors:				
B Collins	516	35	1,210	1,761
S A Jack (appointed 1 October 2001)	123	1	40	164
Non Executive Director:				
D W Clark	65	—	—	65
	<u>704</u>	<u>36</u>	<u>1,250</u>	<u>1,990</u>
For the six months ended 30 June 2002				
Executive Directors:				
B Collins	315	15	500	830
S A Jack	125	15	190	330
Non Executive Director:				
D W Clark	33	—	—	33
	<u>473</u>	<u>30</u>	<u>690</u>	<u>1,193</u>

6. Directors' remuneration and interests (continued)

Pension entitlements

	<i>Period</i>	<i>Increase, excluding inflation, in accrued pension during the period</i> £000	<i>Transfer value of increase*</i> £000	<i>Accumulated total accrued pension at end of period</i> £000
B Collins	1 January 1999 to 29 December 1999	2	30	60
	31 October 2000 to 31 December 2000	—	5	63
	1 January 2001 to 31 December 2001	2	29	66
	1 January 2002 to 30 June 2002	1	17	69

B Collins is a member of the defined benefits scheme.

	<i>Period</i>	<i>Contributions made by the company</i> £000
S A Jack	1 October 2001 to 31 December 2001	3
	1 January 2002 to 30 June 2002	4

S A Jack is a member of the defined contribution scheme.

*Transfer values represent a liability of the company, not a sum paid or due to the individual.

Directors' interests

The company has a Share Option Plan, adopted on 28 June 2001, under which options to subscribe for the company's ordinary shares have been granted to executive directors and qualifying employees.

The directors' interests in options under this scheme were as follows:

	<i>Date granted</i>	<i>Exercisable between the dates</i>	<i>Exercise price</i>	<i>At 1 January 2001</i> No.	<i>Granted during 31 December period</i> No.	<i>At 31 December 2001</i> No.	<i>Granted during period</i> No.	<i>At 30 June 2002</i> No.
B Collins	29/11/01	28/11/04 and 28/11/11	£3.33	—	10,000	10,000	—	10,000
	22/02/02	21/02/05 and 21/02/12	£3.33	—	—	—	9,000	9,000
				—	10,000	10,000	9,000	19,000
S A Jack	22/02/02	21/02/05 and 21/02/12	£3.33	—	—	—	9,000	9,000
				—	—	—	9,000	9,000
				—	—	—	9,000	9,000

B Collins was granted 56,500 share options on 2 October 2002, exercisable between 15 September 2005 and 15 September 2012 at an exercise price of £3.75.

S A Jack was granted 40,000 share options on 2 October 2002, exercisable between 15 September 2005 and 15 September 2012 at an exercise price of £3.75.

7. Staff costs

	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Wages and salaries	122,214	181,921	233,097	128,081
Social security costs	9,172	10,280	15,566	8,624
Other pension costs (note 31)	3,404	2,257	3,619	2,078
	<u>134,790</u>	<u>194,458</u>	<u>252,282</u>	<u>138,783</u>

The average monthly number of employees (including directors) during the period was 1999 – 1,542, 2000 – 1,929, 2001 – 1,790, 2002 – 1,815.

8. Net interest receivable/(payable)

	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Group bank interest receivable	3,774	3,737	3,184	1,035
Share of joint venture's bank interest receivable	403	182	—	—
Share of associates' bank interest receivable	131	114	134	54
Bank interest receivable	<u>4,308</u>	<u>4,033</u>	<u>3,318</u>	<u>1,089</u>
Bank loans and overdrafts	1,861	2,734	2,582	1,392
Finance charges payable under finance leases and hire purchase contracts	19	178	86	80
Group interest payable and similar charges	1,880	2,912	2,668	1,472
Share of joint venture's interest payable	448	141	—	—
Share of associates' interest payable	34	48	33	11
Interest payable and similar charges	<u>2,362</u>	<u>3,101</u>	<u>2,701</u>	<u>1,483</u>
Net interest receivable/(payable)	<u>1,946</u>	<u>932</u>	<u>617</u>	<u>(394)</u>

9. Taxation on profit/(loss) on ordinary activities

The taxation charge/(credit) is made up as follows:

	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Current tax:				
UK Corporation tax	(45)	1,655	687	155
Overseas taxation	4,154	4,257	9,300	10,311
Share of joint venture's tax	(7)	286	—	—
Share of associates' tax	127	74	174	214
Taxation under/(over) provided in previous periods	(212)	(3)	87	2,251
	<u>4,017</u>	<u>6,269</u>	<u>10,248</u>	<u>12,931</u>
Deferred tax – origination and reversal of timing differences	(2,093)	(7,898)	4,743	(3,360)
	<u>1,924</u>	<u>(1,629)</u>	<u>14,991</u>	<u>9,571</u>

9. Taxation on profit/(loss) on ordinary activities (continued)

The Tullett Group's current tax charge for each period exceeds the Group's average statutory rate and can be reconciled as follows:

	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Profit/(loss) on ordinary activities before tax	6,302	(10,759)	26,714	19,115
Profit on ordinary activities multiplied by the group average rate of corporation tax of 1999: 55.4%; 2000: 61.8%; 2001: 41.8% and 2002: 40.9%	3,491	(6,653)	11,166	7,753
Expenses not deductible for tax purposes (including goodwill amortisation)	2,218	3,665	3,456	2,040
Tax on capital gain on disposal of investment	(5,316)	(333)	—	(198)
Decelerated capital allowances	135	1,894	(222)	86
Losses arising in the period not relievable against current tax	5,193	4,663	(3,911)	1,432
Other timing differences	2,053	2,785	334	898
Tax under/(over) provided in previous period	(212)	(3)	87	2,251
Other	(3,545)	251	(662)	(1,331)
Total current tax charge as above	<u>4,017</u>	<u>6,269</u>	<u>10,248</u>	<u>12,931</u>

The group's average rate of corporation tax is based on the statutory rates in effect at each year end multiplied by the profits or losses in the different tax jurisdictions.

10. Retained profit/(loss) for the year

Other appropriations

On 9 November 2000, the company sold all its shares in City Networks Limited for cash of £2,645,000. The holders of the C Preference shares were entitled to a dividend equal to the after tax profit from the sale of the City Networks Limited shares of £1,848,000, which was set aside as an other appropriation of profit in 2000. This dividend was declared and paid on 22 February 2002.

11. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on profit/(loss), after taxation, minority interests and other appropriations in respect of preference shares, of: 1999 – £4,969,000, 2000 – £(11,134,000), 2001 – £11,211,000, 2002 – £9,148,000; and on the weighted average number of ordinary shares in issue during the year: 1999 – 13,612,913, 2000 – 22,382,248, 2001 – 24,383,745, 2002 – 24,752,505 ordinary shares.

The calculation of diluted earnings per ordinary share is based on profit/(loss), after taxation, minority interests and other appropriation in respect of preference shares of: 1999 – £4,969,000, 2000 – £(11,134,000), 2001 – £11,211,000, 2002 – £9,257,000; and on the weighted average number of ordinary shares in issue during the year: 1999 – 13,612,913, 2000 – 22,382,248, 2001 – 24,383,745, 2002 – 25,793,835 ordinary shares, calculated as follows:

	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Basic	13,612,913	22,382,248	24,383,745	24,752,505
Dilutive effect of share options	—	—	—	19,474
Dilutive effect of staff participation bond	—	—	—	1,021,856
Diluted	<u>13,612,913</u>	<u>22,382,248</u>	<u>24,383,745</u>	<u>25,793,835</u>

12. Intangible fixed assets

	<i>Cost</i> £000	<i>Amortisation</i> £000	<i>Book value</i> £000
Goodwill arising on acquisition of subsidiary undertakings			
At 31 December 1998	6,695	(3,569)	3,126
Acquisition of Liberty Brokerage Investment Corp.	6,642	—	6,642
Transfer to joint venture (note 15)	(3,261)	326	(2,935)
Amortisation	—	(191)	(191)
	<hr/>	<hr/>	<hr/>
At 31 December 1999	10,076	(3,434)	6,642
Acquisition of Liberty Brokerage Investment Corp.	460	—	460
Transfer from joint venture (note 15)	2,855	—	2,855
Acquisition of Tullett & SpütZ Capital Markets AG	1,271	—	1,271
Amortisation	—	(745)	(745)
	<hr/>	<hr/>	<hr/>
At 31 December 2000	14,662	(4,179)	10,483
Acquisition of Gains International Infocom Holdings B.V.	1	—	1
Acquisition of Tullett AG (formerly Tullett & SpütZ Capital Markets AG)	57	—	57
Amortisation	—	(1,210)	(1,210)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	14,720	(5,389)	9,331
Amortisation	—	(608)	(608)
	<hr/>	<hr/>	<hr/>
At 30 June 2002	<u>14,720</u>	<u>(5,997)</u>	<u>8,723</u>

13. Tangible fixed assets

	<i>Land and buildings</i>		<i>Plant and machinery, fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>Long leasehold</i>	<i>Short leasehold</i>			
	£000	£000	£000	£000	£000
Cost:					
At 1 January 1999	3,969	7,274	67,257	1,969	80,469
Exchange adjustments	89	118	545	8	760
Additions	—	465	6,634	549	7,648
Acquisition of subsidiary undertakings	206	2,348	8,363	—	10,917
Written off	—	—	(199)	—	(199)
Disposals	—	—	(6,226)	(1,167)	(7,393)
Disposal of subsidiary undertakings	—	—	(10,762)	—	(10,762)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	4,264	10,205	65,612	1,359	81,440
Exchange adjustments	149	363	1,719	18	2,249
Additions	—	36	8,040	76	8,152
Acquisition of subsidiary undertakings	—	—	1,046	382	1,428
Deficit on revaluation	—	—	(3,788)	—	(3,788)
Disposals	—	(593)	(8,828)	(1,337)	(10,758)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	4,413	10,011	63,801	498	78,723
Exchange adjustments	(152)	102	551	(7)	494
Additions	—	—	11,006	40	11,046
Deficit on revaluation	—	—	(356)	—	(356)
Disposals	(206)	(99)	(2,334)	(297)	(2,936)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	4,055	10,014	72,668	234	86,971
Exchange adjustments	25	(187)	(1,778)	71	(1,869)
Additions	21	—	3,938	61	4,020
Disposals	—	—	(684)	(99)	(783)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2002	<u>4,101</u>	<u>9,827</u>	<u>74,144</u>	<u>267</u>	<u>88,339</u>

13. Tangible fixed assets (continued)

	<i>Land and buildings</i>		<i>Plant and machinery, fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>Long leasehold</i>	<i>Short leasehold</i>			
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Depreciation:					
At 1 January 1999	315	5,630	52,569	1,050	59,564
Exchange adjustments	8	102	479	9	598
Provided during the year	52	418	5,790	456	6,716
Written off	—	—	(199)	—	(199)
Disposals	—	—	(4,100)	(709)	(4,809)
Disposal of subsidiary undertakings	—	—	(6,578)	—	(6,578)
At 31 December 1999	375	6,150	47,961	806	55,292
Exchange adjustments	14	296	955	8	1,273
Provided during the year	55	496	12,064	112	12,727
Depreciation written back on revaluation	—	—	(3,741)	—	(3,741)
Disposals	—	(152)	(8,287)	(723)	(9,162)
At 31 December 2000	444	6,790	48,952	203	56,389
Exchange adjustments	(18)	99	368	(4)	445
Provided during the year	53	63	8,848	82	9,046
Depreciation written back on revaluation	—	—	(352)	—	(352)
Disposals	—	—	(2,174)	(269)	(2,443)
At 31 December 2001	479	6,952	55,642	12	63,085
Exchange adjustments	(2)	(184)	(1,553)	74	(1,665)
Provided during the period	113	1	4,112	71	4,297
Disposals	—	—	(547)	—	(547)
At 30 June 2002	590	6,769	57,654	157	65,170
Net book value:					
At 31 December 1999	3,889	4,055	17,651	553	26,148
At 31 December 2000	3,969	3,221	14,849	295	22,334
At 31 December 2001	3,576	3,062	17,026	222	23,886
At 30 June 2002	3,511	3,058	16,490	110	23,169

The net book value of assets under finance leases and hire purchase contracts were as follows:

	<i>31 December 1999</i>	<i>31 December 2000</i>	<i>31 December 2001</i>	<i>30 June 2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Land and buildings short leasehold	2,348	2,284	2,185	2,185
Leased assets included in plant and machinery, fixtures and fittings	119	97	97	97
Assets under hire purchase contracts included in motor vehicles, above	511	—	—	—

14. Investments

	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Joint venture (note 15)	7,144	—	—	—
Associates (note 15)	19,042	16,302	14,603	17,794
Other fixed asset investments (note 16)	6,203	3,253	1,924	1,875
	<u>32,389</u>	<u>19,555</u>	<u>16,527</u>	<u>19,669</u>

Details regarding shareholdings in subsidiary undertakings are shown in note 34.

15. Joint Venture and Associates

Joint Venture

	<i>Share of net</i> <i>tangible assets</i> <i>£000</i>	<i>Goodwill</i> <i>£000</i>	<i>Total</i> <i>£000</i>
At 1 January 1999	—	—	—
Addition	5,451	3,235	8,686
Share of losses retained by joint venture	(1,177)	—	(1,177)
Exchange adjustments	(229)	—	(229)
Amortisation of goodwill	—	(136)	(136)
At 31 December 1999	<u>4,045</u>	<u>3,099</u>	<u>7,144</u>
Share of profits retained by joint venture	176	—	176
Exchange adjustments	48	—	48
Amortisation of goodwill	—	(244)	(244)
Transfer to subsidiary undertakings on acquisition of Tullett & Spütz Capital Markets AG (see notes 12 and 27)	(4,269)	(2,855)	(7,124)
At 31 December 2000	<u>—</u>	<u>—</u>	<u>—</u>

On 2 August 1999 the Tullett Group contributed certain assets in exchange for a 50% interest in the ordinary share capital of Tullett & Spütz Capital Markets AG (now named Tullett Liberty GmbH). Included in the assets contributed were the Tullett Group's 100% interest in Tullett France S.A.S. and Whitecourt S.A. The goodwill attributable to these companies is included in the cost of the investment as an addition in 1999. The Tullett Group's share of retained losses of the joint venture at 31 December 1999 was £24,000.

15. Joint Venture and Associates (continued)

Associates

	<i>Share of net tangible assets</i>	<i>Goodwill</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 1999	15,800	60	15,860
Share of profits retained by associated undertakings	46	—	46
Exchange adjustments	1,258	—	1,258
Additions	592	5,052	5,644
Amortisation of goodwill	—	(315)	(315)
Disposal	(3,451)	—	(3,451)
	<hr/>	<hr/>	<hr/>
At 31 December 1999	14,245	4,797	19,042
Share of losses retained by associated undertakings	(2,273)	—	(2,273)
Exchange adjustments	(200)	—	(200)
Additions	128	382	510
Amortisation of goodwill	—	(717)	(717)
Provision for loss on termination of business	(60)	—	(60)
	<hr/>	<hr/>	<hr/>
At 31 December 2000	11,840	4,462	16,302
Share of losses retained by associated undertakings	(1,224)	—	(1,224)
Release of prior period provision for fixed asset investment	565	—	565
Exchange adjustments	(1,111)	—	(1,111)
Additions	787	—	787
Amortisation of goodwill	—	(716)	(716)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	10,857	3,746	14,603
Share of losses retained by associated undertakings	(1,017)	—	(1,017)
Release of prior period provision for fixed asset investment	2,314	—	2,314
Exchange adjustments	75	—	75
Additions	1,271	1,258	2,529
Disposals	(67)	(404)	(471)
Amortisation of goodwill	—	(239)	(239)
	<hr/>	<hr/>	<hr/>
At 30 June 2002	<u>13,433</u>	<u>4,361</u>	<u>17,794</u>

15. Joint Venture and Associates (continued)

The Tullett Group's share of retained profits of associated undertakings at 31 December 1999 was £11,415,000, 31 December 2000 – £8,942,000, 31 December 2001 – £7,172,000, 30 June 2002 – £6,230,000.

Details of the principal investments in which the Tullett Group holds between 20% and 50% of the nominal value of any class of share capital was as follows:

Name and issued share capital	Country of incorporation	1999 %	Group interest			Nature of business
			2000 %	2001 %	2002 %	
The Totan Derivatives Co., Ltd. 250,000 shares of Yen 500 per share	Japan	20	20	20	20	Inter-dealer broking
Beast Financial Systems, Inc. 69,525,939 shares of common stock of 1 cent each	United States (a)	—	37.4	17.6	17.6	Software sales
Tullett & Tokyo (Bahrain) Company W.L.L. 1,000 ordinary shares of BD 100 each	Bahrain (b)	49	49	49	49	Inter-dealer broking
Wall Street, Tullett Liberty Limited 2,500,000 of common stock of Baht 10 each	Thailand	49	49	49	49	Inter-dealer broking
Parekh (Forex) Private Limited 350,070 (1999, 2000 and 2001 – 100,000) shares of 10 Rupees each	India	26	26	26	26	Inter-dealer broking
Natsource LLC 11,823,291 (1999 and 2000 – 10,000) representing 100% of the class A units in Natsource LLC	United States	25	22.2	21.1	20.0	Energy broking
NTEL Holdings Limited 6,628,745 (2001 – 2,882,161) ordinary shares of £1 each	United Kingdom	—	—	31.8	31.8	Inter-dealer broking
Natsource Tullett (Europe) Limited 4,936,300 (2000 – 402,417, 2001 – 1,189,717) ordinary shares of £1 each	United Kingdom	—	31.8	31.8	31.8	Inter-dealer broking
Natsource Tullett Scandinavia A.S. 1,000 class A shares of NOK 1,000 each	Norway	—	—	31.8	31.8	Inter-dealer broking
Tullett & Spütz Capital Markets AG (now Tullett Liberty GmbH) 13,300,000 registered ordinary voting shares of common stock, value €13,300,000	Germany (c)	50	—	—	—	Inter-dealer broking
848,986 registered preference non voting shares of common stock, value €848,936		16.7	—	—	—	
Starsupply Tullett Energy Pte Ltd 22,500 shares of S\$1 each	Singapore	—	—	—	24.2	Energy broking

(a) Was a subsidiary in 1999 (see note 34).

(b) The Tullett Group's interest in the trading results is 85%.

(c) Now a subsidiary (see note 34)

Additional disclosures are given in respect of associates for 1999 and 2000 only, during which periods the aggregate of the Tullett Group's share in its associates exceeded certain thresholds under Financial Reporting Standard No. 9, Associates and Joint Ventures, as follows:

	1999 £000	2000 £000
Associates:		
Share of turnover of associates	13,264	10,885
Fixed assets	17,150	15,816
Current assets	5,279	4,105
Share of gross assets	22,429	19,921
Liabilities due within one year	(2,520)	(3,179)
Liabilities due after more than one year	(867)	(440)
Share of gross liabilities	(3,387)	(3,619)
Share of net assets	19,042	16,302

16. Other fixed asset investments

	<i>Unlisted investments £000</i>
Cost:	
At 1 January 1999	4,319
Exchange adjustments	10
Additions	174
Acquisition of Liberty Brokerage Investment Corp.	3,130
Transfer to current investments	(1,000)
Disposals	(55)
	<hr/>
At 31 December 1999	6,578
Exchange adjustments	271
Additions	40
Acquisition of Tullett & Spütz Capital Markets AG	1
Transfer from current investments	139
Disposals	(16)
	<hr/>
At 31 December 2000	7,013
Exchange adjustment	95
Additions	252
Disposals	(1,301)
	<hr/>
At 31 December 2001	6,059
Exchange adjustment	(177)
Additions	4
Disposals	(33)
	<hr/>
At 30 June 2002	5,853
	<hr/>
Amounts provided:	
At 1 January 1999	1,039
Provided in year	372
Provision written back	(1,036)
	<hr/>
At 31 December 1999	375
Provided in year	3,341
Exchange adjustments	44
	<hr/>
At 31 December 2000	3,760
Provided in year	316
Disposals	(30)
Exchange adjustments	89
	<hr/>
At 31 December 2001	4,135
Exchange adjustments	(157)
	<hr/>
At 30 June 2002	3,978
	<hr/>

16. Other fixed asset investments (continued)

	<i>Unlisted investments £000</i>
Net book value:	
At 31 December 1999	6,203
At 31 December 2000	3,253
At 31 December 2001	1,924
At 30 June 2002	1,875

17. Debtors

	<i>31 December 1999 £000</i>	<i>31 December 2000 £000</i>	<i>31 December 2001 £000</i>	<i>30 June 2002 £000</i>
Trade debtors	129,278	129,363	491,005	355,461
Amounts owed by associated undertakings	1,568	2,210	1,169	630
Other debtors	15,455	19,332	5,614	13,443
Prepayments	4,176	4,727	9,667	4,925
Deferred tax asset (see note 22)	3,087	11,252	6,847	9,855
	<u>153,564</u>	<u>166,884</u>	<u>514,302</u>	<u>384,314</u>

Included in trade debtors is an amount of 1999 – £4,900,000, 2000 – £3,500,000, 2001 – £23,100,000, 2002 – £10,000,000 which represents subsidiary companies' net position with brokers, dealers and clearing houses. This represents payable balances of 1999 – £922,200,000, 2000 – £33,043,400,000, 2001 – £73,007,300,000, 2002 – £18,159,300,000 and receivable balances of 1999 – £927,100,000, 2000 – £33,046,900,000, 2001 – £73,030,400,000, 2002 – £18,169,300,000 in respect of transactions not yet due for settlement. The above amounts payable and receivable represent the simultaneous purchase and sale of securities, where settlement will take place on a delivery versus payment basis. The form of these transactions is that the company takes temporary control until the transactions are settled. To reflect the substance of these transactions only the net position is included in trade debtors.

In their role as an inter-dealer broker, the Tullett Group's subsidiary companies are interposed between buyers and sellers of securities. The failure of clients to deliver securities to the subsidiary companies and the corresponding inability of the subsidiary companies to redeliver such securities on the settlement date, results in some transactions remaining unsettled past their due date. These are presented at their respective gross amounts included in trade debtors and trade creditors. Included in trade debtors are past due settlement date balances of 1999 – £83,977,000, 2000 – £100,593,000, 2001 – £431,365,000, 2002 – £304,877,000.

18. Current asset investments and cash at bank and in hand

Current asset investments includes an unlisted equity investment in virt-x plc (formerly Tradepoint Financial Networks plc): 1999 – £1,000,000, 2000 to 2002 – £206,000. Also included in 2002 are unmatched securities positions of £1,261,066. Otherwise, the investments comprise treasury bills and money market mutual funds.

Included in current asset investments are treasury bills of 1999 – £5,656,000, 2000 – £5,002,000, 2001 – £7,714,000, 2002 – £9,789,000 and included in cash at bank is 1999 – £15,665,000, 2000 – £19,049,000, 2001 – £23,788,000, 2002 – £30,083,000, which are held on deposit by certain subsidiary undertakings to secure clearing facilities.

19. Creditors: amounts falling due within one year

	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Bank overdrafts and loans (secured)	593	133	—	3,296
Bank overdrafts and loans (unsecured)	11,491	12,590	27,888	26,358
Trade creditors	106,834	105,302	440,642	297,688
Amounts owed to associated undertakings	970	2,078	1,048	1,088
Corporation tax	5,635	13,545	9,247	12,130
Other taxes and social security costs	9,620	12,146	13,427	12,538
Other creditors	24,143	18,500	7,896	9,769
Accruals	44,082	44,446	63,674	64,602
Lease commitments (note 21)	685	221	220	254
Loans from shareholders	—	—	6,645	4,200
	<u>204,053</u>	<u>208,961</u>	<u>570,687</u>	<u>431,923</u>

Included in Tullett Group trade creditors is an amount of 1999 – £153,000, 2000 – £5,300,000, 2001–£300,000, 2002 – £200,000 which represents subsidiary companies' net position with brokers, dealers and clearing houses. This represents 1999 – £17,839,000, 2000 – £207,000,000, 2001 – £200,200,000, 2002 – £3,818,300,000 payable and 1999 – £17,686,000, 2000 – £201,700,000, 2001 – £199,900,000, 2002 – £3,818,100,000 receivable in respect of transactions not yet due for settlement.

Included in trade creditors are past due settlement date balances of 1999 – £87,546,000, 2000 – £90,196,000, 2001–£420,232,000, 2002 – £287,768,000.

The loans from shareholders were subordinated to rank after all other creditors and were repayable within one year.

20. Creditors: amounts falling due after more than one year

	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Lease commitments (note 21)	2,286	2,131	1,984	1,983
Loan from shareholders	133	6,645	—	—
Staff participation bond (note 23)	—	—	—	4,467
Other creditors	1,137	2,213	2,180	2,134
	<u>3,556</u>	<u>10,989</u>	<u>4,164</u>	<u>8,584</u>

The loans from shareholders were subordinated to rank after all other creditors and were repayable within two years.

21. Obligations under leases and hire purchase contracts

The future commitments of the Tullett Group under finance leases and hire purchase contracts were as follows:

	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Within one year (note 19)	685	221	220	254
In the second to fifth years inclusive (note 20)	1,121	1,118	1,113	1,244
Over five years (note 20)	1,165	1,013	871	739
Total net obligations	<u>2,971</u>	<u>2,352</u>	<u>2,204</u>	<u>2,237</u>

These lease payments are shown inclusive of value added tax which is substantially irrecoverable.

21. Obligations under leases and hire purchase contracts (continued)

At each period end the Tullett Group had annual commitments under non-cancellable operating leases as set out below.

Land and buildings

	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Operating leases which expire:				
Within one year	364	1,078	366	683
In the second to fifth years inclusive	3,559	3,389	2,609	1,811
Over five years	4,550	4,521	4,394	5,218
	<u>8,473</u>	<u>8,988</u>	<u>7,369</u>	<u>7,712</u>
Other				
Operating leases which expire:				
Within one year	120	117	50	23
In the second to fifth years inclusive	40	46	18	195
	<u>160</u>	<u>163</u>	<u>68</u>	<u>218</u>

22. Deferred taxation

Deferred taxation recognised in the financial information is as follows:

	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Asset				
Tax losses				
At 1 January	—	—	4,733	988
Movement for the period	—	4,663	(3,911)	1,432
Exchange adjustments	—	70	166	(44)
At period ended	<u>—</u>	<u>4,733</u>	<u>988</u>	<u>2,376</u>
Depreciation in advance of capital allowances				
At 1 January	1,038	1,163	3,041	2,804
Movement for the period	91	1,760	(321)	2
Exchange adjustments	34	118	84	(127)
At period ended	<u>1,163</u>	<u>3,041</u>	<u>2,804</u>	<u>2,679</u>
Other timing differences				
At 1 January	—	1,924	3,478	3,055
Movement for the period	1,916	1,381	(520)	1,916
Exchange adjustments	8	173	97	(171)
At period ended	<u>1,924</u>	<u>3,478</u>	<u>3,055</u>	<u>4,800</u>
Total				
At 1 January	1,038	3,087	11,252	6,847
Movement for the period	2,007	7,804	(4,752)	3,350
Exchange adjustments	42	361	347	(342)
At period ended	<u>3,087</u>	<u>11,252</u>	<u>6,847</u>	<u>9,855</u>

	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Liability				
Capital allowances in advance of depreciation				
At 1 January	76	127	84	75
Movement for the period	51	(43)	(9)	12
At period end	127	84	75	87
Other timing differences				
At 1 January	210	73	22	22
Movement for the period	(137)	(51)	—	(22)
At period end	73	22	22	—
Total				
At 1 January	127	84	75	87
Movement for the period	73	22	22	—
	200	106	97	87

23. Share capital

	<i>31 December</i> <i>1999</i> <i>No.</i>	<i>31 December</i> <i>2000</i> <i>No.</i>	<i>31 December</i> <i>2001</i> <i>No.</i>	<i>30 June</i> <i>2002</i> <i>No.</i>
Authorised:				
Equity ordinary shares of 10p each	62,133,210	62,133,210	62,133,210	62,133,210
Non-equity A preference shares of £1 each	5,445,169	5,445,169	5,445,169	5,445,169
Non-equity B preference shares of 10p each	10,890,340	10,890,340	10,890,340	10,890,340
Non-equity C preference shares of 1p each	247,600	247,600	247,600	—
	16,583,109	16,583,109	16,583,109	16,335,509
	78,716,319	78,716,319	78,716,319	78,468,719
Allotted, called up and fully paid:				
Equity ordinary shares of 10p each	21,624,893	24,396,811	24,704,378	24,826,730
Non-equity A preference shares of £1 each	5,445,169	5,445,169	5,445,169	5,445,169
Non-equity B preference shares of 10p each	10,890,333	10,890,333	10,890,333	10,890,333
Non-equity C preference shares of 1p each	247,503	247,503	247,503	—
	16,583,005	16,583,005	16,583,005	16,335,502
	38,207,898	40,979,816	41,287,383	41,162,232
	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Authorised:				
Equity ordinary shares of 10p each	6,213	6,213	6,213	6,213
Non-equity A preference shares of £1 each	5,445	5,445	5,445	5,445
Non-equity B preference shares of 10p each	1,089	1,089	1,089	1,089
Non-equity C preference shares of 1p each	3	3	3	—
	6,537	6,537	6,537	6,534
	12,750	12,750	12,750	12,747

	<i>31 December</i> 1999 £000	<i>31 December</i> 2000 £000	<i>31 December</i> 2001 £000	<i>30 June</i> 2002 £000
Allotted, called up and fully paid:				
Equity ordinary shares of 10p each	2,162	2,439	2,470	2,483
Non-equity A preference shares of £1 each	5,445	5,445	5,445	5,445
Non-equity B preference shares of 10p each	1,089	1,089	1,089	1,089
Non-equity C preference shares of 1p each	3	3	3	—
	<u>6,537</u>	<u>6,537</u>	<u>6,537</u>	<u>6,534</u>
	<u>8,699</u>	<u>8,976</u>	<u>9,007</u>	<u>9,017</u>

On 1 April 1999 2,245,019 Ordinary shares were converted into A Ordinary shares and issued and on 19 November 1999 the 2,245,019 authorised and issued A Ordinary shares were converted to Ordinary shares. On 19 November 1999 the authorised share capital was increased from £6,000,000 to £12,750,000 by the creation of 2,133,210 Ordinary shares of 10p each and the creation of A, B and C preference shares in the number and at the par value as shown in the above table. On 29 December 1999 8,011,980 Ordinary shares were issued at £1.94 each and the A, B and C preference shares shown in the above table, were issued from the share premium account at par.

On any return of capital or winding up, the Preference shares rank in alphabetical order ahead of the Ordinary shares. The Preference shares carry no votes at a general meeting of the company.

On 22 September 2000 the Tullett Group increased its shareholding in Tullett & Spütz Capital Markets AG (now called Tullett Liberty GmbH) by the issue of 2,771,918 ordinary shares of 10p each at a premium of £4,331,000.

On 1 June 2001, the company repurchased 167,297 Ordinary shares for consideration of £321,000 and the nominal value of the shares purchased (£16,000) was credited to the capital redemption reserve.

On 29 August 2001, Tullett plc issued 246,432 Ordinary shares at a premium of £2.03 per share for the acquisition of the 5 per cent minority interest in Tullett Liberty GmbH.

On 31 December 2001, Tullett plc issued 228,432 Ordinary shares under its reward management scheme at par value of 10 pence per share. On 25 March 2002, the company issued a further 3,852 Ordinary shares and on 22 April 2002, a further 118,500 Ordinary shares under its reward management scheme, all at a par value of 10 pence per share. In each instance, the excess of the fair value over the par value was charged as staff costs in the profit and loss account and credited to the profit and loss account in reserves — see note 24.

Ordinary shares

The Tullett Shareholders on the register at 21 October, 1999 have a right to a special dividend which will be declared subsequent to the sale of all shares in virt-x plc (formerly Tradepoint Financial Networks plc) held as current investments (note 30(c)).

A Preference shares

The holders of the A Preference shares are entitled to receive a dividend equal in aggregate to 50% of the aggregate of any dividends paid to the holders of the Ordinary shares, save that the aggregate of all dividends to be paid to holders of the A Preference shares shall not exceed £18m. On a change of control (being a third party acquiring more than two thirds of the voting rights of the company) the A Preference shares will be redeemed for an aggregate of £18m less the aggregate of all dividends paid prior to the date of redemption.

Until 29 December 2004 an amount of £5m will be retained from the £18m referred to above to cover certain specified potential liabilities of the company. To the extent that payments for these potential liabilities do not reduce the retention of £5m, the retention will be available for payment to holders of A Preference shares by way of dividend or redemption from 29 December 2004.

B Preference shares

The holders of the B Preference shares were entitled to receive a dividend only if the company sells shares in Beast Financial Systems, Inc. (formerly TheBEAST.COM, Inc.) on or before 29 December, 2003 at a price

per share which values the company's interest in Beast Financial Systems, Inc., after tax, at more than £4.5 million.

The amount of the dividend will be a reducing percentage of the after tax gain over the period as follows: 2001 – 75%; 2002 – 50%; 2003 – 25%; Thereafter – Nil.

The B Preference shares are redeemable at £4.5 million less the aggregate of all redemption amounts and any dividends paid to B Preference shareholders (currently £nil), if there is a change of control of the company, on a sale of the company's interests in Beast Financial Systems, Inc. or if the company raises new capital for cash.

C Preference shares

The holders of the C Preference shares are entitled to receive a dividend of £1,848,000 following the sale of the City Networks Limited shares. Following the payment of the dividend the C Preference shares were redeemed at par on 22 February 2002 and the nominal value credited to the capital redemption reserve.

Option schemes

Tullett's share option scheme was terminated in 1999 in anticipation of the merger with Liberty Brokerage Investment Corp. Options surrendered during the year under this scheme were:

- (a) 425,000 ordinary shares at £2.50, exercisable between 1999 and 2006;
- (b) 340,000 ordinary shares at £2.00, exercisable between 2000 and 2007.

Tullett plc granted options to executive directors and qualifying employees during 2001 under the company's Share Option Plan, adopted on 28 June 2001. On 29 November 2001, options were granted over 232,284 Ordinary shares under this scheme at an exercise price of £3.33 each. These options are exercisable between 29 November 2004 and 28 November 2011. On 22 February 2002, additional options were granted over 240,000 shares under the Share Option Plan at an exercise price of £3.33 each. These additional options are exercisable between 21 February 2005 and 21 February 2012. All the options granted under the above schemes were outstanding at 30 June 2002.

Staff participation bond

On 18 February 2002, Tullett plc issued a five year staff participation bond at a rate of 12 month LIBOR plus 5%, fixed annually, totalling £4.7 million. The bondholders have the right to convert 1 ordinary share for each £3.33 or US\$4.7542 in nominal value of staff participation bond, after a flotation or change of control of Tullett.

24. Reserves

	<i>Share premium account £000</i>	<i>Capital redemption reserve £000</i>	<i>Profit and loss account £000</i>
At 1 January 1999	6,560	80	75,648
Exchange differences on retranslation of net assets of subsidiary and associate undertakings	—	—	360
Arising on share issues	14,742	—	—
Retained profit for the year	—	—	(11,831)
Transfer in respect of preference shares issued	(6,537)	—	—
	<hr/>	<hr/>	<hr/>
At 31 December 1999	14,765	80	64,177
Exchange differences on retranslation of net assets of subsidiary and associate undertakings	—	—	4,436
Arising on share issues	4,331	—	—
Retained loss for the year	—	—	(11,134)
Other appropriation set aside for C preference shareholders	—	—	1,848
	<hr/>	<hr/>	<hr/>
At 31 December 2000	19,096	80	59,327
Exchange differences on retranslation of net assets of subsidiary and associate undertakings	—	—	(1,717)
Arising on share issues	501	—	738
Retained profit for the year	—	—	11,211
Arising on ordinary shares repurchased and cancelled	—	16	(321)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	19,597	96	69,238
Exchange differences on retranslation of net assets of subsidiary and associate undertakings	—	—	(2,184)
Arising on share issues	—	—	395
Retained profit for the period	—	—	9,148
Declaration of dividend for C preference shareholders	—	—	(1,848)
Arising on redemption of C preference shares	—	3	(3)
	<hr/>	<hr/>	<hr/>
At 30 June 2002	<u>19,597</u>	<u>99</u>	<u>74,746</u>

25. Financial assets and liabilities

The Tullett Group's principal activity is to act as an intermediary between buyers and sellers of financial instruments. It acts on an agency or matched principal basis and so its exposure to market price movements is limited to where 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 strict limit and monitoring controls and by dealing only with wholesale financial institutions after appropriate credit procedures have been applied. The value of unmatched security positions is normally immaterial at 31 December, but was £1,261,066 as at 30 June 2002 (see note 18).

Apart from its associates and the Tullett Group's strategic investments in City Networks Limited and virt-x plc (see notes 18 and 26), the Tullett Group's long-term investments are holdings in exchanges and clearing houses to enable it to trade. The Tullett Group's financial assets are, otherwise, short term and do not expose the Tullett Group to any significant interest rate or liquidity risk. Meanwhile, the Tullett Group's borrowings are entered into, where possible, on a floating rate basis.

The Tullett Group does not enter into derivatives for hedging or other activities.

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 Financial Reporting Standard No. 13 'Derivatives and Other Financial Instruments: Disclosures'.

(a) Interest rate profile of financial assets

	<i>At fixed interest rates £000</i>	<i>At floating interest rates £000</i>	<i>Non- interest bearing £000</i>	<i>Total £000</i>
As at 31 December 1999				
Sterling	—	20,071	2,968	23,039
US Dollars	—	67,193	4,697	71,890
Euro	—	5,737	35	5,772
Other currencies	—	6,421	2,815	9,236
	—	99,422	10,515	109,937
As at 31 December 2000				
Sterling	—	24,356	2,447	26,803
US Dollars	—	65,954	2,555	68,509
Euro	—	22,459	460	22,919
Other currencies	—	4,484	2,730	7,214
	—	117,253	8,192	125,445
As at 31 December 2001				
Sterling	—	28,195	1,490	29,685
US Dollars	—	77,321	3,955	81,276
Euro	—	10,873	633	11,506
Other currencies	—	5,911	3,015	8,926
	—	122,300	9,093	131,393
As at 30 June 2002				
Sterling	—	30,722	1,413	32,135
US Dollars	—	64,726	4,473	69,199
Euro	—	8,750	2,405	11,155
Other currencies	—	5,412	2,541	7,953
	—	109,610	10,832	120,442

All 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>At fixed interest rates £000</i>	<i>At floating interest rates £000</i>	<i>Non- interest bearing £000</i>	<i>Total £000</i>
As at 31 December 1999				
Sterling	464	12,836	6,536	19,836
US Dollars	—	16,216	1	16,217
Euro	2,971	693	—	3,664
Other currencies	—	46	—	46
	3,435	29,791	6,537	36,763
As at 31 December 2000				
Sterling	6,645	13,831	6,537	27,013
US Dollars	—	1,356	—	1,356
Euro	2,352	1,693	—	4,045
Other currencies	—	11,751	—	11,751
	8,997	28,631	6,537	44,165

	<i>At fixed interest rates £000</i>	<i>At floating interest rates £000</i>	<i>Non- interest bearing £000</i>	<i>Total £000</i>
As at 31 December 2001				
Sterling	6,645	10,000	6,537	23,182
US Dollars	—	21,027	—	21,027
Euro	2,204	2,383	14	4,601
Other currencies	—	4,937	7	4,944
	<u>8,849</u>	<u>38,347</u>	<u>6,558</u>	<u>53,754</u>
As at 30 June 2002				
Sterling	4,200	11,131	6,534	21,865
US Dollars	163	16,569	169	16,901
Euro	2,236	7,232	—	9,468
Other currencies	—	1,136	—	1,136
	<u>6,599</u>	<u>36,068</u>	<u>6,703</u>	<u>49,370</u>

The interest rate applicable to sterling fixed rate borrowings was 9.3% in each period and the rate for Euro fixed rate borrowings (finance lease obligations) was 7.85% in each period. The sterling fixed rate borrowings were repaid on the due dates of 30 June 2002 (£2,445,000) and 1 August 2002 (£4,200,000) while the Euro finance lease liabilities are repayable by instalments until 2008. Floating rate borrowings bear interest based on relevant national LIBOR equivalents.

(c) Maturity profile of financial liabilities

	<i>31 December 1999 £000</i>	<i>31 December 2000 £000</i>	<i>31 December 2001 £000</i>	<i>30 June 2002 £000</i>
Payable:				
Within one year or on demand	30,941	28,852	45,233	40,854
Between one and two years	245	6,877	220	284
Between two and five years	876	886	893	960
After five years	7,701	7,550	7,408	7,272
	<u>39,763</u>	<u>44,165</u>	<u>53,754</u>	<u>49,370</u>

(d) Borrowing facilities

	<i>31 December 1999 £000</i>	<i>31 December 2000 £000</i>	<i>31 December 2001 £000</i>	<i>30 June 2002 £000</i>
The Tullett Group had undrawn committed facilities expiring:				
Within one year or on demand	—	858	3,881	3,841
	<u>—</u>	<u>858</u>	<u>3,881</u>	<u>3,841</u>

(e) Foreign currency exposures

The table below is intended to give an indication of the sensitivity of the Tullett Group's results to fluctuations in currency exchange rates. It shows the net monetary assets and liabilities held by Tullett Group companies that were not denominated in their functional currencies (other than foreign currency borrowing 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 Tullett Group's profit and loss account.

Most of the activities of the Tullett Group are transacted in local currencies and consequently do not expose the Tullett Group to significant foreign currency risk as recognised in the profit and loss account. Such risk does, however, arise from the funding of the Tullett Group's business.

In addition to the exposures shown in the table, the Tullett Group has a significant investment in companies with US\$ or US\$ linked functional currencies, retranslation gains and losses on which are taken

through the Statement of Total Recognised Gains and Losses. The book value of this investment at 30 June 2002 was US\$65 million and over the six month period the Tullett Group reduced this currency exposure by retaining liabilities in US\$ of US\$18 million, which are also excluded from the table, below.

	<i>Sterling</i> <i>£000</i>	<i>US</i> <i>Dollars</i> <i>£000</i>	<i>Euro</i> <i>£000</i>	<i>Other</i> <i>currencies</i> <i>£000</i>	<i>Total</i> <i>£000</i>
As at 31 December 1999					
Functional currency:					
Sterling	—	28,744	(26,516)	873	3,101
US Dollars	—	—	—	—	—
Euro	—	—	—	—	—
Other currencies	—	2,615	—	1,539	4,154
	<u>—</u>	<u>31,359</u>	<u>(26,516)</u>	<u>2,412</u>	<u>7,255</u>
As at 31 December 2000					
Functional currency:					
Sterling	—	4,073	4,898	(12,357)	(3,386)
US Dollars	—	—	—	—	—
Euro	—	—	—	—	—
Other currencies	—	2,949	—	2,703	5,652
	<u>—</u>	<u>7,022</u>	<u>4,898</u>	<u>(9,654)</u>	<u>2,266</u>
As at 31 December 2001					
Functional currency:					
Sterling	—	(4,314)	6,320	(4,475)	(2,469)
US Dollars	—	—	—	—	—
Euro	8,708	167	—	130	9,005
Other currencies	14	7,825	—	894	8,733
	<u>8,722</u>	<u>3,678</u>	<u>6,320</u>	<u>(3,451)</u>	<u>15,269</u>
As at 30 June 2002					
Functional currency:					
Sterling	—	(6,276)	257	(1,788)	(7,807)
US Dollars	—	—	—	—	—
Euro	431	139	—	177	747
Other currencies	2	8,256	—	1,290	9,548
	<u>433</u>	<u>2,119</u>	<u>257</u>	<u>(321)</u>	<u>2,488</u>

(f) Fair value

The book values of the Tullett Group's financial assets and liabilities (which exclude all short term debtors and creditors) were not materially different to fair values except as shown below:

	<i>Book value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Fair value</i>	<i>Book and fair value</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>
	<i>1999</i>	<i>1999</i>	<i>2000</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Financial assets						
Fixed asset investments	6,203	6,385	3,253	3,722	1,924	1,875
Current asset						
investments	17,410	22,721	26,754	27,212	35,343	37,551
Other financial assets	22,861	22,861	23,454	23,454	14,993	5,232
Cash at bank and in hand	63,463	63,463	71,984	71,984	79,133	75,784
	<u>109,937</u>	<u>115,430</u>	<u>125,445</u>	<u>126,372</u>	<u>131,393</u>	<u>120,442</u>
Financial liabilities						
Bank loans and overdrafts	13,585	13,585	26,418	26,418	27,888	29,794
Other loans	133	133	—	—	6,645	4,200
Obligations under						
finance leases	2,971	2,971	2,352	2,352	2,204	2,237
Non-equity shares	6,537	6,537	6,537	6,537	6,537	6,537
Other financial liabilities	16,537	16,537	8,858	8,858	10,480	6,602
	<u>39,763</u>	<u>39,763</u>	<u>44,165</u>	<u>44,165</u>	<u>53,754</u>	<u>49,370</u>

26. Profit on disposal of investments

The profit on disposal of investments in 2000 was made up of: virt-x plc (formerly Tradepoint Financial Networks plc) – £4,992,000; The London Stock Exchange – £2,944,000; and City Networks Limited – £2,641,000. The profit in 2001 of £810,000 arose on the sale of the Tullett Group's investment in the London International Financial Futures Exchange.

Tax on these disposals amounted to: 2000 – £2,750,000 and 2001 – £127,000.

27. Acquisition and disposals

Profit on sales of operations and termination of businesses can be analysed as follows:

		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>
		<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Carl Kliem	(a)	(1,212)	—	—	—
Gains International	(b)	17,085	—	—	—
Sales of futures businesses	28	—	723	475	185
Gains International	(f)	—	—	—	911
Natsource LLC	(c)	—	—	—	283
Other		149	(196)	—	—
		<u>16,022</u>	<u>527</u>	<u>475</u>	<u>1,379</u>

Tax recorded on the above profits was: 1999 – £240,000, 2000 – £114,000, 2001 – £57,000 and 2002 – £173,000.

27. Acquisition and disposals (continued)

The most significant acquisitions and disposals have been as follows:

(a) Carl Kliem

On 14 January 1999 the Tullett Group completed the sale of its 50% investment in Carl Kliem S.A. On 19 October 1999 the Tullett Group completed the sale of its 42% investment in Carl Kliem GmbH.

	<i>Carl Kliem S.A. £000</i>	<i>Carl Kliem GmbH £000</i>	<i>Total £000</i>
Net assets disposed of:			
Equity share of net assets	2,395	1,760	4,155
Loss on disposal	(386)	(826)	(1,212)
	<u>2,009</u>	<u>934</u>	<u>2,943</u>
Satisfied by:			
Cash	2,012	934	2,946
Costs associated with disposal	(3)	—	(3)
	<u>2,009</u>	<u>934</u>	<u>2,943</u>

Fully amortised goodwill included in the equity share of net assets of Carl Kliem S.A. and Carl Kliem GmbH, was £2,247,000 and £3,719,000, respectively.

(b) Gains International

On 5 February 1999 the Tullett Group completed the sale of Gains International (CI) Limited, Gains Japan Co., Ltd. and Gains Hong Kong Limited. The disposal is analysed as follows:

	<i>£000</i>
Net assets disposed of:	
Fixed assets	3,933
Debtors	5,791
Cash at bank	5,494
Creditors	(6,914)
	<u>8,304</u>
Profit on disposal	<u>17,085</u>
	<u>25,389</u>
Satisfied by:	
Cash	28,000
Costs associated with disposal	(2,611)
Net cash	<u>25,389</u>

The profit attributable to the Tullett Group included losses of £137,000 incurred by the Gains companies in 1999 up to the date of disposal. During the year, the Gains companies utilised £406,000 for capital expenditure.

27. Acquisition and disposals (continued)

(c) Natsource LLC

On 28 May 1999 the Tullett Group acquired 25% of Natsource LLC for a consideration of \$9,000,000 satisfied by cash.

	<i>£000</i>
Net assets acquired:	
Net assets	532
Goodwill arising on acquisition	5,052
	<u>5,584</u>
	<u><u>5,584</u></u>
Satisfied by:	
Cash	5,584
	<u><u>5,584</u></u>

On 13 March 2002 the Tullett Group completed the sale of 3½% of its investment in Natsource LLC.

	<i>£000</i>
Net assets disposed of:	
Equity share of net assets	404
Unamortised goodwill	67
	<u>471</u>
Profit on disposal	283
	<u>754</u>
	<u><u>754</u></u>
Satisfied by:	
Cash	754
	<u><u>754</u></u>

On 31 May 2002 the Tullett Group acquired 2.5% of Natsource LLC for a consideration of \$1.8 million satisfied by cash.

	<i>£000</i>
Net assets acquired:	
Net assets	45
Goodwill arising on acquisition	1,214
	<u>1,259</u>
	<u><u>1,259</u></u>
Satisfied by:	
Cash	1,259
	<u><u>1,259</u></u>

27. Acquisition and disposals (continued)

(d) Liberty Brokerage Investment Corp.

On 29 December 1999 the Tullett Group acquired 100% of Liberty Brokerage Investment Corp. for a consideration of £18,885,000, satisfied by the issue of 8,011,980 ordinary shares of 10p at £1.94 each and cash.

	<i>Book value</i> £000	<i>Adjustments</i> £000	<i>Fair value</i> £000
Net assets acquired:			
Tangible fixed assets — owned	8,569	—	8,569
Tangible fixed assets — leased	—	2,348(i)	2,348
Investments	3,130	—	3,130
Debtors	39,727	(458)(i)	39,269
Short term investment	36,494	—	36,494
Cash	5,262	—	5,262
Bank overdrafts	(539)	—	(539)
Lease commitment	—	(2,491)(i)	(2,491)
Creditors due within one year	(54,554)	—	(54,554)
Loan notes due after one year	(25,112)	—	(25,112)
Bank loan due after one year	(133)	—	(133)
Net assets	<u>12,844</u>	<u>(601)</u>	<u>12,243</u>
			<i>£000</i>
Fair value of net assets acquired			12,243
Goodwill arising on acquisition			<u>6,642</u>
			<u>18,885</u>
Satisfied by:			
Fair value of shares issued			15,543
Cash paid for executives' shares		2,734	
Costs associated with the acquisition		<u>608</u>	
Net cash			<u>3,342</u>
			<u>18,885</u>

Adjustments:

(i) To account for finance lease in accordance with UK GAAP.

The Tullett Group repaid £25.1 million of Liberty loan notes and accrued interest immediately after completion of the acquisition.

Liberty Brokerage Investment Corp. made a loss after tax of £4,103,000 in the year ended 31 December 1999 of which nil arose in the period from 29 December 1999 to 31 December 1999. The summarised profit and loss account for the period 1 January 1999 to the effective date of acquisition is as follows:

Turnover	<i>£000</i> 130,716
Operating loss	(4,329)
Net interest payable	(366)
Non operating income	<u>318</u>
Loss before tax	(4,377)
Taxation	<u>274</u>
Loss after tax	<u>(4,103)</u>

27. Acquisition and disposals (continued)

(e) Tullett Liberty GmbH

On 22 September 2000 the Tullett Group increased its shareholding in Tullett Liberty GmbH (formerly Tullett & Spütz Capital Markets AG) from 50% to 100%, taking its overall interest in the share capital of the company from 47% to 95%. The Tullett Group acquired 6,650,000 shares of common stock, with no par value, for a consideration of €7,622,626, satisfied by the issue of 2,771,918 ordinary shares of 10p.

	<i>Fair value</i> £000
Net assets at date of acquisition:	
Intangible fixed assets	(200)
Tangible fixed assets – owned	1,428
Investments	1
Debtors	17,752
Short term investment	4,848
Cash	8,014
Bank overdrafts	(11,230)
Creditors due within one year	(12,724)
	<hr/>
Net assets 100 per cent	7,889
	<hr/> <hr/>
Net assets 47 per cent acquired	3,708
Goodwill arising on acquisition	1,271
	<hr/>
	4,979
	<hr/> <hr/>
Satisfied by:	
Fair value of shares issued	4,609
Cash paid for legal and tax costs associated with the acquisition	98
Tax costs accrued associated with the acquisition	272
	<hr/>
	4,979
	<hr/> <hr/>

On 29 August, 2001 the Tullett Group increased its shareholding in Tullett Liberty GmbH from 95% to 100%. The Tullett Group acquired 707,447 shares of preferred non-voting shares, with no par value, in exchange for 246,432 new Ordinary shares of 10p, in the company, issued at a premium of £2.03 per share, increasing the goodwill by £57,000.

(f) Gains International

On 18 July 2001 the Tullett Group purchased certain assets relating to the Trader Voice business of the Madge.web subsidiaries of Madge Networks NV for a consideration of £731,000. The Tullett Group set up various subsidiaries after the purchase of these assets to carry on an international telecommunications business under the trading name of Gains.

On 27 June 2002, Tullett plc sold 28.57% of its interest in Gains International Infocom Holdings BV for a consideration of £1,000,000, which reduced the Tullett Group's shareholding to 71.43%.

28. Closure and Restructuring Costs

The following closure and restructuring costs were incurred:

	<i>£000</i>
1999	
Futures businesses closure costs	1,310
Tullett & Tokyo S.A. closure costs	1,922
Tullett Group share of The Totan Derivatives Co. Ltd. closure costs	924
	<u>4,156</u>

In September 1999, the employment contracts, goodwill and certain fixed assets of Tullett & Tokyo Futures Limited (now Swardgreen Limited), Tullett & Tokyo (Futures) Inc. and Tullett & Tokyo (Futures) Pte. Ltd. were sold to Man Group plc for an earn-out payment over the next three years of £723,000, £475,000 and £185,000 in the periods ended 31 December 2000, 31 December 2001 and 30 June 2002, respectively.

	<i>£000</i>
2000	
Liberty Brokerage Investment Corp. merger restructuring costs	8,950
Tullett Group share of restructuring costs of The Totan Derivatives Co., Ltd.	1,947
	<u>10,897</u>

Following the merger with Liberty Brokerage Investment Corp. the Tullett Group incurred restructuring costs on relocating offices, on redundancies made necessary by the merging of broking desks and on contractual payments to certain former senior executives of Liberty.

The Totan Derivatives Co., Ltd. incurred restructuring costs when it transferred all operations, excluding its currency options business, to a new company TIU Derivatives Co., Ltd., which was formed as a joint venture with Garban International Plc.

	<i>£000</i>
2001	
Tullett Liberty France S.A.S.	255
Tullett Liberty Pty. Ltd.	45
	<u>300</u>

Tullett France S.A.S. incurred restructuring costs made necessary by the merger in 2000, of Liberty Grel S.A. into Liberty RG S.A.R.L. and the merger of Liberty RG. S.A.R.L. into Liberty Roussin S.A.S. The fully merged company was renamed Tullett Liberty France S.A.S.

Tullett & Tokyo Liberty Pty. Ltd. (now Tullett Liberty Pty. Ltd.) incurred restructuring costs associated with its forward foreign currency business.

Also in 2001, £565,000 of the Group's share of the provision made by the Totan Derivatives Co., Ltd in 2000 was released.

2002

A further £67,000 was incurred in 2002 relating to the Tullett Liberty France S.A.S. restructuring.

Tax credits recorded on these costs were: 1999 – £1,095,000, 2000 – £132,000, 2001 – £99,000 and 2002 – £20,000.

29. Capital commitments

	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>
	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts contracted for but not provided in the accounts	<u>18</u>	<u>304</u>	<u>8</u>	<u>132</u>
Amounts authorised by the directors but not contracted for	<u>1,189</u>	<u>3,585</u>	<u>135</u>	<u>1,074</u>

30. Contingent liabilities

- (a) Tullett has given guarantees amounting to approximately £94,073,000, 2000 – £102,562,000, 2001 – £149,677,000, 2002 – £166,506,000 to creditors of subsidiary undertakings.
- (b) In 1998 Tullett's Belgian subsidiary received a summons from the Belgian Office of Social Security claiming social security contributions in respect of payments made to certain companies. The summons received is for the second, third and fourth quarters of 1993 and for the first quarter of 1994. Extrapolating the amount claimed indicates a potential total liability of about £10,000,000. Tullett's legal advisers have submitted a rebuttal of the claim and have indicated that the company have a strong defence. In June 1999 the Belgian subsidiary ceased trading following a substantial decline in turnover following the introduction of the Euro. In December 1999 the Belgian subsidiary was placed in voluntary liquidation. At 30 June 2002 the Belgian subsidiary had net assets of £56,000 excluding any liability to the Belgian Office of Social Security and intercompany balances payable.
- (c) Tullett has an agreement to pay a special dividend to the Ordinary shareholders on the register at 21 October 1999 when Tullett has sold all its shares in virt-x plc (formerly Tradepoint Financial Networks plc). The virt-x dividend shall be an amount equal to the gross profits (being the gross proceeds less £1 million) from the sale of Tullett's interest in virt-x, less an amount equal to the tax payable on such profits after utilising the benefits of any capital losses available on 29 December 1999. The after tax profit from the sale of shares included in the profit and loss account brought forward is £3,917,000. Included in current asset investments is £206,000 in relation to virt-x plc shares which have not been sold.

31. Pension commitments

The pension cost figures used in the financial information comply with the current pension cost accounting standard SSAP24.

The Tullett Group operates a number of pension schemes throughout the world. The UK scheme used to provide benefits based on final pensionable pay, but effective from 1 November 1991 the scheme was converted to a defined contribution scheme. Employees in service at the date of the change receive benefits on the better of the two bases. The overseas schemes are of the defined contribution type. The assets of all schemes are held in separate trustee administered funds.

The total pension cost for the Tullett Group was 1999 – £3,403,000, 2000 – £2,257,000, 2001 – £3,619,000, 2002 – £2,078,000. of which 1999 – £488,000, 2000 – £565,000, 2001 – £1,006,000, 2002 – £555,000, relates to the overseas schemes. The pension cost relating to the UK 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 affect on the results of the valuation are the rate of return on investments, the rates of increase in salaries and the level of the internal scheme cap above which salaries are not pensionable. It was assumed in calculating the pension cost that investment returns will average 7% per annum before retirement and 5.5% after retirement, inflationary salary increases will average 4.5% per annum and the internal salary cap will be unchanged at £175,000 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 £72.9m and the market value of the assets was sufficient to cover 97.5% of the benefits that had accrued to members. The company pays pension contributions in the UK at the rate of 13% of pensionable salaries for employees with defined benefits and 7% for employees with defined contributions. The level of contributions paid into the scheme in respect of pre 1991 members has been increased to 15.6% of pensionable salaries with effect from 1 January 2002. This level of contribution will be expected to remove the deficit over 5 years, if the assumptions are borne out in practice.

The Tullett 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 is 1999 – £2,416,000, 2000 – £1,355,000, 2001 – £1,120,000, 2002 – £1,149,000 in respect of contributions payable to Tullett Group pension schemes, of which 1999 – £299,000, 2000 – £31,000, 2001 – £21,000, 2002 – £11,000 related to the overseas schemes.

31. Pension commitments (continued)

Financial Reporting Standard No. 17 (FRS17)

A new pension cost accounting standard, FRS17, requires the company to disclose the following information about the 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.

The Tullett Group operates a scheme providing a hybrid of defined benefits and defined contributions for members who joined the scheme prior to 1 November 1991. The scheme provides defined contribution benefits for members who joined the scheme after 1 November 1991. A full actuarial valuation was carried out at 1 May 2001 and updated to 31 December 2001 and 30 June 2002 by a qualified independent actuary.

The results shown exclude the assets and liabilities arising for post 1 November 1991 joiners. As at 31 December 2001, the value of invested assets held for these post 1 November 1991 members was £10,270,274.

Employer contributions amounting to £819,377 (15.6% per annum of pensionable salaries) (2001 – £1,432,751 (13% per annum of pensionable salaries)) have been paid in the year for pre 1 November 1991 joiners.

In addition, employer contributions amounting to £910,980 (7% of pensionable salaries) (2001 – £1,769,125 (7% of pensionable salaries)) have been paid in the year for post 1 November 1991 joiners and £93,198 (1% of pensionable salaries) (2001 – £152,941 (1% of pensionable salaries)) for life assurance only individuals.

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 nominal terms):

	2001	2002
	%	%
Rate of increase in salaries	4.0	4.15
Rate of increase of LPI pensions in payment	2.4	2.55
Discount rate	6.0	6.0
Inflation assumption	2.5	2.65

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

	<i>At</i>	<i>At</i>	<i>At</i>	<i>At</i>
	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>
	2001	2001	2002	2002
	%	£000	%	£000
Equities	7.0	38,208	7.0	34,106
Bonds	5.0	18,285	5.0	18,594
Cash	3.5	796	3.5	838
Total market value of assets		57,289		53,538
Actuarial value of liability		(71,466)		(74,357)
Recoverable deficit in the scheme		(14,177)		(20,819)
Related deferred tax asset		4,253		6,246
Net pension liability		(9,924)		(14,573)

31. Pension commitments (continued)

The Tullett Group balance sheet, assuming the pension asset calculated under FRS17 was recognised in the financial information at the period end, would be presented as follows:

	<i>31 December</i>	<i>30 June</i>
	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Net assets excluding pension liability	102,574	108,435
FRS17 Net pension liability	(9,924)	(14,573)
Net assets including pension liability	<u>92,650</u>	<u>93,862</u>
Profit and loss account excluding pension liability	69,238	74,509
FRS17 Pension deficit (net of deferred tax asset)	(9,924)	(14,573)
Profit and loss account including pension liability	<u>59,314</u>	<u>59,936</u>
Analysis of the amount charged to operating profit		
Current service cost		613
Past service cost		—
Total operating charge		<u>613</u>
Analysis of net return on pension scheme		
Expected return on pension scheme assets		1,808
Interest on pension scheme liabilities		(2,141)
Net return		<u>(333)</u>
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		(5,529)
Experience losses arising on scheme liabilities		113
Loss arising from changes in assumptions underlying the present value of scheme liabilities		(1,042)
Actuarial loss recognised in the statement of total recognised gains and losses		<u>(6,458)</u>
Analysis of movements in deficit during the period:		
		<i>£000</i>
At 1 January 2002		(14,177)
Total operating charge		(613)
Net return on assets		(333)
Actuarial loss		(6,458)
Contributions		762
At 30 June 2002		<u>(20,819)</u>
History of experience gains and losses:		
Difference between expected return and actual return on pension scheme assets		
– amount (£000)		(5,529)
– % of scheme assets		9.7%
Experience (losses)/gains arising on scheme liabilities		
– amount (£000)		113
– % of the present value of scheme liabilities		0.2%
Total actuarial (loss)/gain recognised in the statement of total recognised gains and losses		
– amount (£000)		(6,458)
– % of the present value of scheme liabilities		9.0%

32. Cash flow statement

(a) Reconciliation of operating profit/(loss) to operating cash flows

	<i>Continued</i>	<i>Discontinued</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
31 December 1999			
Operating profit/(loss)	4,967	(12,535)	(7,568)
Depreciation charges	6,716	—	6,716
Amortisation of goodwill	191	—	191
Profit on tangible fixed assets disposed	51	—	51
Tangible fixed assets amount written off	—	—	—
Investment provision written off	(664)	—	(664)
Decrease in loan provision	(11)	—	(11)
Decrease in debtors	22,372	—	22,372
Decrease in creditors and accruals	(10,417)	—	(10,417)
Increase in long term creditors	206	—	206
Net cash inflow from continuing operating activities	<u>23,411</u>	—	—
Net loss in respect of discontinued activities	—	<u>(12,535)</u>	—
Net cash inflow from operating activities	—	—	<u>10,876</u>
31 December 2000			
Operating profit/(loss)	6,193	(18,729)	(12,536)
Depreciation charges	8,985	3,742	12,727
Amortisation of goodwill	745	—	745
Profit on tangible fixed assets disposed	(3)	—	(3)
Tangible fixed assets amount written off	47	—	47
Investment provision written off	3,401	—	3,401
Decrease in debtors	12,125	—	12,125
Decrease in creditors and accruals	(10,704)	—	(10,704)
Increase in long term creditors	1,076	—	1,076
Net cash inflow from continuing operating activities	<u>21,865</u>	—	—
Net loss in respect of discontinued activities	—	<u>(14,987)</u>	—
Net cash inflow from operating activities	—	—	<u>6,878</u>

32. Cash flow statement (continued)**(a) Reconciliation of operating profit/(loss) to operating cash flows (continued)**

	<i>Continued</i>	<i>Discontinued</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
31 December 2001			
Operating profit/(loss)	26,165	(1,274)	24,891
Depreciation charges	8,721	325	9,046
Amortisation of goodwill	1,210	—	1,210
Profit on tangible fixed assets disposed	(119)	—	(119)
Tangible fixed assets amount written off	4	—	4
Investment provision written off	217	—	217
Increase in debtors	(351,843)	—	(351,843)
Increase in creditors and accruals	355,648	—	355,648
Decrease in long term creditors	(33)	—	(33)
Net cash inflow from continuing operating activities	<u>39,970</u>		
Net loss in respect of discontinued activities		<u>(949)</u>	
Net cash inflow from operating activities			<u>39,021</u>
30 June 2002			
Operating profit/(loss)	16,018	—	16,018
Depreciation charges	4,297	—	4,297
Amortisation of goodwill	608	—	608
Decrease in debtors	125,289	—	125,289
(Decrease) in creditors and accruals	(138,362)	—	(138,362)
(Decrease) in long term creditors	(46)	—	(46)
Net cash inflow from continuing operating activities	<u>7,804</u>		
Net loss in respect of discontinued activities		<u>—</u>	
Net cash inflow from operating activities			<u>7,804</u>

32. Cash flow statement (continued)

(b) Analysis of cash flows for headings netted in the cash flow statement

	<i>31 December</i> <i>1999</i> <i>£000</i>	<i>31 December</i> <i>2000</i> <i>£000</i>	<i>31 December</i> <i>2001</i> <i>£000</i>	<i>30 June</i> <i>2002</i> <i>£000</i>
Returns on investments and servicing of finance				
Interest received	3,774	3,737	3,184	1,035
Interest paid	(1,861)	(2,734)	(2,582)	(1,392)
Interest element of finance lease rental payments	(19)	(178)	(86)	(80)
Net cash inflow/(outflow) from returns on investments and servicing of finance	<u>1,894</u>	<u>825</u>	<u>516</u>	<u>(437)</u>
Taxation				
UK corporation tax paid	(1,690)	(956)	(1,509)	(1,530)
Overseas tax (paid)/received	(1,450)	1,486	(12,500)	(8,500)
Net cash (outflow)/inflow for tax (paid)/received	<u>(3,140)</u>	<u>530</u>	<u>(14,009)</u>	<u>(10,030)</u>
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(7,334)	(8,152)	(11,046)	(4,020)
Purchase of fixed asset investments	(208)	(40)	(252)	(4)
Sale of tangible fixed assets	2,533	1,599	325	236
Sales of fixed asset investments	89	2,654	2,072	10
Sales of current investments	—	7,936	—	—
Net cash (outflow)/inflow for capital expenditure and financial investment	<u>(4,920)</u>	<u>3,997</u>	<u>(8,901)</u>	<u>(3,778)</u>
Acquisitions and disposals				
Purchase of subsidiary undertakings (note 27)	(3,342)	(98)	—	—
Net overdrafts acquired with subsidiary	4,723	(3,216)	—	—
Capital contribution made	—	—	(787)	(1,063)
Purchase of associates – Natsource LLC (note 27)	(5,584)	—	—	(1,259)
– Other	(60)	—	—	(1,270)
Sale of subsidiary undertakings (note 27(b) and (f))	25,389	—	—	959
Net cash disposed of with subsidiaries (note 27(b))	(5,494)	—	—	—
Sale of associates	2,946	—	—	—
Purchase of joint venture	(1,297)	—	—	—
Net cash disposed with transfer to joint venture	(2,185)	—	—	—
Closure and restructuring costs (note 28)	(3,232)	(10,897)	(300)	(67)
Purchase of certain Madge.web NV group assets	—	—	(731)	—
Earn-out from the sale of the Futures business (note 28)	—	723	475	—
Net cash inflow/(outflow) for acquisitions and disposals	<u>11,864</u>	<u>(13,488)</u>	<u>(1,343)</u>	<u>(2,700)</u>
Management of liquid resources				
(Payments into)/withdrawals from short term deposits	3,490	4,251	(5,498)	8,970
Withdrawals from UK regulatory deposits	(2,750)	750	2,000	—
Sale of securities	—	794	(7,994)	(2,484)

32. Cash flow statement (continued)

(b) Analysis of cash flows for headings netted in the cash flow statement (continued)

	31 December 1999 £000	31 December 2000 £000	31 December 2001 £000	30 June 2002 £000
Net cash inflow/(outflow) from management of liquid resources	740	5,795	(11,492)	6,486
Financing				
Debt due within a year:				
— (repayment of)/increase in unsecured loans	6,000	12,736	(11,459)	(2,445)
— repayment of secured loans	(25,112)	—	(133)	—
Debt due after a year:				
— increase in unsecured loans	—	6,645	—	4,698
Capital element of finance lease rental payments	(575)	(641)	(86)	(93)
Net cash (outflow)/inflow from financing	(19,687)	18,740	(11,678)	2,160

(c) Analysis of net funds

	Cash in hand at bank £000	Overdrafts £000	Debt due after one year £000	Debt due within one year £000	Current asset investments			Securities £000	Total £000
					Finance leases and hire purchase £000	Term deposits less than one year £000	UK regulatory deposits £000		
At 1 January 1999	24,328	(4,177)	—	(4,000)	(880)	25,025	—	—	40,296
Cash flow	(5,826)	2,105	25,112	(6,000)	575	(3,490)	2,750	—	15,226
Acquired with subsidiary (excluding cash)	—	—	(25,245)	—	(2,348)	36,494	—	—	8,901
Other non-cash changes	—	—	—	—	(314)	—	—	1,000	686
Exchange translation	3	(12)	—	—	(4)	589	—	—	576
At 31 December 1999	18,505	(2,084)	(133)	(10,000)	(2,971)	58,618	2,750	1,000	65,685
Cash flow	8,896	(483)	(6,645)	(12,736)	641	(4,251)	(750)	(794)	(16,122)
Acquired with subsidiary (excluding cash)	—	—	—	—	—	4,848	—	—	4,848
Other non-cash changes	—	—	—	—	—	(139)	—	—	(139)
Exchange translation	764	(23)	—	1,012	(22)	3,591	—	—	5,322
At 31 December 2000	28,165	(2,590)	(6,778)	(21,724)	(2,352)	62,667	2,000	206	59,594
Cash flow	8,703	(15,295)	133	11,459	86	13,492	(2,000)	—	16,578
Other non-cash changes	—	—	6,645	(6,645)	—	—	—	—	—
Exchange translation	(541)	(3)	—	265	62	784	—	—	567
At 31 December 2001	36,327	(17,888)	—	(16,645)	(2,204)	76,943	—	206	76,739
Cash flow	1,060	(2,469)	(4,698)	2,445	93	(6,486)	—	—	(10,055)
Other non-cash changes	—	—	—	—	—	—	—	—	—
Exchange translation	5,941	19	231	684	(126)	(2,256)	—	—	4,493
At 30 June 2002	43,328	(20,338)	(4,467)	(13,516)	(2,237)	68,201	—	206	71,177

Deposits of 1999 – £6,646,000, 2000 – £38,119,000, 2001 – £41,806,000, 2002 – £32,117,000 in cash at bank and in hand in the Tullett Group balance sheet, maturing in less than three months and greater than one day, have been included in current asset investments in the analysis of net funds.

Unmatched securities positions of £1,261,000 included in current asset investments in the balance sheet are not included in the analysis of net funds but have been included in the decrease in debtors in the reconciliation of operating profit/(loss) in note 32(a).

33. Post Balance Sheet Events

Tullett Liberty Japan Limited was incorporated on 1 August 2002. The company's principal activity is foreign exchange options broking.

On 20 September 2002 the Tullett Group purchased 138,750 shares in Tullett Liberty Pty Ltd for a consideration of £440,000 taking its interest in this company to 100%.

On 2 October 2002 Tullett granted 72,000 options under its Approved Share Options Scheme and 408,000 options under its Unapproved Share Option Scheme to executive directors and qualifying employees, all options have an exercise price of £3.75 each.

On 25 October 2002 Tullett issued 480,000 ordinary shares at a value of £2.50 each under the Tullett plc's reward management scheme.

On 1 November 2002 Tullett AG became Tullett Liberty GmbH and its German and UK businesses were transferred to Tullett Liberty (Securities) Ltd and Tullett (London) Ltd. (now Tullett Liberty (Treasury and Derivatives) Limited).

Tullett is to sell its three Gains International specialist voice and data network services operating subsidiaries to two acquisition vehicles formed by GS Capital Partners 2000, L.P. and other private equity funds affiliated with Goldman Sachs & Co., for up to £15.4 million, subject to adjustments and earn out calculations. Conditional on among other things, consent of certain telecommunications regulators, the acquisition vehicles will acquire Gains International Asia Holdings Limited, Gains International (US) Inc. and Gains International (Europe) Limited from Gains International Infocom Holdings BV, of which Tullett is the majority shareholder. The remaining 28.6 per cent. shareholder is Totan Information Technology Co. Ltd. On completion of the sale Gains will continue to supply voice and data services to Tullett.

34. Subsidiary undertakings

The company's principal interests in subsidiary undertakings, which are international inter-dealer brokers or which support the activities of the broking companies, unless otherwise stated, comprises:

	<i>Country of incorporation</i>	<i>Group interest</i>			<i>30 June</i>
		<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
		<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Tullett Liberty (Overseas Holdings) Limited	England				
9,626,074 ordinary shares of £1 each		100	100	100	100
Tullett Liberty (Securities) Limited	England				
(1999) 4,251,000 (2000 and 2001) 4,605,500 ordinary shares of £1 each		100	100	100	100
Tullett Liberty (Number 2) Limited	England				
2,500,000 ordinary shares of £1 each		100	100	100	100
12,000,000 preference shares of £1 each		—	100	100	100
Tullett Liberty (Treasury and Derivatives) Limited					
(formerly Tullett (London) Limited)	England				
10,000,000 ordinary shares of £1 each		100	100	100	100
Tullett Liberty (Equities) Limited	England				
(1999 and 2000) 13,000,000 (2001) 4,618,000 ordinary shares of £1 each		100	100	100	100
Tullett Liberty (European Holdings) Limited	England				
100 ordinary shares of £1 each		100	100	100	100
Gains International (Europe) Limited	England(a)				
1,215,002 ordinary shares of £1 each		100	100	100	71.4
Tullett & Tokyo Money Markets Co. (C.I.) Limited	Guernsey				
67,007 ordinary shares of £1 each		100	100	100	100
Tullett Liberty Pty. Ltd.	Australia				
925,001 ordinary shares of A\$1 each		85	85	85	85
Tullett Liberty (Canada) Ltd. (formerly Tullett Ltd.)	Canada				
31,000 shares of common stock of Can \$1 each		100	100	100	100

34. Subsidiary undertakings (continued)

	Country of incorporation	Group interest			
		1999 %	2000 %	2001 %	2002 %
Tullett Liberty France S.A.S. (formerly Liberty Roussin S.A.S) (1999) 290,000,000 ordinary shares of Ffr 100 each, (2000) 317,180, (2001) 386,519 ordinary shares of €15 each, (2002) 471,026 ordinary shares of €7.10 each	France	100	100	100	100
Tullett Liberty GmbH (formerly Tullett & Spütz Capital Markets AG) 20,300,000 registered ordinary voting shares of common stock of €1 each 848,936 registered preferred non voting shares of common stock of €1 each	Germany(b)	—	100	100	100
Tullett Financial Information (C.I.) Limited 100 ordinary shares of £1 each	Guernsey(a)	—	16.7	100	100
Tullett Liberty (Hong Kong) Limited 5,000,000 ordinary shares of HK\$1 each	Hong Kong	100	100	100	100
Gains International Asia Holdings Limited 2 ordinary shares of HK\$1 each	Hong Kong(a)	—	—	100	71.4
Tullett Liberty B.V. 34,502 ordinary shares of NLG 1,000/€453.78 each	Netherlands	100	100	100	100
Gains International Infocom Holdings B.V. 41 ordinary shares of €454 each	Netherlands(a)	—	—	100	71.4
Tullett Liberty (Polska) Sp. z o.o. (1999 and 2000) 10,000 ordinary shares of 50 zloty each, (2001) 7,513 ordinary shares of 500 zloty each	Poland	100	100	100	100
Tullett Liberty Pte. Ltd. (formerly Tullett Degani Pte. Ltd.) 1,000,000 ordinary shares of S\$1 each	Singapore	51	51	51	51
Tullett Liberty (Energy) Pte. Ltd. 50,000 ordinary shares of S\$1 each	Singapore	51	51	51	51
Tullett Liberty Investment Corp. (formerly Liberty Brokerage Investment Corp.) (1999 and 2000 – 4,820,000, 2001 – 6,790,876) ordinary shares of 1 cent each 20,000 preference A shares of 1 cent each	U.S.A.	100	100	100	100
Tullett Liberty Inc. 1,000 shares of common stock of \$37.11 each 1,000 preferred non-cumulative stock of \$800 each	U.S.A.	100	100	100	100
Tullett Liberty Brokerage Inc. 1,000 shares of common stock of 1 cent each	U.S.A.	100	100	100	100
Tullett Liberty Securities Inc. 300 shares of common stock of 1 cent each	U.S.A.	100	100	100	100
Swardgreen Limited (formerly Tullett & Tokyo Futures Limited) 400,600 ordinary shares of £1 each 900,000 participating preference shares of £1 each	England	99.8	99.8	99.8	99.8
The Global Trader Limited 1999 and 2000: 2 ordinary shares of £1 each. 2001 and 2002: 36,688,164 ordinary shares of £1 each	England	100	100	100	100
Tullett Liberty (Power) Limited (formerly Tullett (Options) Ltd.) 600,002 ordinary shares of £1 each	England	100	100	100	100
Tullett Liberty Brokerage Services (UK) Limited 2 ordinary shares of £1 each	England	100	100	100	100
Tullett Liberty Brokerage Limited 2,000,100 ordinary shares of £1 each 1,315,716 'B' ordinary shares of £1 each	England	100	100	100	100
Tullett & Tokyo S.A. 2,000 ordinary shares of BF15,000,000	Belgium	—	100	100	100
		100	100	100	100

34. Subsidiary undertakings (continued)

	Country of incorporation	Group interest			
		1999 %	2000 %	2001 %	2002 %
Tullett Liberty Securities GmbH DM 3,000,000	Germany	100	100	100	100
Tullett Liberty (Futures) Pte. Ltd. 3,500,000 ordinary shares of S\$1 each	Singapore	86	86	86	86
Tullett Liberty Securities Inc. 1,000 shares of common stock of \$1 each	USA	100	100	100	100
Tullett Liberty Direct Inc. (formerly Securities Information Corp.) 300 shares of common stock of 1 cent each	USA	100	100	100	100
Praxis Capital Inc (formerly AT Liberty Inc.) 100 shares of common stock of 1 cent each	USA	100	100	100	100
Tullett Liberty (Futures) Inc. 100 shares of common stock of \$1 each	USA	100	100	100	100
Beast Financial Systems Inc. 17,000,000 shares of common stock of 1 cent each	USA(c)	77	—	—	—

- (a) Nature of business is telecommunications or financial information sales.
- (b) Previously an associate (see note 15).
- (c) Subsequently became an associate (see note 15).

35. Related parties

During the period in the normal course of business, the company purchased printed stationery from Goldencroft Limited. Derek Tullett, a director of the company, owns 10% of the share capital of Goldencroft Limited, but has no management involvement in this company. The purchases were made at normal market price and amounted to 1999 – £65,000, 2000 – £101,000, 2001 – £65,000, 2002 – £17,000. At the balance sheet date the amount due to Goldencroft Limited was 1999 – £2,000, 2000 – £1,000, 2001 – £2,000, 2002 – £1,000. In 1999 the company also purchased corporate entertaining services from Eventfully Yours Limited, of which Derek Tullett owned 90%. These purchases were again made at normal market prices and amounted to £4,000, with £nil outstanding at the period end.

The Totan Derivatives Co., Ltd. has a greater than 20% shareholding in Tullett plc and Tullett plc has a 20% associate shareholding in The Totan Derivatives Co., Ltd. The following transactions were conducted during the normal course of business with The Totan Derivatives Co., Ltd. Tullett plc paid a dividend of £8,400,000 to The Totan Derivatives Co., Ltd. on 1 August, 2000 and on the same date The Totan Derivatives Co., Ltd. advanced a subordinated loan of £4,200,000, on commercial terms, to Tullett plc. Net interest payable of 2000 – £165,000, 2001 – £145,000, 2002 – £198,000 was due to The Totan Derivatives Co., Ltd. at the balance sheet date.

On 27 June 2002, Tullett plc sold 28.57% of its interest in Gains International Infocom Holdings BV to a subsidiary of the ultimate parent undertaking of the Totan Derivatives Co., Ltd for £1,000,000, realising a profit of £911,000.

PART VI
PRO FORMA FINANCIAL INFORMATION

PRO FORMA NET ASSETS STATEMENT

The following unaudited pro forma statement of net assets is provided for illustrative purposes only, and because of its nature, it cannot give a true picture of the financial position of the Enlarged Group. It has been prepared to illustrate the effect on the net assets of Collins Stewart of the acquisition of the entire issued share capital of Tullett as if the Combination, the Offers, the Cash Placing and the Placing and Open Offer as described in this document had taken place on 30 June 2002.

	<i>Collins Stewart 30 June 2002 £000</i>	<i>Adjustments Tullett 30 June 2002 £000</i>	<i>£000</i>	<i>Proforma Enlarged Group £000</i>
Fixed Assets				
Intangible assets	117,632	8,723	157,159 ^(3.1)	283,514
Tangible assets	6,814	23,169	—	29,983
Investments	104	19,669	—	19,773
	<u>124,550</u>	<u>51,561</u>	<u>157,159</u>	<u>333,270</u>
Current assets				
Investments	14,714	37,551	—	52,265
Debtors	300,949	384,314	—	685,263
Cash at bank and in hand	43,332	75,445	7,063 ^(3.2)	125,840
	<u>358,995</u>	<u>497,310</u>	<u>7,063</u>	<u>863,368</u>
Creditors: amounts falling due within one year	<u>(330,062)</u>	<u>(431,923)</u>	<u>—</u>	<u>(761,985)</u>
Net current assets	28,933	65,387	7,063	101,383
Total assets less current liabilities	153,483	116,948	164,222	434,653
Creditors: amounts falling due after more than one year	(6,434)	(8,584)	(50,000) ^(3.3)	(65,018)
Provisions for liabilities and charges	—	(87)	—	(87)
Equity minority interests	(221)	(4,818)	—	(5,039)
Net assets	<u><u>146,828</u></u>	<u><u>103,459</u></u>	<u><u>114,222</u></u>	<u><u>364,509</u></u>

Notes:

1. The figures for Collins Stewart are extracted without material adjustment from the unaudited consolidated interim balance sheet of Collins Stewart at 30 June 2002 as set out in Part III of this document.
2. The figures for Tullett are extracted without material adjustment from the consolidated balance sheet of Tullett at 30 June 2002 as set out in the accountants' report in Part V of this document.
3. The adjustments represent the following:
 - 3.1. Goodwill arising on the Offers, calculated as follows:

	<i>£'000</i>
Value of the Offers	245,618
Costs associated with the Offers	15,000
	<u>260,618</u>
less net assets of Tullett	<u>(103,459)</u>
	<u><u>157,159</u></u>
 - 3.2. Surplus cash arising from the Cash Placing and Placing and Open Offer.
 - 3.3. Additional borrowings under the additional banking facilities with Bank of Scotland.
4. The proceeds of the Placing and Open Offer are assumed to be £44.6 million, net of expenses. All of the net proceeds will be applied in redeeming the Collins Stewart Preference Shares. This has no material effect on the net assets table above.
5. The net asset table above incorporates the assumption that the Partial Cash Alternative is taken up in full and that there is no take up under the Bond Offer Additional Share Facility. If the Partial Cash Alternative is not taken up in full (assuming that Tullett Ordinary Shareholders do not elect to receive additional cash beyond their entitlement pursuant to the Additional Cash Facility) or there is take up under the Bond Offer Additional Share Facility, then cash at bank and in hand will increase or creditors will decrease from that shown above. If the Loan Note Alternative is taken up in full instead, creditors will increase by £30 million and cash will increase by the same amount.
6. The statement does not include any adjustments necessary to reflect the fair values of the assets and liabilities of Tullett or the impact of the introduction of Financial Reporting Standard No. 17 (FRS17) which may have a material impact on the net pension liability of Tullett. No account has been taken of trading or any other results since the date of each balance sheet.

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

“180 Strand
London WC2R 1BL

**Deloitte
& Touche**

The Directors and Proposed Directors
Collins Stewart Holdings plc
9th Floor
88 Wood Street
London EC2V 7QR

HSBC Bank plc
8 Canada Square
London E14 5HQ

23 January, 2003

Dear Sirs

Collins Stewart Holdings plc (“Collins Stewart”)

We report on the unaudited pro forma combined net assets (“the pro forma financial information”) set out in Part VI of the Prospectus dated 23 January 2003 (“the Prospectus”) issued by Collins Stewart. The pro forma financial information has been prepared for illustrative purposes only to provide information about how the Combination, the Offers, the Cash Placing and the Placing and Open Offer might have affected the financial information presented at 30th June 2002.

Responsibilities

It is the responsibility solely of the Directors and Proposed Directors of Collins Stewart 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 and Proposed Directors of Collins Stewart.

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; 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”

PART VII

INFORMATION RELATING TO THE COLLINS STEWART PROFIT ESTIMATE

(i) Profit estimate

The Directors' estimate of Collins Stewart's operating profit before goodwill amortisation for the year ended 31 December 2002, as set out in Part I of this document, has been prepared on a basis consistent with the accounting policies set out in the annual report and accounts of Collins Stewart for the year ended 31 December 2001. The estimate has been based on the unaudited interim results of Collins Stewart for the 6 months ended 30 June 2002 and the unaudited management accounts for the 6 months ended 31 December 2002. The Directors have chosen to provide an estimate on operating profit before goodwill amortisation in preference to, for example, an estimate of profit before taxation as in their view operating profit before goodwill amortisation is the figure ordinarily communicated to shareholders as a key measure of the Company's profitability.

(ii) Letters

The following letters have been delivered in connection with the profit estimate:

(a) Letter from Deloitte & Touche

“180 Strand
London WC2R 1BL

**Deloitte
& Touche**

The Directors and Proposed Directors
Collins Stewart Holdings plc
9th Floor
88 Wood Street
London EC2V 7QR

The Directors
HSBC Bank plc
8 Canada Square
London E14 5HQ

23 January 2003

Dear Sirs,

Collin Stewart Holdings plc

We have reviewed the accounting policies and calculations for the estimate of the operating profit before goodwill amortisation of Collins Stewart Holdings plc and its subsidiary undertakings for the year ended 31 December 2002 (the “profit estimate”) as set out in the press announcement dated 23 January 2003 and repeated in Part I of the Prospectus and Part III of the Offer Document, both dated 23 January 2003.

The profit estimate, for which the Directors of the Company are solely responsible, includes the published unaudited interim results for the 6 months ended 30 June 2002 and the results shown by unaudited management accounts for the 6 months ended 31 December 2002.

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board.

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.

In our opinion, the profit estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis stated by the Directors of the Company as stated on Page 5 of the Prospectus and the basis of accounting is consistent with the accounting policies of the Group.

Yours faithfully

Deloitte & Touche”

(b) *Letter from HSBC*



Registered No: 14259

Registered office:
8 Canada Square
London E14 5HQ

The Directors and Proposed Directors
Collins Stewart Holdings plc
9th Floor
88 Wood Street
London EC2V 7QR

23 January 2003

Dear Sirs,

We refer to the estimate of the operating profit before goodwill amortisation of Collins Stewart Holdings plc and its subsidiary undertakings for the year ended 31 December 2002 as set out in the press announcement dated 23 January 2003 and repeated in Part I of the Prospectus and Part III of the Offer Document, both dated 23 January 2003.

We have discussed with yourselves and with Deloitte & Touche the profit estimate, together with the bases of its compilation, and have considered the letter dated 23 January 2003 from Deloitte & Touche addressed to the Directors and Proposed Directors of Collins Stewart and ourselves.

We consider that the profit estimate, for which the Directors of Collins Stewart are solely responsible, has been made after due and careful enquiry by the Company.

Yours faithfully

Edward Williams
Managing Director – Corporate Finance and Advisory
For and on behalf of
HSBC Bank plc

PART VIII

SUMMARY OF PROPOSED AMENDMENTS TO THE COLLINS STEWART EXISTING DISCRETIONARY SCHEMES

- A. The Collins Stewart Holdings plc Company Share Option Plan
 - 1. The following definition will be added to Rule 1, after the definition of Auditors:
“CS 2003 Option Plan” means the Collins Stewart Holdings plc Share Option Plan
 - 2. In Rule 4.2(a), the following shall be added as sub-paragraph (iv):
“(iv) in the case of the limit set out in Rule 4.1(b) only, any Shares subject to an option granted under the CS 2003 Option Plan”

- B. The Collins Stewart Holdings plc Unapproved Share Option Scheme
 - 1. The following definition will be added to Rule 1, after the definition of “Appropriate Period”
“CS 2003 Option Plan” means the Collins Stewart Holdings plc Share Option Plan
 - 2. In Rule 2(b)(i), the following shall be added to sub-paragraph (iv):
“(iv) in the case of the limit set out in Rule 2(a)(ii) only, any Shares subject to an option granted under the CS 2003 Option Plan”.

PART IX

ADDITIONAL INFORMATION

1. Responsibility

The Directors and Proposed Directors of Collins Stewart, whose names appear on page 5, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and Proposed 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. Background on Proposed Directors

Bruce Collins (Aged 50) – proposed Executive Director

Bruce Collins started his career in 1973 with P. Murray Jones and after periods of employment in Hong Kong and Singapore he joined Tullett in 1980. Initially he worked in the Interest Rate area before moving to the Tullett Group's Bahrain office in 1982, becoming General Manager in 1984. In 1994 he moved to Tokyo as Regional Director where he built Interest Rate Derivative and Equity Derivative teams. He was promoted to Managing Director, Asia in 1997 before returning to London as Managing Director, Europe in 1999. In October 2000 he became Tullett Group Chief Executive.

Stephen Jack (Aged 44) – proposed Executive Director

Stephen Jack joined Price Waterhouse in 1981, qualifying as a Chartered Accountant in 1984. In 1984 he joined the Finance Department of Midland Bank International before joining Kleinwort Benson Group, where he progressed to Finance Director of Kleinwort Benson Limited, the group's banking business. After the acquisition of Kleinwort Benson by Dresdner Bank in 1995, he became Joint Financial Controller of Dresdner Kleinwort Benson and Deputy Chief Operating Officer for London. In 1999 he joined ING Barings, the investment banking business of ING Group, as Global Chief Financial Officer. He joined Tullett as Tullett Group Chief Financial Officer in September 2001.

David Clark (Aged 55) – proposed Independent Non-Executive Director

David Clark started his career with Bankers Trust in 1969. He joined Commerzbank AG in 1976 as Deputy Head of Treasury, London, holding positions in London and Frankfurt before being appointed Deputy General Manager and Head of Treasury and Capital Markets in 1985. In 1990 he joined Midland Bank as Group Treasurer, subsequently becoming Managing Director of the Treasury and Capital Markets division and a Member of the Executive Committee of Midland Montagu. In 1992, following the acquisition of Midland Bank by HSBC, he became Treasurer, Europe, of HSBC Holdings. In 1995 he joined Bankgesellschaft Berlin AG as Senior Executive Officer and Joint Head of Bankgesellschaft Berlin Group in London and was subsequently appointed Managing Director of Bankgesellschaft Berlin (UK) plc, a position he held until June 1999. He also holds a range of other positions, including Senior Advisor to the Major Financial Groups Division of the FSA. He was appointed a non-executive director of Tullett on 18 September 2000.

3. Incorporation and Registered Office

- 3.1 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 Act. The Company changed its name to Collins Stewart Holdings Limited on 2 May 2000. On 22 September 2000 the Company was registered as a public company and changed its name to Collins Stewart Holdings plc.
- 3.2 The Company's registered office and place of business in the United Kingdom is 9th Floor, 88 Wood Street, London EC2V 7QR.

4. Subsidiaries

- 4.1 The Company is a holding company. Its wholly owned subsidiary, Collins Stewart Limited has eight wholly-owned subsidiaries, including Collins Stewart (CI) Limited. Collins Stewart (CI) Limited in turn has thirteen subsidiaries, twelve of which are wholly-owned and one of which, Collins Stewart Property Fund Management Limited, is held as to 75 per cent. through one of Collins Stewart (CI) Limited's subsidiaries, Collins Stewart Fund Management Limited. All of the subsidiaries are private limited companies. Details of the subsidiaries are set out below:

<i>Name</i>	<i>Details</i>	<i>Principal Activity</i>	<i>Registered Office</i>
<i>Company subsidiaries</i>			
Collins Stewart Limited	Incorporated in England and Wales under the Act with registered number 1774003, with issued and fully paid up share capital of 20,820,224 ordinary shares of £1 each	Stockbroking	9th Floor 88 Wood Street London EC2V 7QR
<i>Collins Stewart Limited subsidiaries</i>			
Collins Stewart (CI) Limited ⁽¹⁾	Incorporated in Guernsey with registered number 22761, with issued and fully paid up share capital of 40,000 'A' ordinary shares of £1 each and 10,000 'B' ordinary shares of £1 each	Stockbroking and Investment Management	2nd Floor TSB House Le Truchot St Peter Port Guernsey GY1 4AE
Collins Stewart Inc	Incorporated in the State of Delaware, with issued and fully paid up share capital of 100 shares of \$1 each	Stockbroking	41st Floor 444 Madison Avenue New York NY 10022 U.S.A.
Collins Stewart Quest Limited ⁽²⁾	Incorporated in England and Wales under the Act with registered number 3042079, with issued and fully paid up share capital of 2 ordinary shares of £1 each	Dormant company	9th Floor 88 Wood Street London EC2V 7QR
Cost Nominees Limited	Incorporated in England and Wales under the Act with registered number 2956376, with issued and fully paid up share capital of 2 ordinary shares of £1 each	Nominee company	9th Floor 88 Wood Street London EC2V 7QR
Colstew Nominees Limited	Incorporated in England and Wales under the Act with registered number 3177699, with issued and fully paid up share capital of 2 ordinary shares of £1 each	Nominee company	9th Floor 88 Wood Street London EC2V 7QR
Gilsin Nominees Limited	Incorporated in England and Wales under the Act with registered number 1240453, with issued and fully paid up share capital of 100 ordinary shares of £1 each	Nominee company	9th Floor 88 Wood Street London EC2V 7QR
Scol Nominees Limited	Incorporated in England and Wales under the Act with registered number 3177696, with issued and fully paid up share capital of 2 ordinary shares of £1 each	Nominee company	9th Floor 88 Wood Street London EC2V 7QR
Collins Hitchcock Stewart Whitaker Limited	Incorporated in England and Wales under the Act with registered number 2581107, with issued and fully paid up share capital of 245,000 'A' ordinary shares of £1 each and 250,000 'B' ordinary shares of £0.01 each	Dormant company	9th Floor 88 Wood Street London EC2V 7QR
<i>Collins Stewart (CI) Limited subsidiaries</i>			
Collins Stewart Fund Management Limited	Incorporated in Guernsey with registered number 34684, with issued and fully paid up share capital of 10,000 ordinary shares of £1 each	Fund management	2nd Floor TSB House Le Truchot St Peter Port Guernsey GY1 4AE
Collins Stewart Asset Management Limited	Incorporated in Guernsey with registered number 33389, with issued and fully paid up share capital of 25,000 ordinary shares of £1 each	Asset management	Hirzel House Smith Street St Peter Port Guernsey GY1 4AX
Rowan & Company Limited ⁽³⁾	Incorporated in Guernsey with registered number 20808, with issued and fully paid up share capital of 450,000 ordinary shares of £1 each	Dormant company	Landes du Marché Chambers Landes du Marché Vale Guernsey GY1 3TY
GM Nominees (CI) Limited ⁽⁴⁾	Incorporated in Guernsey with registered number 22760, with issued and fully paid up share capital of 7 ordinary shares of £1 each	Nominee company	2nd Floor TSB House Le Truchot St Peter Port Guernsey GY1 4AE

<i>Name</i>	<i>Details</i>	<i>Principal Activity</i>	<i>Registered Office</i>
The Collins Stewart UBK Nominee Company Limited	Incorporated in Guernsey with registered number 35465, with issued and fully paid up share capital of 2 ordinary shares of £1 each	Nominee company	Landes du Marché Chambers Landes du Marché Vale Guernsey GY1 3TY
Fund Nominees Limited	Incorporated in Guernsey with registered number 35538, with issued and fully paid up share capital of 2 ordinary shares of £1 each	Nominee company	Hirzel House Smith Street St Peter Port Guernsey GY1 4AX
Forest Nominees Limited	Incorporated in Guernsey with registered number 21003, with issued and fully paid up share capital of 8 ordinary shares of £1 each	Nominee company	Landes du Marché Chambers Landes du Marché Vale Guernsey GY1 3TY
Illhen Nominees Limited	Incorporated in the Isle of Man with registered number 18764C, with issued and fully paid up share capital of 3 ordinary shares of £1 each	Nominee company	7 Auckland Terrace Parliament Street Ramsey Isle of Man
Matrix International Limited	Incorporated in Guernsey with registered number 34857, with issued and fully paid up share capital of 1,000 ordinary shares of £1 each	Dormant company	Hirzel House Smith Street St Peter Port Guernsey GY1 4AX
Global Capital Management Limited	Incorporated in Guernsey with registered number 35100, with issued and fully paid up share capital of 10,000 ordinary shares of £1 each	Dormant company	Hirzel House Smith Street St Peter Port Guernsey GY1 4AX
Forest Services Limited ⁽⁵⁾	Incorporated in Guernsey with registered number 38700, with issued and fully paid up share capital of 100 ordinary shares of £1 each	Trustee company	2nd Floor TSB House Le Truchot St Peter Port Guernsey GY1 4AE
Mew-sha Limited (formerly Cater Allen Stockbrokers Limited)	Incorporated in Jersey with registered number 34790, with issued and fully paid up share capital of 100,000 ordinary shares of £1 each	Asset Management	44 The Esplanade St Helier Jersey JE4 0XQ
<i>Collins Stewart Fund Management Limited subsidiary</i>			
Collins Stewart Property Fund Management Limited	Incorporated in England and Wales with registered number 3979680, with issued and fully paid up share capital of 100,000 A and B ordinary shares of £1 each. Collins Stewart Fund Management Limited holds 75,000 A ordinary shares	Property Management	First Floor Unit 5 The Grand Union Office Park Pocket Boat Lane Uxbridge UB8 2GH

- (1) The legal interest in one 'B' ordinary share of £1 in the capital of Collins Stewart (CI) Limited is held by Terry Smith as nominee on trust for CSL in order to comply with Guernsey law which requires a Guernsey registered company to have at least two shareholders.
- (2) Collins Stewart Quest Limited holds title to the registered trademark of "COLLINS STEWART QUEST" in the UK.
- (3) 1 ordinary share of £1 in the capital of Rowan & Company Limited is held by the managing director, Linda Wastoney and Pat le Compte as nominee on trust for Collins Stewart (CI) Limited.
- (4) 1 ordinary share of £1 in the capital of GM Nominees (CI) Limited is held by the managing director of Collins Stewart (CI) Limited as nominee on trust for Collins Stewart (CI) Limited.
- (5) 1 ordinary share of £1 in the capital of Forest Services Limited is held by the managing director, Linda Wastoney and Pat le Compte, of Collins Stewart (CI) Limited as nominee on trust for Collins Stewart (CI) Limited.

5. Share Capital

5.1 General

Save as disclosed in paragraph 5.2 below of this Part IX, no changes have taken place during the three years (and since incorporation) 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 Open Offer, the Cash Placing the Offers and Option Proposals are proposed by the Directors.

5.2 *Changes in Share Capital*

5.2.1 The Company was incorporated on 11 January 2000 with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each. One ordinary share was issued at par to Instant Companies Limited at incorporation, the subscriber to the Company's Memorandum of Association, and on 25 February 2000 the share was transferred to Terry Hitchcock.

5.2.2 Since the Company's incorporation, the following changes to its authorised and issued share capital have taken place:

- (i) By written resolution of the sole member of the Company executed on 12 April 2000, resolutions were passed to increase the authorised capital of the Company from £1,000 divided into 1,000 ordinary shares of £1 each to £546,000 by the creation of an additional 545,000 ordinary shares of £1 each. In a subsequent resolution, passed on the same day, the 546,000 ordinary shares of £1 each were sub-divided into 54,600,000 ordinary shares of £0.01 each. The 100 ordinary shares in issue resulting from the subdivision of the subscriber share were reclassified as 100 'B' ordinary shares of £0.01 each, and the remaining 54,599,900 new shares of £0.01 each were reclassified as 4,500,000 'A' ordinary shares, 41,303,333 Collins Stewart 'A' Preference Shares, 5,499,900 'B' ordinary shares and 3,296,667 Collins Stewart 'B' Preference Shares in each case having a nominal value of £0.01 each.
- (ii) Also on 12 April 2000, a total of 2,529,900 'B' ordinary shares of £0.01 each were allotted to the following persons:

<i>Shareholder</i>	<i>No. of 'B' ordinary shares of £0.01 each</i>
Andrew Stewart	550,000
Terry Smith	1,100,000
Terry Hitchcock	164,900
Helen Smith	275,000
Paul Wedge	440,000

All the above shares were allotted at par and were fully paid up in cash.

- (iii) On 26 May 2000, the following shares were allotted:

<i>Shareholder</i>	<i>No. of Collins Stewart 'B' ordinary shares of £0.01 each</i>	<i>Price per share</i>	<i>No. of Collins Stewart 'B' preference shares of £0.01 each</i>	<i>Price per share</i>
Andrew Stewart	Nil	Nil	329,666	£1.00
Terry Smith	Nil	Nil	659,333	£1.00
Terry Hitchcock	Nil	Nil	98,900	£1.00
Helen Smith	Nil	Nil	164,833	£1.00
Paul Wedge	Nil	Nil	263,733	£1.00
CHESOT	2,970,000	£0.01	1,780,202	£1.00

The 'B' ordinary shares of £0.01 each were allotted at par and the Collins Stewart 'B' Preference Shares at a price of £1 each. These have been fully paid up in cash.

<i>Shareholder</i>	<i>No. of Collins Stewart 'A' ordinary shares of £0.01 each</i>	<i>Price per share</i>	<i>No. of Collins Stewart 'A' Preference Shares of £0.01 each</i>	<i>Price per share</i>
Citicorp Capital Investors Europe Limited	493,600	£0.01	5,662,554	£1.00
CVC European Equity Partners II LP	1,431,500	£0.01	12,840,633	£1.00
CVC European Equity Partners II (Jersey) LP	462,300	£0.01	4,147,028	£1.00
Capital Ventures Nominees Limited*	123,400	£0.01	—	—
CHESOT	435,500	£0.01	3,997,097	£1.00
The Governor and Company of the Bank of Scotland	363,000	£0.01	3,330,913	£1.00
Parallel Ventures Nominees Limited	1,190,700	£0.01	11,325,108	£1.00

*Robert Lucas was beneficially interested in 22,212 Collins Stewart 'A' ordinary shares of £0.01 each which were held by Capital Ventures Nominees Limited.

The 'A' ordinary shares of £0.01 each were allotted at par and the Collins Stewart 'A' Preference Shares at a price of £1 each. These have been fully paid up in cash.

- (iv) By written resolutions of the members of the Company passed on 22 September 2000 all the 'A' ordinary shares and the 'B' ordinary shares in the capital of the Company were reclassified as one class of ordinary shares of £0.01 each, and every 25 issued and unissued ordinary shares of £0.01 were consolidated into one Ordinary Share.

By a further written resolution of the members of the Company passed on 22 September 2000 the authorised share capital of the Company was increased from £546,000, divided into 400,000 Ordinary Shares, 41,303,333 Collins Stewart 'A' Preference Shares and 3,296,667 Collins Stewart 'B' Preference Shares to £37,946,000 divided into 150,000,000 Ordinary Shares, 41,303,333 Collins Stewart 'A' Preference Shares and 3,296,667 Collins Stewart 'B' Preference Shares.

A further resolution of the members of the Company passed on 13 October 2000 authorised the allotment of 79,600,000 Ordinary Shares, conditional upon admission of the Company's Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange, to the shareholders of the Company on the register of members as at 12 October 2000, on the basis that for every Ordinary Share held, a further 199 Ordinary Shares were allotted to each shareholder. These bonus shares were paid up in full by appropriating the sum of £19,900,000 standing to the credit of the Company's share premium account.

- (v) On 17 October 2000 23,101,265 Ordinary Shares were issued by the Company pursuant to a placing which accompanied the admission of the Company's Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange. The Ordinary Shares were placed at 316p per share to raise approximately £70 million net of expenses. These shares were fully paid up in cash.
- (vi) On 6 June 2001 the Company issued 3,125,000 Ordinary Shares at 400p per share pursuant to a placing to raise approximately £12.2 million net of expenses to fund, in part, the acquisition of the private client division of NatWest Stockbrokers Limited. These shares were fully paid up in cash.
- (vii) On 26 June 2002 the Company issued 2,360 Ordinary Shares at 292p pursuant to the exercise of options over Ordinary Shares granted under the Collins Stewart Holdings plc Sharesave Scheme 2000. These shares were fully paid up in cash.

5.2.3 As at the date of this document, the authorised share capital of the Company is £37,946,000, divided into 150,000,000 Ordinary Shares, 41,303,333 Collins Stewart 'A' Preference Shares and 3,296,667 Collins Stewart 'B' Preference Shares. Prior to the allotment of the New Ordinary Shares to be issued pursuant to the Placing and Open Offer, the Cash Placing, the Offers and Option Proposals, the issued and paid up share capital of the Company is £20,446,000 divided into 106,228,625

Ordinary Shares, 41,303,333 Collins Stewart 'A' Preference Shares and 3,296,667 Collins Stewart 'B' Preference Shares.

- 5.2.4 At the Extraordinary General Meeting resolutions will be proposed by which, *inter alia*,
- (i) subject to, and conditional upon, the Placing and Open Offer Agreement (as described in paragraph 12.1.1 below) becoming unconditional (save only for the conditions relating to the passing of this resolution and to Admission of the Open Offer Shares):
 - (a) in addition to all existing and unexercised authorities, the Board will be authorised generally and unconditionally for the purposes of Section 80 of the Act to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum aggregate nominal amount of £3,663,056, provided this authority shall expire at the conclusion of the Annual General Meeting held next after the passing of this resolution or 15 months after the passing of this resolution (whichever is the earlier), but so that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry, and the Board may allot relevant securities pursuant to any such offer or agreement as if the authority conferred by the resolution had not so expired; and
 - (b) in addition to all existing and unexercised authorities, the Board will be empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred upon them as described in paragraph (a) above (as varied from time to time by the Company in general meeting) as if Section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £3,663,056 pursuant to the Placing and Open Offer and shall expire at the conclusion of the Annual General Meeting held next after the passing of the resolution or 15 months after the passing of the resolution (whichever is the earlier) but so that the Company may before such expiry make offers or agreements which would or might require equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.
 - (ii)
 - (a) the Offers and Option Proposals will be approved and the Board be authorised to cause the same to be completed and to waive, amend, vary or extend any such non-material terms and conditions in whatever way they may consider necessary 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, be necessary or desirable in connection with the Offers and Option Proposals;
 - (b) subject to the Ordinary Offer becoming or being declared wholly unconditional, the authorised share capital of the Company will be increased by the creation of 69,699,448 ordinary shares of 25p each, ranking *pari passu* in all respects with the existing ordinary shares of 25p each in the capital of the Company;
 - (c) subject to the Ordinary Offer becoming or being declared wholly unconditional, in addition to all existing and unexercised authorities, the Board will be authorised generally and unconditionally for the purposes of Section 80 of the Act to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum aggregate nominal amount of £17,424,862, provided this authority shall be limited to the allotment of relevant securities in connection with the Offers and Option Proposals and shall expire at the conclusion of the Annual General Meeting held next after the passing of the resolution or 15 months after the passing of the resolution (whichever is the earlier), but so that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities pursuant to any such offers or agreement as if the authority conferred by this resolution had not so expired.
 - (iii) subject to the passing of the resolution summarised at (ii) above and the Ordinary Offer becoming or being declared wholly unconditional.
 - (a) the authorised share capital of the Company will be increased by the creation of 65,000,000 ordinary shares of 25p each (which is equivalent to approximately 33% of the Company's enlarged issued ordinary share capital), ranking *pari passu* in all respects with the existing ordinary shares of 25p each in the capital of the Company;

- (b) in addition to all previous authorities, the directors will be authorised generally and conditionally for the purposes of Section 80 of the Act to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum aggregate nominal amount of £16,007,233, provided that this authority shall expire at the conclusion of the Annual General Meeting held next after the passing of this resolution or 15 months after the passing of this resolution (whichever is the earlier), but so that the Company may before such expiry make offers or agreements, which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority hereby conferred had not so expired;
- (c) the directors be and are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred upon them by paragraph (b) above (as varied from time to time by the Company in general meeting) as if Section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to:
- (1) the allotment of equity securities (as so defined) in connection with an issue by way of rights (including, without limitation, a rights issue, open offer or similar arrangement) to holders of ordinary shares in proportion as nearly as may be to their respective holdings of such shares, or in accordance with the rights attaching thereto (but with such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, record dates or other legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory or as regards shares held by an approved depository or in issue in uncertificated form or otherwise howsoever);
 - (2) the allotment of equity securities to satisfy the Further Payment;
 - (3) the allotment (otherwise than pursuant to sub-paragraphs (1) and (2) above) of equity securities up to an aggregate nominal amount of £2,401,085;

and shall expire at the conclusion of the Annual General Meeting held next after the passing of this resolution or 15 months after the passing of this resolution (whichever is the earlier), but so that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. Save as disclosed within this document the Directors have no present intention of exercising this authority.

5.2.5 The authorised, issued and fully paid share capital of the Company as it is expected to be immediately following Admission and the completion of the Placing and Open Offer, the Cash Placing, the Offers and the Option Cancellation Proposal is as follows:

	<i>Authorised</i>		<i>Issued*</i>	
	<i>Number</i>	<i>Amount (£'000)</i>	<i>Number</i>	<i>Amount (£'000)</i>
Ordinary Shares	284,699,448	71,174,862	188,667,786	47,166,946

* Assuming full subscription under the Placing and the Open Offer and the Cash Placing full acceptance of the Ordinary Offer and the Bond Offer with no elections for alternatives and assuming all Tullett Optionholders elect for the Option Cancellation Proposal

In addition, prior to the redemption of the Collins Stewart Preference Shares which is intended to take place subject to the Placing and Open Offer becoming unconditional, there will be in issue 41,303,333 Collins Stewart 'A' Preference Shares and 3,296,667 Collins Stewart 'B' Preference Shares.

5.2.6 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.

- 5.2.7 Save as disclosed in paragraphs 11.1 and 12.1 below, within three years immediately preceding the date of this document, no commissions, discounts, brokerages 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.
- 5.2.8 The maximum number of Ordinary Shares which are subject to rights to subscribe granted prior to the date of this document is comprised as follows:

<i>Category of rights</i>	<i>Maximum number of Ordinary Shares affected</i>	<i>Exercise Price</i>	<i>Earliest Exercise Date</i>	<i>Expiry date</i>
The Collins Stewart Holdings plc Sharesave Scheme 2000	690,329 166,680	292p 415p	1.1.2006 1.6.2007	30.6.2006 31.12.2007
The Collins Stewart Holdings plc Company Share Option Plan	9,493 41,592	316p 288.5p	16.10.2003 5.4.2004	15.10.2010 4.4.2011
The Collins Stewart Holdings plc Unapproved Share Option Scheme	790,507 1,315,908	316p 288.5p	16.10.2003 5.4.2004	15.10.2010 4.4.2011
The Collins Stewart Holdings plc Unapproved Share Option Scheme No. 2	191,298	316p	16.10.2003	15.10.2010
Total	<u>3,205,807</u>			

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

Options over up to 2,125,000 Ordinary Shares are intended to be granted under the New Share Option Plan if such scheme is approved at the EGM.

Save as disclosed above and in paragraphs 7.2 and 9.3, no shares of the Company or any subsidiary are under option or have been agreed conditionally or unconditionally to be put under option.

- 5.2.9 The authorised but unissued share capital of the Company, following the Placing and Open Offer, Cash Placing and the Offers and Option Proposals and assuming Resolution 3 is duly passed, assuming full subscription under the Placing and Open Offer and the Cash Placing and the maximum number of New Ordinary Shares to be issued pursuant to the Ordinary Offer, no election for the Additional Share Facility under the Bond Offer and full acceptance of the Option Cancellation Proposals will be 96,031,662 Ordinary Shares, of which an aggregate of 3,205,807 Ordinary Shares will be reserved for issue pursuant to the exercise of existing options and 2,125,000 would be reserved for issue pursuant to the exercise of options granted under the Company's share option schemes to be granted under the New Share Option Plan on completion of the Ordinary Offer (see paragraph 9.2 of this Part IX).
- 5.2.10 The Collins Stewart Preference Shares are not convertible into Ordinary Shares in the Company.
- 5.2.11 The Existing Ordinary Shares and the New Ordinary Shares may be held in either certificated form or under the CREST system. The Collins Stewart Preference Shares are held in certificated form. Paragraph 19.1 of this Part IX sets out details of the trading of Ordinary Shares in uncertificated form.
- 5.2.12 The following are the closing middle market quotations for Ordinary Shares as derived from the Daily Official List on the first dealing day of each month from July 2002 to January 2003 (inclusive) and 22 January 2003 (being the latest practicable date prior to publication of this document);

<i>Date</i>	<i>Middle Market Price per Ordinary Share</i>
1 July 2002	372.5p
1 August 2002	291p
2 September 2002	287.5p
1 October 2002	301p
1 November 2002	281p
2 December 2002	339.5p
2 January 2003	317p
22 January 2003	333.5p

6. Memorandum and Articles of Association

6.1 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.

6.2 Articles of Association

The articles of association of the Company (the "Articles") were adopted pursuant to a written resolution of the members of the Company dated 22 September 2000. The Articles contain provisions, *inter alia*, to the following effect:

6.2.1 Voting rights

Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure of interests in any shares in certain circumstances and subject to any special terms for voting on which any Ordinary Shares of the Company may have been issued or may for the time being be held, at a general meeting on a show of hands every holder of Ordinary Shares who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a holder of Ordinary Shares entitled to vote, shall have one vote and, on a poll, every such holder so present in person or by proxy shall have one vote for every Ordinary Share of which he is the holder. In the case of joint holders the vote of the person whose name stands first in the register of members and who tenders a vote will be accepted to the exclusion of any votes tendered by the other joint holders. Holders of Collins Stewart Preference Shares are not entitled to vote on any resolution of the Company (other than a resolution in respect of the winding up of the Company, the reduction of the Company's share capital or a resolution directly and adversely varying the rights attaching to the Collins Stewart Preference Shares) unless, at the date of the notice convening the meeting at which any resolution is to be proposed, dividends payable on the Collins Stewart Preference Shares in the Company are six months in arrears. Holders of Collins Stewart Preference Shares are not entitled to receive notice of or attend General Meetings of the Company unless business at the meeting includes the consideration of a resolution upon which such holders are entitled to vote. As at the date of this document, no dividend on the Collins Stewart Preference Shares is overdue.

6.2.2 Dividends

Subject to the Act, the Company may, by ordinary resolution, declare dividends in accordance with the respective rights of the members, but no dividend in respect of the Ordinary Shares shall exceed the amount recommended by the Board. Subject to the Act, the directors may pay such interim dividends as appear to them to be justified by the profits of the Company available for distribution. Except as otherwise provided by the Articles or the rights attached to the shares, all dividends in respect of Ordinary Shares shall be declared and paid according to the amounts paid up on the Ordinary Shares on which the dividend is paid and all dividends shall be apportioned and paid proportionately to the amounts paid up on the Ordinary Shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend in respect of Ordinary Shares which has remained unclaimed for 12 years from the date when it became due for payment shall, if the directors so resolve, be forfeited and cease to remain owing by the Company.

A general meeting declaring a dividend in respect of Ordinary Shares may, upon the recommendation of the directors, direct that it be satisfied wholly or partly by the distribution of assets. Where any difficulty arises with regard to the distribution, the directors may settle the same as they think fit and in particular (but without limitation) may issue fractional certificates (or ignore fractions) and fix the value for distribution of any assets, and may determine that cash shall be paid to any member upon the basis of that value in order to adjust the rights of members, and may vest any assets in trustees.

The details of the dividend rights attaching to the Collins Stewart 'A' Preference Shares and Collins Stewart 'B' Preference Shares are set out in paragraph 6.2.6 below. Holders of Collins Stewart Preference Shares are entitled to receive their dividend in priority to any dividend payable on any other class of share (including the Ordinary Shares).

The directors may, with the authority of an ordinary resolution of the Company, offer any holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the directors) of any dividend specified in the ordinary resolution.

6.2.3 Distribution of assets on a winding-up

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by law, divide among the members in kind the whole or any part of the assets of the Company, subject to the rights attaching to Collins Stewart Preference Shares as regards distribution of capital and, for that purpose, may value any assets and determine how such division shall be carried out. With the like sanction the liquidator may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he may determine, but no member shall be compelled to accept any assets upon which there is a liability.

The holders of Collins Stewart Preference Shares shall be entitled, in priority to any payment to holders of any other class of share (including the Ordinary Shares), on a winding up, to the nominal and premium amount paid on their Collins Stewart Preference Shares and to a sum equal to any accrued and/or unpaid dividend payable in respect of the Collins Stewart Preference Shares.

6.2.4 Transfer of shares

Shares of the Company in certificated form may be transferred by an instrument of transfer which may be in any usual form or in any other form of which the directors approve. The instrument of transfer must be executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. Shares in uncertificated form may be transferred in accordance with the Uncertificated Securities Regulations 2001 (the "Regulations"). Subject to the requirements of the UK Listing Authority, the directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share in certificated form which is not fully paid. The directors may also refuse to register the transfer of a share in certificated form unless the instrument of transfer is in respect of only one class of share, is in favour of no more than four transferees, is lodged, duly stamped, at the registered office of the Company or such other place as the directors may appoint and is accompanied by the share certificate relating to the share to be transferred and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer. Subject to the requirements of the UK Listing Authority, the directors may refuse to register a transfer of a share in uncertificated form in any circumstance permitted by the Regulations or a transfer in favour of more than four persons jointly. Subject to the Regulations, the registration of transfers of Ordinary Shares or of any class of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the directors may determine.

6.2.5 Variation of rights

Subject to the Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied in such manner (if any) as may be provided by those rights or, in the absence of such provisions, with the consent in writing of the holders of three-quarters in 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 shares of that class, but not otherwise. To every such separate meeting, the provisions of the Articles relating to general meetings shall apply except that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons together holding or representing by proxy at least one third in nominal value of the issued share capital of the class in question. At an adjourned meeting, one person holding shares of the class in question or his proxy is a quorum.

The rights attached to any shares shall, unless otherwise expressly provided by the rights attached to any class of shares, be deemed not to be varied by the purchase by the Company of any of its shares.

6.2.6 Collins Stewart Preference Shares

The rights attaching to the Collins Stewart 'A' Preference Shares and Collins Stewart 'B' Preference Shares are as follows:

- (a) Collins Stewart 'A' Preference Shares have the right to a fixed non-cumulative preferential dividend, in priority to any payment of dividend on any other class of shares other than the Collins Stewart 'B' Preference Shares at the yearly rate of:
 - (i) 6 per cent. from issue until and including 31 December 2002;
 - (ii) 9 per cent. from 1 January 2003 until and including 31 December 2004; and
 - (iii) 15 per cent. thereafter;in each case excluding any associated tax credit on the nominal amount and premium paid up on each Collins Stewart 'A' Preference Share.
- (b) Collins Stewart 'B' Preference Shares have the right to a fixed non-cumulative preferential dividend in priority to any payment of dividend on any other class of shares other than the Collins Stewart 'A' Preference Shares, at a yearly rate of 4 per cent. (excluding any associated tax credit) from the date of issue onwards on the nominal amount and premium paid up on each Collins Stewart 'B' Preference Share.

The dividends in respect of the Collins Stewart 'A' Preference Shares and the Collins Stewart 'B' Preference Shares (together being the "Preference Dividend") rank *pari passu* except as otherwise expressly provided. The Preference Dividend accrues from day to day and is payable on every 1 May in respect of the year up to the previous 31 December, if and insofar as in the opinion of the Board the profits of the Company available for distribution justify such payments.

The date of redemption of the Collins Stewart Preference Shares is 1 July 2007.

The Collins Stewart Preference Shares are also redeemable prior to 1 July 2007 in any of the following circumstances:

- (a) the Company may by resolution of the Board redeem all of the Collins Stewart Preference Shares, or such of them as they resolve in multiples of 100,000 shares, at any time by serving notice on the Collins Stewart Preference Shareholders specifying the number of Collins Stewart Preference Shares to be redeemed and a date between 14 and 28 days after the service of such notice on which redemption is to take place; and
- (b) the Company shall redeem all the Collins Stewart Preference Shares immediately before the transfer of equity shares in the Company to any person, or to connected persons or persons acting in concert, which results in that person or persons holding 30 per cent. or more of the equity share capital in the Company.

Neither the Collins Stewart 'A' Preference Shares nor the Collins Stewart 'B' Preference Shares are convertible into Ordinary Shares.

6.2.7 Disclosure of interests

If a member, or any other person appearing to be interested in shares held by that member, has been given a notice under section 212 of the Act and has failed in relation to any shares (the "default shares") to give the Company the information thereby required within 14 days from the date of giving the notice, the directors may apply sanctions.

The sanctions available are the suspension of voting rights (either in person or by representative or proxy) and other rights conferred by membership in relation to meetings of the Company and, where the default shares represent at least 0.25 per cent. of their class, the withholding of payment of any dividends on, and the restriction of transfer of, the relevant shares.

6.2.8 Alteration of capital

The Company may, by ordinary resolution, increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, sub-divide (subject to the Act) its shares (or any of them) into shares of smaller amounts, determine that, as between the shares resulting from such a sub-division, any of them may have any preference or advantage as compared with the others, cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the

amount of the shares so cancelled. Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, in any way.

Subject to the Act and the requirements of the UK Listing Authority, the Company may purchase its own shares (including redeemable shares).

6.2.9 Issue of shares

Subject to the Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine (or, if the Company has not so determined, as the directors may determine).

The Articles provide that the directors of the Company are generally authorised to allot shares pursuant to and in accordance with section 80 of the Act during the Prescribed Period (as defined below) up to the Prescribed Amount (as defined below) provided that the amount of securities allotted wholly for cash during the Prescribed Period otherwise than in connection with a Rights Issue (as defined below) shall not exceed 5 per cent. of the aggregate nominal amount of the Ordinary Shares in issue at the beginning of that Prescribed Period.

Pursuant to the above authority, the Articles provide that the Directors are empowered, during the first Prescribed Period, and during any other such period for which the power is renewed pursuant to a resolution of the Company, to allot shares as if section 89(l) of the Act did not apply to such allotment.

For these purposes: "Rights Issue" means an offer of securities, open for a period determined by the directors, to holders of Ordinary Shares on the register of members of the Company on a specified record date in proportion to their then holdings of such shares (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in any territory);

"Prescribed Period" means in the first instance the period of five years expiring on 22 September 2005 and shall include any other period (not exceeding five years on any occasion) for which the authority is renewed or extended by an ordinary resolution of the Company stating the Prescribed Amount for such period; and

"Prescribed Amount" shall for the first Prescribed Period be £8,000,000 and for any other Prescribed Period shall be stated in the relevant ordinary resolution, or in either case any increased amount determined by ordinary resolution.

Subject to the Act, any share may be issued which is, or is liable to be, redeemed at the option of the Company or the holder in accordance with the Articles. Subject to the Act and to the Articles, the unissued shares shall be at the disposal of the directors.

6.2.10 Redemption of shares

The Articles include the following provisions in relation to redemptions of shares.

On the redemption of only part of the Collins Stewart Preference Shares, the redemption shall take place in proportion to the preference shareholders' holdings, and Collins Stewart 'A' Preference Shares and Collins Stewart 'B' Preference Shares shall be treated as one class.

The Company shall pay to the holders of the Collins Stewart Preference Shares in respect of each Collins Stewart Preference Share redeemed, the nominal amount and premium paid on such Collins Stewart Preference Shares and a sum equal to any accrued and/or unpaid Preference Dividend calculated to the date of return of capital but provided that this sum is payable only if the Company has enough profits available for distribution to pay the accrued and/or unpaid Preference Dividend.

As from the relevant redemption date the Preference Dividend shall cease to accrue on the Collins Stewart Preference Shares to be redeemed unless the Company fails to pay the redemption money due in respect of all the Collins Stewart Preference Shares to be redeemed. In that case the Preference Dividend shall continue to accrue, and be deemed to continue to accrue, on the Collins Stewart Preference Shares in respect of which the redemption money is outstanding.

6.2.11 Directors

Unless otherwise determined by the Company by ordinary resolution, the number of directors (other than alternate directors) shall not be more than fifteen and shall not be less than two.

The directors need not be members of the Company.

Only non-executive directors may sit on the Remuneration Committee (established by the directors of the Company on 22 September 2000) which is responsible for determining the remuneration of the executive directors.

At each annual general meeting of the Company there shall retire from office by rotation all the directors who held office at the two preceding annual general meetings and did not retire together with such additional number of directors as are necessary to make that number up to one-third (or, if their number is not three or a multiple of three, the number which is nearest to but does not exceed one-third) of the directors (excluding alternates).

The provisions of section 293 of the Act shall apply to the Company.

A director shall not vote or be counted in the quorum on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company) unless his interest arises only because the case falls within one of the following:

- (a) the resolution relates to the giving to him of a guarantee, security of indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the Company or any of its subsidiary undertakings;
- (b) the resolution relates to the giving to a third party of a guarantee, security or indemnity in respect of an obligation of the Company or any of its subsidiary undertakings for which the director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (c) his interest arises by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares in or debentures or other securities of the Company for subscription, purchase or exchange;
- (d) the resolution relates in any way to a retirement benefits scheme which has been approved by, or is conditional upon the approval of, the Board of the Inland Revenue for taxation purposes;
- (e) the resolution relates to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings including, but without being limited to, an employees' share scheme, which does not accord to any director as such any privilege or advantage not generally accorded to the employees to whom the arrangement relates;
- (f) the resolution relates to a transaction or arrangement with any other company in which he is interested, directly or indirectly, provided that he is not the holder of, or beneficially interested in, one per cent or more of any class of the equity share capital of that company (or of any other company through which his interest is derived) and not entitled to exercise one per cent or more of the voting rights available to members of the relevant company; or
- (g) the resolution relates to the purchase or maintenance for any director or directors of insurance against any liabilities.

6.2.12 Gratuities and pensions

The directors may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any director who has held but no longer holds any executive office or employment with the Company or with any body corporate which is or has been a subsidiary of the Company or a predecessor in business of the Company or any such subsidiary and for any member of his family (including spouse and former spouse) or any person who is or was dependent on him and may (as before as well as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or the provision of any such benefit.

6.2.13 Borrowing powers

The directors may, save as the Articles provide otherwise, exercise all the borrowing powers of the Company. The directors shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (insofar as they can) that the aggregate principal amount (including any premium payable on final repayment) outstanding of all borrowings (as defined in the Articles) by the Group (exclusive of intra-Group borrowings other than as provided specifically in the Articles) shall not at any time exceed £100 million.

6.2.14 Untraced shareholders

The Company may, after advertising its intention in the manner and for such a period as is prescribed in the Articles (and having informed the UK Listing Authority of that intention), sell at the best price reasonably obtainable any shares if the shares have been held by a member of at least 12 years and during that period at least three dividends have become payable on them and no dividends have been claimed or satisfied and the Company has not received any communication during the relevant period from the holder of the shares or any person entitled to them by transmission.

6.2.15 CREST

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

7. Directors' and Proposed Directors' shareholdings and other interests

7.1 As of the date of this document and immediately following Admission of the New Ordinary Shares, the interests of the Directors and the Proposed 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 and the Proposed Directors (within the meaning of section 346 of the Act) which would, if the connected person were a director be required to be disclosed in accordance with the foregoing sections and the existence of which is known of or could with reasonable diligence become known by the Director or a Proposed Director concerned, all of which are or will be beneficial unless otherwise stated, are as follows and as set out in paragraph 7.2 below:

As at the date hereof

<i>Director</i>	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Collins Stewart 'B' Preference Shares</i>	<i>Percentage of Collins Stewart 'B' Preference Shares</i>
Keith Hamill	15,822	0.01	Nil	—
Andrew Stewart	4,400,000	4.14	329,666	10.00
Terry Smith	8,800,000	8.28	659,333	20.00
Terry Hitchcock	660,000	0.62	98,900	3.00
Helen Smith	2,200,000	2.07	164,833	5.00
John Spencer	31,645	0.03	Nil	—
Robert Lucas*	133,294	0.13	Nil	—
Bruce Collins	Nil	—	Nil	—
Stephen Jack	Nil	—	Nil	—
David Clark	Nil	—	Nil	—

Immediately following the Placing and Open Offer and the Cash Placing, the Offers and the Option Proposals**

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>	<i>Number of Collins Stewart 'B' Preference Shares</i>	<i>Percentage of Collins Stewart 'B' Preference Shares</i>
Keith Hamill***	18,004	0.01	Nil	—
Andrew Stewart	4,400,000	2.33	329,666	10.00
Terry Smith	8,800,000	4.66	659,333	20.00
Terry Hitchcock	660,000	0.35	98,900	3.00
Helen Smith	2,200,000	1.17	164,833	5.00
John Spencer	31,645	0.02	Nil	—
Robert Lucas*	133,294	0.07	Nil	—
Bruce Collins†	192,541	0.10	Nil	—
Stephen Jack†	174,305	0.09	Nil	—
David Clark	Nil	Nil	Nil	—

* Robert Lucas is beneficially interested in these Ordinary Shares which are held by Capital Ventures Nominees Limited.

** Assuming full subscription under the Placing and Open Offer and Cash Placing full acceptance of the Ordinary Offer and the Bond Offer with no elections for alternatives and assuming all Tullett Optionholders elect for the Option Cancellation Proposal.

*** Keith Hamill has elected to take up his full entitlement of 2,182 New Ordinary Shares under the Open Offer.

† On the basis of irrevocable undertakings dated 22 January 2003 which provide for an election in full for the Partial Cash Alternative in respect of their holdings of Tullett Ordinary Shares and further assuming that no cash is available to meet any elections for additional cash under the Additional Cash Facility, and assuming that any Tullett Options that are not the subject of the irrevocable undertakings are exercised and the resulting Tullett Ordinary Shares are assented to the Ordinary Offer and elected in full for the Partial Cash Alternative.

It is intended, following the Placing and Open Offer becoming unconditional, to redeem all of the Collins Stewart Preference Shares.

- 7.2 Certain of the Directors have options to subscribe for Ordinary Shares which as at the date of this document are as follows:

<i>Director</i>	<i>Ordinary Shares under option</i>	<i>Earliest Exercise Date</i>	<i>Expiry Date</i>	<i>Exercise Price</i>
Collins Stewart Holdings plc Unapproved Share Option Scheme No 2				
Keith Hamill	127,532	16.10.2003	15.10.2010	316p
John Spencer	63,766	16.10.2003	15.10.2010	316p
Collins Stewart Holdings plc Sharesave Scheme 2000				
Andrew 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

The share options granted under the Collins Stewart Holdings plc Unapproved Share Option Scheme No 2 are 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. There was no consideration for the grant of these options.

- 7.3 The Company is aware of the following 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, (assuming the Placing and Open Offer, the Cash Placing and the Offers and Option Proposals are completed and assuming full subscription under the Placing and Open Offer and Cash Placing, the maximum number of New Ordinary Shares are issued pursuant to the Ordinary Offer, no election for the Additional Share Facility under the Bond Offer and full acceptance of the Option Cancellation Proposal) are or will be directly or indirectly interested in 3 per cent. or more of the issued capital of the Company.

<i>Ordinary Shares</i>	<i>Number of Ordinary Shares prior to the Placing and Open Offer and Cash Placing and Offers and Option Proposals</i>	<i>Percentage of ordinary share capital prior to the Placing and Open Offer and Cash Placing and Offers and Option Proposals</i>	<i>Number of Ordinary Shares following the Placing and Open Offer and Cash Placing and Offers and Option Proposals*</i>	<i>Percentage of ordinary share capital following the Placing and Open Offer and Cash Placing and Offers and Option Proposals*</i>
CHESOT	24,722,258	23.27	24,722,258	13.10
CVC European Equity Partners II LP	5,067,600	4.74	5,067,600	2.69
Axa SA	6,240,134	5.87	6,240,134	3.31
Lazard Freres & Co LLC	6,748,065	6.35	6,748,065	3.58
CIESOT	4,252,680	4.00	4,252,680	2.25
The Tokyo Tanshi Co., Ltd ^{†(1)}	Nil	Nil	9,131,453	4.84
Oppenheimer Funds, Inc	4,576,860	4.31	4,576,860	2.43
Spütz AG [†]	Nil	Nil	6,985,233	3.70

1 The Tokyo Tanshi Co., Ltd is the parent company of The Totan Derivatives Co., Ltd, which, following completion of the Offers and on the basis of an irrevocable undertaking received dated 22 January 2003, will be interested in 555,318 Ordinary Shares. The Totan Derivatives Co., Ltd is not a wholly owned subsidiary of The Tokyo Tanshi Co., Ltd.

† On the basis of irrevocable undertakings received dated 22 January 2003 and assuming, in the case of Spütz AG, no election for the Partial Cash Alternative.

* Assuming full subscription under the Placing and Open Offer and Cash Placing, the maximum number of New Ordinary Shares are issued pursuant to the Ordinary Offer, no election for the Additional Share Facility under the Bond Offer and full acceptance of the Option Cancellation Proposal.

<i>Collins Stewart 'A' Preference Shares</i>	<i>Number of Collins Stewart 'A' Preference Shares prior to the Placing and Open Offer and Cash Placing and Offers and Option Proposals</i>	<i>Percentage of Collins Stewart 'A' Preference Shares prior to the Placing and Open Offer and Cash Placing and Offers and Option Proposals</i>	<i>Number of Collins Stewart 'A' Preference Shares following the Placing and Open Offer and Cash Placing and Offers and Option Proposals</i>	<i>Percentage of Collins Stewart 'A' Preference Shares following the Placing and Open Offer and Cash Placing and Offers and Option Proposals</i>
CVC European Equity Partners II LP	11,329,970	27.43	11,329,970	27.43
Axa SA	11,325,108	27.42	11,325,108	27.42
Citicorp Capital Investors Europe Limited	4,996,371	12.1	4,996,371	12.1
CIESOT	4,013,392	9.72	4,013,392	9.72
CVC European Equity Partners II (Jersey) LP	3,659,142	8.86	3,659,142	8.86
The Governor and Company of the Bank of Scotland	3,330,913	8.06	3,330,913	8.06

In addition CHESOT holds 1,620,538 Collins Stewart 'B' Preference Shares which before and after the Placing and Open Offer, the Cash Placing, the Offers and the Option Proposals equates to 50.22 per cent. of the Collins Stewart 'B' Preference Shares.

It is intended, assuming that the Placing and Open Offer becomes unconditional, that all the Collins Stewart Preference Shares will be subsequently redeemed.

- 7.4 Save as disclosed in paragraphs 7.1 and 7.3 above, the Company is not aware of any person who is, as at the date of this document or following the proposals, interested directly or indirectly in 3 per cent or more of the issued capital of the Company. 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.
- 7.5 Following the Management Buyout, the Board resolved to offer shares to individual employees. In order to avoid the administrative burden of each employee holding their shares both legally and beneficially and to assist the employees with tax planning, it was decided that the employees would enter into a nominee arrangement with the Trustee of CHESOT. Once the allocations had been determined by the Board, CHESOT also purchased 'A' ordinary shares of £0.01 each and Collins Stewart 'A' Preference Shares from funds advised or managed by CVC (or its associates) and these shares are subject to the same arrangements as those shares which it was allotted directly.

Each of the relevant employees has entered into a trust deed whereby the Trustee holds the legal title to each individual's allocation of shares as nominee on trust for them. The Trustee is obliged to account to the employee for any dividends paid in respect of that individual's allocation of shares and is also bound by common law fiduciary obligations. There is no restriction under the trust arrangements between the Trustee and the employee which would prevent each individual employee transferring their Employee Shares but contractual restrictions have been put in place between the employees and the Company. Details of the selling restrictions to which the shares are subject are set out in paragraph 11.1.1(b) of this Part IX.

- 7.6 Save as set out in paragraph 7.7 below, no Director or Proposed 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.
- 7.7 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, except as set out in this paragraph 7.7. In order to effect the acquisition of CHSW on 1st March 1996, CSL issued secured loan notes due 2006 to Andrew Stewart and Terry Hitchcock, two of the vendors of CHSW who are Directors. Andrew Stewart, together with his spouse currently holds £2,359,449 nominal of such secured loan notes, whilst Terry Hitchcock and his spouse currently hold £812,500 nominal of such secured loan notes. Interest

accrues on the loan notes in half yearly instalments in arrears at a rate per annum equal to three eighths of one per cent below LIBOR as at the business day immediately preceding the commencement of the relevant interest period. Further details of these loan notes, including the security granted in respect of them, are set out in note 17 – “Creditors – Amounts Falling Due Within One Year” in Part III of this document.

7.8 Save as set out below, none of the Directors or Proposed Directors have 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>Directors and Proposed Directors</i>	<i>Current Directorships and Partnerships</i>	<i>Directorships and Partnerships during 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	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
Andrew Stewart		Codecam Limited* Singer & Friedlander Holdings Limited Stanbourne Limited
Terry Smith	International Value Investments Value Investments Limited	Codecam Limited*
Helen Smith		Codecam Limited* Vic Smith Bedding Limited Pinesmiths Limited
Terry Hitchcock	Thames Reach Bondway Housing Association Limited Pure Entertainment Games plc (in members voluntary liquidation) John Lusty Group plc (in administrative receivership)	Framlington Second Dual Trust plc Independent Direction Limited Intrinsic Value plc Codecam Limited* Help the Aged
John Spencer	Numerica Group PLC Snell & Wilcox Limited	Softtechnet.com.plc Regent Inns plc Satellite Consultants Limited
Robert Lucas	CVC Capital Partners Limited Cork International Limited De Facto 936 Limited	Holwell Court Management Company Limited Britton Group (Holdings) Limited Dutton-Forshaw Group Limited
Bruce Collins	Tullett plc Avocet Estates Limited Natsource Tullett (Europe) Limited The Totan Derivatives Co., Limited TIU Co. Limited	
Stephen Jack	Tullett plc Natsource Tullett (Europe) Limited Greater London Fund for the Blind	Kleinwort Benson Group plc Roker Limited
David Clark	Tullett plc Charity Bank (owned by the Charities Aid Foundation) CAFCASH (owned by the Charities Aid Foundation)	Bankgesellschaft Berlin (UK) plc

* 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 is £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.

- 7.9 As at the date of this document, save as disclosed above, none of the Directors or Proposed 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 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.
- 7.10 The business address for each of the Directors and Proposed Directors of the Enlarged Group will be 9th Floor, 88 Wood Street, London EC2V 7QR. Their respective functions are shown on page 5 of this document.

8. Directors' service contracts and letters of appointment

- 8.1 The following Directors entered into service contracts with the Company on 26 May 2000 which provide for employment for an indefinite period subject to early termination on either 12 months notice or pursuant to the terms of the individual contracts, the details of which are as follows:

<i>Director</i>	<i>Annual Salary</i>	<i>Notice Period</i>
Andrew Stewart	£100,000	12 months
Terry Smith	£100,000	12 months
Helen Smith	£100,000	12 months

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 became an Executive Director of Collins Stewart and entered into a service agreement with the Company which provided for an annual salary of £100,000 and notice to be given by him to the Company of 12 months, and by the Company to him of 3 months.

The Executive Directors are entitled to the following benefits:

<i>Director</i>	<i>Benefit</i>
Andrew Stewart	Death in service benefit, private medical insurance for the Director, spouse and any minor children and a discretionary bonus
Terry Smith	Death in service benefit, private medical insurance for the Director, spouse and any minor children and a discretionary bonus
Helen Smith	Death in service benefit, private medical insurance for the Director, spouse and any minor children and a discretionary bonus
Terry Hitchcock	Death in service benefit, private medical insurance for the Director, spouse and any minor children and a discretionary bonus

8.2 Robert Lucas was appointed a director of the Company in connection with the MBO. The terms of Mr Lucas' appointment as a Non-executive Director of the Company were confirmed in a letter from the Company dated 22 September 2000. He is not entitled to receive any fee or other financial benefit (excluding expenses in relation to his appointment). Mr Lucas' appointment will terminate if he is not re-appointed following his retirement pursuant to the articles of association of the Company or if he is otherwise removed from the Board by operation of law or pursuant to the articles of association of the Company or if he resigns or does not offer himself for re-election by Shareholders either for his own reasons or at the request of Board.

8.3 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 also appointed as Non-executive Chairman of the Company. Both Mr Hamill and Mr Spencer are entitled to receive a fee of £48,000 and £24,000 per annum respectively and options over 127,532 and 63,766 Ordinary Shares respectively exercisable at 316p per Ordinary Share in compensation for undertaking their duties. The options are subject to a performance condition based on the Company's return on capital employed exceeding the median for the FTSE Mid 250 Index. Their appointments can be terminated on the same terms as Mr Lucas and in addition may be terminated by either of Mr Hamill or Mr Spencer respectively or the Company by 12 months written notice.

8.4 On 10 December 2001 Bruce Collins entered into a service agreement with Tullett confirming his position as Chief Executive Director of the Tullett Group and on 12 December 2001 Stephen Jack entered into a service agreement with Tullett confirming his position as Chief Financial Officer of the Tullett Group. Both of these service agreements were amended on 2 December 2002 with the consent of the Takeover Panel and prior Tullett Shareholder approval and on 22 January 2003 with the consent of the Takeover Panel and Collins Stewart, following discussions with the Takeover Panel.

Both Mr Collins and Mr Jack are appointed for a fixed term due to expire on 31 December 2004. The agreements are terminable by either party giving to the other twelve months' notice provided that such notice shall not expire before 31 December 2004. After 1 January 2005 the agreements shall continue indefinitely unless and until terminated by either party giving to the other twelve months' notice. Tullett is entitled to terminate the agreements by paying salary and a *pro rata* portion of bonus in lieu of notice period.

Mr Collins is entitled to receive an annual basic salary of £625,000 per annum and a bonus for the financial year ending 31 December 2003 equal to 4 per cent. of the profit before tax for the financial year ending 31 December, 2003 ("PBT") of the Tullett Group if such PBT is between £0 and £40 million, and a further amount equal to 8 percent. of the PBT of the Tullett Group to the extent that such PBT is above £40 million, provided that he receives a minimum income of £1 million per annum.

Mr Jack is entitled to receive an annual basic salary of £250,000 per annum and a bonus for the financial year ending 31 December 2003 equal to 1.75 per cent. of the PBT of the Tullett Group, provided that he receives a minimum annual income of not less than £550,000.

New discretionary bonus arrangements for Mr Collins and Mr Jack in future years will be put in place before the end of 2003.

David Clark has been invited to join the Collins Stewart board as a Non-Executive Director in the event that the Ordinary Offer becomes or is declared unconditional. Under the terms of his proposed letter of appointment, he will be entitled to a fee of £24,000 per annum. His appointment will be terminable on the same terms as Mr Lucas and in addition will be terminable by either Mr Clark or the Company by 12 months notice.

The Proposed Directors are entitled to the following benefits:

<i>Proposed Director</i>	<i>Benefit</i>
Bruce Collins	Death in service benefit, defined benefit plan pension membership, private medical insurance for the Proposed Director, spouse and any minor children and contractual right to minimum payment per annum.
Stephen Jack	Death in service benefit, money purchase plan pension membership, private medical insurance for the Proposed Director, spouse and any minor children and contractual right to minimum payment per annum.
David Clark	Nil

- 8.5 The total aggregate amount of salaries and fees paid to the Executive and Non-executive Directors, excluding bonuses and benefits in kind, for the financial year ended 31 December 2002 was £386,359. The Executive Directors may also be entitled to a discretionary bonus for the financial year ended 31 December 2002 which has not yet been agreed. The Company estimates that the total salaries and fees payable to the Directors and Proposed Directors by any member of the Group in respect of the current financial year, exclusive of discretionary bonuses and benefits will be approximately £2,046,000.
- 8.6 Save as set out in paragraphs 8.1 and 8.4 of this Part IX, no arrangements are in place between the Executive Directors or the Proposed 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' or the Proposed Directors' service contracts.
- 8.7 Save as set out in paragraph 8.4 above the total emoluments of the Directors or Proposed Directors will not be varied as a result of the Offers.

9. Employee share schemes

9.1 Existing Employee Option Schemes

The following is a summary of the rules of the existing employee option schemes prior to the amendments proposed at Resolution 4 in the notice of EGM and described in Parts I and VIII of this document.

9.1.1 Collins Stewart Holdings 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.

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

If and so long as shares of the Company are listed, 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 option at any one time does not exceed £30,000. This limit applies to options granted under the Company Share Plan and any other Inland Revenue approved executive share option scheme established by the Company or associated companies.

Exercise of Options

Options will normally be exercisable, subject to any applicable performance condition being satisfied, and by a person who remains 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.

Issue of 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.

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 (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.

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 whilst 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.

9.1.2 Collins Stewart Holdings plc Sharesave Scheme 2000 ("the Sharesave Scheme")

Set out below is a summary of the principal features of 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.

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

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 7.5 times the monthly savings should be payable after five years in respect of those options which were granted in 2000 and 6.2 times the monthly savings in respect of those options which were granted in 2002. 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 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.

Issue of 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.

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.

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.

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.

9.1.3 The Collins Stewart Holdings plc Unapproved Share Option Scheme ("the Unapproved Scheme")

The Company established this 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.

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 for any period.

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 middle-market quotation on the date of grant.

Exercise of Options

Options will normally be exercisable, subject to any applicable performance condition being satisfied, and by a person 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.

Issue of 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.

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 (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.

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 to the benefit of employees overseas.

Termination

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

9.1.4 The Collins Stewart Holdings plc Unapproved Share Option Scheme No. 2 (“the Non-Executive Scheme”)

The Non-Executive Scheme was established by the Company on 22nd September 2000.

The terms of the Non-Executive Scheme are substantially the same as for the Unapproved Scheme save that only Non-Executive Directors of the Company are eligible to participate.

9.2 New Employee Share Option Plan

Documents in relation to the New Share Option Plan will be available for inspection from the date hereof until the close of the EGM, at the offices of Gouldens at 10 Old Bailey, London EC4M 7NG. Additionally, these documents will also be available for inspection 15 minutes prior to and during the EGM.

The Collins Stewart Holdings plc 2003 Share Option Plan (the “New Share Option Plan”)

It is proposed that the New Share Option Plan be adopted by the Company pursuant to Resolution No. 2 to be proposed at the EGM.

The New Share Option Plan will make provision for the grant of both Inland Revenue approved options and unapproved options. Save as described below, the provisions of the New Share Option Plan 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 and its subsidiaries, (other than those within three years of their retirement date), will be eligible to participate in the New Share Option Plan at the discretion of the Directors.

Grant of Options

Subject to the rules of the New Share Option Plan, the Remuneration Committee may grant options to eligible employees at any time (i) within a period of 42 days from the date the New Share Option

Plan is adopted by the Company in general meeting (or, in the case of the approved section of the New Share Option Plan, the date on which it is approved by the Inland Revenue) (ii) within a period of 42 days from the announcement of the Company's annual or interim results or (iii) outside these periods if circumstances exist which the Remuneration Committee believes would justify such grants. No option may be granted later than the fifth anniversary of the date on which the New Share Option Plan is adopted by the Company in general meeting. Options will normally be granted as soon as reasonably practicable after the beginning of the accounting period of the Company. It is proposed that the first grant of options under the New Share Option Plan will be made on completion of the Ordinary Offer.

The exercise of options granted under the New Share Option Plan will be made subject to the achievement of objective performance targets set at the time of grant of the relevant option and relating to the accounting period in which the option is granted. The performance conditions may be amended if the Remuneration Committee considers that, following some event, an amended target would be a fairer measure of performance and no more difficult to satisfy than the original condition.

Options will be granted at an exercise price per share equal to the market value of an Ordinary Share at the time of grant of the option.

No payment will be required for the grant of an option. Options will not be transferable other than following a participant's death where they may be exercised by his or her personal representatives.

Limits on the grant of Options

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

Exercise of Options

Options granted under the New Share Option Plan will not normally be exercisable before (i) 1 January 2006 for an option granted in respect of the financial period of the Company beginning on 1 January 2003; and (ii) the third anniversary of the date of its grant for any option granted at a later date and (in either case) 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:

- (i) death, ill health or disability;
- (ii) the option holder's employing company ceasing to be controlled by or associated with the Company;
- (iii) 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 New Share Option Plan);
- (iv) 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) save that for options granted in respect of the 2003 accounting period, the 2003 accounting period will be treated for the purpose only of calculating the proportion of the Ordinary Shares over which the option may be exercised, as beginning on the date the Ordinary Offer is or becomes unconditional in all respects.

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 New Share Option Plan also permits the Company to require an option holder to elect to assume direct liability for the amount of any employer's NIC liability.

Rights Attaching to Shares

All Ordinary Shares allotted under the New Share Option Plan will 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 New Share Option Plan.

Variation in Share Capital

Options (as well as the limits on the number of Ordinary Shares over which options can be granted under the New Share Option Plan) 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 New Share Option Plan 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 New Share Option Plan, 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 New Share Option Plan which adversely affect the rights of subsisting option holders may be made only with the consent of option holders holding 75% or more of the subsisting options.

Pensionability

Benefits received under the New Share Option Plan will not be pensionable.

Provisions applying to the approved section of the New Share Option Plan

Proposed option grants under the approved section of the New Share Option Plan will be 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 proposed option under the approved section of the New Share Option Plan; and (ii) the Ordinary Shares over which an individual has a subsisting option under the approved section of the New Share Option Plan 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.

Option holders will not be required to indemnify the Company in respect of PAYE and National Insurance contributions in respect of options granted under the approved section of the New Share Option Plan, as such liabilities will not normally arise.

Inland Revenue approval will be required:

- to the terms of any adjustments to options to take account of variations in the Company's share capital;
- to the terms of any exchange of options; and
- to any amendments to the New Share Option Plan.

Grant of options to participants outside the UK

The New Share Option Plan will make provision for the grant of options to participants outside the United Kingdom and the creation of sub-plans within the New Share Option Plan for that purpose with a view to taking advantage of any beneficial tax or regulatory regimes in those jurisdictions.

9.3 *Employee Share Ownership Trusts and Shares held by Directors as Nominee*

9.3.1 CHESOT

Following the Management Buyout, the Board decided to offer shares to individual employees. In order to avoid the administrative burden of each of the employees holding their shares both legally and beneficially and to assist the employees with tax planning, it was decided that the employees would enter into a nominee arrangement with the trustee of CHESOT. The trustee of CHESOT, Kleinwort Benson (Guernsey) Trustees Limited (“the Trustee”), currently holds the legal title to 21,057,000 Ordinary Shares and 1,577,680 Collins Stewart B Preference Shares as nominee and trustee for employees.

Each of the relevant employees entered into a trust deed whereby the Trustee holds the legal title to each individual’s shares as nominee on trust for them. The Trustee is obliged to account to the employee for any dividends paid in respect of that individual’s shares and is also bound by common law fiduciary obligations.

In addition to the above CHESOT holds 1,920,000 Ordinary Shares which are under option to employees and 1,745,258 Ordinary Shares and 42,858 Collins Stewart B Preference Shares which have not been allocated to specific employees.

9.3.2 CIESOT

CIESOT was established on 26 January 1996 to hold shares in CSCI for the benefit of the Channel Island employees. On completion of the Management Buyout, CIESOT’s shares in CSCI were transferred to CSL. Also on completion of the Management Buyout, CIESOT subscribed for shares in the Company and has subsequently purchased further shares from CHESOT.

As at the date of this document, Forest Services Limited, trustee of CIESOT, holds 3,584,600 Ordinary Shares and 3,936,808 Collins Stewart A Preference Shares on trust and as nominee for the employees in the Channel Islands.

In addition to the above CIESOT holds 668,080 Ordinary Shares, 76,584 Collins Stewart A Preference Shares and 56,529 Collins Stewart B Preference Shares which have not been allocated to specific employees.

9.3.3 Shares held by Directors as Nominee

As at the date of this document, the Directors hold 910,000 Ordinary Shares and 68,181 Collins Stewart B Preference Shares on trust as nominees for two parties, being Launen Limited and Tim Morgan, both of who provide consultancy services to the Group. A trust deed has been entered into by the Board in respect of each of Launen Limited’s and Mr Morgan’s entitlements whereby the shares are held on trust for the relevant individual and the Board is obliged to account to such individuals for dividends. These shares are subject to selling restrictions described in 11.1.1(b) below.

9.4 *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.

10. Pensions

10.1 The Group operates and/or makes contributions to a number of personal pension arrangements. None of the schemes are defined benefit schemes. In the UK employees are entitled to contribute to a stakeholder pension scheme in accordance with current legislation.

10.2 CSCI operates its own pension schemes. None of these schemes are defined benefit schemes. The maximum contribution made by CSCI to any scheme is 10 per cent. of the relevant employee’s gross salary.

10.3 The Tullett Group operates an exempt approved occupational pension scheme. For all members who joined on or after 1 November 1991 the scheme operates as a money purchase benefit scheme. The scheme is non-contributory for all members, with Tullett making contributions for the period from 1 November 1991 to the member’s fund and to cover scheme expenses including life assurance

cover. For members who joined prior to 1 November 1991, the scheme operates as a defined benefit scheme. The total Tullett contribution for members who joined on or after 1 November 1991 members is set by the trustees of the scheme and Tullett in consultation with the scheme actuary.

11. Material contracts

11.1 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.

11.1.1 *Contracts entered into at the time of the MBO on 26 May 2000*

(a) Facility Agreements and Associated Banking Contracts

Credit Agreement

The credit agreement which was entered into with the Bank of Scotland on 12 April 2000 pursuant to the MBO (the "Credit Agreement") was restructured at the time that the Company's shares were admitted to listing on the Official List and to trading on the London Stock Exchange in October 2000.

The Credit Agreement was subsequently amended and restated on 23 January 2003. The amendment and restatement will only be effective upon the Ordinary Offer being declared wholly unconditional. There is a Term A Loan of a sum not exceeding £1,000,000, a Term B loan of a sum not exceeding £5,000,000 and a revolving credit facility of a sum not exceeding £10,000,000. The Term A loan is repayable in full on 31 December 2007, the Term B Loan is repayable in installments as to £2,000,000 on 30 June 2003 and 31 December 2003 and £1,000,000 on 31 December 2007 respectively and the revolving credit facility is available until 31 December 2007. There is also a cash collateralised loan note guarantee facility of up to £30,000,000 available until 31 July 2008.

The interest payable on the amounts borrowed under the Credit Agreement is LIBOR or EURIBOR, plus a margin of 1.25 per cent. per annum plus the Mandatory Cost, if any, as calculated in accordance with the Credit Agreement.

The security provided to the Bank of Scotland in respect of the Credit Agreement consists of the following:

- (i) a debenture dated 26 May 2000 between the Company and the Bank of Scotland under which the Company charged by way of a fixed charge all freehold or leasehold property of the Company, all shares in its subsidiary companies and all plant and machinery, all investments, all insurance policies, all book debts, all intellectual property, goodwill and uncalled capital, and the benefit of all licences, consents and agreements, and by way of a floating charge all assets and undertakings of the Company whatsoever both present and future;
- (ii) a debenture between CSL and the Bank of Scotland dated 26 May 2000 under which CSL charged by way of fixed charge all plant and machinery, all shares in CSL's subsidiaries, all insurance policies, all debts, all monies standing to the credit of any accounts with any bank and financial institution (with the exception of accounts held by CSL with Singer & Friedlander Limited and assets charged to Barclays Bank plc), all intellectual property and all licences and consents and authorisations held or utilised by CSL and all goodwill and uncalled capital of CSL and by way of a floating charge over CSL's assets both present and future;
- (iii) a pledge agreement dated 26 May 2000 between CSL, CSInc and the Bank of Scotland whereby CSL pledged its right and title to the shares in CSInc to the Bank of Scotland;
- (iv) a security agreement dated 26 May 2000 between CSL and the Bank of Scotland whereby CSL charged its shares in CSCI to the Bank of Scotland;

Both CSL and CSCI acceded to the Credit Agreement by means of two separate Deeds of Accession, each dated 26 May 2000 whereby both CSL and CSCI became guarantors under the Credit Agreement and agreed to be bound by the terms of the Credit Agreement as guarantors, in addition to agreeing to become bound by the terms of the intercreditor deed described below. CSL also became a borrower under the terms of the Credit Agreement.

In the event of a change of control or sale (as such terms are defined in the Credit Agreement) all amounts outstanding under the Credit Agreement become immediately repayable.

Unsecured Subordinated Loans

In addition to the above facility, for the purposes of its SFA Financial Resources Requirements the Company entered into an unsecured subordinated short term loan agreement approved by the SFA dated 12 April 2000 (the "Short Term SFA Loan") with the Bank of Scotland.

The Short Term SFA Loan was varied by a deed of variation dated 22 January 2003 conditional, *inter alia*, upon the Ordinary Offer being declared wholly unconditional pursuant to which the Short Term SFA Loan was renamed the FSA approved short-term subordinated loan agreement (the "FSA Subordinated Loan"). Under the FSA Subordinated Loan the Bank of Scotland has agreed to make available to the Company two advances in the aggregate amount of £58,750,000 comprising an outstanding advance of £13,750,000 and three further advances of £12,750,000, £10,000,000 and £22,250,000 respectively. The aggregate sum of £58,750,000 is repayable in pounds sterling or in its US dollar equivalent (as defined in the FSA Subordinated Loan) the following tranches:

<i>Repayment date</i>	<i>£'000</i>
30 June 2003	2,000
31 December 2003	2,000
30 June 2004	4,000
31 December 2004	4,500
30 June 2005	4,500
31 December 2005	4,750
30 June 2006	4,750
31 December 2006	5,000
30 June 2007	5,000
31 December 2007	22,250

In the event of a Change of Control or Sale (as such terms are defined in the FSA Subordinated Loan) all amounts outstanding under the FSA Subordinated Loan become immediately repayable.

The interest payable on the FSA Subordinated Loan is a margin of 1.5 per cent. per annum, plus applicable LIBOR plus the Additional Costs Rate.

An intercreditor deed was entered into on 12 April 2000 and was amended on 16 October 2000 between, *inter alia*, the Company and the Bank of Scotland regulating the priority of the indebtedness of the Company and its subsidiaries to the Bank of Scotland.

(b) Selling Restrictions

The following selling restrictions were agreed with the existing Shareholders at the time that the Company's shares were admitted to the Official List and to trading on the London Stock Exchange in October 2000 and remain outstanding.

Andrew Stewart, Terry Smith, Terry Hitchcock, Helen Smith and Paul Wedge and every employee and member of management holding Ordinary Shares, which were previously 'B' ordinary shares of £0.01 each in the Company, and/or Collins Stewart 'B' Preference Shares may not dispose of such shares held as at the date of this document prior to the publication of the Company's annual report for the financial year ending 31 December 2002 ("the Relevant Date"). After the Relevant Date, but prior to the first anniversary of the Relevant Date, up to 50 per cent. of any individual's holding may be disposed of, and, after the first anniversary of the Relevant Date, the remainder of an individual's holding may be disposed of.

In addition to the above contractual selling restrictions, securities laws in various jurisdictions may impose selling restrictions on certain Shareholders that would limit the amount of shares they can sell during specified periods.

Pursuant to contracts entered into between the employees and the Company, any employee whose employment with the Group ceases may, at the Company's option, be required by the Company to transfer the Relevant Proportion (as defined below) of his or her shares in the

Company, whether held directly or through CHESOT or CIESOT (“the Sale Shares”), to any other person as the Board may direct.

The Relevant Proportion means:

- (i) prior to the Relevant Date, 100 per cent;
- (ii) on or after the Relevant Date but prior to the first anniversary of the Relevant Date, 50 per cent; and
- (iii) on or after the first anniversary of the Relevant Date, nil.

The price at which each of the Sale Shares must be transferred depends upon the circumstances in which the employee leaves the employment of the Group. If the employee’s employment ceases as a result of:

- (i) resignation (other than in circumstances of ill-health or disability in accordance with the individual’s contract of employment or with the consent of the Remuneration Committee);
- (ii) dismissal in circumstances entitling the employer to summarily dismiss the employee without notice or payment in lieu of notice; or
- (iii) dismissal for cause in accordance with the Company’s staff manual;

then the price paid on the transfer must be the lower of (i) the market value of the Sale Shares upon the cessation of employment and (ii) the price paid for the Sale Shares (whether on issue or on subsequent acquisition).

If the employment ceases as a result of circumstances other than those set out above the price paid must be market value.

11.1.2 *Agreements relating to the acquisition of the private client division (the “Private Client Division”) of NatWest Stockbrokers Limited (the “Vendor”)*

CSL entered into a number of agreements with the Vendor to acquire the Private Client Division. The acquisition was completed on 6 June 2001.

Offer letter

Under an offer letter dated 22 May 2001, the Vendor offered to sell the Private Client Division, including its goodwill and certain client and employee records, for an initial cash consideration of £9,455,000 and a deferred consideration set out in a deed of novation.

The offer letter provided that CSL would not be responsible for any neglect, default or omission of the Vendor before or after Completion, for any service performed by or on behalf of the Vendor before completion or for any losses arising by a breach of the Vendor of any of its obligations under the offer letter.

The Vendor, Coutts & Co and NatWest Private Banking (a division of National Westminster Bank Plc) agreed that for a period of 24 months from the date of completion, they would not, directly or indirectly:

- (a) in competition with the Private Client Division solicit or endeavour to entice away from CSL any client, whose client agreement was novated to CSL;
- (b) solicit the services or employ any employee transferring with the Private Client Division.

Deed of Novation

The deed of novation was entered into on 23 May 2001 by the Vendor and CSL. This agreement provided for deferred consideration of up to £6,500,000 to be paid to the Vendor upon the novation of Client Agreements (as defined in the deed of novation). The full deferred consideration was to be paid if consents to novate in respect of Client Agreements representing an aggregate of 90 per cent. or more of the value at completion of client moneys/ assets had been received within 180 days of completion. Payments on account were made during the 180 days period and the last payment made in December 2001. Over 90 per cent. of the relevant Client Agreements were novated to CSL and accordingly the full deferred consideration was paid.

Any income arising under Client Agreements post completion and prior to novation was paid to CSL.

Deed of Covenant

Under the deed of covenant entered into between the Vendor and CSL on 23 May 2001, the Vendor and CSL each gave certain warranties and indemnities in connection with the Private Client Division. The Vendor's maximum liability under this deed was £17,500,000. The Vendor has no liability in respect of breaches of warranty until the aggregate value of such claims exceeds £200,000; claims of £20,000 or less are not counted towards determination of this amount. The time limit for making a claim under the warranties was 24 months from completion and 6 years from completion for any claim under the tax indemnity.

Transitional Services Agreement

Under the transitional services agreement entered into on 6 June 2001 the Vendor provided the Private Client Division with office accommodation and settlement facilities for the period from completion until 10 December 2001.

The agreement provided for CSL to pay the Vendor: fees for each bargain transacted; fees for each account set up or closed; a rental for the office space occupied by those of the Vendor's staff transferring to CSL with the Private Client Division; and a service charge for all telecommunications, stationery and postage services used. Under the transitional services agreement £0.8 million was paid to the Vendor in the period from 6 June 2001 to 10 December 2001.

Placing Agreement

In connection with the acquisition of the Private Client Division, a placing agreement was entered into on 23 May 2001 between (1) the Company and (2) HSBC. The agreement provided for HSBC to place 3,125,000 ordinary shares of 25p each in the capital of the Company at a price of 400p per share to fund, in part, the consideration payable for the acquisition of the Private Client Division. The Company paid HSBC a placing commission of 1.5 per cent. of the proceeds of the share issue in addition to all other costs, charges and expenses of, or incidental to, the placing.

The placing agreement contained certain representations, warranties, undertakings and indemnities given by the Company and the Directors in favour of HSBC.

11.1.3 *Placing Agreement relating to the IPO of Collins Stewart*

In connection with the IPO of Collins Stewart, a placing agreement was entered into on 17 October 2000 between Collins Stewart, the Directors, the institutional shareholders of Collins Stewart and HSBC (the "IPO Placing Agreement"). Pursuant to the IPO Placing Agreement HSBC conditionally agreed to use its reasonable endeavours, as agent for Collins Stewart, to procure subscribers for 23,101,265 new ordinary shares in the capital of Collins Stewart or, to the extent it failed to do so, itself to subscribe for such shares at a placing price of 316 pence per share.

Under the IPO Placing Agreement, Collins Stewart agreed to pay HSBC an advisory fee of £1 million plus a placing commission of 2 per cent. on the aggregate value at the placing price of the shares placed pursuant to the IPO Placing Agreement (although to the extent that places were identified by Collins Stewart, HSBC agreed to waive its placing commission in respect of the shares placed with those places up to a maximum of 10 per cent of the shares the subject of the placing). The Company also agreed to pay all other costs, charges and expenses of, or incidental to, the placing. All payments made by the Company to HSBC were to be increased by an amount in respect of any applicable VAT thereon.

The IPO Placing Agreement contained certain representations, warranties, undertakings and indemnities given by the Company and the Directors in favour of HSBC and also included undertakings by the Directors and the institutional shareholders to be bound by certain selling restrictions in respect of their ordinary and preference shares.

11.1.4 *Merger Agreement*

- (a) Pursuant to a merger agreement dated 22 January 2003 and made between Collins Stewart and Tullett, certain agreements have been reached in relation to the conduct of the Offers including, *inter alia*, the following:
 - (i) in the event that the Ordinary Offer lapses or is withdrawn as a result of a failure to pass at the Extraordinary General Meeting (or any adjournment thereof) such resolutions as may be necessary to approve, affect and implement or authorise the implementation of the Ordinary Offer, Collins Stewart will pay to Tullett a break fee of £2 million, such sum being payable within 2 business days of the Ordinary Offer lapsing or being withdrawn as a result of such failure;

- (ii) in the event that the Ordinary Offer lapses or is withdrawn as a result of a failure to pass at the Tullett EGM (or any adjournment thereof) of such resolution or resolutions as may be necessary to permit Collins Stewart to acquire the Tullett Ordinary Shares to which the Ordinary Offer relates. Tullett will pay to Collins Stewart a break fee of £2 million, such sum being payable within 2 business days of the Ordinary Offer lapsing or being withdrawn as a result of such failure;
 - (iii) Collins Stewart has agreed that (in most circumstances) it will not permit the Ordinary Offer to lapse by invoking the the acceptance condition, which specifies that Collins Stewart must receive acceptances of not less than 90 per cent. in nominal value of the Tullett Ordinary Shares, in relation to the Ordinary Offer prior to the last date on which the City Code permits the Ordinary Offer to become unconditional as to acceptances, and that for so long as the Ordinary Offer has not become unconditional, it will extend the period for acceptance of the Ordinary Offer for the maximum period permitted under the City Code;
 - (iv) Collins Stewart has agreed that it will keep the Tullett A Preference Offer and Tullett B Preference Offer, the Bond Offer and the Option Proposals open for acceptance for as long as the Ordinary Offer is open for acceptance;
 - (v) Collins Stewart has agreed that it will keep the Additional Cash Facility and the Loan Note Alternative open for the period in respect of which it keeps the Partial Cash Alternative open;
 - (vi) Collins Stewart and Tullett have agreed a basis on which representations may be made by either of them to the Takeover Panel in the event that either wishes to seek to invoke any of the conditions to the Ordinary Offer set out in paragraphs (e) to (u) of Part A of Appendix I to the Offer Document.
- (b) To give effect to the Tullett board's intentions to sell its entire remaining holding in virt-x plc, Collins Stewart has also agreed that, in the event that the Ordinary Offer becomes unconditional, it will procure that Tullett sells its entire remaining holdings in virt-x plc prior to 31 December 2004 and, on or prior to that date, procure the payment of approximately £3.8m by Tullett to persons who were on the register of members of Tullett on 21 October 1999. As a result of selling such shares, the members of Tullett on 21 October 1999 will become entitled to a payment under the terms of an agreement between Tullett Liberty Brokerage Investment Corporation and Cable House Limited dated 25 October 1999. The payment obligation in respect of such sum has been included within the financial statements of Tullett. Further details are set out in the section on the virt-x payment in Part I of this document.

11.1.5 *Placing and Open Offer Agreement and Cash Underpinning and Cash Placing Agreement*

The Placing and Open Offer Agreement and Cash Underpinning and Cash Placing Agreement are summarised in paragraph 12.1 of this Part IX.

11.1.6 *Irrevocable Undertakings*

The Company has received an irrevocable undertaking from Keith Hamill to take up an aggregate of 2,182 Open Offer Shares pursuant to the Open Offer. It has also received irrevocable undertakings from all the Directors, (other than Keith Hamill) who own Shares and CHESOT and CIESOT and certain other shareholders not to take up their entitlements under the Open Offer in respect of a total of 5,840,208 Open Offer Shares which will be placed firm by HSBC. Each of those Directors giving irrevocable undertakings has further irrevocably undertaken to vote in favour of the Resolutions.

11.2 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 Tullett Group within a period of two years immediately preceding the date of this document and which are, or may be, material or have been entered into at any time by a member of the Tullett Group and contain provisions under which a member of the Tullett Group has an obligation or entitlement which is, or may be, material to the Tullett Group at the date of this document:

- (a) a revolving credit agreement dated 25 October 2002 between Tullett and National Westminster Bank plc ("NatWest") (the "Credit Agreement") pursuant to which a facility of US\$15,000,000 is made available to Tullett. The facility is to be used for general corporate purposes, to finance the working capital requirements of Tullett and to refinance a credit facility with a previous lender. Tullett's obligations under the Credit Agreement are guaranteed by certain other companies within the Tullett Group. Interest is payable at the rate of LIBOR plus a margin of 0.9 per cent. plus the Additional Cost Rate (which the Directors and Proposed

Directors do not consider to be a material additional cost) as defined and calculated under the Credit Agreement;

- (b) a debenture dated 22 November 2001 between Tullett and NatWest pursuant to which Tullett grants fixed and floating charges over all or substantially all of its assets, property and undertakings to secure the facility under the Credit Agreement and any other liabilities to NatWest;
- (c) a shareholders' agreement dated on or about May 2000 between Tullett, Spütz AG ("Spütz") and certain other shareholders in Tullett (the "Spütz Shareholders' Agreement") under which Spütz was granted the right (1) for so long as it holds not less than 5 per cent. of the voting rights of Tullett, to appoint one non-executive director of Tullett; and (2) for a period of 5 years from the date of the Spütz Shareholders' Agreement to participate in any new issue for cash of shares *pro rata* to its existing holding of Tullett Ordinary Shares (which right has been waived in respect of any such new issue since the date of the agreement or in the future under a Deed of Waiver made by Spütz on 21 January 2003, which waiver is revoked if the Ordinary Offer does not become or is not declared unconditional in all respects);
- (d) a shareholders' agreement dated 29th December 1999 (and amended in May 2000) between Tullett, the then current shareholders in Tullett (the "T&T Shareholders") and the holders of shares in Liberty Brokerage Investment Corp. (the "Liberty Shareholders") (the "TTL Shareholders' Agreement") which provides that:
 - (i) until 29 November 2003, for so long as the T&T Shareholders hold not less than 10 per cent. of the voting rights of the Tullett Ordinary Shares, the T&T Shareholders shall be entitled to appoint four non-executive directors of Tullett;
 - (ii) until 29 November 2003, for so long as the Liberty Shareholders hold not less than 10 per cent. of the voting rights of the Tullett Ordinary Shares, the Liberty Shareholders shall be entitled to appoint three non-executive directors of Tullett;
 - (iii) until all the Tullett B Preference Shares have been redeemed, if Tullett is offered any right to subscribe for any securities in Beast Financial Systems, Inc. or City Networks Limited and if Tullett decides not to exercise that right, Tullett will procure that such subscription right is then offered to the T&T Shareholders;
 - (iv) until all the Tullett A Preference Shares have been redeemed, if Tullett is offered any right to subscribe for securities in Bridge Information Systems Inc. then if Tullett decides not to exercise that right, Tullett will procure that such subscription right is then offered to the Liberty Shareholders; and
 - (v) for as long as any gain recognition agreement remains in effect, without the written consent of certain shareholders of Tullett, Tullett will not take any action that would result in the recognition of any gain by any such shareholder under a "gain recognition agreement" of the type described in certain US tax statutes; and
- (e) a staff participation bond dated 18 February 2002 issued by Tullett (the "SPB") constituting £10,000,000 (or US\$ equivalent) nominal floating rate unsecured convertible loan notes. Notes issued under the SPB are certificated and registered. The outstanding principal amounts of notes under the SPB shall be repaid at par plus accrued interest on the fifth anniversary of the date of issue. Notes carry interest at a rate of LIBOR plus 5 per cent. and noteholders have the right to convert notes into Tullett shares at the rate of one Tullett Ordinary Share per £3.33 notes converted (or one Tullett Ordinary Share per US\$4.7542 notes converted) on the anniversary of a change of control of Tullett (or such earlier date as the board of Tullett determines subject to the Bondholders accepting the equivalent of the Ordinary Offer).
- (f) On 22 January 2003 Gains International Infocom Holdings BV ("Gains") (a company held 71.4 per cent. by Tullett and 28.6 per cent. by Totan Information Technology Co. Ltd whose parent company is a shareholder in Tullett) agreed to sell the entire issued share capital of each of its three operating subsidiaries, Gains International Asia Holdings Limited ("Gains Asia"), Gains International (US) Inc. ("Gains US") and Gains International (Europe) Limited ("Gains Europe"), to Gains Acquisition Corp. and Gains Asia Acquisition Corp., companies owned by GS Capital Partners 2000, L.P. and other private equity funds affiliated with Goldman Sachs & Co. The transaction is conditional on, among other things, the consent of certain telecommunications regulators to the change of control. The sale and purchase agreement provides for the sale of the entire issued share capital in Gains Asia to Gains Asia Acquisition Corp. and sale of the entire issued share capital in Gains Europe and Gains US to

Gains Acquisition Corp. The total consideration payable by Gains Acquisition Corp. and Gains Asia Acquisition Corp. under the sale and purchase agreement is a maximum £15.4 million, £6 million of which is payable on completion, £3 million on 15 October 2003 (both of which payments are subject to certain adjustments) and the remainder being subject to earn-out calculations.

On completion of the sale and purchase agreement Gains Acquisition Corp. and Gains Asia Acquisition Corp. will continue to supply to the Tullett Group certain telecommunication services.

Tullett has agreed to guarantee any liability of Gains pursuant to the tax deed provided under the sale and purchase agreement. In addition, existing intercompany loans from Tullett to Gains Asia, Gains US and Gains Europe in the aggregate principal amount of £1.2 million will remain outstanding, repayable on 15 October 2005.

Prior to entering into the sale and purchase agreement, Gains granted an option (the "Option") over the shares in Gains US and Gains Europe (or any holding company thereof) to IPC Acquisition Corp. and its subsidiary IPC Information Systems, Inc. (also controlled by GS Capital Partners 2000, L.P. and affiliated private equity funds) to be exercisable subject to certain conditions on or after 20 December 2003. The sale and purchase agreement is subject to the Option.

12. Arrangements for the Placing and Open Offer, Cash Underpinning and Cash Placing

12.1 Placing and Open Offer and Cash Underpinning and Cash Placing Agreements

12.1.1 A placing and open offer agreement dated 23 January 2003 ("the Placing and Open Offer Agreement") between HSBC (1) and the Company (2) whereby HSBC has agreed conditionally,

- (a) as agent for the Company, to make the Open Offer to Qualifying Shareholders and use its reasonable endeavours to procure subscribers in cash for the Open Offer Shares at the Issue Price to the extent such shares are not otherwise subscribed for pursuant to the Open Offer; and
- (b) to the extent that Qualifying Shareholders do not take up their entitlements under the Open Offer and HSBC is unable to procure subscribers for such Open Offer Shares, to subscribe itself as principal for such shares at the Issue Price.

The obligations of HSBC under the Placing and Open Offer Agreement are conditional upon, amongst other conditions, Admission of the Open Offer Shares occurring on or before 19 February 2003 (or such later date, not being later than 4 March 2003 as HSBC and the Company may agree).

The Placing and Open Offer Agreement contains an indemnity and warranties from the Company in favour of HSBC together with provisions which enable HSBC to terminate the Placing and Open Offer Agreement in certain limited circumstances prior to Admission of the Open Offer Shares, including circumstances where any of the warranties are found to be materially untrue or inaccurate and the occurrence prior to 5.00 p.m. on the date of this document of certain force majeure events.

The Placing and Open Offer Agreement provides for the payment by the Company of the following commissions (plus any applicable VAT thereon):

- (i) if the agreement becomes unconditional in all respects:
 - (A) an underwriting commission of an amount equal to 0.5 per cent. of the Issue Price multiplied by 8,809,834 (being the total number of Open Offer Shares, excluding those for which irrevocable undertakings to subscribe under the Open Offer as referred to in paragraph 11.1.6 of this Part IX have been received prior to the date of this document, (the "Conditional Placing Shares"), and the total number of New Ordinary Shares to be placed firm by HSBC which will not be subject to recall to meet valid applications under the Open Offer (the "Firm Placing Shares")); and
 - (B) a commission payable to placees of an amount equal to 0.75 per cent. of the Issue Price multiplied by the total number of Conditional Placing Shares which are not ultimately subscribed by placees or HSBC (or as HSBC may nominate); and
 - (C) an additional commission of an amount equal to 1.0 per cent. of the Issue Price multiplied by the aggregate number of Conditional Placing Shares and Firm Placing Shares which are placed with placees introduced by HSBC (as opposed to those

introduced by the Company), as determined in accordance with the Placing and Open Offer Agreement; and

- (D) if the agreement does not become wholly unconditional or be terminated in accordance with its terms by midnight on 21 February 2003 a further commission payable to placees of an amount equal to 0.125 per cent. of the Issue Price multiplied by the total number of Conditional Placing Shares which are not ultimately subscribed by placees or HSBC (or as HSBC may nominate) in respect of each period of seven days or part thereof after the first 30 day period after the date of this document.
- (ii) if the agreement does not become wholly unconditional by 5.00 p.m. on 4 March 2003 or is terminated in accordance with its terms:
 - (A) an underwriting commission of an amount equal to 0.5 per cent. of the Issue Price multiplied by 14,650,042 (being the aggregate number of Conditional Placing Shares and Firm Placing Shares); and
 - (B) a fee not exceeding £250,000 in accordance with the terms of HSBC's engagement letter dated 16 December 2002.
- (iii) whether or not the agreement shall become unconditional or be terminated, all costs, charges and expenses associated with the Placing and Open Offer.

12.1.2 A cash underpinning and cash placing agreement dated 23 January 2003 ("the Cash Underpinning and Cash Placing Agreement") between HSBC (1) and the Company (2) whereby HSBC has conditionally agreed to (a) make the Offers on behalf of the Company; and (b) to use reasonable endeavours to procure subscribers for up to 31,893,223 New Ordinary Shares in connection with the Partial Cash Alternative and the Additional Cash Facility; and (c) to use its reasonable endeavours to procure subscribers in cash for the 1,506,501 new Ordinary Shares the subject of the Cash Placing (the "Cash Placing Shares") and to the extent that it is unable to procure subscribers for such shares, to subscribe itself for such shares at the Issue Price. Under the Cash Underpinning and Cash Placing Agreement, approximately 97 per cent. of the cash required to satisfy valid elections for the Partial Cash Alternative in respect of the existing issued ordinary share capital of Tullett will be provided in respect of those New Ordinary Shares for which valid elections for the Partial Cash Alternative (and where applicable the Additional Cash Facility) are received. The balance of the cash required to satisfy the Partial Cash Alternative (and where applicable the Additional Cash Facility) will be provided through additional bank facilities made available to Collins Stewart by Bank of Scotland and through Collins Stewart's own resources. In consideration of the transfer to the Company of the Tullett Ordinary Shares in respect of which holders have accepted the Ordinary Offer and validly elected for the Partial Cash Alternative (and where applicable the Additional Cash Facility), the Company has agreed to allot and issue to persons procured by HSBC, failing which to HSBC itself, New Ordinary Shares not exceeding 31,893,223 in number to which such holders would, but for such elections, have been entitled to. Holders of Tullett Ordinary Shares who accept the Ordinary Offer and elect for the Partial Cash Alternative will receive 400p per New Ordinary Share to which they would otherwise have been entitled.

The Cash Underpinning and Cash Placing Agreement contains an indemnity and warranties from the Company in favour of HSBC. The obligations of HSBC under the Cash Underpinning and Cash Placing Agreement are conditional, *inter alia*, on the Ordinary Offer becoming or being declared unconditional in all respects and Admission of the New Ordinary Shares.

HSBC will receive the following payments (plus any applicable VAT thereon) from Collins Stewart for its services under the Cash Underpinning and Cash Placing Agreement:

- (a) a commitment commission payable to placees of an amount equal to 0.5 per cent. of the Issue Price multiplied by 989,485 (being the number of New Ordinary Shares underwritten by HSBC, excluding those which are subject to the Cash Placing and those for which irrevocable undertakings to elect for the Partial Cash Alternative as referred to in Part I have been received in respect of the Partial Cash Alternative, (the "Conditional Underwritten Shares") in respect of the first 30 days (or part of 30 days) of HSBC's commitment (commencing on the date of the Cash Underpinning and Cash Placing Agreement);
- (b) an additional commitment commission payable to placees of an amount equal to 0.125 per cent. of the Issue Price multiplied by the number of Conditional Underwritten Shares for each period of seven days (or part of seven days) after the first 30 days of HSBC's commitment up to the earlier of:

- (i) the day before Admission (or, if the date on which HSBC is notified of the total number of New Ordinary Shares in respect of which valid elections have been made under the Partial Cash Offer is later than the day before Admission, the date of such notification); or
 - (ii) the day on which it is announced either that the Ordinary Offer or the Partial Cash Alternative has lapsed or has been withdrawn or has been revised; or
 - (iii) the day on which it is agreed that the Ordinary Offer or Partial Cash Alternative should not be made;
- (c) an underwriting commission of an amount equal to 0.5 per cent. of the Issue Price multiplied by the number of New Ordinary Shares underwritten by HSBC in respect of the Partial Cash Alternative and the Cash Placing (“the Underwritten Shares”) for the services of HSBC in arranging the underwriting;
 - (d) a commission payable to placees of an amount equal to 0.75 per cent. of the Issue Price multiplied by the total number of Conditional Underwritten Shares which are not ultimately taken up by placees or HSBC (or as it may nominate);
 - (e) an additional commission of an amount equal to 1.0 per cent. of the Issue Price multiplied by the aggregate number of Underwritten Shares which are placed with placees introduced by HSBC (as opposed to those introduced by the Company), as determined in accordance with the Cash Underpinning and Cash Placing Agreement; and
 - (f) if the Ordinary Offer becomes or is declared unconditional in all respects, an advisory fee of £1.7 million.

The commissions referred to in paragraphs (a) to (c) above will be payable whether or not the Offers become unconditional. The commissions referred to in paragraph (d) and (e) above will only be payable if the Ordinary Offer becomes or is declared unconditional in all respects. In addition, Collins Stewart has agreed to pay all costs, charges and expenses associated with the Offers, the Cash Placing, the Partial Cash Alternative and the Additional Cash Facility. If the Offers do not become unconditional HSBC will receive an abort fee of up to £250,000 in accordance with the terms of its engagement letter dated 16 December 2002.

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 EU trademark “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 is being removed from the EU 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, CSInc and Terry Smith. This case was initiated in Illinois on 31 August 2001 by HOLT who alleged, *inter alia*, breach of a 1995 licence 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 defendants recently made an application to dismiss all of HOLT’s claims against CSL and Terry Smith, except those relating to breach of copyright against CS Inc.

Other than disclosed above, 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.

13.2 Save as referred to in paragraphs (a) and (b) below, there are no, nor have there been any, legal or arbitration proceedings nor, so far as the Directors and Proposed Directors are aware, are any such proceedings pending or threatened by or against Tullett or any other member of the Tullett Group

which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Tullett Group's financial position:

- (a) Tullett has in the last 12 months settled two unrelated disputes with the US Bankruptcy trustee of Griffin Trading Corporation inc. and with another third party under which it has agreed to pay a total of approximately £6.0 million in full settlement of the two disputes. Tullett has paid approximately £3.85 million of this amount, with the remainder payable over the next two years. A full provision for these amounts was made in the Tullett audited accounts for the six months ended 30 June 2002.
- (b) In 1997, a competitor of Tullett N.V. ("Tullett Belgium") reported Tullett Belgium to the Office of Belgian Social Security in respect of the employment arrangements between Tullett Belgium and brokers working in Belgium.

In 1998 Tullett Belgium received a summons from the Office of Belgian Social Security claiming social security contributions in respect of payments made to certain companies. The summons received is for the second, third and fourth quarters of 1993 and for the first quarter of 1994. Extrapolating the amount claimed indicates a potential total liability of about £10,000,000. The company's legal advisers have submitted a rebuttal of the claim and have indicated that the company has a strong defence. Discussions are continuing with the Office of Belgian Social Security. In June 1999 Tullett Belgium ceased trading following a substantial decline in turnover on the introduction of the Euro. In December 1999 Tullett Belgium was placed in voluntary liquidation. At 31 December 2002, Tullett Belgium had net assets of £56,000 excluding any liability to the Belgian Social Security Administration and intercompany balances payable.

14. Principal Establishments

14.1 The Group occupies properties in London, St. Peter Port and Vale in Guernsey, St Helier in Jersey, Ramsey in the Isle of Man, Uxbridge and New York.

14.2 The principal premises are occupied on the following terms:

<i>No.</i>	<i>Name</i>	<i>Area occupied (sq. feet)</i>	<i>Agreements</i>	<i>Details</i>
1	8th and 9th Floors 88 Wood Street London EC2V 7QR	18,342	In respect of the 9th floor lease between (1) Daiwa Europe Property plc and (2) CSL and (3) CSH plc.	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.
		7,951	In respect of the 8th floor leases between (1) Enskilda Securities AB and (2) CSL	Underleases entered into on 1 May 2001 and 7 February 2002. The underleases provide for rent of £316,080 and £146,135 respectively. The former underlease has a term of 10 years and the latter expires on 30 April 2011. The rent is reviewed. The rent review dates for both underleases are 4 September 2005 and 4 September 2010.

<i>No.</i>	<i>Name</i>	<i>Area occupied (sq. feet)</i>	<i>Agreements</i>	<i>Details</i>
2	Suite A and B (together with a 'back office' suite) 2nd Floor and Suite B, 1st Floor TSB House Le Truchot St Peter Port Guernsey	4,843	Suites A and B on the 2nd Floor rented under two leases between (1) Lloyds TSB Bank (Jersey) Limited and (2) CSCI dated 23 September 1997 and 18 February 1998. The property was purchased by Walter Properties Limited from Lloyds TSB Bank (Jersey) Limited on 24 September 1998. Suite B on the first Floor was originally sublet from Ross Gower Group, however, the sub-lease ceased on 30 June 2002 and CSCI has been letting the premises directly from Walter Property Limited	The term was to expire on 24 December 2000, although this has been extended to 30 June 2003 with the landlord's agreement. The rent is £113,626 p.a. plus £16,251 services. There is a full repair clause in each of the leases.
3	Hirzel House Smith Street St Peter Port Guernsey	4,787	Lease between (1) Hugo (Guernsey) Limited and (2) Hanson Bank Limited dated 20 June 1991 Assignment agreement between (1) Hanson Island Management Limited and (2) CSCI dated 23 July 1998	The consideration for the CSCI assignment was £30,000. The rent is £119,000 p.a. plus £4,628 service charge and the lease is for a term of 21 years from 3 June 1991.
4	Landes Du Marche Chambers Landes Du Marche Vale Guernsey	4,662	Lease between (1) Landes Du Marche Garage Limited; and (2) CSCI dated 15 March 2002	The rent is £84,816 p.a. plus £3,820 service charge and the term of the lease runs to 14 March 2011. There is a full repair clause in the lease.
5	First floor and ground floor 44 The Esplanade St Helier Jersey	4,517	Lease between (1) Anthony Investments (Esplanade) Limited and (2) CSCI and (3) King & Shaxson Holdings PLC which is undated (the term commenced on 29 September 1994) in respect of the first floor Assignment agreement between (1) Anthony Investments (Esplanade) Limited, (2) JTC Management Limited (3) CSCI dated 31 May 2001	The rent is £87,328 p.a. plus £13,564 service charge and expires on 26 July 2006.

<i>No.</i>	<i>Name</i>	<i>Area occupied (sq. feet)</i>	<i>Agreements</i>	<i>Details</i>
6	7 Auckland Terrace Parliament Street Ramsey Isle of Man	1,800	Deed between (1) Philip George Sadd and (2) CSCI for the purchase of the freehold property known as 7A Auckland Terrace, Ramsey, Isle of Man dated 29 April 1996	The purchase price of this property was £90,000.
7	CNC House The Grand Union Office Park Packet Boat Lane Uxbridge UB8 2GH	3,500	Lease between (1) CNC Grand Union Limited and (2) Collins Stewart Property Fund Management Limited completed November 2002	The term is to expire on 18 April 2007 and includes a provision for a break date (being 16 April 2004) with 3 months notice. Rent is £87,500 p.a. and service charge of £21,178. There is a full repair and insuring clause in the lease.
8	41st Floor 444 Madison Avenue New York NY 10022 U.S.A	3,908	Sublease between (1) Merrill Lynch and (2) CS Inc. dated 30 June 2001	The term is to expire on 29 November 2010. The rent increases on a sliding scale to a fixed amount each year. Current rent is \$242,560 p.a. There is a full repair clause in the lease.

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, subject to tapering relief for charities. However, individual Shareholders who hold their shares in an Individual Savings Account or a Personal Equity Plan will be entitled to recover the tax credit on dividends paid by the Company until April 2004.

A corporate Shareholder resident for tax purposes in the United Kingdom will not normally be liable to corporation tax on any dividend received and the dividend and related tax credit will constitute franked investment income.

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.

15.3 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. 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. 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.

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. on a transfer or issue of Ordinary Shares to them.

15.4 US Taxation

This document does not include any information with respect to U.S. taxation. Prospective investors who may be subject to tax in the United States are urged to consult their tax adviser regarding the U.S. 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 and other companies within the sector in which Tullett operates.

<i>Company</i>	<i>Revenue</i>	<i>Revenue</i>	<i>Operating</i>	<i>Operating</i>	<i>Average</i>
	<i>Dec 00/ Mar 01</i>	<i>Dec 01/ Mar 02</i>	<i>margin Dec 00/ Mar 01</i>	<i>margin Dec 01/ Mar 02</i>	<i>No. staff Dec 01 Mar 02</i>
	<i>£m</i>	<i>£m</i>			
ICAP	495.0	551.7	13.4%	12.2%	2,132
Tullett	282.3	386.3	—	6.3%	1,790
Tradition	252.6	342.6	8.1%	10.2%	1,800
Prebon Yamane	270.2	288.5	—	4.2%	1,532
eSpeed	60.2	86.9	—	—	403

Revenue/employee comparisons

<i>Company</i>	<i>Dec 00/ Mar 01</i>	<i>Dec 01/ Mar 02</i>
	<i>audited accounts £m</i>	<i>audited accounts £m</i>
ICAP	232.3	258.8
Tullett	146.3	215.8
Tradition	179.0	207.7
Prebon Yamane	175.7	188.3
eSpeed	146.2	215.6

Staff costs as a percentage of revenues 2001/2002

<i>Company</i>	<i>Staff costs/ revenues</i>
ICAP	58.5%
Tullett	65.3%
Tradition	67.3%
Prebon Yamane	65.0%
eSpeed	42.8%

Note:

1. Tullett, Tradition and Espeed have 31 December year ends, ICAP and Prebon Yamane Group have 31 March year ends.
2. Total reported revenue (including joint-ventures) has been used. Where reported revenues or profits are excluding share of joint-ventures, as in the case of ICAP (for revenues only) and Prebon Yamane, these have been added back to allow all figures to include profit and revenues from joint ventures.
3. Average number of staff have 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/revenues.
5. Currencies have been converted to GBP using average daily exchange rates during the reporting period: (£1: CHF2.556 and £1:US\$1.511 for 2000 and £1:CHF2.4306 and £1:US\$1.438 for 2001).
6. Data calculated from report numbers in company accounts and 10-k reports.

17. Consents

- 17.1 Deloitte & Touche, as auditors of the Company, has given and not withdrawn its written consent to the inclusion in this document of their letters in Part VI and Part VII of this document and the reference to letters 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 letters for the purposes of article 6(i)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.
- 17.2 Ernst & Young, as Reporting Accountants, has given and not withdrawn its written consent to the inclusion in this document of their report and letter and the reference to such report and letter 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 and letter for the purposes of article 6(i)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.
- 17.3 HSBC, 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 and Open Offer and as adviser to the Company in connection with the Offers and Option Proposals. Its principal place of business is at 8 Canada Square, London E14 5HQ. HSBC 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.
- 17.4 Amethyst, which is regulated by the FSA, is acting as financial adviser to Tullett in connection with the Offers and Option Proposals. Amethyst has given and has not withdrawn its written consent to the issue of this document with the inclusion of, and references to, its name in the form and context in which they are included.

18. Working Capital

The Company is of the opinion that:

- (a) in the event that the Offers and the Cash Placing become wholly unconditional and the Placing and Open Offer becomes wholly unconditional, taking into consideration bank and other facilities available to the Enlarged Group and the net proceeds of the Cash Placing and the Placing and Open Offer, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document;
- (b) in the event that the Offers and the Cash Placing become wholly unconditional but the Placing and Open Offer do not become wholly unconditional, taking into consideration the bank and other facilities available to the Enlarged Group and the net proceeds of the Cash Placing, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document;

- (c) in the event that the Placing and Open Offer becomes wholly unconditional but the Offers and the Cash Placing do not become wholly unconditional, taking into consideration the bank and other facilities available to the Group and the net proceeds of the Placing and Open Offer, the 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. 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 2001) 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 and Open Offer. CREST accounts will be credited on 19 February 2003 and share certificates are expected to be posted under the Placing and Open Offer in the week commencing 17 February 2003.
- 19.3 The New Ordinary Shares have a nominal value of 25 pence each and the premium on their issue pursuant to the Placing and Open Offer and Cash Placing under the Cash Underpinning and Cash Placing Agreement will be 283 pence per New Ordinary Share.
- 19.4 There has not been any significant change in the financial or trading position of the Collins Stewart Group which has occurred since 30 June 2002, the end of the last financial period for which unaudited interim statements have been published.
- 19.5 There has not been any significant change in the financial or trading position of the Tullett Group which has occurred since 30 June 2002, the end of the last financial period for which audited financial statements have been published.
- 19.6 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 51 week period ended 31 December 2000 and the year ended 31 December 2001 have been delivered to the Registrar of Companies pursuant to section 242 of the Act. Additionally statutory accounts for CSL for each of the three years ended 31 December 2001 have also been delivered to the Registrar of Companies pursuant to section 242 of the Act.
- 19.7 The auditors of the Company are Deloitte & Touche, chartered accountants and registered auditors, whose address is Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR. The auditors made reports under section 236 of the Act in respect of the 51 week period ended 31 December 2000 and the year ended 31 December 2001 and such reports were unqualified reports within the meaning of sections 270 to 275 of the Act.
- 19.8 Save in respect of the unallocated Ordinary Shares held in the Collins Stewart Holdings plc Employee Share Ownership Trust, there are no arrangements in existence under which future dividends are to be waived or agreed to be waived.
- 19.9 The total costs, charges and expenses payable by the Enlarged Group in connection with the Placing and Open Offer, the Cash Placing, the Offers and Option Proposals, 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 £15 million (inclusive of VAT). Included within this total are fees (based on the maximum proceeds of the Cash Underpinning of £98.2 million) of £0.7 million payable by the Company to HSBC pursuant to the Placing and Open Offer Agreement and Cash Underpinning and Cash Placing Agreement referred to in paragraphs 12.1.1 and 12.1.2 of this Part IX.
- 19.10 14,652,224 Open Offer Shares (representing 100 per cent of the total Open Offer Shares) have been underwritten by HSBC.

- 19.11 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 save under the terms of the Placing and Open Offer and the Cash Placing and pursuant to the Offers and Option Proposals.
- 19.12 There have not been any interruptions to the business of either the Collins Stewart Group or the Tullett Group which may have, or have had, a significant effect on their respective financial position in the last 12 months.
- 19.13 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.
- 19.14 Other than as disclosed in this document, particularly in relation to QUEST, 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.

20. Documents for inspection

Copies of the following documents will be available for inspection at the offices of Gouldens at 10 Old Bailey, London EC4M 7NG during usual business hours on any weekday (Saturdays and public holidays excepted) while the Offers remain open for acceptance:

- 20.1 the memorandum and articles of association of the Company;
- 20.2 the audited consolidated accounts of the Company for the 51 week period ended 31 December 2000 and the year ended 31 December 2001 and the unaudited interim results for the six months ended 30 June 2002;
- 20.3 the audited accounts of Tullett for the years ended 31 December 1999, 2000 and 2001 respectively and the short form report containing the audited interim results for the six months ended 30 June 2002;
- 20.4 the accountants' report which formed a part of the listing particulars issued by Collins Stewart in connection with its admission to the Official List and to its admission to trading on the London Stock Exchange in October 2000;
- 20.5 the accountants' report set out in Part V of this document together with the relevant statement of adjustments;
- 20.6 the statement of *pro forma* net assets set out in Part VI of this document;
- 20.7 the Offer Document and Forms of Acceptance and Option Proposals Forms of Election;
- 20.8 the irrevocable undertakings referred to in paragraph 11.1.6 above;
- 20.9 the proposed form of loan note instrument subject to further updating in connection with the Tullett Loan Note Alternative and loan note valuation;
- 20.10 the Executive Directors' service contracts and the Non-executive Directors' appointment letters referred to in paragraphs 8.1 to 8.3 above;
- 20.11 Bruce Collins' and Stephen Jack's service contracts, referred to in Part 8.4 of this document;
- 20.12 the rules of the employee share schemes and the employee share ownership trust deeds and the New Share Option Plan referred to in paragraph 9 above;
- 20.13 the material contracts referred to in paragraph 11 above;
- 20.14 the letters of consent referred to in paragraph 17 above;
- 20.15 the background documentation in relation to the New Share Option Plan;
- 20.16 this document and the Application Form;
- 20.17 the rules of the Collins Stewart Share Option Plan and the Collins Stewart Unapproved Share Option Scheme as proposed to be amended as described in Part VIII of this document; and
- 20.18 the letters from Deloitte & Touche and HSBC contained in Part VII above.

Date: 23 January 2003

APPENDIX I

The following definitions apply throughout this document unless the context otherwise requires:

“Additional Cash Facility”	the facility described in the Offer Document under which eligible Tullett Ordinary Shareholders who validly accept the Ordinary Offer and elect for cash under the Partial Cash Alternative in respect of their entire registered holding of Tullett Ordinary Shares may elect, subject to availability, to increase the proportion of cash receivable pursuant to the Partial Cash Alternative relative to the New Ordinary Shares
“Amethyst”	Amethyst Corporate Finance PLC
“Application Form”	the application form for use by Qualifying Shareholders in the Open Offer
“Articles”	the articles of association of Collins Stewart
“Act”	the Companies Act 1985, as amended
“Admission”	admission of the 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
“Bond Offer”	the recommended offer being made by HSBC on behalf of Collins Stewart to acquire the Tullett Bonds, subject to the terms and conditions set out in the Offer Document and in the pink Form of Acceptance and, where the context so requires, any subsequent revision, variation, extension or renewal thereof
“Bond Offer Additional Share Facility”	the facility under which Tullett Bondholders (other than non-eligible US securityholders) who validly accept the Bond Offer may elect to receive New Ordinary Shares in lieu of cash to which they would otherwise be entitled under the Bond Offer on the terms set out in this document
“Cash Placing”	the conditional placing by HSBC of 1,506,501 New Ordinary Shares being made pursuant to the terms of the Cash Underpinning and Cash Placing Agreement
“Cash Underpinning and Cash Placing Agreement”	the conditional agreement dated 23 January 2003 in connection with the Partial Cash Alternative and the Cash Placing made between the Company and HSBC, the principal terms of which are summarised in paragraph 12.1.1 of Part IX of this document
“CHESOT”	The Collins Stewart Holdings plc Employee Share Ownership Trust
“CIESOT”	the CSCI Employee Share Ownership Trust
“City Code”	the City Code on Takeovers and Mergers
“Closing Price”	the closing middle market price of an Ordinary Share as derived from the Daily Official List
“Collins Stewart” or “the Company”	Collins Stewart Holdings plc or where the context permits Collins Stewart Holdings plc and its subsidiary undertakings
“Collins Stewart ‘A’ Preference Shares”	the 41,303,333 A preference shares of 1p each in the capital of the Company the rights of which are set out in the Articles
“Collins Stewart ‘B’ Preference Shares”	the 3,296,667 B preference shares of 1p each in the capital of the Company, the rights of which are set out in the Articles
“Collins Stewart Group” or “Group”	Collins Stewart and its subsidiary undertakings

“Collins Stewart Preference Shares”	the Collins Stewart A Preference Shares and the Collins Stewart B Preference Shares
“the Combination”	the combination of Collins Stewart and Tullett pursuant to the implementation of the Ordinary Offer
“Combined Code”	the principles of good governance and code of best practice for companies with shares admitted to the Official List prepared by the Committee on Corporate Governance, chaired by Sir Ronald Hampel, and published in June 1998
“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
“CSCI”	Collins Stewart (CI) Limited
“CSInc”	Collins Stewart Inc
“CSL”	Collins Stewart Limited
“CSL Group”	CSL and its subsidiaries
“CSUK”	UK operations of CSL
“CS&Co”	Collins Stewart & Co
“CVC”	CVC Capital Partners Limited
“Daily Official List”	the Daily Official List of the London Stock Exchange
“Directors”	the directors of the Company as at the date of this document whose names are set out on page 5
“Enlarged Group”	the Company or the Collins Stewart Group (as the context requires) as enlarged following the Combination
“Existing Discretionary Schemes”	means the Collins Stewart Holdings plc 2000 Company Share Option Plan, the Collins Stewart Holdings plc Unapproved Share Option Scheme and the Collins Stewart Holdings plc Unapproved Share Option Scheme No. 2 further terms of which are summarised in paragraph 9.1 of part IX of this document
“Existing Ordinary Shares”	the Ordinary Shares in issue on the date of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary meeting of the Company, notice of which is set out at the end of this document
“Forms of Acceptance”	the forms of acceptance, authority and election accompanying the Offer Document for use by Tullett Securityholders in connection with the Offers, or any of them as applicable
“Form of Proxy”	the proxy forms for use at the EGM or any of them as applicable
“FSA”	the Financial Services Authority
“Further Payment”	the further payment of 91.4 pence in cash or, subject to a valid election therefor, New Ordinary Shares, under the Tullett A Preference Offer with the right to receive all or part of this further payment being subject to certain contingent deductions (as described in further detail in paragraph 5 of Part I and paragraph 2 of Part III of the Offer Document)
“GAAP”	Generally Accepted Accounting Principles
“HSBC”	HSBC Bank plc
“Institutional Shareholders”	CVC Capital Partners Limited, Parallel Venture Managers Limited and The Governor and Company of the Bank of Scotland
“IDB”	inter-dealer broker
“IPO”	initial public offering

“Issue Price”	308 pence per New Ordinary Share to be issued under the Placing and Open Offer, and the Cash Underpinning and Cash Placing Agreement
“LIBOR”	London Inter-Bank Offered Rate
“Listing Rules”	the listing rules of the UK Listing Authority made under section 74 of the Financial Services and Markets Act 2000 and contained in the UK Listing Authority’s publication of the same name
“Loan Note Alternative”	the proposed alternative under which eligible Tullett Shareholders who validly accept the Ordinary Offer or the Tullett A Preference Offer or Tullett B Preference Offer, as the case may be, may elect to receive Loan Notes in lieu of all or part of the cash to which they would otherwise become entitled under the Partial Cash Alternative or the cash consideration under the offers for the Tullett Preference Shares, as the case may be
“Loan Note Instrument”	the instrument constituting the Loan Notes
“Loan Notes”	the unsecured floating rate guaranteed loan notes of Collins Stewart redeemable before or on 7 April 2008 to be issued by Collins Stewart pursuant to valid elections under the Loan Note Alternative
“London Stock Exchange”	the London Stock Exchange plc
“Management Buyout” or “MBO”	the management buy out of CSL and its then subsidiaries which was completed on 26 May 2000
“Merger Agreement”	the merger agreement between Collins Stewart and Tullett dated 22 January 2003, the principal terms of which are summarised in paragraph 11.1.4 of Part IX of this document
“NASD”	the National Association of Securities Dealers, Inc.
“NASDAQ”	the National Association of Securities Dealers Automated Quotation market system
“New Ordinary Shares”	new Ordinary Shares proposed to be issued by the Company pursuant to the Cash Placing, the Placing and Open Offer and the Offers and Option Proposals
“New Share Option Plan”	the proposed Collins Stewart 2003 Unapproved Share Plan
“Offer Document”	the Offer Document dated 23 January 2003 issued by HSBC on behalf of Collins Stewart making the Offers and Option Proposals
“Offers”	together, the Ordinary Offer, the Tullett A Preference Offer, the Tullett B Preference Offer, and the Bond Offer and the Option Proposals (or any one or more of them as the context may require)
“Official List”	the Official List of the UK Listing Authority
“Open Offer”	the conditional offer by HSBC on behalf of the Company inviting Qualifying Shareholders to apply for Open Offer Shares on the terms and conditions set out in Part II of this document and in the Application Form
“Open Offer Shares”	the 14,652,224 New Ordinary Shares to be issued pursuant to the Placing and Open Offer
“Option Cancellation Proposal”	the proposal being made by HSBC on behalf of Collins Stewart to Tullett Optionholders for the cancellation of all options currently held by them under the Tullett Share Option Plan
“Option Exercise Proposal”	the proposal being made by HSBC on behalf of Collins Stewart to Tullett Optionholders pursuant to which they may in certain circumstances exercise options under the Tullett Share Option Plan held by them and then assent their resulting new Tullett Ordinary Shares to the Ordinary Offer (including, to the extent eligible, the Partial Cash Alternative, the Additional Cash Facility and the

	Loan Note Alternative subject to the same being open for acceptance)
“Option Proposals”	together, the Option Exercise Proposal and the Option Cancellation Proposal
“Option Proposal Form of Election”	the form of election for use by Tullett Optionholders in connection with the Option Proposals
“Ordinary Offer”	the recommended offer being made by HSBC on behalf of Collins Stewart to acquire the Tullett Ordinary Shares, subject to the terms and conditions set out in the Offer Document and the white Form of Acceptance accompanying it and, where the context so requires, any subsequent revision, variation, extension or renewal thereof
“Ordinary Shares”	ordinary shares of 25p each in the capital of the Company
“OTC”	over the counter
“Overseas Shareholders”	Shareholders whose registered address is outside the United Kingdom or who are citizens or residents of countries other than the United Kingdom
“Partial Cash Alternative”	the proposed alternative under which Tullett Ordinary Shareholders who validly accept the Ordinary Offer may elect to receive cash in lieu of some of the New Ordinary Shares to which they would otherwise be entitled under the Ordinary Offer
“Placing”	the conditional placing by HSBC of the Open Offer Shares subject to recall to satisfy valid applications by Qualifying Shareholders under the Open Offer
“Placing and Open Offer Agreement”	the conditional agreement dated 23 January 2003 in connection with the Placing and Open Offer between the Company and HSBC, the principal terms of which are summarised in paragraph 12.1.1 of Part IX of this document
“Proposed Directors”	Bruce Collins, Stephen Jack and David Clark, who have been proposed as new members of the board of Collins Stewart following the Ordinary Offer becoming unconditional
“Qualifying Shareholders”	holders of Ordinary Shares on the register of members of Collins Stewart on the Record Date other than certain Overseas Shareholders to whom Application Forms cannot be sent in accordance with the laws of any relevant territory
“QIBs”	qualified institutional buyers as defined in Rule 144A made under the US Securities Act
“QUEST™”	the Company’s proprietary on-line database and share evaluation system, a registered trademark in the UK
“Record Date”	the record date for the Open Offer, being the close of business on 17 January 2003
“Relevant Tax Liabilities”	means in relation to any person accepting the Bond Offer or the Option Proposals (the “Employee”), any UK income tax and primary and secondary class 1 National Insurance contributions (and similar taxes in jurisdictions outside the United Kingdom) which a person other than the Employee is required to withhold, pay or account for as a result of the acceptance by the Employee of the Bond Offer or the Option Proposals and which such person is entitled (whether by law or as a result of an agreement with the Employee) to recover from the Employee
“Resolutions”	the resolutions to be proposed at the EGM
“Securities Act”	the US Securities Act of 1933, as amended
“Shareholders”	holders of Ordinary Shares

“SPB Instrument”	the instrument dated 18 February 2002 issued by Tullett constituting £10,000,000 (or US\$ equivalent) nominal floating rate unsecured convertible loan notes
“Takeover Panel”	the Panel on Takeovers and Mergers
“Tullett”	Tullett plc
“Tullett Articles”	the articles of association of Tullett
“Tullett A Preference Offer”	the offer being made by HSBC on behalf of Collins Stewart to acquire the Tullett A Preference Shares, subject to the terms and conditions set out in the Offer Document and in the blue Form of Acceptance and, where the context so requires, any subsequent revision, variation, extension or renewal thereof
“Tullett B Preference Offer”	the offer being made by HSBC on behalf of Collins Stewart to acquire the Tullett B Preference Shares subject to the terms and conditions set out in the Offer Document and in the green Form of Acceptance and, where the context so requires, any subsequent revision, variation, extension or renewal thereof
“Tullett A Preference Shares”	the existing, unconditionally allotted and issued fully paid 5,445,169 A preference shares of £1 each in the capital of Tullett
“Tullett B Preference Shares”	the existing, unconditionally allotted and issued fully paid 10,890,333 B preference shares of 10p each in the capital of Tullett
“Tullett Bondholders”	holders of Tullett Bonds
“Tullett Bonds”	the existing unconditionally allotted and issued fully paid variable rate unsecured convertible loan notes of Tullett constituted under the SPB Instrument
“Tullett EGM”	the extraordinary general meeting of Tullett convened for 21 February 2003 to facilitate the Offer and to approve a disapplication of the pre-emption provisions in the Tullett Articles in connection with the Offers
“Tullett Group”	Tullett and its subsidiary undertakings
“Tullett Options”	options granted under the Tullett Share Option Plan
“Tullett Optionholders”	holders of Tullett Options
“Tullett Ordinary Shares”	the existing unconditionally allotted and issued fully paid ordinary shares of 10 pence each in the capital of Tullett and any further ordinary shares of the same class which are unconditionally allotted or issued at or before the time at which the Ordinary Offer ceases to be open for acceptance (or such earlier date or time not being earlier than the date on which the Ordinary Offer become or is declared unconditional as to acceptances or, if later, the first closing date of the Ordinary Offer, as Collins Stewart may, subject to the City Code, decide), including upon exercise of the Tullett Options or the conversion of Tullett Bonds)
“Tullett Ordinary Shareholders”	holders of Tullett Ordinary Shares
“Tullett Preference Shareholders”	holders of Tullett A Preference Shares and/or holders of Tullett B Preference Shares
“Tullett Securities”	Tullett Ordinary Shares, Tullett Bonds, Tullett A Preference Shares and Tullett B Preference Shares and Tullett Options
“Tullett Securityholders”	together, Tullett Ordinary Shareholders, Tullett Preference Shareholders, Tullett Bondholders including where the context so requires, Tullett Optionholders
“Tullett Share Option Plan”	The Tullett & Tokyo Liberty plc Share Option Plan
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland and its dependent territories

“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services and Markets Act 2000
“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 Exchange Act”	the United States Securities Exchange Act of 1934 (as amended)
“US Person”	has the meaning given in Regulation S under the US Securities Act
“US Securities Act”	the United States Securities Act of 1933 (as amended)

APPENDIX II

Collins Stewart Holdings plc

Notice of Extraordinary General Meeting

(Registered in England and Wales under the Companies Act 1985 No 3904126)

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at the Company's offices at 9th Floor, 88 Wood Street, London EC2V 7QR on 17 February 2003 at 3.00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 and 3 will be proposed as Special Resolutions and resolutions 2 and 4 will be proposed as Ordinary Resolutions.

Special Resolution

1. THAT subject to, and conditional upon, the Placing and Open Offer Agreement dated 23 January 2003, as defined and referred to in the prospectus of the Company comprising a circular to shareholders containing this Notice of Meeting dated 23 January 2003 ("the Prospectus"), becoming unconditional (save only for the conditions relating to the passing of this resolution and to the admission to the Official List of the UK Listing Authority and to trading on the listed securities market of the London Stock Exchange plc ("Admission") of the new ordinary shares of 25p each in the capital of the Company to be issued pursuant to the Placing and Open Offer (as defined in the Prospectus) and such Admission becoming effective pursuant to Rule 7.1 of the Listing Rules of the United Kingdom Listing Authority and the Admission Standards of the London Stock Exchange plc):
 - (a) in addition to all existing and unexercised authorities, the directors be and are hereby authorised generally and unconditionally for the purposes of Section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum aggregate nominal amount of £3,663,056, provided this authority shall expire at the conclusion of the Annual General Meeting held next after the passing of this resolution or 15 months after the passing of this resolution (whichever is the earlier), but so that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted up to such expiry, and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not so expired; and
 - (b) in addition to all existing and unexercised authorities, the directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred upon them by paragraph (a) above as if Section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £3,663,056 pursuant to the Placing and Open Offer (as defined in the Prospectus) and shall expire at the conclusion of the Annual General Meeting held next after the passing of this resolution or 15 months after the date on which this resolution is passed (whichever is the earlier) but so that the Company may before such expiry make offers or agreements which would or might require equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

Ordinary Resolution

2. THAT:
 - (a) the offers on behalf of the Company to acquire the whole of the share capital of Tullett plc in issue and to be issued (or any part thereof) and related proposals on the terms and conditions contained in the document issued by HSBC Bank plc (other than in the United States, Canada and Japan where such document is issued by the Company) on behalf of the Company dated 23 January 2003 ("the Offer Document") addressed to the shareholders, bondholders and optionholders of Tullett plc (or upon the terms and conditions of any revised, extended, additional or other offer or proposals approved by the directors of the Company ("the Offers")) be approved and the directors be authorised to cause the same to be completed and to waive,

amend, vary or extend any such non-material terms and conditions in whatever way they may consider necessary 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, be necessary or desirable in connection with the Offers;

- (b) subject to the Ordinary Offer (as defined in the Offer Document) becoming or being declared wholly unconditional the authorised share capital of the Company be increased by the creation of 69,699,448 new ordinary shares of 25p each, ranking *pari passu* in all respects with the existing ordinary shares of 25p each in the capital of the Company;
- (c) subject to the Ordinary Offer (as defined in the Offer Document) becoming or being declared wholly unconditional, in addition to all existing and unexercised authorities, the directors be and are hereby authorised generally and unconditionally for the purposes of Section 80 of the Companies Act 1985 (“the Act”) to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum aggregate nominal amount of £17,424,862, provided this authority shall be limited to the allotment of relevant securities in connection with the Offers and shall expire at the conclusion of the Annual General Meeting held next after the passing of this resolution or 15 months after the date on which this resolution was passed (whichever is the earlier), but so that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not so expired;
- (d) subject to the Ordinary Offer (as defined in the Offer Document) becoming or being declared wholly unconditional, the New Share Option Plan as defined and described in the prospectus comprising a circular to shareholders containing this Notice of Meeting dated 23 January 2003 (“the Prospectus”) (a copy of the rules of which are laid before the meeting and have been initialled by the Chairman for the purpose of identification) be and is hereby approved and adopted and the directors be and are hereby authorised to do all acts and things necessary or desirable to adopt and implement the New Share Option Plan including the making of any amendments, and in particular amendments as the directors may consider necessary or desirable to comply the approved section of the New Share Option Plan with the UK Listing Authority and/or London Stock Exchange plc and/or (prior to approval of the Inland Revenue) Inland Revenue requirements, and that the directors be and are hereby authorised to establish, pursuant to the provisions of the New Share Option Plan sub-plans in one or more jurisdictions outside the United Kingdom in which any member of the Company and its subsidiaries (as enlarged by the Offers) is resident or has a place of business and be authorised to make such amendments to the terms of the New Share Option Plan for the purposes of such sub-plan as the directors may consider necessary or desirable to take account of any relevant overseas taxation or securities laws, or labour laws, provided that no amendments may be made which would have the effect of increasing the overall limit on the number of ordinary shares which may be issued under the New Share Option Plan.

Special Resolution

- 3. THAT subject to the passing of resolution number 2 set out in the Notice convening an Extraordinary General Meeting of the Company at which this resolution is proposed and conditional on the Ordinary Offer (as defined in the document issued by HSBC Bank plc (other than in the United States, Canada and Japan where such document is issued by the Company) on behalf of the Company dated 23 January 2003 comprising an offer document addressed to shareholders, bondholders and optionholders of Tullett plc (“the Offer Document”)) becoming or being declared wholly unconditional:
 - (a) the authorised share capital of the Company be increased by the creation of 65,000,000 ordinary shares of 25p each, ranking *pari passu* with the existing ordinary shares of 25p each in the capital of the Company;
 - (b) in addition to all existing and unexercised authorities, the directors be and are hereby authorised generally and conditionally for the purposes of Section 80 of the Companies Act 1985 (“the Act”) to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum aggregate nominal amount of £16,007,233, provided that this authority shall expire at the conclusion of the Annual General Meeting held next after the passing of this resolution or 15

months after the date on which this resolution was passed (whichever is the earlier), but so that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority hereby conferred had not so expired;

- (c) the directors be and are hereby empowered, pursuant to section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred upon them by paragraph (b) above as if Section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to:
- (i) the allotment of equity securities (as so defined) in connection with an issue by way of rights (including, without limitation, a rights issue, open offer or similar arrangement) to holders of ordinary shares in proportion as nearly as may be to their respective holdings of such shares, or in accordance with the rights attaching thereto (but with such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, record dates or other legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory or as regards shares held by an approved depository or in issue in uncertificated form or otherwise howsoever);
 - (ii) the allotment of equity securities to satisfy the Further Payment under the Tullett A Preference Offer (as such terms are defined in the Offer Document)
 - (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities up to an aggregate nominal amount of £2,401,085;

and shall expire at the conclusion of the Annual General Meeting held next after the date on which this resolution was passed or 15 months after the passing of this resolution (whichever is the earlier), but so that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

Ordinary Resolution

4. THAT the directors be and are hereby authorised to amend the Collins Stewart Holdings plc Company Share Option Plan and the Collins Stewart Holdings plc Unapproved Share Option Scheme (the “Schemes”) in the manner described in the Chairman’s letter to shareholders of the Company dated 23 January 2003 and as set out in Part VIII of the prospectus comprising a circular to Shareholders containing this Notice of Meeting dated 23 January 2003 and more particularly set out in the Rules of the Schemes produced to the meeting and initialled by the Chairman for identification and the directors be and they are hereby authorised to do all acts and things which they may consider necessary or expedient for implementing and giving effect to the same.

BY ORDER OF THE BOARD

Diana Dyer Bartlett
Company Secretary

Dated this 23rd day of January 2003

Registered Office:
9th Floor
88 Wood Street
London EC2V 7QR