COLLINS STEWART HOLDINGS PLC

Highlights – (NB 2001 comparative figures restated)

UNAUDITED PRELIMINARY RESULTS - for the year ended 31 December 2002

Highlights

Collins Stewart, the financial services group, today announced its Preliminary results for the year ended 31 December 2002, the highlights of which were:

- Total revenues of £98.7m (2001: £104.3m);
- Operating profit before goodwill amortisation of £32.2m (2001: £32.9m);
- Profit before tax of £25.5m (2001: £32.8m, including exceptional gain of £6.7m);
- Basic earnings per share of 13.02p (2001: 19.18p including exceptional gain of £6.7m) and before goodwill amortisation and exceptional items of 19.48p (2001: 19.64p);
- Return on capital employed of 26% (2001: 30%);
- Recommended final dividend of 4.5p (2001: 4.5p) bringing the total dividend for the year to 6.75p (2001: 6.75p);
- Despite difficult market conditions, the Company's diversified revenue stream produced a reasonable trading performance overall and progress was made in a number of areas including the completion of QUEST™ project with stock coverage widened to include Northern American and Asian equities. Smaller Companies revenues increased by 66% on 2001 to £32m, with 81 clients, up from 73 last year;
- Offer for Tullett plc, a leading IDB, valuing the business at approximately £250m, completed on 10 March 2003. This represents the single most important strategic development since flotation in October 2000 and will enable the Company to service the whole range of potential clients in the financial markets and further diversify its revenue streams;
- Placing and open offer to raise £148m, more than twice subscribed, to fund redemption of Collins Stewart's preference shares and part funding of acquisition of Tullett; and
- Andy Stewart has resigned as a director of the Company and has been appointed as President of the Company with immediate effect. The Board is pleased that despite no longer being a director, he will continue to take an interest in the Company's future.

Commenting on the results, Keith Hamill, Chairman of Collins Stewart Holdings plc, said:

"*Despite the worst trading conditions since the 1970s, the Company once again produced what we regard as a respectable result. Even if the present difficult conditions continue in the equity markets, many of the other financial markets in which the Company now* *operates are thriving. The Board believes that the prospects for the enlarged Group are very promising.*"

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Notes to Editors:

- For details about the analysts' briefings, please contact Emma Kane on the numbers shown above.

- Further information on Collins Stewart is available on the Company's website at www.collins-stewart.com.

- Further information on Tullett is available in Tullett's website at www.tullib.com.

Chairman's statement

Equity markets conditions continued to be poor throughout 2002. At the interim stage we said that the trading environment had been the worst since the 1970s and this adverse trend continued throughout the whole of the second half and presently shows no sign of abating.

Despite these conditions the Company once again produced what we regard as a respectable result with operating profits before goodwill amortisation of £32.2m compared to £32.9m in 2001 on total revenues of £98.7m against last year's £104.3m.

On 10 March 2003 we completed the offer for Tullett plc, one of the leading international inter-dealer brokers. This acquisition is the most important strategic development for Collins Stewart since its flotation in October 2000 and represents a major step towards the goal of diversifying its sources of revenues. The enlarged business has pro forma revenues of some £0.5bn and employs over 2,000 staff in 19 countries around the world. It services a whole range of clients in the financial markets and its products include equities, fixed interest securities, treasury products, interest rate and credit derivatives, energy and oil and gas broking.

At the same time as the funding of the offer for Tullett, we also carried out a placing and open offer to fund the redemption of the Company's preference shares. The combined fundraising of £148m was more than twice subscribed, a notable achievement in the current depressed equity markets. The Board is pleased to acknowledge the support for Collins Stewart which investors have demonstrated.

This support continued at the EGM to approve the acquisition of Tullett and the placing and open offer. At the time there was adverse comment in the media about the single resolution to approve the acquisition of Tullett, which included the adoption of a new share option scheme for Tullett staff. I am pleased to report that shareholders focused on the merits of the transaction and the resolution to approve the acquisition of Tullett was passed by a majority of over 98% of the shares voted at the EGM. We comment on this further in the Operating and Financial Review.

To reflect the change in emphasis in the activities of the enlarged business, it is proposed that the Company should change its name to Collins Stewart Tullett plc at the forthcoming AGM. However, Collins Stewart and Tullett will be retained as the principal trading names of the respective broking businesses.

We also announce that Andy Stewart has resigned as a director of the Company with effect from 24 March 2003 and has been appointed as President of the Company with effect from the same date. In the role of President he will continue to be involved in client relationship management and in promoting the Company's interests.

Andy was one of the co-founders of Collins Stewart Limited and was instrumental in negotiating its MBO from Singer & Friedlander Company plc in 2000. He has made a major contribution to the development of the Company since its formation and the Board is pleased that despite no longer being a director, he will continue to take an interest in the Company's future. Andy will retain the shareholding which he acquired through the MBO; the selling restrictions relating to this shareholding will continue to apply.

Even if the present difficult conditions continue in the equity markets, many of the other financial markets in which we now operate are thriving. The Board believes that the prospects for the Company are very promising.

Keith Hamill
Chairman
24 March 2003

Operating and Financial Review

Last year was the third in succession that stock markets have fallen and this is proving to be one of the worst bear markets since WWII. Stock market trading volumes and equity new issuance were again significantly lower and revenue levels across the market have naturally been affected.

Despite these conditions, the Group produced a reasonable trading performance overall. This demonstrates the benefits of having a diversified revenue stream which has long been a cornerstone of the Board's strategy.

Despite the fact that revenues fell by some 5%, the Group operating profit before goodwill amortisation fell by only 2%. This is because the Group was able to control its costs, which are highly geared to performance. Producing an earnings stream, which is reasonable for shareholders even in difficult market conditions, also forms an important part of Group strategy.

The following table shows the results for the year together with those for 2001:

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 (restated)* £'000
Total revenues		
Turnover	96,001	103,216
Other operating income	2,713	1,075
	98,714	104,291
Operating profit before goodwill amortisation	32,201	32,925
Operating profit after goodwill amortisation	25,620	26,775
Exceptional item	-	6,684
Profit before tax	25,511	32,779
Profit attributable to ordinary shareholders	13,263	19,776
Earnings per share:		
Basic	13.02p	19.18p
Diluted	12.86p	19.00p
Basic before goodwill and exceptional items	19.48p	19.64p

* restated for FRS 19: Deferred Taxation as detailed in note 1.

In addition to dealing with very difficult trading markets, the Group worked on achieving a number of key objectives during the year. The first and foremost was to acquire Tullett. This was described in detail in the prospectus that was sent to shareholders in connection with the fundraising to finance the acquisition. This acquisition was eventually completed on 10 March 2003 having taken many months to negotiate. Tullett will also today be releasing its Preliminary results for the year ended 31 December 2002 on RNS. A copy will be posted on its website, www.tullib.com.

The key factors that affected each of the Group's major areas of activity are summarised in Performance of Divisions and Subsidiaries below. The financial performance of the Group follows in Finance and Administration.

PERFORMANCE OF DIVISIONS AND SUBSIDIARIES

The following table indicates the contributions made by each of our divisions/ subsidiaries:

Turnover	**2002**	**2002**	**2001**	**2001**
	£'000	**%**	**£'000**	**%**
Larger Companies & QUEST™	20,231	21.1	25,208	24.4
Smaller Companies	32,210	33.5	19,397	18.8
Investment Trusts	6,202	6.5	23,929	23.2
Fixed Interest	4,100	4.3	3,817	3.7
UK Private Clients	6,101	6.3	2,656	2.6
Collins Stewart Inc	8,130	8.5	8,927	8.6
Collins Stewart (CI)	19,027	19.8	19,282	18.7
	96,001	100.0	103,216	100.0

Collins Stewart Limited

Larger Companies

Turnover was down by 20% in 2002. Market conditions were poor throughout the whole year, with the relentless bear market being exacerbated by high levels of volatility. 2003 has begun in similar fashion to 2002 and we expect sentiment to remain bearish driven by most world economies falling further into the doldrums. We are continuing to recruit from the large number of people who are now available in the larger companies arena in order to expand our research capabilities, and in sales in order to match the development of QUEST™.

QUEST™

QUEST™ Plus was launched in early 2003. Stock coverage has been widened to include North American and Asian equities and QUEST™ has been redeveloped to integrate all the various QUEST™ products and make the interface more user-friendly.

Our continued aim is to make QUEST™ the product of choice for international equity portfolio managers for the evaluation of corporate performance and share valuation.

Smaller Companies

Smaller Companies revenues were up 66% on 2001 to £32.2m, primarily from corporate fees. This was a record year for Smaller Companies corporate finance, with total fees booked of some £24.8m (2001: £14.2m). We advised on 29 transactions, raising £518m (2001: £260m). We ended the year with 81 clients, up from 73 at last year-end. This is a strong and growing client base, which we intend to develop further in 2003, with the likelihood that we will develop more corporate relationships as competitors withdraw from this area.

The results from secondary market trading reflected the very difficult conditions being experienced throughout the small cap arena.

Investment Trusts

2002 was a difficult year which, in secondary trading, was characterised by clients selling and liquidity vanishing, particularly in split capital investment trusts. Corporate fees of £4.7m (compared to £19.8m in 2001) were also affected by adverse sector sentiment.

As we stated in the prospectus issued on 23 January 2003 the activities of the Investment Trust division in connection with split capital investment trusts are being investigated by the FSA. Further information is set out in the Compliance section below.

Fixed Interest

2002 was another successful year for the division. Income from market making and commission increased to £4.1m in 2002, a 7% increase on the previous year, which itself represented a 27% increase on the previous year. The division has benefited from the continued strength of institutional business and good demand from retail brokers.

UK Private Clients

The first full year of ownership of the UK private client division has been devoted to initiatives to integrate the business. There have been significant changes to improve client service. A large number of clients have moved from advisory to discretionary arrangements and more clients are taking advantage of the nominee services. We have also created two new "fund of fund" products as a way of servicing smaller clients in a more efficient way.

Funds under management decreased by only £90m in 2002 to just over £1 billion. Given the considerable falls in value in the equity markets over the year, this represents a significant achievement for the division. During the year discretionary managed funds increased from £198m to £299m. This is in line with Group strategy to move more funds into discretionary arrangements.

Collins Stewart (CI) Limited

2002 was a reasonable year for the Channel Islands operation, with pre-tax profits of some £6.8m, down from £7.5m in 2001. Funds under management at the end of 2002 totalled £1.2bn, compared to £1.27bn at the end of 2001. The decrease of 5% is a significant achievement against the backdrop of the equity markets.

In January 2002 we launched two hedge funds whose investment methodology is based on QUEST™ triAngle™ methodology. The UK fund produced a return of 8.2% since its launch and outperformed the FTSE 350 index by 32% and the CSFB/ Tremont Index by

21.3% in that time. The Euro fund in the same period produced a loss of 0.8% but outperformed the Eurotop 300 Index by 29% and the CSFB/ Tremont Index by 18%. These funds remain small, but we intend to extend our marketing of them, once they have established a longer track record.

Two new divisions were established in January 2003: Guernsey Investment Management – offering portfolio management via direct equities (based on QUEST™), and the addition of stockbroking services in the Isle of Man.

Collins Stewart Inc

Gross revenues for 2002 were £8.1m down from £8.9m in 2001. Despite this, the business developed during 2002, dealing for 79 institutions compared to 62 in 2001. Although commission income generated in UK stocks was down for the year, income from other European equities increased. During 2002 a facility to trade in ADRs was added to our product offering.

FINANCE AND ADMINISTRATION

Turnover

The following table indicates the contributions made by each of the major areas of activity. As can be seen, Group turnover was down on the previous year by some 7%.

	2002 £'000	2002 %	2001 £'000	2001 %
Market making/ principal turns	8,025	8.4	10,667	10.3
Agency commissions	48,808	50.8	49,999	48.4
Corporate fees	29,676	30.9	35,264	34.2
Management fees	8,858	9.2	7,108	6.9
Other	634	0.7	178	0.2
	96,001	100.0	103,216	100.0

All areas of the Group's operations were affected by the continuing adverse market conditions. Although management fees increased in 2002, this was largely as a result of the first full year's contribution of the UK private client division and Collins Stewart Property Fund Management. A full year's contribution from the UK private client division also offset some of the lower commissions generated by the Larger Companies division.

Corporate fees generated by Smaller Companies were considerably higher than the previous year. However, this was unable to offset the shortfall in fees from the investment trust division. Similarly market making suffered from losses on the investment trust books sustained because of the major loss of liquidity in split capital investment trust stocks.

Expenditure

Overall, in light of the lower turnover achieved by the Group, we reduced our administrative expenditure by £4.8m during the year to £66.5m. The key costs for the

Group relate to staff and premises and the main changes in expenditure are explained below:

Staff Costs

Staff costs decreased by 13% from £51.5m to £44.9m 2002. As in previous years remuneration remains highly geared towards incentive payments and these were considerably reduced in light of the lower revenues generated by the Group. Bonuses were reduced by 31% to £22.9m, £2.4m of which came from directors' bonuses which were down 50% on the previous year. As a result salaries formed 48% of total pay compared to 33% in the previous year. Staff salaries increased overall by £4.5m, largely as a result of the inclusion of the UK private client division and Collins Stewart Property Fund Management for a full year. Staff numbers employed by the Group rose from 385 at the start of the year to 416 at the year-end. Staff costs as a percentage of revenues amounted to 46% (2001: 49%).

Establishment Costs

The new offices at 9th Floor, 88 Wood Street were occupied for the first full year in 2002. Additionally new leases were taken on over space on the 8th floor of 88 Wood Street to accommodate the new UK private client division in May 2001 and February 2002.

Operating profit

The Group's operating profit before goodwill amortisation fell by 2% from £32.9m in 2001 to £32.2m on revenues down 5% from £104.3m to £98.7m. The operating margin increased from 31.6% in 2001 to 32.6% in 2002, as cost savings largely compensated for the lower income and through improved contributions from the UK private client division and Collins Stewart Property Fund Management. The main area of saving was in lower staff costs, primarily lower bonuses, as explained in Staff Costs above.

Amortisation

All goodwill arising on significant acquisitions made to date by Collins Stewart Holdings is being amortised over a 20-year period. The appropriateness of this amortisation period is reviewed annually. The amortisation charge of £6.6m in 2002 compared to £6.2m in 2001 reflects the impact of the first full year of ownership of the UK private client division. The goodwill amortisation charge will substantially increase in 2003 when Tullett's results are consolidated into the Group accounts.

Interest

In the year ended 31 December 2002 the Group had a net interest expense of £0.1m (2001: £0.7m). The reduction is largely due to the lower amortisation of capitalised debt costs in 2002.

Taxation

The Group has a taxation rate of approximately 30% in the UK, 20% in the Channel Islands and 46% in the USA. The tax charge for 2001 has been restated to take account of

FRS 19: Deferred Taxation. This led to a release of £1.2m of tax provided in connection with future dividend remittances from Collins Stewart (CI) to the UK.

Dividends

The Board is proposing a final dividend for 2002 of 4.5p (2001: 4.5p), bringing the total dividend for the year to 6.75p (2001: 6.75p). This implies a dividend cover of 1.9 based on basic earnings, and 2.9 based on earnings before goodwill amortisation.

The ordinary shares allotted pursuant to the placing and open offer and offers for Tullett are also entitled to receive the final dividend. Since these shares were allotted after the year end, these dividends, which total some £3.7m, will be treated as an interim dividend in respect of the year to 31 December 2003.

On 6 March 2003, the Company paid the final dividend on its preference shares. This amounted to £0.16m in respect of the "B" preference shares for the period from 1 January 2002 to 6 March 2003 (calculated at a rate of 4p per share per annum) and £3.14m in respect of the "A" preference shares for the same period, (calculated at a rate of 6p per share for 2002 and 9p per share per annum in the period to 6 March 2003). No further preference dividends will be payable.

Return on Capital Employed

The average return on capital employed for the year, measured by dividing the operating profit before goodwill amortisation by average shareholders funds (including cumulative goodwill written off) and average long term debt less average cash balances, was 26% for the year (2001: 30%). The main reason for the fall in ROCE is that the Group retained greater capital during the year in preparation for the redemption of the preference shares.

Cashflow

Cash generated by operations (excluding the reduction in client settlement moneys of £1.7m (2001: reduction of £5.1m)) after servicing of finance and taxation during 2002 was £10.1m (2001: £19.1m). After investment of £2.1m in fixed assets and acquisition of subsidiaries, repayment of £4.5m of borrowings and distribution of £6.9m in dividends to ordinary shareholders, the Group reduced its cash position (excluding client moneys) by £3.4m (2001: cash inflow of £0.8m). Client settlement moneys are detailed in note 9.

Funding Structure

On 23 January 2003 the Company announced the proposed acquisition of Tullett and the redemption of its preference share capital, accompanied by an equity fundraising of £148m and an increase in the Group's borrowing facility of £50m.

The preference shares had been issued as part of the funding of the MBO of Collins Stewart Limited. The coupon on the "A" preference shares increased to 9% (calculated on £1 nominal value plus share premium) on 1 January 2003 and the "B" preference shares carried a coupon of 4% (calculated on £1 nominal value plus share premium). Both classes of preference share were redeemable *pari passu*.

The preference shares were redeemed on 6 March 2003 out of the proceeds of the placing and open offer which was completed in February. The redemption allowed the Company to save the increased coupon on the preference share capital whilst still retaining a capital base to allow borrowings to be taken on as part of the funding of the acquisition of Tullett.

The borrowing facility with Bank of Scotland has been increased from £14.75m at the end of December 2002 to £64.75m in March 2003. In addition, Tullett has $15m borrowings with Royal Bank of Scotland. Despite the increased borrowings, the enlarged Group will continue to maintain substantial net liquid resources to meet its settlement requirements. In addition to net cash, the Group will continue to have the benefit of a £10m revolving credit facility from Bank of Scotland.

Of the additional borrowings, £45m was in the form of subordinated debt, which is treated as capital by the Financial Services Authority. These subordinated loans can only be repaid other than in accordance with their repayment schedule if at the time of repayment Collins Stewart meets certain capital adequacy guidelines. The new loan was redenominated into US dollar loans on 18 March 2003 as part of the Group’s policy to hedge its investment in its new US and Hong Kong subsidiaries.

Throughout 2002 Collins Stewart remained comfortably within the capital adequacy guidelines set by the Financial Services Authority. At the year end the Group still had capital in excess of 200% of its regulatory requirement. Net cash at the end of 2002 amounted to £41.5m compared to £43.7m at the end of 2001. This represents some 28% of the Group’s net assets (2001: 30%).

Compliance

During 2002 Collins Stewart filed all its regulatory returns on a timely basis and maintained regular contact with its regulators.

As we stated in the prospectus accompanying the share issue in January 2003, the split capital investment trust sector has been subject to review by the House of Commons Select Committee and the FSA. Collins Stewart, as an active participant within the investment trust sector acts as corporate broker and/or financial adviser to a large number of split capital investment trusts, has sponsored fundraisings by these trusts and in some cases acts as fund manager.

On 20 January 2003 Collins Stewart received a notification from the FSA that it was being investigated in connection with its activities in the split capital investment trust sector. Collins Stewart has supplied information to the regulator and has co-operated with all its requests.

Collins Stewart has conducted a review of its activities in the split capital investment trust sector. The Board of Collins Stewart believes that the Group has no material liability in relation to involvement in split capital investment trusts.

Corporate Governance

The firm’s corporate governance policies are set out in the Report on Corporate Governance in the Annual Report. However, given the attention focused on our recent

EGM, we deal below specifically with the matters raised with us by shareholders and proxy voting agencies concerning our EGM.

As mentioned in the Chairman’s report, considerable comment was made by proxy voting agencies and the media at the time of the EGM to approve the Tullett deal about “bundling” of the proposal to introduce a new share option scheme with the resolution to approve the acquisition. There was much wringing of hands in the Corporate Governance departments of the proxy voting agencies, in some cases leading to recommendations to shareholders not to vote in favour of the Tullett acquisition.

The background was that in order to obtain the support of the Tullett Board for the offer and to secure acceptance from its shareholders, we had to agree on an appropriate share option scheme for key Tullett staff. The Tullett shareholders were particularly concerned to ensure this since they would become significant shareholders in Collins Stewart. We are satisfied that the offer for Tullett could not have proceeded without meeting this requirement. Hence the need to "bundle" the resolutions in order to reflect the reality of the situation.

In the event, the Company received the support of its shareholders with over 98% of the 84m shares being voted (79% of the issued ordinary share capital) being cast in favour of the acquisition of Tullett.

Whilst the Board is committed to adopting prudent corporate governance procedures, it is not always in shareholders’ interests to adhere to rigid guidelines. We would welcome a more reasoned and sensible approach from proxy voting agencies and some corporate governance commentators.

A number of our shareholders have asked for further information on the new Tullett share option scheme and we set this out in the Report on Directors’ Remuneration in the Annual Report.

FUTURE DEVELOPMENTS AND OUTLOOK

One of the key projects for the Company in the coming year is the integration of the Tullett business into the Group. This process has already commenced, with each party seeing scope for benefiting from the other's resources.

Although Collins Stewart's equity business continues to be challenged by the difficult equity markets, Tullett has benefited from volatility in some of its core markets and has enjoyed a strong start to 2003.

We will consider making further acquisitions in the future to develop Tullett's business, taking advantage of the consolidation that is taking place in the inter-dealer broker sector. As with all our acquisitions, our focus will be on generating shareholder value and no acquisitions will be considered unless they meet this criterion.

Terry Smith
Chief Executive
24 March 2003

Consolidated Profit and Loss Account

for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000 (restated)*
Turnover	5	96,001	103,216
Administrative expenses			
Goodwill amortisation		(6,581)	(6,150)
Other expenses		(66,513)	(71,366)
		(73,094)	(77,516)
Other operating income		2,713	1,075
Operating profit	5	25,620	26,775
Exceptional item: profit on sale of fixed asset investments in continuing operations		-	6,684
Profit on ordinary activities before interest		25,620	33,459
Interest receivable and similar income		2,495	3,523
Interest payable and similar charges		(2,604)	(4,203)
Profit on ordinary activities before taxation		25,511	32,779
Taxation on profit on ordinary activities		(9,503)	(10,406)
Profit on ordinary activities after taxation		16,008	22,373
Equity minority interests		(143)	5
Profit for the year attributable to shareholders of Collins Stewart Holdings plc		15,865	22,378
Dividends			
Ordinary dividend on equity shares		(6,872)	(6,875)
Preference dividend on non-equity shares		(2,602)	(2,602)
Retained profit for the year		6,391	12,901
Earnings per share			
Basic	6	13.02p	19.18p
Diluted	6	12.86p	19.00p
Basic before goodwill amortisation and exceptional item	6	19.48p	19.64p

All of the Group's profits and losses were from continuing activities.

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

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000 (restated)*
Profit for the year attributable to shareholders of Collins Stewart Holdings plc		15,865	22,378
Currency translation differences		(110)	11
Total recognised gains and losses for the year		15,755	22,389
Prior year adjustment*		1,220	
Total recognised gains and losses since last annual report and financial statements		16,975	

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

Consolidated Balance Sheet
At 31 December 2002

	Notes	2002 £'000	2001 £'000 (restated)*
Fixed assets			
Intangible assets		114,380	120,891
Tangible assets		6,441	6,866
Investments		104	103
		120,925	127,860
Current assets			
Investments		9,470	14,625
Debtors		84,426	103,323
Cash at bank and in hand		61,860	66,299
		155,756	184,247
Creditors: amounts falling due within one year		(119,627)	(158,170)
Net current assets		36,129	26,077
Total assets less current liabilities		157,054	153,937
Creditors: amounts falling due after more than one year		(6,356)	(9,595)
Provisions for liabilities and charges		(445)	(368)
Equity minority interests		(150)	(158)
Net assets		150,103	143,816
Capital and reserves			
Called up share capital	7	27,003	27,003
Share premium account	7	98,316	98,310
Profit and loss account	7	24,784	18,503
		150,103	143,816
Shareholders' funds			
Equity		105,503	99,216
Non equity		44,600	44,600
		150,103	143,816

* The consolidated balance sheet as of 31 December 2001 has been restated for the adoption of FRS 19: Deferred Taxation and the reclassification of bank loan maturity dates as detailed in note 1.

Consolidated Statement of Cash Flows
for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000
Net cash inflow from operating activities	2	21,404	25,875
Returns on investments & servicing of finance:			
Interest received		2,658	3,434
Interest paid		(2,047)	(2,629)
Preference dividends paid		(2,602)	(1,573)
Dividends paid to minorities		-	(34)
		(1,991)	(802)
Taxation:			
Corporation tax paid		(9,076)	(8,843)
Overseas tax paid		(1,925)	(2,213)
		(11,001)	(11,056)
Capital expenditure and financial investments:			
Purchase of tangible fixed assets		(1,823)	(6,346)
Proceeds from sale of tangible fixed assets		-	7
Sale of fixed asset investments		-	6,684
		(1,823)	345
Acquisitions and disposals:			
Purchase of subsidiary undertakings		(220)	(17,408)
Equity dividends paid		(6,877)	(3,581)
Net cash outflow before financing		(508)	(6,627)
Financing:			
Issue of ordinary share capital		6	12,500
Share issue costs		-	(242)
Repayment of bank debt net of issue costs		(4,050)	(9,868)
Repayment of secured loan notes		(488)	(13)
		(4,532)	2,377
Decrease in cash	3,4	(5,040)	(4,250)

Notes

1. Basis of preparation

The preliminary announcement has 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 19: Deferred Taxation for the year ended 31 December 2002. This has led to a restatement of the comparatives for the year ended 31 December 2001: the deferred tax charge has been reduced by £995,000. A further £225,000 has been credited to opening reserves. The creditor balance at 31 December 2001 has been reduced by £1,220,000.

The Group has also restated the balance sheet comparatives for the year ended 31 December 2001 for the reclassification of bank debt by its maturity date. This has led to creditors greater than one year to be decreased by £7,330,000 and creditors less than one year to be increased by this amount.

The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 31 December 2002 or December 2001. The financial information for the year ended 31 December 2001 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on these accounts; their report was unqualified and did not contain a statement under s237(2) or (3) Companies Act 1985. The statutory accounts for the year ended 31 December 2002 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

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

	2002 £'000	2001 £'000
Operating profit	25,620	26,775
Depreciation of tangible assets	2,223	1,550
Goodwill amortisation	6,581	6,150
Loss on sale of fixed assets	-	83
Movement in deferred income	(139)	335
Increase in net market and client balances	(8,569)	(3,242)
Decrease/(increase) in net investment positions	3,272	(2,205)
Increase in other debtors	(444)	(2,081)
Decrease in other creditors	(7,314)	(1,490)
Currency translation differences	174	-
Net cash inflow from operating activities	21,404	25,875

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

	2002 £'000	2001 £'000
Decrease in cash during the year	(5,040)	(4,250)
Cash outflow from repayment of loans & loan notes	4,538	9,861
Debt issue costs	-	20
Amortisation of debt costs	(1,309)	(1,736)
Translation difference	(386)	-
(Decrease)/increase in net funds resulting from cash flows	(2,197)	3,895
Net funds at 1 January 2002	43,656	39,761
Net funds at 31 December 2002	41,459	43,656

4. Analysis of Net Funds

	At 1 January 2002 £'000 (restated)*	Cash flow £'000	Non - cash items £'000	Exchange differences £'000	At 31 December 2002 £'000
Cash in hand and at bank	58,630	(2,407)	-	(386)	55,837
Client settlement monies	7,669	(1,646)	-	-	6,023
Overdraft	(1,023)	(987)	-	-	(2,010)
	65,276	(5,040)	-	(386)	59,850
Loan notes due within one year	(5,030)	488	-	-	(4,542)
Loans due within one year	(7,330)	50	(409)	-	(7,689)
Loans due after one year	(9,260)	4,000	(900)	-	(6,160)
Total net funds	43,656	(502)	(1,309)	(386)	41,459

* restated for reclassification of bank loan maturity as detailed in note 1.

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

The Group operated 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 2002, together with comparatives for the period to 31 December 2001, was as follows:

5. Segmental Analysis of Turnover, Operating Profits and Net Assets (continued)

	UK £'000	Channel Islands £'000	USA £'000	Total £'000
2002				
Turnover	71,709	16,162	8,130	96,001
Operating profit	17,823	4,928	2,869	25,620
Net assets	127,385	22,000	718	150,103
2001				
Turnover	76,376	17,913	8,927	103,216
Operating profit	16,582	6,570	3,623	26,775
Net assets	121,476	21,890	450	143,816

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:

	Market making/ principal turns £'000	Agency commissions £'000	Corporate fees £'000	Manage-ment fees £'000	Other income £'000	Total £'000
2002	8,025	48,808	29,676	8,858	634	96,001
2001	10,667	49,999	35,264	7,108	178	103,216

6. Earnings per Share

Earnings	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000 (restated)*
Earnings for the purposes of the basic and diluted earnings per share	13,263	19,776
Goodwill amortisation	6,581	6,150
Exceptional item	-	(6,684)
Taxation on exceptional item	-	1,010
Earnings for the purposes of basic earnings before goodwill and exceptional items	19,844	20,252

6. Earnings per Share (continued)

Weighted average	2002 No. '000	2001 No. '000
Number of ordinary shares at start of period	101,893	103,101
Shares acquired by the ESOTs from staff leaving the Group	(6)	(1,773)
Share issues	1	1,789
Basic earnings per share denominator	101,888	103,117
Issuable on exercise of options	1,224	944
Diluted earnings per share denominator	103,112	104,061

*restated for the adoption of FRS 19 as detailed in note 1.

7. Group Share Capital and Reserves

	Share Capital Account £'000	Share Premium Account £'000	Profit & Loss Account £'000	Total £'000
At 1 January 2001 restated re FRS 19	26,221	86,834	5,591	118,646
Retained profit for the year as previously reported	-	-	11,906	11,906
Prior year adjustment in respect of FRS 19	-	-	995	995
Ordinary share capital placed	782	11,718	-	12,500
Costs of share issue	-	(242)	-	(242)
Foreign currency translation	-	-	11	11
At 31 December 2001	27,003	98,310	18,503	143,816
Retained profit for the year	-	-	6,391	6,391
Issue of shares	-	6	-	6
Foreign currency translation	-	-	(110)	(110)
At 31 December 2002	27,003	98,316	24,784	150,103

8. Post Balance Sheet Events

On 23 January 2003 the Company announced offers for the entire issued and to be issued share capital of Tullett plc. The offers valued Tullett plc at approximately £250m. The acquisition of Tullett was completed on 10 March 2003 at which time the Company had received acceptances in respect of the entire issued ordinary share capital. Pursuant to the offers, 68m new ordinary shares were issued.

On 23 January 2003 the Company also announced a placing and open offer of 14.65m new ordinary shares at 308p per share to raise approximately £44.6m net of expenses to fund the redemption of all the Company’s issued preference shares. On 6 March 2003 the Company redeemed all the issued “A” and “B” preference shares at par.

The combined fund raising associated with the Tullett offers and the placing and open offer totalled £148m. In addition the Company increased its borrowing facilities with Bank of Scotland by £50m to £64.75m. The existing loan agreements were amended and restated, thus the existing security structure remained in place. The restated borrowings comprise £58.75m subordinated debt and £6m secured loans which are repayable over the 5 years to the end of December 2007. In addition, Bank of Scotland provided a £1.1m secured loan note facility to enable the Company to issue loan notes pursuant to the Tullett offers.

On 18 March 2003 £45m subordinated loan was redenominated into US dollars as part of the Company's strategy to hedge its investment in its US subsidiaries.

9. Client Settlement Moneys

At 31 December 2002, client settlement moneys held by the Group on behalf of clients to settle outstanding bargains totalled £6,023,000 (2001: £7,669,000).

10. Dividends

The directors recommend payment of a final dividend of 4.5p per ordinary share. Subject to shareholders approval at the forthcoming Annual General Meeting, the dividend will be paid on 5 June 2003, to ordinary shareholders whose names are on the register on 9 May 2003.

OTHER INFORMATION

Annual General Meeting

The Annual General Meeting of Collins Stewart Holdings plc will be held at 9th Floor, 88 Wood Street, London, EC2V 7QR at 3.00pm on 29 May 2003.