

Date: 1 September 2003
Embargoed until: 0700 hrs

Collins Stewart Tullett plc (the “Company”)

Defamation proceedings to be issued against The Financial Times

The Board of Collins Stewart Tullett plc announces that the Company has written to The Financial Times Ltd, the publishers of The Financial Times (the “FT”) informing it of its intention to commence legal proceedings against the FT. The Company is claiming a retraction, an apology (including an apology by way of a Statement in Open Court) and substantial damages, specifically concerning an article which the FT published on 27 August 2003, and more generally in respect of the FT’s recent press coverage of allegations made against the Company by a former employee, James Middleweek.

The former employee’s allegations of serious regulatory breaches at the Company’s stockbroking subsidiary (Collins Stewart Ltd) were originally contained in a draft report (the “Draft Report”) prepared by him whilst employed by Collins Stewart Ltd and addressed to the Financial Services Authority (the “FSA”). On 9 July 2003, solicitors acting for the employee convened a meeting with the Company during which they offered (on behalf of their client) to suppress the Draft Report in return for a payment of £2.4 million. The Company considered this a blackmail attempt, dismissed the employee immediately and reported the matter for investigation by the City of London Police.

On 10 July 2003 the Company reported the matter to the FSA and further established a committee of the board chaired by John Spencer the Company’s senior non executive director, to take any action necessary to review the allegations contained in the draft report. The committee immediately initiated an independent investigation by instructing solicitors, Clifford Chance LLP, to carry out a full investigation of the allegations. Clifford Chance LLP concluded that the evidence did not substantiate Mr Middleweek’s allegations of serious regulatory misconduct on the part of the Company or any of its directors.

Since 26 August 2003, the day before the FT published its article, the Company’s share price has fallen by 15 per cent. to a closing price of 379p on Friday 29 August, against a broadly neutral market. This equates to a reduction in the Company’s market capitalisation of approximately £128 million. Whilst assessment of damages is a matter for the court, the Company will argue that this is a relevant figure, which should be taken into consideration as a starting point for analysing the loss the Company has suffered.

The Company has retained Schillings and Patrick Milmo QC, both specialists in defamation proceedings, who have advised on the considerable merits of the Company’s legal position. The Draft Report, which has been extensively quoted in

articles published in the FT, is not a document that is required by law to be open to public inspection, and for many good reasons including that it was addressed to a regulator and should be investigated in that forum rather than the press, and consequently a report of it is not protected by qualified privilege. The Company is therefore absolutely entitled to seek redress against any party who is in possession of this document for publishing, disseminating or otherwise misusing its contents. Further, no common law privilege would attach to an article, which is manifestly unfair, unbalanced, inaccurate and misleading. In these circumstances the Board has determined that it has a duty to seek redress from the FT. The full text of the letter sent by Schillings to the FT this morning is reproduced on the Company's website, www.collins-stewart.com.

Keith Hamill, the Non-executive Chairman, said, " The Company and its management have acted properly – in the circumstances some might say fairly courageously. However unpleasant taking this legal action may be, we have a clear responsibility to attempt to protect our investors, staff and clients.

I also want to say that Terry Smith has been subject to some very negative and personal press over this. My colleagues and I have great admiration for what he has achieved and he has the Board's unanimous support. I would also repeat that the Board has full confidence in the management team and the strength and the future of the Company and its businesses."

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