Date: 22 September 2003
On behalf of: Collins Stewart Tullett plc ("Collins Stewart Tullett")
Embargoed until: 0700hrs

COLLINS STEWART TULLETT PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

Collins Stewart Tullett, the financial services group, today announces its interim results for the six months ended 30 June 2003, the highlights of which are:

- First results incorporating Tullett Liberty which was acquired on 10 March 2003.
- On a pro forma basis the combined business has grown operating profits before goodwill by 22% and EPS before goodwill by 27% during the period. See Appendix 2.
- Turnover was £196.1m (2002: £50.0m), with Tullett Liberty contributing £139.3m of the increase.
- Operating profit before goodwill amortisation was £35.1m (2002: £15.4m), £16.9m of which was generated by Tullett Liberty.
- Profit before tax was £29.0m (2002: £11.9m).
- Basic EPS of 9.30p up 55% and basic EPS before goodwill amortisation of 13.22p up 44%.
- Interim dividend of 2.50p up 11% (2002: 2.25p).

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

"The Tullett acquisition has transformed our Group. In particular, we have been successful in the goal of diversifying the sources of revenues and the Group has strong businesses that are performing well. The first half results are very encouraging, and current trading and the outlook reflect those strengths."

Terry Smith, the Group's Chief Executive, added:

"Some four fifths of the Group's turnover and more than half of its profits are now derived as an inter-dealer broker ("IDB") in non equity markets. We see the IDB market as an important area for the development of our business in the future - a number of other investment opportunities in the IDB market have also been identified and we intend to explore these further in the coming months."

- Ends -

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Further information on Collins Stewart Tullett plc:

Further information on Collins Stewart and Tullett Liberty is available on the Company's websites: www.collins-stewart.com and www.tullib.com.

CHAIRMAN'S STATEMENT

These interim results are the first results we have issued since the acquisition of Tullett Liberty, one of the leading international inter-dealer brokers, in March. The acquisition has significantly strengthened and diversified the Company.

The enlarged business has achieved an excellent result for the first half. Pro forma operating profits before goodwill for both businesses for the full period are up 22 per cent at £44.3m and pro forma earnings per share before goodwill are up 27 per cent.

The continuing Collins Stewart businesses are mainly focused on equity broking activities in London, New York and the Channel Islands. These grew revenues by 13 per cent. to £57m despite weak markets. This performance was led by a very strong performance in Corporate Finance, which grew revenues by 60 per cent. The Company has developed particular strength in this area - raising £755m for clients from 19 fund raisings over the twelve months to June, while achieving average returns for investors in line with market norms.

During the first six months the Tullett Liberty businesses grew revenues (excluding businesses sold) by 6 per cent. to £221m, with an improved performance in fixed income and interest rate derivative products. We are very encouraged by the strength of the acquired businesses and the contribution of our new colleagues.

The Board has decided to increase the interim dividend by 11 per cent. to 2.5 pence per share.

Over recent years the Company has achieved exceptional performance and growth in the range of its activities. Its achievements result from a strong performance culture, with staff rewards based on personal contribution and, where possible, aligned with the interest of shareholders through the use of equity participation. The broking activities are based on an independent broking model, which contrasts with the approach of the major integrated investment banks. The Company's reputation is justifiably based on two key factors: high quality and perceptive research on major companies, including its development of the QUEST™ system which provides disciplined analysis techniques based on cash flow returns on capital; and innovation in structuring corporate finance activity - including the effective use of public equity in the acquisition and subsequent flotation of Northumbrian Water in competition with private equity providers.

Naturally Collins Stewart's success and high profile in London equity broking is not without its problems. Over recent weeks litigation relating to a dispute with a former employee who has made serious allegations of regulatory misconduct has attracted substantial and often disproportionate media attention.

Although we believe the allegations to be ill-founded and were made by an individual whose credibility and motivation are in our opinion highly questionable, the allegations have been dealt with properly by the Company. Accordingly the Board has been assisted by solicitors, Clifford Chance LLP, in an investigation. The conclusion was that the evidence did not substantiate the allegations of serious regulatory misconduct on the part of the Company or any of its directors. The Company has also reported the allegations to the appropriate authorities and will continue to do whatever is needed to assist them.

The Board is unanimous in its view that the Company has acted in the best interests of its investors, employees and clients in taking actions necessary to deal with these allegations.

The Company has strong businesses that are performing well. These are positioned to enable us to continue to achieve growth and we intend to ensure that they continue to develop. The first half results are very encouraging, and both current trading and the outlook reflect the strength of the businesses as well as the improvement in the markets.

Keith Hamill
22 September 2003

CHIEF EXECUTIVE'S REPORT

Following the acquisition of Tullett Liberty in March, it is worth summarising the scope of the enlarged Group's business. The acquisition has expanded the Group's activities from the original equity broking business into dealing in a wide range of financial instruments, including deposits, foreign exchange, bonds (government, corporate and mortgage-backed) and other securities, interest rate and other derivatives, and energy. Some four fifths of the Group's turnover and more than half of its profits are now derived as an inter-dealer broker in non equity markets. It operates in 18 countries and employs approximately 2,100 staff.

The following table shows the results for the first half of 2003, incorporating Tullett Liberty from 10 March, together with those for the comparative period in 2002 and the year ended 31 December 2002.

£'000	**Six months ended 30 June 2003**	**Six months ended 30 June 2002**	**Year ended 31 December 2002**
Turnover	196,061	49,979	96,001
Operating profit:			
Before goodwill amortisation	35,098	15,360	32,201
After goodwill amortisation	29,025	12,103	25,620
Profit before tax	28,989	11,937	25,511
Profit after tax attributable to ordinary shareholders	14,438	6,112	13,263
Earnings per share:			
Basic	9.30p	6.00p	13.02p
Diluted	9.17p	5.92p	12.86p
Basic before goodwill amortisation	13.22p	9.19p	19.48p

The consolidated accounts produced in the statutory format (summarised in the above table) consolidate Tullett Liberty's results from March. These differ markedly from those produced previously and accordingly we have also presented comparable financial information on both the Collins Stewart and Tullett Liberty businesses in this interim review to enable investors to gain a better understanding of the trends in the underlying businesses. The pro forma information at the end of this interim statement has been prepared as though the acquisition of Tullett Liberty had been completed at the beginning of 2002 to enable performance to be better compared to the previous period.

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

FINANCIAL PERFORMANCE

The turnover and operating profit before goodwill of the enlarged Group increased by £146.1m and £19.7m respectively. Tullett Liberty, in the period since 10 March, contributed £139.3m to Group turnover and £16.9m to operating profit before goodwill. Basic earnings per share improved 55% from 6.00p to 9.30p and basic earnings per share before goodwill improved 44% from 9.19p to 13.22p.

Collins Stewart's continuing operations increased turnover by £6.7m, representing an improvement of 13% and operating profit before goodwill rose by £2.8m, an increase of 18%. The operating margin before goodwill rose 1.4% to 32.1% as the firm benefited from the increased activity. Operating profit before goodwill is after accruing staff bonuses of £14.8m (2002: £12.9m). The improved results were largely driven by the excellent performance produced by the Corporate Finance department, which helped to counter the effects of unfavourable market conditions on other parts of the firm. Trading in the last two months of the first half showed signs of recovery.

All the main areas of Tullett Liberty's business achieved growth in revenues and profits in the first half, although the North American and Asian results were adversely affected by the weakening of the US dollar. Tullett Liberty's strengths in fixed income and interest rate derivative products drove this improved performance.

Setting aside the 2002 results of the communication sales business which was sold at the start of this year, Tullett Liberty's first half turnover increased by 6.5% over the first six months of last year. Operating profits (before exceptional items) were nearly 21% better and operating returns (excluding goodwill), at 11.8%, were 13% up on 2002. For the first six months of the year direct broking costs were 66% of revenues (fixed staff costs (29%), bonuses (33%) and entertaining expenses (4%)).

Tullett Liberty's improvement has been assisted by favourable market conditions; volatility in the yield curve and heavy market activity in virtually all fixed income securities have played to Tullett Liberty's particular product strengths. However, we believe that our commitment to a hybrid strategy – using appropriate technology to support and augment the skills of our voice brokers – and our ability to take advantage of the investment in, and reorganisation of, the business carried out through 2001 and 2002 have been even more important factors in the improved performance.

The Group tax charge has increased to 37% of pre-tax profits pre goodwill amortisation from 29% in 2002. This is because of the consolidation of the Tullett Liberty business which has a higher effective tax rate owing to the proportion of its profits which come from New York (where aggregate corporate tax rates are 47%).

The directors have declared an interim dividend of 2.50p per share (2002: 2.25p). This is payable on 4 December 2003 to shareholders on the register at the close of business on 7 November 2003. The total ordinary dividend expense of £8.3m in the accounts includes £3.7m paid at the time of the 2002 final dividend to shareholders who became members subsequent to the year end date. The preference dividend of £0.7m represents the final dividend paid on redemption.

The acquisition of Tullett gave rise to £182m of goodwill which will be amortised through the profit and loss account over a period of 20 years. The main fair value adjustment is the recognition of the post tax deficit in the Tullett plc pension fund of £26.5m which was taken into consideration when negotiating the acquisition.

The financing structure of the Company altered materially as a result of the acquisition of Tullett Liberty and the redemption of the Company's £44.6m preference shares. Some 82m new shares were issued, shareholders' funds increased by £218m and an additional £50m of subordinated debt taken on. The Group's net funds increased by £21.8m to £63.3m.

Of the subordinated debt raised as part of the funding for the Tullett acquisition, £45m has been redenominated into US dollars as part of the Company's strategy to hedge its investment in its new North American and Hong Kong subsidiaries. We are continuing to explore means to safeguard the Company's investment in overseas businesses from significant foreign currency fluctuations.

PERFORMANCE OF BUSINESSES

It is intended that the Collins Stewart and Tullett Liberty businesses should both retain their own brand identity and in most respects continue to be managed as separate businesses. Accordingly the performance of each of the Collins Stewart and Tullett Liberty brands is dealt with separately below.

Whilst we did not anticipate significant cost savings deriving from the acquisition of Tullett Liberty, there is, of course, scope for some sharing of resources and we have made significant progress to this end in the first half. New Group functions to cover Finance, Tax, Internal Audit and Risk Control are being established and Group policies amended to ensure a consistent approach to risk and operational control. This process will continue in the second half.

COLLINS STEWART

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

	Six months ended 30 June 2003		Six months ended 30 June 2002		Year ended 31 December 2002	
	£'000	%	£'000	%	£'000	%
Larger Companies and QUEST™	13,486	23.8	15,192	30.4	28,361	29.5
Smaller Companies	27,536	48.5	15,062	30.1	32,210	33.6
Investment Trusts	2,137	3.8	4,071	8.2	6,202	6.5
Fixed Interest	1,930	3.4	1,983	4.0	4,100	4.3
Private Clients	11,626	20.5	13,671	27.3	25,128	26.1
	56,715	100.0	49,979	100.0	96,001	100.0

	Six months ended 30 June 2003 £'000	%	Six months ended 30 June 2002 £'000	%	Year ended 31 December 2002 £'000	%
Market making	6,019	10.6	3,830	7.7	8,025	8.4
Commissions	21,441	37.8	26,172	52.3	48,808	50.8
Corporate Finance	24,568	43.3	15,329	30.7	29,676	30.9
Management fees	4,601	8.2	4,575	9.2	8,858	9.2
Other income	86	0.1	73	0.1	634	0.7
	56,715	100.0	49,979	100.0	96,001	100.0

Revenues have improved markedly in the first half of 2003, as Collins Stewart benefited from some major corporate finance transactions, completed against a difficult market background. Equity markets improved at the end of the first half, but not soon enough to allow this improvement to show through in the results of our other divisions.

Larger Companies and QUEST™

In the first six months of 2003, the Larger Companies and QUEST™ division produced turnover down on the previous interim period. The market backdrop remained tough and although the number of shares traded in the FTSE 100 in the first half was about 14% up on the first half of 2002, the average level of the market was about 25% lower. Moreover, a number of hedge funds clients in the US closed their doors to business during the first half.

The decline in turnover reflected a fall in European brokerage income, whilst UK commissions actually improved against the comparative period. The first quarter market levels and volumes were severely affected by continuing poor global economic conditions, exacerbated by the SARS outbreak and the impending military conflict in Iraq. The beginning of the second quarter heralded a recovery in market conditions. This led to increased volumes which were sustained for the remainder of the quarter.

The QUEST™ Plus project was completed during the period substantially on time and to budget and extended QUEST™ coverage to Asian and North American stocks.

New salesmen have been hired to support the pan-European team and we are seeking to develop an Asian equity sales business supported by the QUEST™ Plus project.

Smaller Companies

Smaller Companies posted record revenues for the first half of 2003, with overall revenues, adjusted to exclude commissions paid away of £3.1m, increasing by 64%. Collins Stewart raised £486m of new equity and advised on 23 transactions for its clients compared to £250m and 22 transactions in the first half of 2002. Transactions included three IPO's, one of which was the first full list flotation on the London Stock Exchange this year, and another was the largest float of the first half. The latter was the ground breaking Northumbrian Water float, where Collins Stewart raised £389m of new equity. The *Dealogic* tables (published by Thomson Financial and which included one IPO which was completed shortly after the period end) placed Collins Stewart at the top of the IPO table for Europe/ Africa/ Middle East and at fourth place in the global IPO table.

Secondary trading and commissions, after a difficult start and a particularly challenging February, recovered to levels slightly ahead of the comparable period last year.

At the end of June 2003 Collins Stewart was broker to 84 companies (December 2002: 81).

Investment Trusts

Corporate activity in the investment trust sector has been noticeably absent in the first half of 2003, with new fund raisings particularly scarce (down over 80% compared to the first half of 2002 according to our estimates). Market conditions have improved a little post the war in Iraq and there is some evidence that turnover is beginning to recover; indeed market making profits in the first half exceeded those for the whole of 2002.

The FSA investigation into the split capital investment trust sector is progressing and we continue to assist in providing information to our regulator. Similar investigations have been commenced by the Channel Islands regulators.

Fixed Interest

The fixed interest division's revenues in the first half were £1.9m including commission, slightly lower than the first half last year. Relatively volatile markets have sometimes made market-making difficult.

Private Clients

Despite difficult market conditions in the first four months of the year, the Private Client Division had assets under management of £2.3bn at the end of June.

Performance across our managed portfolios and funds has typically been strong with a number of funds significantly outperforming their peer groups, particularly our European Funds. Our recently launched onshore multi-manager OEICs have grown significantly as a result of a drive to increase the average size of managed portfolios by adopting a multi-manager approach for smaller clients. We expanded our fund business by employing a small but highly rated team of US fund managers based in Edinburgh who are managing our new US Equity Focus Fund. We also completed the integration of the Isle of Man private client business bought from Charterhouse Tilney at the beginning of 2003.

A sustained effort has been made to convert portfolios to a discretionary fee paying basis and to encourage clients to use our nominee services. Good results have been achieved, which along with much improved trading in May and June, provided some respite from low trading volumes in the first four months.

TULLETT LIBERTY

Tullett plc, which operates globally through the Tullett Liberty brand, was acquired on 10 March 2003 and thus the consolidated results for the Collins Stewart Tullett group only include the results of the Tullett Liberty businesses since that date. However, in order to give a better presentation of the trends in its business the following commentary and analyses review performance for the six months ended 30 June 2003 and draw comparisons with previous periods.

The following tables analyse turnover on a product and regional basis for the six months to 30 June 2003 together with comparatives. The communication sales business, which was sold with effect form 1 January 2003, has been shown separately to facilitate comparison.

	Six months ended 30 June 2003		Six months ended 30 June 2002		Year ended 31 December 2002	
	£'000	%	£'000	%	£'000	%
Securities Broking	126,980	57.5	119,149	57.4	240,079	58.4
Derivatives and Money Broking	89,483	40.5	82,263	39.7	160,052	38.9
Information Sales	4,341	2.0	5,986	2.9	11,150	2.7
	220,804	100.0	207,398	100.00	411,281	100.00
Communication Sales	-		5,610		12,317	
	220,804		213,008		423,598	

	Six months ended 30 June 2003		Six months ended 30 June 2002		Year ended 31 December 2002	
	£'000	%	£'000	%	£'000	%
Europe	100,353	45.5	83,479	40.3	179,474	43.6
North America	102,076	46.2	106,824	51.5	202,157	49.2
Asia Pacific	18,375	8.3	17,095	8.2	29,650	7.2
	220,804	100.0	207,398	100.00	411,281	100.00
Communication Sales	-		5,610		12,317	
	220,804		213,008		423,598	

Europe

The most marked improvement in performance has been in our European operations where revenues have increased by 20% over the previous first half. In 2001 and, to a lesser extent, in 2002 this region was the subject of a reorganisation and rationalisation exercise which eliminated loss-making desks and non-core activities. The first half of 2003 has seen the benefits of this work with all the main product areas reporting revenues ahead of the prior year. Higher levels of activity and reduced one-off costs have had a further positive impact on margins. Our fixed income and interest rate derivative areas have performed particularly strongly during the first half.

North America

The North American operations have once again performed strongly. The average exchange rate used to translate our US dollar results in the first half of 2003 is more than 11% weaker than that used for the equivalent period of 2002. In US dollar terms, therefore, the North American revenues are 6% higher than 2002. Our broadly based fixed income business was once again a cornerstone of this performance with these markets, as attested by the results of the investment banks, being extremely active. This level of activity also assisted our interest rate derivative business.

Asia Pacific

Our businesses in Hong Kong and, in particular, Singapore were adversely affected for a number of months by the concerns created by the SARS virus, now thankfully reduced. In addition, earnings in Hong Kong were subject to the same exchange rate factors as North America. In this context the underlying results from the region were very satisfactory and reflect our strength in indigenous currency derivatives as well as proactive management of less profitable desks.

Technology

We have continued with our focused investment in technology, aiming to implement systems, processes and infrastructure capable of being leveraged as the business grows organically or through acquisition. Use of our Marker broker platform both internally and externally continues to expand as we extend its capabilities to cover further product areas. A major development and deployment effort this year has been on our post-trade Straight Through Processing capability – a service we call “post:marker”. Launched in June, this service has been well received by early adopters.

Other Activities

Our revenue from information sales has fallen on a year on year basis. Trading conditions for our traditional data vendor customer base have continued to be difficult and this has adversely impacted the level of sales but not the development of our services.

In April we concluded the sale of our communication sales business to GS Capital Partners 2000. While the profit created by this transaction is a pre-acquisition item for the Collins Stewart Tullett Group it should generate around £5m of positive cash flow for the Group by the end of the earn-out period.

FUTURE DEVELOPMENTS AND OUTLOOK

In recent weeks Collins Stewart has opened offices in Edinburgh and Dublin and we continue to explore opportunities to extend our network. Tullett Liberty has offices around the world and we are developing proposals to extend Collins Stewart’s distribution using Tullett Liberty’s infrastructure, the first of these initiatives being through the Paris office.

We continue to seek to recruit new staff in the Collins Stewart and Tullett Liberty businesses. Collins Stewart has recently recruited a new M&A team to join its Corporate Finance division. We intend that this team will both supplement our advisory services for existing clients as well as create new business opportunities.

In August Tullett Liberty reorganised its investments in Japan selling its 20% holding in The Totan Derivatives Co., Ltd (a holding company with a number of broking operations in which Tullett Liberty had no direct interest) and purchasing a 20% interest in The TIU Derivative Co., Ltd, a leading derivatives broker. These transactions will generate a profit of some £4m and have realised £9m cash. This reorganisation aligns our management input with our product interests.

A number of other investment opportunities in the IDB market have also been identified and we intend to explore these further in the coming months. We see the IDB market as an important area for the development of our business in the future.

The equity market has seen some improvement in recent months, although we remain concerned about the sustainability of this recovery. The fixed interest markets have experienced considerable volatility in the first half and we foresee no change in the short term. We regard these market conditions as favourable to the outlook for the remainder of the current financial year.

Terry Smith
Chief Executive

22 September 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 30 June 2003

	Notes	Six months ended 30 June 2003 (Unaudited) £'000	Six months ended 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 £'000
Turnover				
Continuing operations		56,715	49,979	96,001
Acquisitions		139,346	-	-
	2	196,061	49,979	96,001
Administrative expenses				
Amortisation of goodwill:				
Continuing operations		(3,254)	(3,257)	(6,581)
Acquisitions		(2,819)	-	-
		(6,073)	(3,257)	(6,581)
Other expenses:				
Continuing operations		(40,335)	(35,823)	(66,513)
Acquisitions		(124,230)	-	-
		(164,565)	(35,823)	(66,513)
Total administrative expenses		(170,638)	(39,080)	(73,094)
Other operating income				
Continuing operations		1,833	1,204	2,713
Acquisitions		1,769	-	-
		3,602	1,204	2,713
Operating profit				
Continuing operations		14,959	12,103	25,620
Acquisitions		14,066	-	-
	2	29,025	12,103	25,620
Share of operating profits in associates				
Acquisitions		148	-	-
		29,173	12,103	25,620
Interest receivable and similar income:				
Group		2,576	1,372	2,495
Associates		30	-	-
Interest payable and similar charges:				
Group		(2,790)	(1,538)	(2,604)
Profit on ordinary activities before taxation		28,989	11,937	25,511
Taxation on profit on ordinary activities		(12,956)	(4,472)	(9,503)
Profit on ordinary activities after taxation		16,033	7,465	16,008
Minority interests		(910)	(63)	(143)
Profit for the period attributable to shareholders of Collins Stewart Tullett plc		15,123	7,402	15,865
Dividends paid and proposed				
Ordinary dividend on equity shares		(8,338)	(2,292)	(6,872)
Preference dividend on non-equity shares		(685)	(1,290)	(2,602)

Retained profit for the period	6,100	3,820	6,391
Earnings per share			
Basic	9.30p	6.00p	13.02p
Diluted	9.17p	5.92p	12.86p
Basic before goodwill amortisation	13.22p	9.19p	19.48p
Dividend per share	2.5p	2.25p	6.75p

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the six months ended 30 June 2003

	Six months ended 30 June2003 (Unaudited) £'000	**Six months ended 30 June 2002 (Unaudited) £'000**	**Year ended 31 December 2002 £'000**
Profit for the period attributable to shareholders of Collins Stewart Tullett plc	15,123	7,402	15,865
Foreign currency translation differences:			
Subsidiaries	(1,141)	(50)	(110)
Associates	(665)	-	-
Total recognised gains and losses for the period	13,317	7,352	15,755
Prior period adjustment in respect of FRS 19: Deferred tax	-	456	1,220
Total recognised gains and losses since the last annual report	13,317	7,808	16,975

CONSOLIDATED BALANCE SHEET
as at 30 June 2003

	Notes	30 June 2003 (Unaudited) £'000	30 June 2002 (Unaudited) £'000	31 December 2002 £'000
Fixed assets				
Intangible assets	4	290,568	117,632	114,380
Tangible assets		27,158	6,814	6,441
Associates and fixed asset investments		14,709	104	104
		332,435	124,550	120,925
Current assets				
Investments	8	61,194	14,714	9,470
Debtors	10	1,067,854	300,949	84,426
Cash at bank and in hand	8,9	117,127	43,332	61,860
		1,246,175	358,995	155,756
Creditors: amounts falling due within one year	10	(1,105,136)	(328,853)	(119,627)
Net current assets		141,039	30,142	36,129
Total assets less current liabilities		473,474	154,692	157,054
Creditors: amounts falling due after more than one year		(92,501)	(6,434)	(6,356)
Provisions for liabilities and charges		(1,715)	(1,209)	(445)
Minority interests		(7,240)	(221)	(150)
Net assets		372,018	146,828	150,103
Capital and reserves				
Called up share capital	5	47,239	27,003	27,003
Share premium account	5	195,314	98,316	98,316
Merger reserve	5	100,387	-	-
Profit and loss account	5	29,078	21,509	24,784
		372,018	146,828	150,103
Shareholders' funds				
Equity		372,018	102,228	105,503
Non equity		-	44,600	44,600
		372,018	146,828	150,103

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2003

	Notes	Six months ended 30 June 2003 (Unaudited) £'000	Six months ended 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 £'000
Net cash (outflow)/ inflow from operating activities	6	(11,216)	(12,182)	21,404
Dividends from associates		109	-	-
Returns on investments and servicing of finance:				
Interest received		2,584	1,372	2,658
Interest paid		(1,809)	(853)	(2,047)
Interest element of finance lease rental payments		(83)	-	-
Preference share dividend		(3,296)	(2,602)	(2,602)
		(2,604)	(2,083)	(1,991)
Taxation:				
Corporation tax paid		(4,003)	(3,710)	(9,076)
Overseas tax paid		(8,049)	(1,069)	(1,925)
		(12,052)	(4,779)	(11,001)
Capital expenditure and financial investments:				
Purchase of tangible fixed assets		(3,222)	(1,017)	(1,823)
Sale of tangible fixed assets		20	-	-
		(3,202)	(1,017)	(1,823)
Acquisitions and disposals:				
Purchase of subsidiary undertakings		(129,139)	-	(220)
Net cash acquired with subsidiary undertaking		32,049	-	-
		(97,090)	-	(220)
Equity dividends paid		(8,330)	(4,583)	(6,877)
Net cash outflow before management of liquid resources and financing		(134,385)	(24,644)	(508)
Management of liquid resources	7	3,055	-	-
Financing:				
Issue of ordinary share capital		147,999	6	6
Share issue costs		(2,635)	-	-
Redemption of preference shares		(44,600)	-	-
Net issue / (repayment) of bank debt		46,063	(4,050)	(4,050)
Net repayment of loan notes		(3,162)	-	(488)
Debt issue costs	7	(500)	-	-
Capital element of finance lease rental payments	7	(420)	-	-
		142,745	(4,044)	(4,532)
Increase/(decrease) in cash	7	11,415	(28,688)	(5,040)

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

The interim accounts for the six months ended 30 June 2003, which are unaudited, have been prepared on the basis of the accounting policies set out in the Annual Report 2002 other than as set out below. The financial information contained in this interim report does not constitute the Group's statutory accounts within the meaning of section 240 of the Companies Act 1985. The figures shown for the year ended 31 December 2002 represent an abridged version of the audited financial statements of the Company for that year, which have been filed with the Register of Companies and on which the auditors have given an unqualified report which did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

Tullett has a number of investments in associates and a defined benefit pension scheme and accordingly the Group accounting policies have been extended to incorporate Tullett's policies on pensions and associates as follows.

Pensions

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

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

Associates

Entities other than subsidiary undertakings, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates and are accounted for using the equity method. The Group financial statements include the appropriate share of associates' results and retained reserves based on audited accounts to 31 December each year, with the exception of Totan Derivatives Co Ltd, which has a 30 November year end.

2 Segmental analysis

Geographical area

Turnover	Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Europe	116,378	45,841	87,871
North America	67,365	4,138	8,130
Pacific Basin and Australasia	12,318	-	-
	196,061	49,979	96,001

Operating profit	Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Europe	22,845	14,054	29,332
North America	10,370	1,306	2,869
Pacific Basin and Australasia	1,883	-	-
	35,098	15,360	32,201
Goodwill amortisation	(6,073)	(3,257)	(6,581)
	29,025	12,103	25,620

Class of business

Turnover	Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Collins Stewart:			
Stockbroking, corporate finance and fund management	56,715	49,979	96,001
Tullett Liberty:			
Derivatives and money broking	57,092	-	-
Securities broking	79,413	-	-
Information sales	2,841	-	-
	139,346	-	-
	196,061	49,979	96,001

Operating profit	Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Collins Stewart:			
Stockbroking, corporate finance and fund management	18,213	15,360	32,201
Goodwill amortisation	(3,254)	(3,257)	(6,581)
	14,959	12,103	25,620
Tullett Liberty:			
Derivatives and money broking	6,789	-	-
Securities broking	9,689	-	-
Information sales	407	-	-
Goodwill amortisation	(2,819)	-	-
	14,066	-	-
	29,025	12,103	25,620

3 Earnings per share

Earnings	Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Earnings for the purposes of the basic and diluted earnings per share	14,438	6,112	13,263
Goodwill amortisation	6,073	3,257	6,581
Earnings for the purposes of basic earnings per share before goodwill amortisation	20,511	9,369	19,844

Weighted average shares	Six months ended 30 June 2003 No. '000	Six months ended 30 June 2002 No. '000	Year ended 31 December 2002 No. '000
Number of ordinary shares at start of year	101,780	101,893	101,893
Shares acquired by the ESOTs from staff leaving the Group	(55)	-	(6)
Share options exercised and ESOT allocations	93	-	-
Share issues	53,347	-	1
Basic earnings per share denominator	155,165	101,893	101,888
Issuable on exercise of options	1,498	1,378	1,224
Contingently issuable shares	745	-	-
Diluted earnings per share denominator	157,408	103,271	103,112

4 Intangible fixed assets

On 10 March 2003, the Company acquired Tullett plc, an inter-dealer broker. The consideration was approximately £251m as set out below. This included deferred consideration of £5m payable in November 2004, stated at its net present value as of the date of acquisition, and expenses. The goodwill arising of £182m is being amortised over 20 years.

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

	Book value on acquisition £'000	Fair value adjustments £'000	Provisional fair value £'000
Tangible fixed assets and associates	39,960	-	39,960
Debtors	201,217	15,041	216,258
Investments	32,005	-	32,005
Cash and short term deposits	71,821	-	71,821
Creditors falling due in less than one year	(230,570)	(9,544)	(240,114)
Creditors falling due in more than one year	(8,864)	(37,862)	(46,726)
Minority interests	(4,854)	-	(4,854)
	100,715	(32,365)	68,350

Purchase consideration	250,611
Goodwill arising	182,261

Purchase consideration comprised:	
Cash	120,907
Issue of shares	116,856
Deferred consideration	4,616
Costs of acquisition	8,232
	250,611

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

The largest single fair value adjustment is the recognition of the deficit in Tullett plc's defined benefit pension scheme and the recognition of the associated deferred tax asset. This gave rise to a post tax adjustment of £26.5m.

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

Intangible assets

	£'000
Cost	
At 1 January 2003	130,411
Additions	182,261
At 30 June 2003	312,672
Amortisation	
At 1 January 2003	16,031
Charge for the period	6,073
At 30 June 2003	22,104
Net book value	
At 1 January 2003	114,380
At 30 June 2003	290,568

5 Movement in shareholders' funds

	Share capital account £'000	**Share premium account £'000**	**Merger reserve £'000**	**Profit and loss account £'000**	**Total £'000**
Balance at 1 January 2003	27,003	98,316	-	24,784	150,103
Retained profit for period	-	-	-	6,100	6,100
Issue of ordinary shares	20,682	143,787	100,387	-	264,856
Redemption of preference shares	(446)	(44,154)	-	-	(44,600)
Cost of shares issued	-	(2,635)	-	-	(2,635)
Foreign currency translation	-	-	-	(1,806)	(1,806)
Balance at 30 June 2003	47,239	195,314	100,387	29,078	372,018

The merger reserve (s.131) arises from the acquisition of Tullett when the Company issued new shares to acquire equity shares of Tullett plc.

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

	Six months ended 30 June 2003 £'000	**Six months ended 30 June 2002 £'000**	**Year ended 31 December 2002 £'000**
Group operating profit	29,025	12,103	25,620
Depreciation of tangible fixed assets	3,543	1,064	2,223
Goodwill amortisation	6,073	3,257	6,581
Profit on sale of fixed assets	(4)	-	-
Decrease in net market and client balances	(52,715)	(11,761)	(8,569)
Decrease/(increase) in net investment positions	996	(889)	3,272
Decrease/(increase) in other debtors	2,739	(90)	(444)
Decrease in other creditors	(160)	(15,825)	(7,314)
Decrease in long term creditors	(713)	(41)	(139)
Currency translation differences	-	-	174
Net cash (outflow)/inflow from operating activities	(11,216)	(12,182)	21,404

7 Reconciliation of net cash flow to movement in net funds

	Six months ended 30 June 2003 £'000	**Six months ended 30 June 2002 £'000**	**Year ended 31 December 2002 £'000**
Increase/(decrease) in cash during the period	11,415	(28,688)	(5,040)
Cash inflow from increase in long term loans	(51,115)	-	-
Cash outflow from repayment of loans and loan notes	8,214	4,050	4,538
Debt issue costs	500	-	-
Cash outflow from lease financing	420		
Increase in current asset investments and term deposits	(3,055)		
Acquired with subsidiary:			
Finance leases	(4,039)	-	-
Loans due within one year	(9,523)	-	-
Current asset investments and term deposits	70,341	-	-
Change in net funds/(debt) resulting from cash flows	23,158	(24,638)	(502)
Amortisation of debt issue costs	(615)	(687)	(1,309)
Currency translation differences	(700)	-	(386)
Change in net funds/(debt)	21,843	(25,325)	(2,197)
Net funds at the start of the period	41,459	43,656	43,656
Net funds at the end of the period	63,302	18,331	41,459

8 Analysis of net funds

	At 1 January 2003 £'000	Cash flow £'000	Acquired with subsidiary* £'000	Non - cash items £'000	Exchange differences £'000	At 30 June 2003 £'000
Cash in hand and at bank	55,837	42,244	-	-	(435)	97,646
Client settlement monies	6,023	(520)	-	-	-	5,503
Overdraft	(2,010)	(30,309)	-	-	-	(32,319)
	59,850	11,415	-	-	(435)	70,830
Loan notes repayable within one year	(4,542)	3,162	-	-	-	(1,380)
Loans due within one year	(7,689)	955	(9,523)	(481)	433	(16,305)
Loans due after one year	(6,160)	(46,518)	-	(134)	1,442	(51,370)
Finance lease and hire purchase	-	420	(4,039)	-	(41)	(3,660)
	(18,391)	(41,981)	(13,562)	(615)	1,834	(72,715)
Current asset investments:						
Deposits greater than one day	-	(23,606)	38,336	-	(752)	13,978
Term deposits and securities	-	20,551	32,005	-	(1,347)	51,209
	-	(3,055)	70,341	-	(2,099)	65,187
Total net funds	41,459	(33,621)	56,779	(615)	(700)	63,302

**Excludes cash at bank and overdrafts*

Deposits of £13,978,000 in cash at bank and in hand on the balance sheet, maturing in less than three months and greater than one day, have been included within current asset investments in the analysis of net funds.
Included within current asset investments on the balance sheet are bull positions in securities of £9,985,000, which are not included in the analysis of net funds.
Term deposits and securities included within current asset investments above are held on deposit by certain subsidiary undertakings in order to secure clearing facilities.
The non-cash item relates to the amortisation of debt costs capitalised and offset against the loans to which such debt costs relate.

9 Client settlement moneys

Cash balances include client settlement moneys of £5,503,000 (30 June 2002: £9,391,000 and 31 December 2002: £6,023,000), held on behalf of clients to settle outstanding bargains. Movements in settlement balances are reflected in operating cash flows.

10 Matched principal business

Included in the balance sheet in trade debtors are subsidiary companies' net positions with brokers, dealers and clearing houses of £48,400,000. These net positions comprise amounts payable of £25,350,000,000 and amounts receivable of £25,398,400,000, in respect of transactions not yet due for settlement. The above amounts 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 of inter-dealer broker, Tullett and its subsidiaries 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 past their due date. These balances are presented at their respective gross amounts included in trade debtors and trade creditors. Included in past due settlement trade debtors are £739,200,000 and trade creditors £696,300,000.

11 Dividends

The interim ordinary dividend of 2.5p (2002: 2.25p) will be paid on 4 December 2003 to those shareholders on the register on 7 November 2003.

'A' and 'B' Preference shares were redeemed on 6 March 2003. Dividends accrued up to this date were also paid to holders on 6 March 2003.

12 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 TULLETT PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2003 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 cash flows and related notes 1 to 12. 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.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

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 2003.

Deloitte & Touche LLP
Chartered Accountants
London
22 September 2003

Appendices

Appendix 1

Tullett plc

	Six months ended 30 June 2003 (Unaudited) £'000	Six months ended 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 £'000
Turnover	220,804	213,008	423,598
Operating costs			
Before amortisation of goodwill	(197,172)	(193,504)	(389,641)
Amortisation of goodwill	(608)	(608)	(1,216)
	(197,780)	(194,112)	(390,857)
Other operating income	2,433	1,251	2,571
Operating profit	25,457	20,147	35,312
Share of operating profits in associates (net of amortisation of goodwill)	(208)	(135)	178
Total operating profit before exceptionals	25,249	20,012	35,490
Exceptional items	(4,170)	(4,196)	(5,982)
Associates' share of release of prior period provision for fixed asset investments	-	2,314	2,269
Profit on sale of operations and termination of business	-	1,379	1,247
Profit on ordinary activities before interest and tax	21,079	19,509	33,024
Net interest payable	(95)	(394)	(456)
Profit on ordinary activities before taxation	20,984	19,115	32,568
Taxation on profit on ordinary activities	(11,604)	(9,571)	(15,924)
Profit on ordinary activities after taxation	9,380	9,544	16,644
Equity minority interests	(926)	(396)	(709)
Profit on ordinary activities after taxation	8,454	9,148	15,935

The above profit and loss accounts have been adjusted as follows:

- The profit arising on the sale by Tullett of the communication sales business earlier this year has been excluded from the 2003 profit and loss account as this was dealt with as a fair value adjustment.
- Costs relating to the acquisition of Tullett by the Company have been included in Exceptional items (June 2003 £4.17m; June 2002 £0.5m; December 2002 £2.29m).

Tullett plc Segmental analysis – operating profit

Geographical area	Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Europe	7,384	918	818
North America	15,381	17,636	30,940
Pacific Basin and Australasia	3,300	3,031	5,954
	26,065	21,585	37,712
Communications	-	(830)	(1,184)
Amortisation of goodwill	(608)	(608)	(1,216)
	25,457	20,147	35,312

Class of business	Six months ended 30 June 2003 £'000	Six months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Derivatives and money broking	10,224	8,599	15,566
Securities broking	15,443	11,046	19,125
Information sales	398	1,940	3,021
	26,065	21,585	37,712
Communications	-	(830)	(1,184)
Amortisation of goodwill	(608)	(608)	(1,216)
	25,457	20,147	35,312

Note: The above analysis has been prepared on the same basis as the aforementioned profit and loss account**.**

Appendix 2

Collins Stewart Tullett Group pro forma results

The following pro forma information has been prepared to facilitate understanding of the trends in the enlarged Group's business.

	Six months ended 30 June 2003 (Unaudited) £'000	Six months ended 30 June 2002 (Unaudited) £'000	Year ended 31 December 2002 (Unaudited) £'000
Turnover	277,520	262,987	519,599
Operating costs			
Before amortisation of goodwill	(237,508)	(229,327)	(456,154)
Amortisation of goodwill	(7,811)	(7,814)	(15,694)
	(245,319)	(237,141)	(471,848)
Other operating income	4,266	2,455	5,284
Operating profit	36,467	28,301	53,035
Share of operating profits in associates	45	104	657
Total operating profit before exceptionals	36,512	28,405	53,692
Exceptional items	-	(3,696)	(3,696)
Associates' share of release of prior period provision for fixed asset investments	-	2,314	2,269
Profit on sale of operations and termination of business	-	1,379	1,247
Profit on ordinary activities before interest and tax	36,512	28,402	53,512
Net interest payable	(159)	(1,209)	(1,809)
Profit on ordinary activities before taxation	36,353	27,193	51,703
Taxation on profit on ordinary activities	(17,049)	(13,998)	(25,053)
Profit on ordinary activities after taxation	19,304	13,195	26,650
Equity minority interests	(997)	(459)	(852)
Profit attributable to shareholders	18,307	12,736	25,798
Earnings per share			
Basic	9.92p	6.90p	13.97p
Diluted	9.80p	6.85p	13.88p
Basic before goodwill amortisation	14.15p	11.13p	22.47p

The pro forma results have been prepared under the assumption that the acquisition of Tullett and the redemption of the company’s preference shares took place on the 1 January 2002.

Adjustments have been made as follows:

- The equity and debt raised to fund the acquisition of Tullett and the redemption of the Company’s preference shares have been included from 1 January 2002. Interest rates applying to the debt are those used during the first half of 2003.
- Amortisation of goodwill arising on the purchase of Tullett has been amortised at a consistent rate over 20 years from 1 January 2002.
- Deal costs incurred by Tullett in relation to its acquisition by Collins Stewart have been excluded.
- The profit arising on the sale by Tullett of the communication sales business earlier this year has been excluded from the 2003 profit and loss account as this was dealt with as a fair value adjustment.
- Dividends on the Tullett preference shares and interest paid on the Tullett staff participation bonds which were acquired by the Company have been added back to the profit and loss account.

Corporation tax arising on the above has been adjusted accordingly