

**COLLINS ♦ STEWART ♦ TULLETT**

# **Interim Results 2006**

**September 2006**

# Overview

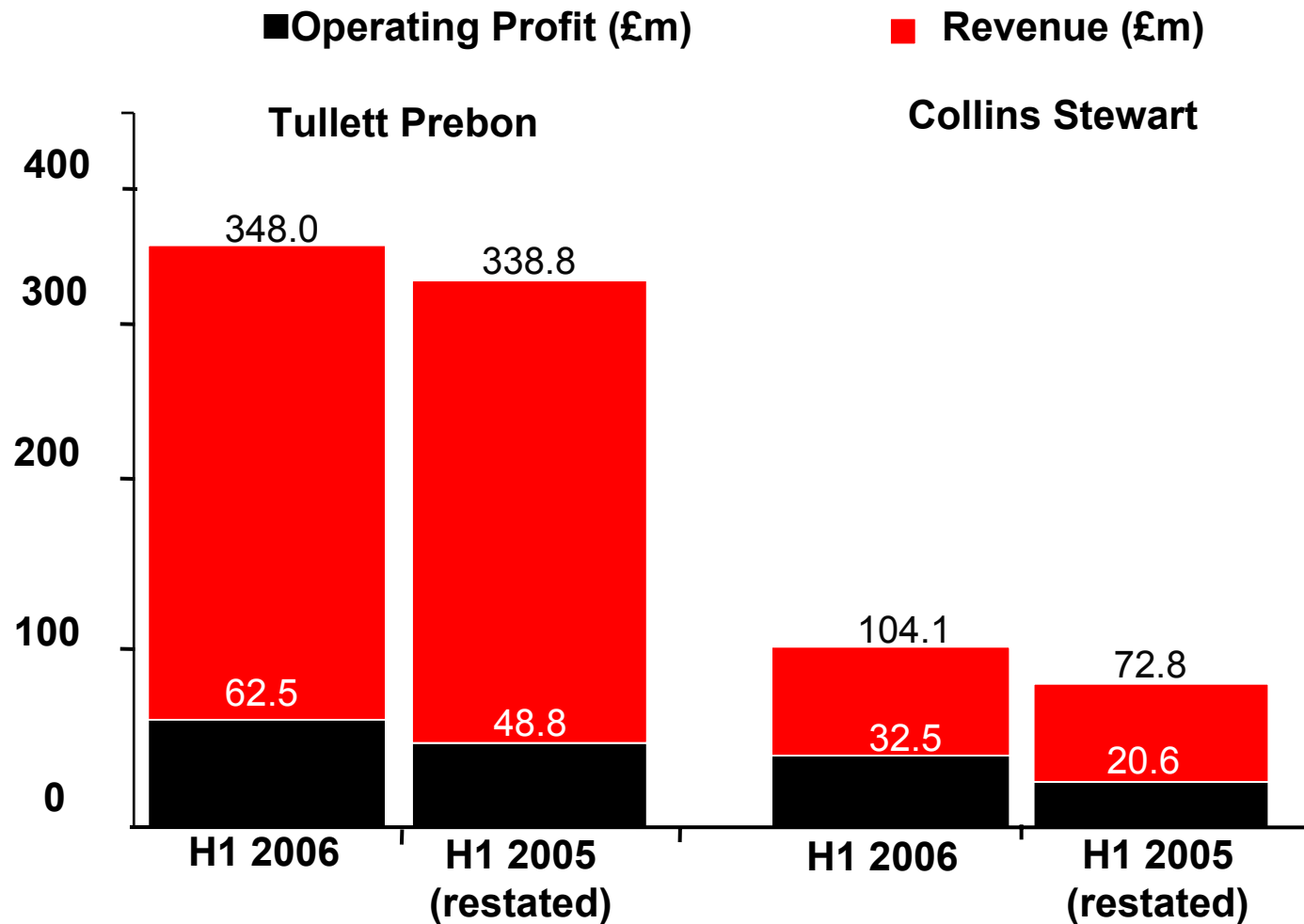
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- ❑ Last results for combined group
- ❑ Demerger timetable confirmed
- ❑ US cash equities business transferred to Collins Stewart
- ❑ Improved performance from IDB business – operating profit £62.5m (2005: £48.8m), operating margin 18.0% (2005: 16.3% underlying)
- ❑ Strong performance from stockbroking business – operating profit £32.5m (2005: £20.6m), operating margin 31.2% (2005: 28.3%)
- ❑ Group operating profits up by £25.6m (37%) to £95.0m and EPS up by 9.8p (43%) to 32.4p
- ❑ Interim dividend up by 67% to 5p

# Collins Stewart Tullett Results

	H1 2006 £m	H1 2005 £m	Full Year 2005 £m
Revenue	<u>452.1</u>	<u>411.6</u>	<u>798.1</u>
Operating profit before exceptional items	95.0	69.4	131.4
Exceptional items – reorganisation costs	-	(28.6)	(38.3)
Profit before taxation	102.7	39.9	97.6
Profit attributable to ordinary shareholders	68.1	25.7	61.0
EPS before exceptionals	32.4p	22.6p	42.2p
Dividend per share (declared basis)	5.0p	3.0p	14.0p

# Collins Stewart Tullett Results



Note: Operating Profit shown before exceptional items  
H12005 restated for transfer of US Equities business

# Group Performance Measures

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	H1 2006 £m	H1 2005 £m	Full Year 2005 £m
Group operating margin (Note 1)	21.0%	16.9%	16.5%
Return on capital employed (Notes 2, 3)	33.8%	24.9%	23.8%
Total shareholder return	29.6%	14.6%	53.0%

*Note 1: Before exceptional items*

*Note 2: Capital employed includes cumulative IDB reorganisation costs (net of tax) and net cash*

*Note 3: Half year figures have been annualised where appropriate*



# Tullett Prebon

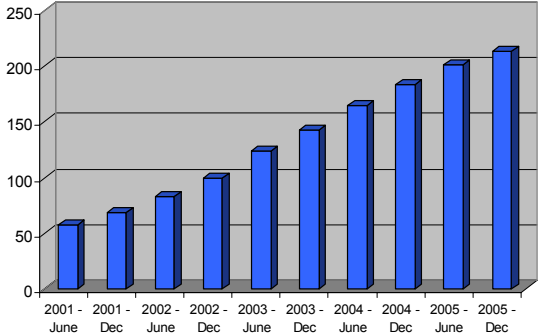


# Overview

- ❑ Favourable markets in most areas except Fixed Income
- ❑ Underlying revenue growth of 9%
- ❑ Operating margins up from 16.3% (underlying) to 18.0%
- ❑ Strong performance in Europe; North America stable; Asia recovering well
- ❑ TradeBlade rollout continuing successfully

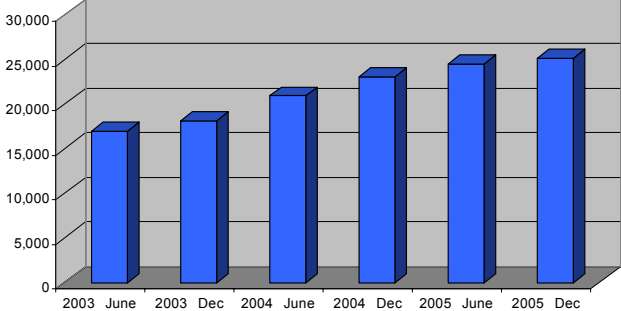
# Market Analysis

**Notional principal amounts outstanding  
Interest Rate Derivatives - 5 years to December 2005  
US\$ Trillions**



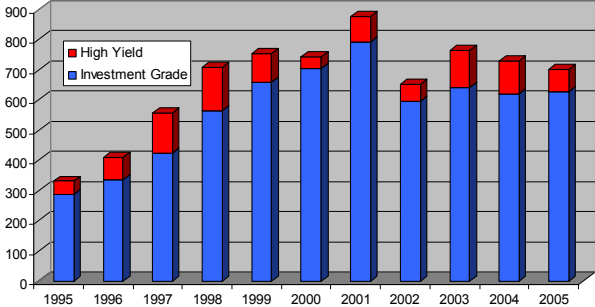
Source: International Swaps and Derivatives Association (ISDA)

**Amounts outstanding of OTC FX Derivatives Contracts  
US\$ Billions**



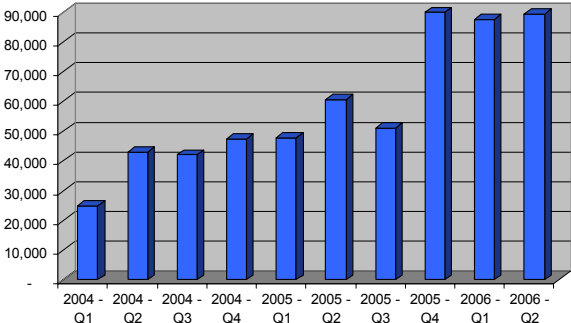
Source: Bank for International Settlements Quarterly Review June 2006 (For Reporting dealers and Other Financial Institutions)

**Corporate Bond Issuance - Investment Grade vs High Yield  
1995-2005 US\$ Billions**



Source: The Bond Market Association (Thomson Financial)

**Global CDO Market Issuance  
US\$ Millions**



Source: The Bond Market Association (Thomson Financial)





# Tullett Prebon Performance

	H1 2006 £m	H1 2005 £m (Restated)	Full Year 2005 £m (Restated)
Revenue	<u>348.0</u>	<u>338.8</u>	<u>649.4</u>
Operating profit before:			
- exceptional items	62.5	48.8	90.7
- <i>exceptional items &amp; double running costs</i>	-	55.3	99.7
Operating margin before:			
- exceptional items	18.0%	14.4%	14.0%
- <i>exceptional items &amp; double running costs</i>	-	16.3%	15.4%

# Revenue Growth

	H1 2006 £m	H1 2005 £m	Full Year 2005 £m
Revenue inc US cash equities (as previously reported in 2005)	-	351.8	676.4
US cash equities transfer to Collins Stewart	-	(13.0)	(27.0)
Revenues (as reported in 2006)	<u>348.0</u>	<u>338.8</u>	<u>649.4</u>
Revenues lost in 2005*	-	(18.8)	(25.6)
Underlying Revenues	<u><u>348.0</u></u>	<u><u>320.0</u></u>	<u><u>623.8</u></u>
Underlying growth H1 2006/H1 2005	<u><u>+9%</u></u>		

\* Relates to desks lost to competitors, closed or sold during 2005

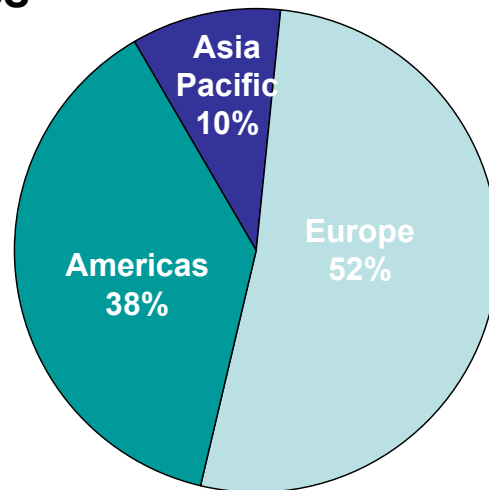
# Revenue and Operating Profits by Region – First Half

	Revenue		Operating Profit		Operating Margin	
	H1 2006 £m	H1 2005 £m (Restated)	H1 2006 £m	H1 2005 £m (Restated)	H1 2006	H1 2005 (Restated)
Europe	180.2	163.4	36.6	17.4	20.3%	10.6%
North America	133.9	136.3	23.2	22.8	17.3%	16.7%
Asia Pacific	<u>33.9</u>	<u>39.1</u>	<u>2.7</u>	<u>8.6</u>	<u>8.0%</u>	<u>22.0%</u>
	<u><u>348.0</u></u>	<u><u>338.8</u></u>	<u><u>62.5</u></u>	<u><u>48.8</u></u>	<u><u>18.0%</u></u>	<u><u>14.4%</u></u>

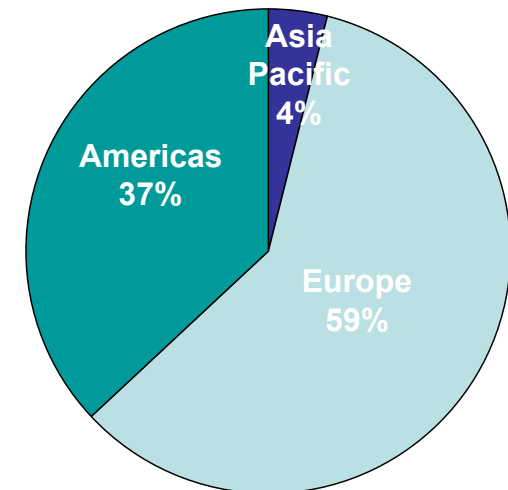
Note: Operating Profit is before exceptional items

# Revenue and Operating Profits by Region – First Half

Revenues



Operating Profit



# Revenue by Product Group

	Revenue		Distribution of Revenue	
	H1	H1	H1	H1
	2006	2005	2006	2005
	£m	£m	£m	£m
Treasury Products	102.3	91.7	29%	27%
Fixed Income Securities	96.4	105.4	28%	31%
Interest Rate Derivatives	88.1	86.3	25%	25%
Energy	30.1	26.5	9%	8%
Equities (restated)	24.5	22.4	7%	7%
Information Sales	6.6	6.5	2%	2%
Total	<u>348.0</u>	<u>338.8</u>	<u>100%</u>	<u>100%</u>

# Electronic Broking

- ❑ TradeBlade™.
  - Client led.
  - Based on existing technology.
  - Leverages Tullett Prebon liquidity pools.
  
- ❑ USD Repo.
  - Linked to all major banks.
  - Significant market share at end H2.
  
- ❑ US Treasuries.
  
- ❑ Looking to roll out more products in second half.

# Performance Measures - IDB

	H1 2006	H1 2005 (Restated)
Broker headcount (period end)	1,563	1,683
Average revenues per broker (annualised)	£411k	£393k
Broker employment costs : broking revenue	57.7%	57.4%
Ratio Broker : Support Staff (period end)	2.2:1	2.2:1
Underlying Operating Margin	18.0%	16.3%

*Note: Broker employment costs exclude share option charges*

# Comparison with Sector

	Revenue H1 2006 £m	Operating Profit H1 2006 £m	Operating Margin H1 2006 %	Operating Margin H1 2005 %
ICAP (All activities)	475.3	101.9	21.4%	22.4%
ICAP (Voice broking & Information Sales)	426.3	87.8	20.6%	21.2%
Tullett Prebon	348.0	62.5	18.0%	16.3%
Tradition	262.5	26.6	10.1%	7.8%
GFI	206.1	29.4	14.3%	17.7%
eSpeed	43.1	(1.0)	(2.3)%	6.1%

Notes: Operating profits are shown before exceptional items and net interest. All figures are for 6 months to 30 June except ICAP's which are 6 months to 31 March. Tullett Prebon operating margin shown on an underlying basis.



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**Collins Stewart**

# Overview

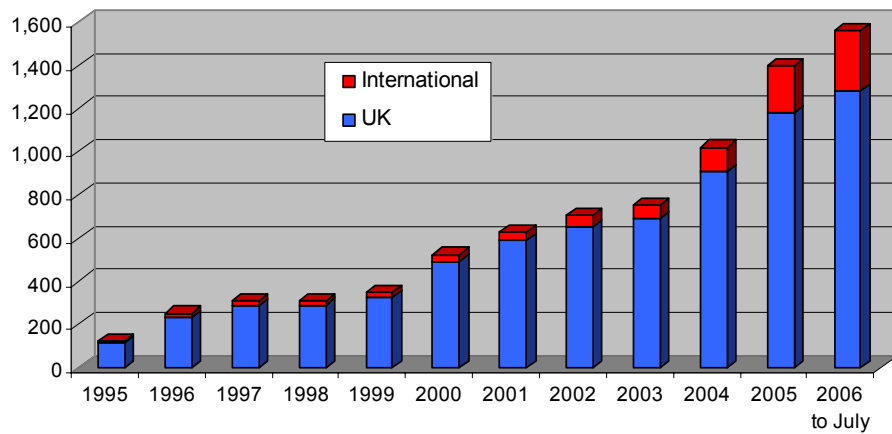
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- ❑ New Management team in place for demerged business
- ❑ Transfer of US Equities business
- ❑ Significant IPO activity
- ❑ Revenues\* up by £31.3m to £104.1m
- ❑ Operating profit\* up £11.9m to £32.5m
- ❑ Operating returns over 30% (despite changes in business)

*\* Restated to include US Equities business*

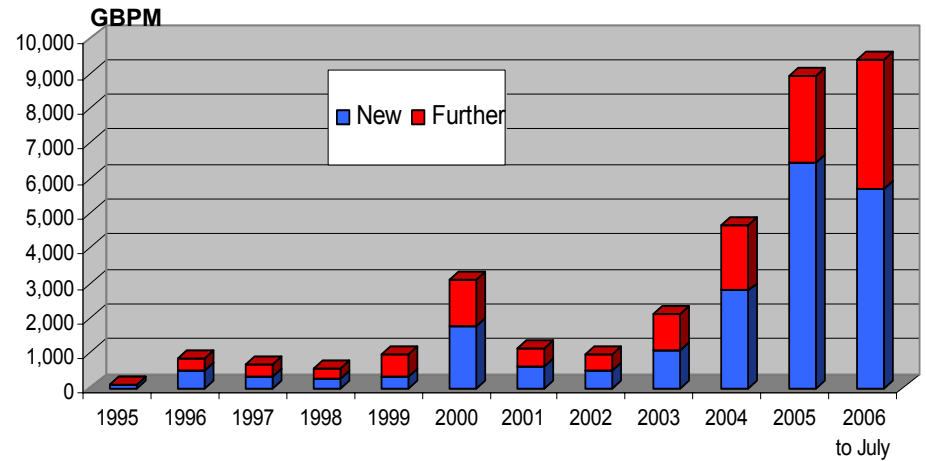
# AIM Market Development

**AIM - Primary Market  
1995 - July 2006 (ytd)**  
Number of companies actively traded



Source: AIM

**AIM - Primary Market  
1995 - July 2006 (ytd)**  
Funds Raised



Source: AIM

# Collins Stewart Results

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	H1 2006 £m	H1 2005 £m	Full Year £m
Revenues	104.1	72.8	148.7
Operating profit before exceptional items	32.5	20.6	40.7
Operating margin	31.2%	28.3%	27.3%

# Breakdown of Revenue by Business Area

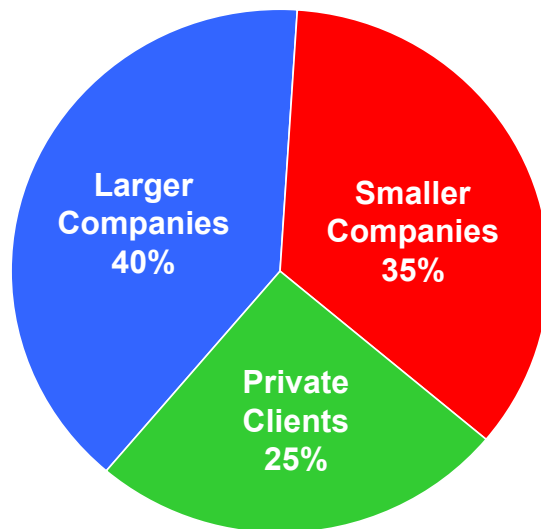
	H1 2006 £m	H1 2005 £m (Restated)	Full Year 2005 £m (Restated)
Larger Cap & Trading	23.0	15.8	33.8
US Equities	18.6	13.0	27.0
Larger Companies	<u>41.6</u>	<u>28.8</u>	<u>60.8</u>
Smaller Companies	36.0	27.2	50.1
Private Clients	26.5	16.8	37.8
	<u><u>104.1</u></u>	<u><u>72.8</u></u>	<u><u>148.7</u></u>

# Breakdown of Revenue by Region

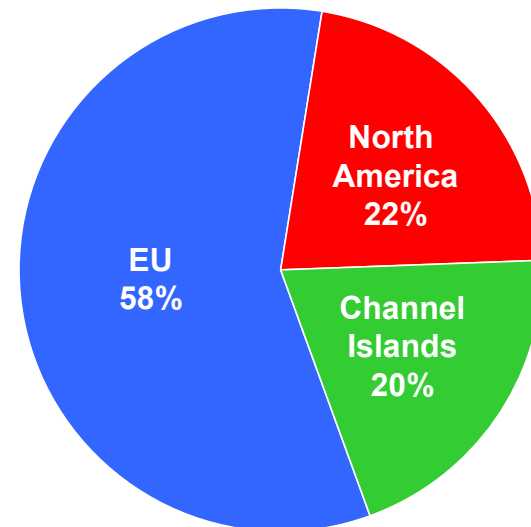
	H1 2006 £m	H1 2005 £m (Restated)	Full Year 2005 £m (Restated)
EU	60.9	44.6	86.6
North America	22.4	16.1	33.6
Channel Islands	20.8	12.1	28.5
	<u>104.1</u>	<u>72.8</u>	<u>148.7</u>

# Analysis of Revenue

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**By Business Area**



**By Region**

Total Revenue H1 2006: £104.1m

# Stockbroking

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- Larger Companies
  - Transfer of US equities business
  - Favourable market conditions
  
- Smaller Companies
  - Advised on 37 transactions (2005 first half: 34)
  - Raised £1.3bn for clients (2005 full year: £1.3bn)
  - Leading fund raiser on AIM
  
- Private Clients
  - Good contribution from Insinger acquisition
  - Strong underlying revenue and profit growth
  - Funds under management £3.6bn (Dec 2005: £3.2bn)



# Comparison with Sector

	Revenue £m	Operating Profit £m	Operating Margin %	Funds Raised £bn	FUM £bn
Collins Stewart	104.1	32.5	31.2%	1.3	3.6
Rathbones	65.7	22.3	33.9%	n/a	10.7
Numis	36.8	16.4	44.5%	0.4	n/a
Brewin Dolphin	87.6	14.9	17.0%	n/a	22.0
Evolution	42.8	12.3	28.7%	0.5	0.9

*Note: Operating profits are stated before exceptional items and after share option charges.*

*All figures for 6 months to 30 June 2006 except Brewin Dolphin and Numis whose figures are for 6 months to 31 March 2006.*

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**Collins Stewart Tullett**

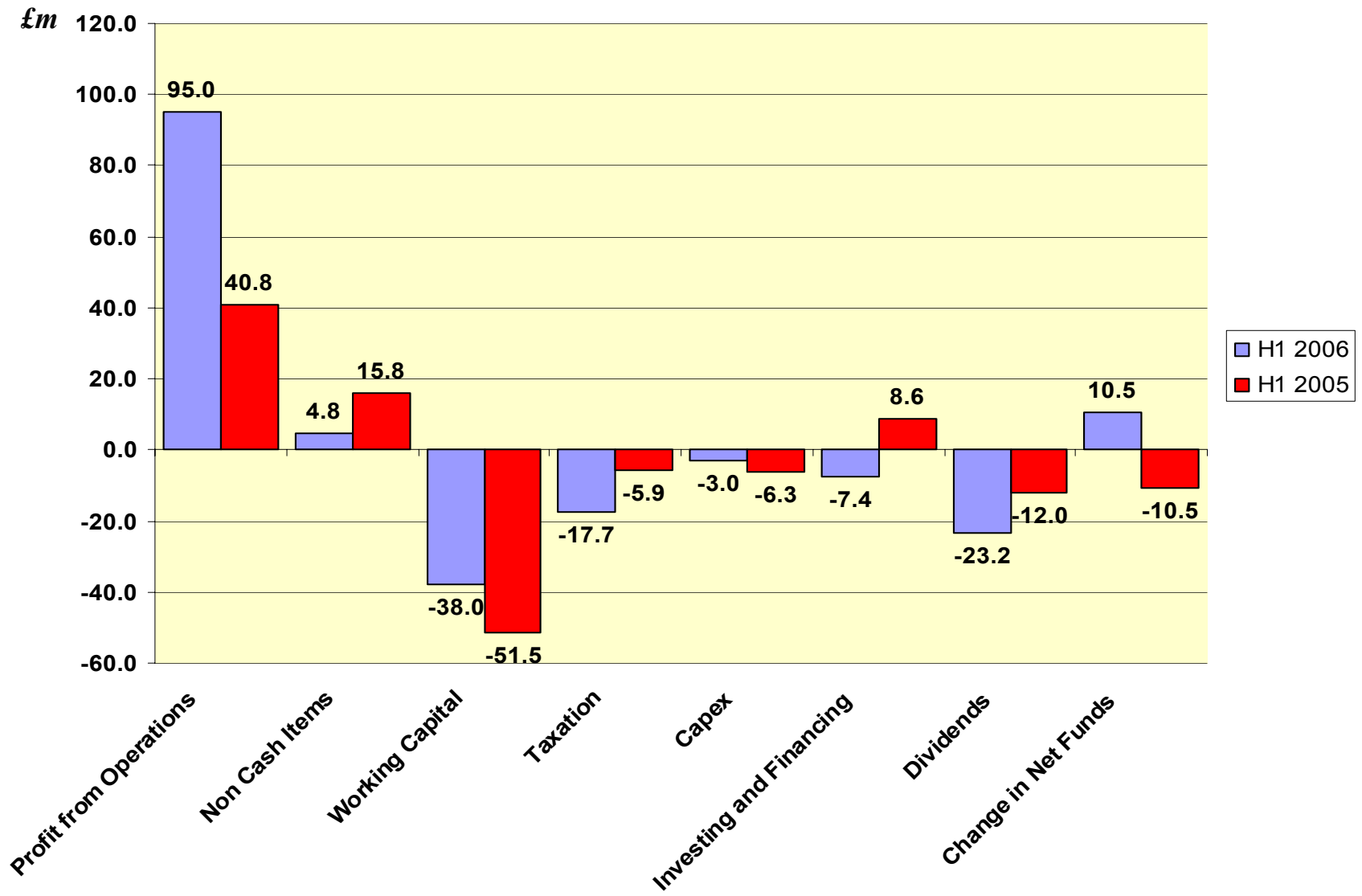
# Balance Sheet

	June 2006 £m	December 2005 £m
Goodwill and intangibles	431.3	430.8
Other non-current assets	67.8	63.8
Net funds (cash & cash equivalents less debt)	133.6	123.1
Net creditors	(31.1)	(73.2)
<b>Net assets</b>	<b>601.6</b>	<b>544.5</b>
Share capital & share premium	304.0	304.0
Other reserves	118.4	121.8
Retained earnings (incl. minority interests)	179.2	118.7
<b>Shareholders' funds</b>	<b>601.6</b>	<b>544.5</b>

# Analysis of Net Funds

	June 2006 £m	December 2005 £m
<b>Net cash</b>	<b>254.9</b>	<b>234.2</b>
Loans due within 1 year	(0.3)	(0.1)
Loans due after 1 year	(148.9)	(148.6)
Finance lease/hire purchase	(3.6)	(3.5)
	<u>(152.8)</u>	<u>(152.2)</u>
Current asset investments	31.5	41.1
<b>Net funds</b>	<u><u>133.6</u></u>	<u><u>123.1</u></u>
<b>Change in Net Funds</b>	<u><u>10.5</u></u>	

# Cashflow



# Taxation

	H1 2006 £m	H1 2005 £m	Full Year 2005 £m
Profit before tax	102.7	39.9	97.6
Add back: exceptional items	-	28.6	38.3
Profit before tax and exceptional items	<u>102.7</u>	<u>68.5</u>	<u>135.9</u>
Tax charge	34.2	14.2	36.6
Add back: tax on exceptional items	-	7.3	11.3
Tax charge excluding exceptionals	<u>34.2</u>	<u>21.5</u>	<u>47.9</u>
Effective rate of tax	33.3%	35.6%	37.5%
Effective rate of tax (excl. exceptionals and PYAs)	33.8%	35.8%	35.1%

# Update on Legal Issues

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- ▣ Proceedings against BGC in Singapore continue

# Plan to Return Value to Shareholders

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- ❑ Demerger documents posted by 31 October
- ❑ Tullett Prebon plc
  - New listed holding company on 19 December
- ❑ Collins Stewart plc
  - Separate listing on 19 December
  - Terry Smith to be Chairman
  - Joel Plasco to be CEO
- ❑ Return of excess capital to shareholders
  - Waiver from CRD (after demerger)
  - Return of capital (by March 2007)



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# **Interim Results 2006**

**September 2006**

# ***Appendix***

# Major Shareholders as at 25 August 2006

Investor	Holding	(%)
1. Tosca	30,882,813	14.54
2. Legal & General Investment Management	18,262,250	8.60
3. Scottish Widows Investment Partnership	14,986,503	7.06
4. Lazard Asset Management	9,928,898	4.68
5. Directors & Related Holdings	9,195,907	4.33
6. TIAA-CREF	6,498,531	3.06
7. HSBC Investments	5,507,524	2.59
8. Ziff Brothers Investments Llc	5,444,913	2.56
9. Barclays Global Investors	5,223,487	2.46
10. Dresdner Bank Investment Management	4,581,124	2.16
11. Baillie Gifford & Co.	3,814,228	1.80
12. Morley Fund Management	3,809,975	1.79
13. Henderson Global Investors	3,100,242	1.46
14. Gartmore Investment Management	3,019,391	1.42
15. Collins Stewart	2,743,694	1.29
16. Bluecrest Capital Management	2,679,099	1.26
17. UBS Global Asset Management	2,505,014	1.18
18. M&G Investment Management	2,280,326	1.07
19. Fidelity	2,221,308	1.05
20. Oppenheim KAG	2,205,157	1.04
	<b>138,890,384</b>	<b>65.40</b>

Source: Capita Registrars

# Comparison Data

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- ❑ Tradition, GFI and eSpeed have 31 December year ends. Information has been extracted from their 2006 interim announcements
- ❑ ICAP has a 31 March year end. Information has been taken from ICAP's half year and year end announcements
- ❑ Revenue excludes JVs
- ❑ Operating profits are reported before exceptional items and interest income/expense where these can be separately identified
- ❑ Operating margin = operating profit/revenue
- ❑ Currencies have been converted to GBP using the following rates  
£1:CHF2.2729 and £1:US\$1.7882