

**COLLINS ♦ STEWART ♦ TULLETT**

# **Interim Results 2003**

**September 2003**

# Overview

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First results incorporating Tullett Liberty which was acquired on 10<sup>th</sup> March 2003

Over four fifths of turnover and half of profits from IDB

Strong trading by both businesses

Pro forma operating profits pre goodwill up 22% and EPS up 27%

Dividend up by 11%

Strong balance sheet

# Collins Stewart Tullett Results

	H1 2003 £m	H1 2002 £m	FY 2002 £m
Turnover	196.1	50.0	96.0
Operating profit before goodwill amortisation	35.1	15.4	32.2
Profit before taxation	29.0	11.9	25.5
Profit after tax	16.0	7.5	16.0
Profit attributable to the ordinary shareholders	14.4	6.1	13.3
EPS before exceptionals and goodwill amortisation	13.22p	9.19p	19.48p
Dividend per share	2.5p	6.75p	2.25

*Note: statutory figures, include Tullett results from 10<sup>th</sup> March 2003*

# Collins Stewart Tullett Proforma Results

	H1 2003 £m	H1 2002 £m	FY 2002 £m
Turnover	277.5	263.0	519.6
Operating profit before g/w amort & exceptionals	44.3	36.2	69.4
Profit before taxation	36.4	27.2	51.7
Profit after tax	19.3	13.2	26.7
Profit attributable to the ordinary shareholders	18.3	12.7	25.8
EPS before exceptionals and goodwill amortisation	14.15p	11.13p	22.47p
Operating profit margin	16.0%	13.8%	13.4%

*Note: these pro forma figures assume that Tullett was acquired and the CS preference shares were redeemed on 1<sup>st</sup> January 2002*

**Collins Stewart**

# Collins Stewart Results

	H1 2003 £m	H1 2002 £m	FY 2002 £m
Turnover	56.7	50.0	96.0
Operating profit pre goodwill amortisation	18.2	15.4	32.2
Pre-tax profit ( <i>Notes 1,2</i> )	15.0	11.9	25.5
Profit after tax	9.5	7.5	16.0
Operating profit margin ( <i>Note 3</i> )	32.1%	30.8%	33.5%
Effective tax rate ( <i>Note 3</i> )	30.0%	29.4%	29.6%

*Note 1 : Excludes goodwill amortisation arising on purchase of Tullett plc*

*Note 2: Assumes all head office overheads are borne by Collins Stewart*

*Note 3 : Pre goodwill amortisation*

# Split of Business

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## Larger company broking

- London
- QUEST™
- New York

## Smaller company broking and trading and corporate finance

## Investment Trusts

## Fixed Interest

## Private Clients

- Channel Islands
- London

# Larger Company Broking

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## Agency broking : London and New York

- Turnover down 11% but UK commission up 3%
- Recovery in second quarter after tough market conditions in Q1
- Dublin office established

## QUEST™

- Completion of QUEST™ Plus project
- Coverage extended to Asian and North American stocks



# Smaller Companies

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Turnover up 64% (net of shared commissions)

Raising of £486m of new equity (1H02 : £250m) from 23 (1H02 : 22) transactions

Four IPO's (3 completed, 1 announced and since completed) including Northumbrian Water raising £389m

No. 1 in new issue league re amount raised for Europe/Africa, Middle East  
(*Source : Dealogic*)

Brokerships/advisor to 84 clients (December 02 : 81)

# Investment Trusts and Fixed Interest

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## Investment Trusts

- Turnover down 48%
- Recovery in secondary trading (up 131% on H1 02)
- Continued weakness in corporate finance market

## Fixed Interest

- Turnover flat despite volatile markets

# Private Clients

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## Channel Islands and London

- Difficult first quarter, but recovery in second quarter
- FUM – continued growth in total up from £2.2bn to £2.3bn
- Focus on managed clients-decrease in numbers, increase in value
- Fund Management – establish OEICs & established Edinburgh Office to manage funds

# Breakdown of Turnover by Divisions

	1H03 £m	1H02 £m	2002 £m
<b>Turnover</b>			
Larger Companies	13.5	15.1	28.4
Smaller Companies	27.5	15.1	32.2
Investment Trusts	2.1	4.1	6.2
Fixed Interest	2.0	2.0	4.1
Private Clients	11.6	13.7	25.1
	<u>56.7</u>	<u>50.0</u>	<u>96.0</u>

# Breakdown of Turnover by Activity

	1H03 £m	1H02 £m	2002 £m
<b>Turnover</b>			
Market Making	6.0	3.8	8.0
Commissions	21.4	26.2	48.8
Corporate Finance Income	24.6	15.3	29.7
Management Fees	4.6	4.6	8.9
Other	0.1	0.1	0.6
	<u>56.7</u>	<u>50.0</u>	<u>96.0</u>

**Tullett Liberty**

# Overview

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No interruptions to business or performance

Volatile/favourable market conditions.

Continued increase in turnover – despite weaker dollar.

Improvement in margins – especially in Europe.

Reorganisation of investments

Integration of key control and corporate functions with Collins Stewart.

# Tullett Liberty Results

	H1 2003 £m	H1 2002 £m	FY 2002 £m
Turnover ( <i>Note 1</i> )	220.8	207.4	411.3
Operating profit from continuing operations ( <i>Note 2</i> )	26.1	21.6	37.7
Pre-tax profit ( <i>Notes 3</i> )	21.0	19.1	32.6
Profit after tax	9.4	9.5	16.6
Operating profit margin ( <i>Note 1</i> )	11.8%	10.4%	9.2%
Effective tax rate ( <i>Note 4</i> )	44.6%	46.8%	43.6%

*Note 1 : Excluding communications business sold effective 1 January 2003*

*Note 2: Excludes share of operating profits / (losses) in associates, goodwill, exceptional items and losses attributable to the communications business sold effective 1 January 2003*

*Note 3: Including share of profits/(losses) in associates, exceptional items and profits on sale of businesses*

*Note 4: Pre goodwill amortisation and costs relating to the acquisition of Tullett plc*



# Regional Analysis of Turnover

	H1 2003 £m	H1 2002 £m	FY 2002 £m
Europe	100.3	83.5	179.5
North America	102.1	106.8	202.2
Asia Pacific	18.4	17.1	29.6
	220.8	207.4	411.3
Communications	-	5.6	12.3
	220.8	213.0	423.6

# Europe

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Turnover increase 20% year on year.

All products reporting turnover ahead of internal targets.

Fixed Income and Interest Rate Derivatives strongest performers.

Minor reorganisations

Operating profit up as a result of restructuring in 2002.

# Americas

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North American operations maintaining performance.

Dollar average exchange rate is 11% weaker year on year.

Turnover is 6% up in dollar terms.

Fixed Income cornerstone of the performance.

# Asia Pacific

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Turnover slightly up year on year despite:

- SARS
- Earnings in Hong Kong being subject to dollar exchange rate factor

Strength in indigenous currency derivatives.

Reorganisation of Japanese investments (August).

# Information Technology

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Continued commitment to a hybrid strategy.

Further roll-out of “Marker” broking platform.

Extranet and internet delivery of services.

Focus on development and deployment of post-trade STP (post:marker).

Completion of communications business disposal.

Development of new data sales products.

# Breakdown of Turnover by activity

	H1 2003 £m	H1 2002 £m	FY 2002 £m
Securities Broking	127.0	119.1	240.1
Derivatives & Money Broking	89.5	82.3	160.1
Information Sales	4.3	6.0	11.1
	220.8	207.4	411.3
Communications	-	5.6	12.3
	220.8	213.0	423.6

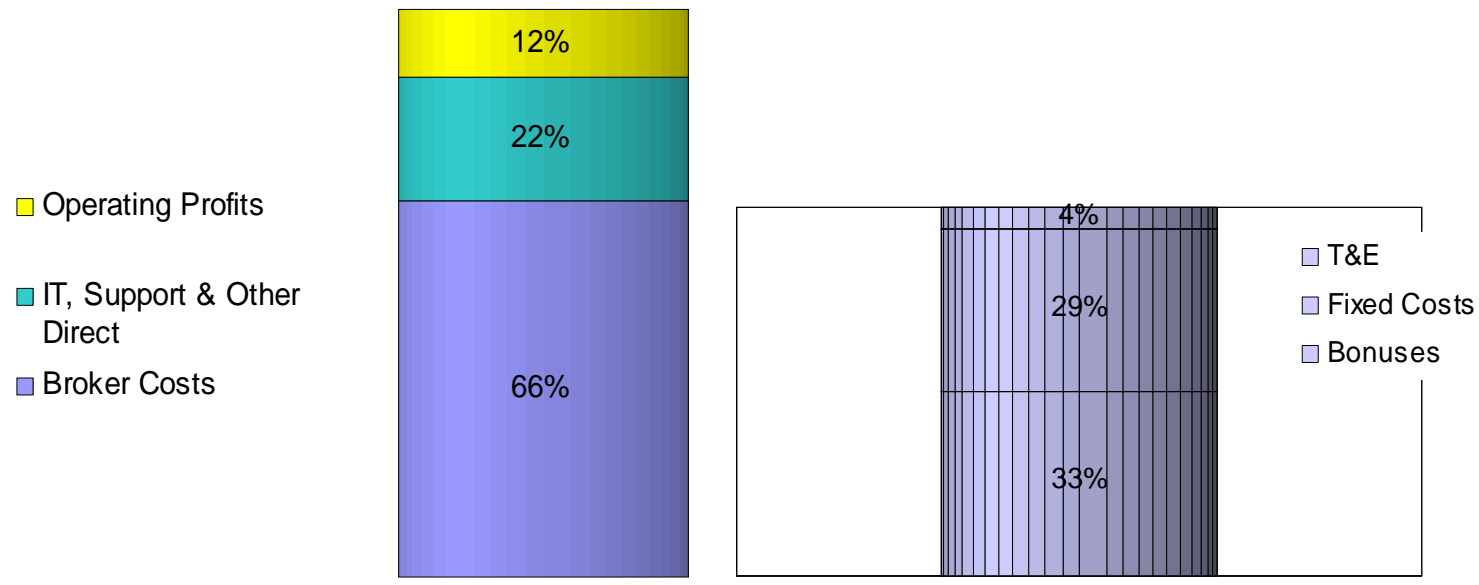
# Breakdown of Operating Profits by Activity

	H1 2003 £m	H1 2002 £m	FY 2002 £m
Securities Broking	15.5	11.1	19.1
Derivatives & Money Broking	10.2	8.6	15.6
Information Sales	0.4	1.9	3.0
	26.1	21.6	37.7
Communications	-	(0.8)	(1.2)
	26.1	20.8	36.5

*Note: Excludes goodwill*

# Cost Breakdown for 2003

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# Comparison with sector

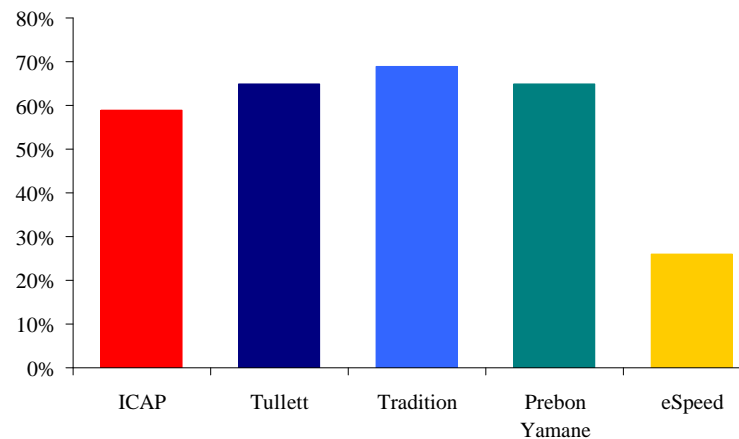
## Turnover and margins

Company	Dec 02/Mar 03 Turnover (£m)	June 03 Turnover (£m)	Dec 02/Mar 03 Operating Margin	June 03 Operating Margin*
ICAP	685.5	-	17.6%	-
Tullett	423.6	220.8	8.4%	11.4%
Tradition	354.3	173.6	6.9%	9.8%
Prebon Yamane**	288.5	-	4.2%	-
<i>eSpeed</i>	86.8	46.6	3.0%	30.0%

## Turnover / employee comparisons, £'000

Company	Financial Year to Dec 02/Mar 03
ICAP	272.1
Tullett	230.2
Tradition	190.3
Prebon Yamane**	188.3
<i>eSpeed</i>	275.5

## Staff costs/turnover 2002/2003



\* Before goodwill and exceptional items but including associates

\*\* March 2002 figures – later figures not yet available

Source: Company data; see appendix for full details

**Collins Stewart Tullett**

# Balance Sheet

	30 <sup>th</sup> June 03 £m	31 <sup>st</sup> Dec 02 £m
Goodwill	290.6	114.4
Other fixed assets	41.9	6.5
Net funds	63.3	41.5
Net creditors	(23.8)	(12.3)
Net assets	372.0	150.1

## Reasons for significant changes

Redemption of CS preference shares on 6<sup>th</sup> March 2003

Tullett acquisition on 10<sup>th</sup> March 2003. Acquisition cost £251m. Resulting goodwill of £182m

Increase in share capital, share premium and merger reserve of £217.6m

# Cashflow

	30 <sup>th</sup> June 03 £m	31 <sup>st</sup> Dec 02 £m
Pre tax operating profits	29.0	25.5
Goodwill amortisation and depreciation	9.6	8.8
Working capital	(50.4)	(14.0)
Taxation	(12.1)	(11.0)
Capital expenditure	(3.2)	(1.8)
Acquisition (net)*	(40.3)	(0.2)
Dividends	(11.6)	(9.5)
Net equity finance	100.8	-
<b>Change in net funds</b>	<b>21.8</b>	<b>(2.2)</b>

\* Note: Includes cash, debt and current asset investments acquired

# Taxation

<b>Pro forma to 30th June 2003</b>	<b>CS Group</b>	<b>Tullett Liberty</b>	<b>CST Group</b>
Effective tax rates	30.0%	44.6%	38.6%
<i>Excludes goodwill and exceptional items</i>			

- Tullett Liberty rate higher due to high percentage of profits generated in New York, where the basic tax rate is 47% and the level of disallowable items.

# Update on legal issues

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## James Middleweek

- Employment case
- FSA
- Financial Times defamation case

## Splits Investigation

# Collins Stewart Tullett Plans

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## Collins Stewart

- Development of the pre-eminent independent equity stockbroking business in London
- Mid-cap corporate finance (e.g. Northumbrian Water)
- QUEST™ Plus
- Develop outside London using Tullett infrastructure - Dublin, Paris, Asia

## Tullett Liberty

- Recruitment and product development
- Bring performance closer into line with ICAP
- Participation in IDB sector consolidation

## Continue to

- Deliver superior returns for shareholders

# *Appendix*



# Major Shareholders as at September 2003

Fund Manager/Investor	Holding September 2003	(%)
1. Employee Share Scheme & Directors	36,729,242	19.44
2. Totan Derivatives Co Limited	8,576,134	4.54
3. ISIS Asset Management plc	7,717,797	4.08
4. Jupiter Asset Management	6,916,528	3.66
5. AXA Investment Managers	6,518,146	3.45
6. Threadneedle Asset Management Limited	6,475,947	3.43
7. Morley Fund Management	5,458,377	2.89
8. Lazard	5,410,868	2.86
9. Abbey National Asset Managers	5,114,291	2.71
10. Scottish Widows Investment Partnership Limited	5,105,624	2.70
11. Merrill Lynch Investment Managers	4,900,164	2.59
12. Legal & General Investment Management Limited	4,822,598	2.55
13. Baillie Gifford & Co. Limited	4,723,166	2.50
14. INVESCO Fund Managers Limited	4,333,069	2.29
15. Shell Pensions Management Services Limited	3,863,804	2.04
<b>Total</b>	<b>116,665,755</b>	<b>61.73</b>

# Comparison data calculation

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Tullett, Tradition and Espeed have 31 December year ends, ICAP and Prebon Yamane Group have 31 March year ends

Total reported turnover (including JVs) has been used. Where reported turnover or profits are excluding share of JVs, as in the case of ICAP (for revenues only) and Prebon Yamane Group, these have been added back to allow all figures to include profit and revenues from joint ventures

Average number of staff has been used to calculate turnover per employee. Where the average figure has not been disclosed, a mean of the previous year's number of employees and current year's number of employees is used

Operating margin = operating profit / turnover

Currencies have been converted to GBP using the following rates £1:CHF2.2339 and £:US\$1.6042.

Data calculated from reported numbers in company accounts / 10-k reports