THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who, if you are taking advice in the United Kingdom, is duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your Collins Stewart Tullett Shares, please send this document and the accompanying documents to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or transferred only part of your holding of Collins Stewart Tullett Shares, you should retain this document and the accompanying documents and consult the bank, stockbroker or agent through whom the sale was effected.

Collins Stewart Tullett Share Owners should read the whole of this document.

The Directors of New CST plc (which includes the proposed Directors), whose names appear on page 12 of this document, and New CST plc accept responsibility for th information contained in this document. To the best of the knowledge of the Directors of New CST plc (which includes the proposed Directors) and New CST plc (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect its import.

New CST plc

(to be renamed Tullett Prebon plc)

(incorporated under the Companies Act and registered in England and Wales with registered number 5807599)

Prospectus

relating to

admission to the Official List and to trading on the London Stock Exchange of up to 213,000,000 Ordinary Shares

Sponsored by

Lehman Brothers

Risk factors in relation to holding Ordinary Shares are set out in Part II of this document.

This document comprises a prospectus relating to New CST plc prepared in accordance with the Prospectus Rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000.

No Ordinary Shares have been marketed to, nor are available for purchase by, the public in the United Kingdom or elsewhere in connection with the introduction of the Ordinary Shares to the Official List. This document does not constitute an offer or invitation for any person to subscribe for or purchase any securities in New CST plc.

Application will be made to the UK Listing Authority for the ordinary share capital of New CST plc to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List of the UK Listing Authority, together with admission to trading on the London Stock Exchange's market for listed securities, constitute admission to official listing on a stock exchange. If the Scheme and the Demerger proceed as currently envisaged, it is expected that admission to listing and trading will become effective and that dealings will commence at 8:00 a.m. on 19 December 2006.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe, shares in any jurisdiction in which such offer or solicitation is unlawful.

Securities may not be offered or sold in the United States unless they are registered under the Securities Act or are exempt from such registration requirements. The Ordinary Shares and Collins Stewart Shares issued pursuant to the Scheme and Demerger have not been and will not be registered under the Securities Act but will be issued in reliance on the exemption provided by section 3(a)(10) thereof. The Ordinary Shares and Collins Stewart Shares will not be registered under the securities laws of any state of the United States, and will be issued in the United States pursuant to the Scheme and Demerger in reliance on available exemptions from such state law registration requirements.

New CST plc may include forward looking statements in oral or written public statements issued by or on behalf of New CST plc. These forward looking statements may include, among other things, plans, objectives, projections and anticipated future economic performance based on assumptions and the like that are subject to risks and uncertainties. As such, actual results or outcomes may differ materially from those discussed in the forward looking statements. Important factors which may cause actual results to differ include but are not limited to: the unanticipated loss of a material client or key personnel, the actions of competitors, shifts in industry rates of compensation, government compliance costs or litigation, natural disasters or acts of terrorism, and the overall level of economic activity in New CST plc's major markets. In light of these and other uncertainties, the forward looking statements included in the document should not be regarded as a representation by New CST plc that New CST plc's plans and objectives will be achieved. New CST plc undertakes no obligation to update the forward looking statements to reflect actual results, or any change in events, conditions or assumptions or other factors, unless required to do so by the Prospectus Rules, the Listing Rules or the Disclosure Rules.

Lehman Brothers, which is regulated in the UK by The Financial Services Authority, is acting exclusively for New CST plc as Sponsor in connection with the application for Admission and for no-one else and will not be responsible to anyone other than New CST plc for providing the protections afforded to its clients or for providing advice in relation to this document.

Lehman Brothers makes no representations, express or implied, with respect to the accuracy or completeness of any information contained in this document and accepts no responsibility for, nor does it authorise, the contents of this document, including without limitation under Rule 5.5 of the Prospectus Rules.

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CONTENTS

		Page
Part I	**Summary Information**	4
Directors, Secretary, Registered and Head Office and Advisers		12
Expected Timetable of Principal Events		13
Part II	**Risk Factors**	14
Part III	**Information Relating to the Group**	21
Part IV	**Directors, Employees and Corporate Governance**	32
Part V	**The Scheme of Arrangement and the Demerger**	39
Part VI	**Selected Financial Information**	48
Part VII	**Operating and Financial Review**	56
Part VIII	**Financial Information Incorporated by Reference**	73
Part IX	**Unaudited Interim Financial Information Relating to Collins Stewart Tullett plc**	74
Part X	**IFRS Financial Information and Accountant's Report on Collins Stewart Tullett plc for the Year Ended 31 December 2004**	94
Part XI	**Accountant's Report on the Company**	149
Part XII	**Pro Forma Financial Information**	153
Part XIII	**New Employee Share Plans**	159
Part XIV	**Additional Information**	163
Part XV	**Definitions**	190

PART I

SUMMARY INFORMATION

(1) The following summary should be read as an introduction to this document; (2) any decision to invest in Ordinary Shares should be based on consideration of this document as a whole by the investor; (3) where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this document before the legal proceedings are initiated; and (4) civil liability attaches to those persons who are responsible for this summary, including any translations of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

1. Summary of the Scheme of Arrangement and the Demerger

On 20 March 2006, Collins Stewart Tullett plc announced its intention to demerge its stockbroking business via a Court-sanctioned scheme of arrangement under section 425 of the Companies Act. The proposed Demerger will result in two new listed companies, New CST plc (to be renamed Tullett Prebon plc) and Collins Stewart plc. New CST plc will own Tullett Prebon and Collins Stewart plc will own Collins Stewart. As a result of the Demerger, each Collins Stewart Tullett Share Owner will, in place of every Collins Stewart Tullett Share owned by them, receive one Ordinary Share and one Collins Stewart Share.

2. Business Summary

Following the Demerger, the business activities of the Group will comprise those of Tullett Prebon, the world's second largest inter-dealer broker. Tullett Prebon acts as an intermediary in the wholesale financial markets, facilitating the trading activities of its clients, in particular commercial and investment banks, hedge funds and buy-side institutions.

In the year to 31 December 2005, Tullett Prebon reported revenues of £676 million and operating profit, before exceptional items, of £91.4 million.

Tullett Prebon operates in Europe, North America and Asia Pacific. Its principal offices are in London, New York, New Jersey, Hong Kong, Singapore and Tokyo.

The business covers five major product groups:

- Fixed Income Securities
- Interest Rate Derivatives
- Treasury Products
- Equities
- Energy

Tullett Prebon brokes the above products on either a "name give up" basis (where the counterparties to a transaction settle directly with each other) or a "matched principal" basis (where Tullett Prebon is the counterparty to each leg of a transaction).

In addition, the Group has an established data sales business which collects, cleanses, collates and distributes real-time price information to data providers.

On 27 October 2006 Collins Stewart Tullett plc announced that it had agreed terms with Richard Chapdelaine and Michael Walsh (the principal shareholders) to acquire 100 per cent. of the stock of Chapdelaine Corporate Brokers Inc. and 100 per cent. of the membership interests of C&W Corporate Securities LLC, these two entities being the owners of Chapdelaine Corporate Securities & Co. ("CCS"). The agreement is subject to satisfactory due diligence, the normal regulatory clearances and other customary

closing conditions. The consideration will be $95 million payable in cash, $57 million of which is payable on completion and the balance over the next 3 years, part of which is dependent on performance.

CCS is a long-established New York business which provides brokerage services in corporate bonds, credit derivatives, mortgage backed securities and equities. For the twelve months ended 30 June 2006 CCS reported audited revenues of $118m.

The Directors believe that the acquisition will deepen and strengthen the Group's capabilities in North America, particularly in credit products. It is expected that the acquisition will be completed by the end of the year.

3. Strategy

The Board's principal objective for the Group is to maximise returns to shareholders over the medium to long term with an acceptable level of risk. This focuses on both the fundamental returns generated by the business and the returns delivered through share price appreciation and dividends. To this end the proposed Scheme, Demerger and return of capital form part of the strategy to deliver value to shareholders.

Following the Demerger, the Group's strategy is to continue to act as a consolidator in the inter-dealer broker sector, seeking to build a business with scale and breadth which will deliver superior performance and returns whilst maintaining strong financial management disciplines and an efficient balance sheet.

The Group's strategy for delivering superior performance and returns is based on:

- Building strong pools of liquidity in all the major financial products and centres;
- Retaining key revenue producers;
- Improving contribution rates and maintaining the underlying fixed cost base of the existing business;
- Rolling out a credible electronic platform capable, in the medium term, of generating returns in the relevant product areas in excess of voice broking returns; and
- Proactively managing new business initiatives.

4. Directors

The Company's Directors upon Admission will be:

Keith Hamill	*Chairman*
Terry Smith	*Chief Executive*
Paul Mainwaring	*Finance Director*
Louis Scotto	*Executive Director*
David Clark	*Independent Non-executive Director*
Michael Fallon MP	*Independent Non-executive Director*
Richard Kilsby	*Independent Non-executive Director*
Bernard Leaver	*Independent Non-executive Director*
John Spencer	*Senior Independent Non-executive Director*

5. Risk Factors

Prior to investing in Ordinary Shares, prospective investors should consider the factors and risks attaching to an investment in New CST plc, including the following risks:

Market Risks

- Changes in domestic and international market factors that reduce activity levels could significantly harm the Group;
- The securities and financial services industries are highly competitive, and the Group expects that competition will intensify in the future;

- The Group operates in a regulated environment that imposes costs and significant compliance requirements on it. The failure to comply with the regulations could subject the Group to sanctions or oblige it to change the scope or nature of its operation; and
- The securities trading and settlement process exposes the Group to risks that may have an impact on its liquidity and profitability. In addition, liability for unmatched trades could adversely affect its results of operations and balance sheet.

Credit Risks

- Customers and counterparties that owe the Group money, securities or other assets may default on their obligations to the Group due to bankruptcy, lack of liquidity, operational failure or other reasons.

Operating Risks

- The Group's future success depends to a significant degree upon the continued contributions of its key personnel;
- The Group may not be successful in its efforts to recruit and retain personnel;
- The Group may fail to provide its employees with adequate training to allow them to fulfil their roles competently and obtain required qualifications;
- The Group may fail to maintain its computer and communications systems and networks properly or to upgrade and expand such systems in response to technological change;
- Systems or facilities failure, capacity constraints or external factors (including power outages or terrorist action) could limit the Group's ability to conduct its operations;
- The Group may not detect or deter employee misconduct or errors;
- The Group requires liquidity and new credit agreements will contain restrictive covenants which may limit the Group's working capital and corporate activities;
- The Group may be adversely affected if its reputation is harmed; and
- The Group is exposed to funding risks in relation to the defined benefits under its pension schemes.

Risks relating to Ordinary Shares

- As a holding company, the Company's ability to pay dividends will depend upon the level of distributions, if any, received from its operating subsidiaries, regulatory requirements and the successful conversion of operating profits into cash.

Risks relating to the Demerger

- Any future return of value to shareholders is dependent on the successful implementation of the Demerger.

6. Summary Financial Information

The following business summary financial information on Collins Stewart Tullett plc, which comprises the inter-dealer broker Tullett Prebon and the Collins Stewart stockbroking business, is extracted without material adjustment from the financial information set out in Part VIII (Financial Information Incorporated by Reference) and Part X (IFRS Financial Information and Accountant's Report on Collins Stewart Tullett plc for the year ended 31 December 2004) of this document.

6.1 Consolidated Income Statements

Consolidated income statement under IFRS

for the years ended 31 December 2004 and 31 December 2005

	2004	*2005*
	£m	*£m*
Revenue		
Inter-dealer broking	464.9	676.4
Stockbroking	119.0	121.7
	583.9	798.1
Operating profit before exceptional items		
Inter-dealer broking	48.6	91.4
Stockbroking	39.2	40.0
	87.8	131.4
Exceptional items	(48.5)	(38.3)
Operating profit after exceptional items	39.3	93.1
Loss on disposal of associates	(1.4)	–
Net finance income/(costs)	(3.7)	4.5
Profit before tax	34.2	97.6
Taxation	(14.5)	(36.6)
Profit of consolidated companies	19.7	61.0
Share of results of associates	1.0	0.7
Profit for the year	20.7	61.7

Consolidated income statement under UK GAAP

for the years ended 31 December 2003 and 31 December 2004

	2003 *£m* *(restated)**	*2004* *£m*
Turnover		
Inter-dealer broking		
– continuing operations	346.0	403.8
– acquisitions	–	61.1
	346.0	464.9
Stockbroking	127.9	117.5
	473.9	582.4
Operating profit before goodwill and exceptional items		
Inter-dealer broking		
– continuing operations	33.8	48.0
– acquisitions	–	3.9
	33.8	51.9
Stockbroking	41.5	38.2
	75.3	90.1
Amortisation of goodwill	(13.8)	(19.6)
Exceptional items	–	(48.5)
Operating profit	61.5	22.0
Net share of operating profit in associates	0.5	–
Exceptional items re: associates	4.5	(0.9)
Net interest receivable	0.4	0.6
Profit before tax	66.9	21.7
Taxation	(27.9)	(14.0)
Profit after tax	39.0	7.7

*Restated to take account of UITF 38: Accounting for ESOP Trusts.

6.2 Balance Sheets

Consolidated balance sheet under IFRS

as at 31 December 2004 and 31 December 2005

	2004	*2005*
	£m	*£m*
Non-current assets		
Goodwill	421.3	428.0
Other non current assets	82.3	66.6
	503.6	494.6
Current assets		
Trade and other receivables	71,598.4	64,408.3
Cash and cash equivalents	183.1	235.3
Other current assets	93.4	96.0
	71,874.9	64,739.6
Total assets	72,378.5	65,234.2
Current liabilities		
Trade and other payables	(71,609.5)	(64,435.8)
Other current liabilities	(72.3)	(53.5)
	(71,681.8)	(64,489.3)
Net current assets	193.1	250.3
Non-current liabilities		
Interest bearing loans and borrowings	(151.8)	(153.1)
Other non-current liabilities	(49.5)	(47.3)
	(201.3)	(200.4)
Total liabilities	(71,883.1)	(64,689.7)
Net assets	495.4	544.5
Equity		
Shareholders' equity	489.9	542.1
Minority interest	5.5	2.4
Total equity	495.4	544.5

Consolidated balance sheet under UK GAAP

as at 31 December 2003 and 31 December 2004

	2003 £m (restated)*	2004 £m
Fixed assets		
Intangible assets	282.2	403.9
Other fixed assets	35.3	36.7
	317.5	440.6
Current assets		
Debtors	445.8	431.5
Other current assets	264.5	276.5
	710.3	708.0
Creditors: amounts falling due within one year	(555.6)	(489.6)
Net current assets	154.7	218.4
Total assets less current liabilities	472.2	659.0
Creditors: amounts falling due after more than one year	(71.8)	(176.7)
Provisions for liabilities and charges	(4.6)	(11.8)
Net assets	395.8	470.5
Capital and reserves		
Shareholders' funds – equity	388.2	465.0
Minority interest – equity	7.6	5.5
	395.8	470.5

*Restated to take account of UITF 38: Accounting for ESOP Trusts.

6.3 Cash Flows

Consolidated cash flow statement under IFRS

for the years ended 31 December 2004 and 31 December 2005

	2004 *£m*	*2005* *£m*
Net cash from/(used in) operating activities	(90.0)	84.0
Net cash used in investment activities	(45.0)	(7.8)
Net cash flows (used in)/from financing activities	91.4	(18.7)
Net increase/(decrease) in cash and cash equivalents	(43.6)	57.5
Net cash and cash equivalents at the beginning of the year	214.2	169.1
Effect of foreign exchange rate changes	(1.5)	7.6
Net cash and cash equivalents at the end of the year	169.1	234.2
Cash and cash equivalents	183.1	235.3
Overdrafts	(14.0)	(1.1)
Net cash and cash equivalents	169.1	234.2

Consolidated cash flow statement under UK GAAP

for the years ended 31 December 2003 and 31 December 2004

	2003 *£m*	*2004* *£m*
Net cash (outflow)/inflow from operating activities	130.2	(36.7)
Dividends from associates	0.1	0.3
Returns on investments and servicing of finance	(2.8)	0.1
Taxation	(27.5)	(40.4)
Capital expenditure and financial investments	(7.2)	(5.5)
Acquisitions and disposals	(92.4)	(51.9)
Equity dividends paid	(13.1)	(14.9)
Net cash outflow before management of liquid resources and financing	(12.7)	(149.0)
Management of liquid resources	2.4	(6.7)
Financing	129.7	106.3
(Decrease)/increase in cash	119.4	(49.4)

DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors and position to be held upon Admission

Keith Hamill	*Chairman*
Terry Smith	*Chief Executive*
Paul Mainwaring	*Finance Director*
Louis Scotto	*Executive Director*
David Clark	*Independent Non-executive Director*
Michael Fallon MP	*Independent Non-executive Director*
Richard Kilsby	*Independent Non-executive Director*
Bernard Leaver	*Independent Non-executive Director*
John Spencer	*Senior Independent Non-executive Director*

The business address for all the above Directors upon Admission is Cable House, 54-62 New Broad Street, London EC2M 1ST

Company Secretary	Diana Dyer Bartlett[1]
Registered and Head Office	Cable House, 54-62 New Broad Street, London EC2M 1ST
Sponsor	Lehman Brothers 25 Bank Street, London E14 5LE
Legal Advisers to the Company	Allen & Overy LLP One Bishops Square, London E1 6AO
Legal Advisers to the Sponsor	Herbert Smith LLP Exchange House, Primrose Street, London EC2A 2HS
Auditors and Reporting Accountants	Deloitte & Touche LLP Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR
Registrars	Capita Registrars The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

1 Pending appointment of a replacement.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

21 November 2006	12 noon: Latest time and date for receipt by the Registrars of white forms of proxy for the Court Meeting[(1)]
21 November 2006	12.15 p.m.: Latest time and date for receipt by the Registrars of blue forms of proxy for the Extraordinary General Meeting
21 November 2006	6.00 p.m.: Voting record time (in respect of the Extraordinary General Meeting and the Court Meeting)
23 November 2006	12 noon: Court Meeting
23 November 2006	12.15 p.m.: Extraordinary General Meeting[(2)]
11 December 2006	Court hearing of petition to sanction the Scheme
14 December 2006	Conditional dealings in Ordinary Shares and Collins Stewart Shares commence on the London Stock Exchange[(3)]
14 December 2006	Court hearing of petition to confirm reduction of capital of Collins Stewart Tullett plc provided for under the Scheme
14 December 2006	Last day of dealings in Collins Stewart Tullett Shares[(4)]
14 December 2006	6.00 p.m.: Record time and date in order to participate in the Scheme[(4)]
15 December 2006	Shortly prior to 8.00 a.m.: Scheme becomes effective and New CST plc becomes the parent company of Collins Stewart Tullett plc[(4)]
15 December 2006	8.00 a.m.: Delisting of Collins Stewart Tullett Shares[(4)]
18 December 2006	Court hearing of the petition to confirm the New CST Reduction of Capital to effect the Demerger[(4)]
19 December 2006	Shortly prior to 8.00 a.m.: New CST Reduction of Capital occurs and the Demerger is completed[(4)]
19 December 2006	8.00 a.m.: Trading in Ordinary Shares and Collins Stewart Shares commences on the London Stock Exchange[(4)]
19 December 2006	Crediting of Ordinary Shares and Collins Stewart Shares to CREST accounts[(4)]
By 5 January 2007	Despatch of certificates for Ordinary Shares and Collins Stewart Shares[(4)]

All times are London times.

(1) Forms of proxy for the Court Meeting not returned by this time may be handed to the Chairman of the Court Meeting at that meeting.

(2) To commence at the time fixed or, if later, immediately following the conclusion or adjournment of the Court Meeting.

(3) It should be noted that if Admission of both New CST plc and Collins Stewart plc does not occur, all conditional dealings will be of no effect and any such dealings are at the sole risk of the parties concerned.

(4) These dates are indicative only and will depend, *inter alia*, on the date upon which the Court sanctions the Scheme.

The dates given are based on the Directors' current expectations and may be subject to change. Collins Stewart Tullett plc will give adequate notice of changes by issuing an announcement through a Regulatory Information Service.

PART II

RISK FACTORS

Any investment in Ordinary Shares is subject to a number of risks. Before making any investment decision, prospective and existing shareholders should carefully consider the factors and risks attaching to an investment in Ordinary Shares, together with all other information contained in this document including, in particular, the risk factors described below. Additional risks and uncertainties that are not currently known to the Group, or that the Company currently deems immaterial, may also have an adverse effect on the Group's business. Investors should consider carefully whether an investment in Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

1. Market Risks

Changes in domestic and international market factors that reduce activity levels could significantly harm the Group.

The Group generates revenues primarily from commissions it earns from executing and clearing customer orders. These revenue sources are substantially dependent on customer trading volumes. The volume of transactions its customers conduct with it is directly affected by domestic and international market factors that are beyond the Group's control, including:

- Economic, political and market developments;
- Broad trends in industry and finance;
- Changes in levels of trading activity in the broader marketplace;
- Price levels and price volatility in the securities markets;
- Legislative and regulatory changes;
- Actions of competitors;
- Changes in government monetary policies;
- Foreign exchange rates; and
- Inflation.

Any material decrease in trading volumes would have a material adverse effect on the Group, its financial condition and operating results.

The securities and financial services industries are highly competitive and the Group expects that competition will intensify in the future.

The Group has numerous current and prospective competitors, both domestically and internationally. Some of its competitors and potential competitors have larger customer bases, more established name recognition and greater financial, marketing, technology and personnel resources than the Group has. These resources may enable them to, among other things:

- Develop services similar to the Group or new services that are preferred by the Group's customers;
- Provide access to trading in products or a range of products that the Group does not offer;
- Provide better execution and lower transaction costs;
- Offer better, faster and more reliable technology;
- Take greater advantage of new or existing acquisitions, alliances and other opportunities;
- More effectively market, promote and sell their services;

- Migrate products more quickly or effectively to electronic platforms which could move trading activity from the Group;
- Better leverage their relationships with their customers; and
- Offer better contractual terms to brokers.

In addition, new or existing competitors could gain access to markets or products in which the Group currently enjoys a competitive advantage. Even if new or existing competitors do not significantly erode the Group's market share, they may offer their services at lower prices, and the Group may then be required to reduce its commissions significantly to remain competitive, which could have a material adverse effect on its profitability. If the Group fails to compete effectively, its financial condition and operating results could be materially harmed.

A further consideration is that consolidation among the Group's clients may cause revenue to be dependent on a smaller number of clients and may result in additional pricing pressure. While no client accounted for a material part of the firm's total revenue for the year ended 31 December 2005, if its existing clients consolidate and new clients, such as national and regional banks and large hedge funds, do not generate offsetting volumes of transactions, then its revenues may become concentrated on a smaller number of clients. In that event, the Group's revenues may be dependent on its relationships with those clients to a material extent.

The Group operates in a regulated environment that imposes costs and significant compliance requirements on it. The failure to comply with the regulations could subject the Group to sanctions or oblige it to change the scope or nature of its operations.

Regulatory obligations require a commitment of resources. The Group's ability to comply with applicable laws, rules and regulations is largely dependent on its establishment and maintenance of compliance, control and reporting systems, as well as its ability to attract and retain qualified compliance and other risk management personnel. If it fails to establish effectively and maintain such compliance and reporting systems or fails to attract and retain personnel who are capable of designing and operating such systems, this will increase the likelihood that the Group will breach applicable laws and regulations exposing it to the risk of civil litigation and investigations by regulatory agencies. These agencies have broad powers to investigate and enforce compliance and punish non-compliance with applicable rules and regulations and any claims or actions by these agencies could adversely affect the Group.

The requirements imposed by the regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with the Group and are not designed to protect the Group's shareholders. Consequently, these regulations can serve to limit the Group's flexibility regarding capital structure. Customer protection and market conduct requirements may also impinge on the scope of the Group's activities.

The current regulatory regimes under which the Group operates, particularly that of the UK FSA, require it to maintain minimum levels of excess capital. The current capital requirements are expected to increase with effect from 1 January 2007 with implementation of the Capital Requirements Directive ("CRD"). Whilst the Group's management are confident that the Group has and will have sufficient capital to support the transition to CRD, any future changes in the Group's regulatory environment in the future could impact the Group's operations.

The securities trading and settlement process exposes the Group to risks that may have an impact on its liquidity and profitability. In addition, liability for unmatched trades could adversely affect its operating results and balance sheet.

The Group provides brokerage services by executing transactions for its clients. Transactions involving cash bonds and equities are executed on a "matched principal" basis whereby the Group acts as a "middleman" by serving as a counterparty to both a buyer and a seller in matching and reciprocal back-to-back trades.

In executing matched principal transactions, the Group is exposed to the risk that one of the counterparties to a transaction may fail to fulfil its obligations, either because it is not matched immediately or, even if

matched, because one party fails to deliver the cash or securities it is obligated to deliver. Adverse movements in the prices of securities that are the subject of these transactions can increase the risk. In addition, widespread technological or communications failures, as well as actual or perceived credit difficulties or the insolvency of one or more large or visible market participants, could cause market-wide credit difficulties or other market disruptions. These failures, difficulties or disruptions could result in a large number of market participants not settling transactions or otherwise not performing their obligations.

The Group is subject to financing risk in these circumstances because if a transaction does not settle on a timely basis, the resulting unmatched position may need to be funded, either directly by it or through one of its clearing organisations at the Group's expense. These charges may be recoverable from the failing counterparty, but sometimes are not. In instances where the unmatched failure to deliver is prolonged or widespread due to rapid or widespread declines in liquidity for an instrument, there may also be regulatory capital charges required to be taken by the Group which, depending on their size and duration, could limit the Group's flexibility to transact other business. Credit or settlement losses of this nature could adversely affect the Group's financial condition or results of operations.

In the process of executing matched principal transactions, miscommunications and other errors by the Group's clients or itself can arise whereby a transaction is not completed with one or more counterparties to the transaction, leaving it with either a long or short unmatched position. These unmatched positions are referred to as "out trades", and they create a potential liability for the involved subsidiary of the Group. If an out trade is promptly discovered and there is a prompt disposition of the unmatched position, the risk to the Group is usually limited. If the discovery of an out trade is delayed, the risk is heightened by the increased possibility of intervening market movements prior to disposition. Although out trades usually become known at the time of, or later on the day of, the trade, it is possible that they may not be discovered until later in the settlement process. When out trades are discovered, the Group's policy is to have the unmatched position disposed of promptly, whether or not this would result in a loss to the Group. The occurrence of out trades can increase with market volatility and, depending on their number and amount, such out trades have the potential to have an adverse effect on the Group's financial condition and results of operations.

2. Credit Risks

Customers and counterparties that owe the Group money, securities or other assets may default on their obligations to the Group due to bankruptcy, lack of liquidity, operational failure or other reasons.

The Group often acts on behalf of its customers for trades consumated both on exchanges and in over-the-counter markets. Accordingly, it is responsible for its customers' obligations with respect to these transactions, which exposes it to credit risk. Although the Group regularly reviews its credit exposure to specific customers and counterparties to address credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee. In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the Group. The Group may be adversely affected in the event of a significant default by its customers and counterparties.

3. Operating Risks

The Group's future success depends to a significant degree upon the continued contributions of its key personnel.

The Group's future success will depend greatly upon the expertise and continued services of certain key personnel, including its Directors. The Group has employment or service contracts with its key personnel, and has in place employee share plans and proposes to introduce new employee share plans to grant options to employees. The Group cannot, however, guarantee the retention of such key personnel. The Directors believe they have taken reasonable steps, including the incorporation of minimum notice periods and non-compete provisions within service contracts, to lessen the impact of a departure of a key member of personnel should he or she decide to leave the business. Nevertheless, the Group's business, its results or operations and financial condition may be adversely affected by the departure of one or more key members of personnel.

The Group may not be successful in its efforts to recruit and retain personnel.

The Group's future success depends upon the efforts of its qualified and highly trained personnel, and upon its ability to recruit, retain and motivate such personnel, particularly in light of the rapid pace of technological advances. The level of competition for such skilled individuals is intense. If the Group is not able to attract and retain highly skilled employees, or it incurs increased costs associated with attracting and retaining personnel, it could have a material adverse effect on its financial condition and operating results.

The Group may fail to provide its employees with adequate training to allow them to fulfil their roles competently and obtain required qualifications.

Background checks are conducted on new employees as a matter of course but there remains the possibility that some employees may have misrepresented their qualifications and experience. Training needs are assessed on a regular basis and tuition provided accordingly. There remains a risk that the Group will fail to assess the needs adequately. Should errors subsequently arise as a result of poor training and experience, this could lead to litigation and have an adverse effect on reputation.

The Group may fail to maintain its computer and communications systems and networks properly or to upgrade and expand such systems in response to technological change.

The Group needs to maintain the computer and communications systems and networks that it currently owns and operates. Its failure to maintain these systems and networks adequately could have a material effect on the performance and reliability of such systems and networks, which in turn could materially harm its business.

Further, the markets in which the Group competes are characterised by rapidly changing technology, evolving customer demand and uses of its services and the emergence of new industry standards and practices that could render its existing technology and systems obsolete. The Group's future success will depend in part on its ability to anticipate and adapt to technological advances, evolving customer demands and changing standards in a timely, cost-efficient and competitive manner and to upgrade and expand its systems accordingly. Any upgrades or expansions in technology and the use of technology may require significant expenditures of funds and may also increase the probability that it will suffer system degradations and failures. The Group may not have sufficient funds to update and expand its networks adequately, and any upgrade or expansion attempts may not be successful and accepted by the marketplace and its customers. Its failure to update and expand its systems and networks adequately or to adapt its systems and technology to evolving customer demands or emerging industry standards would have a material effect on the Group. Specifically, development by the Group's competitors of new electronic trade execution or market information products that gain acceptance in the market could give those competitors a "first mover" advantage that may be difficult for the Group to overcome with its own technology.

The secure transmission of confidential information over public networks is a critical element of the Group's operations. Its networks and those of the third-party service providers and counterparties with whom the Group trades and its customers may be vulnerable to unauthorised access, computer viruses and other security problems, including the Group's inadvertent dissemination of non-public information. Persons who circumvent security measures or gain access to customer information could wrongfully use the Group's or the Group's customers' information or cause interruptions or malfunctions in the Group's operations, any of which could have a material adverse effect on the Group, its financial condition and operating results. Additionally, the Group's reputation could be damaged. If an actual, threatened or perceived breach of its or its security providers' security were to occur, or if the Group was inadvertently to release confidential customer information the Group could be exposed to the risk of litigation and regulatory investigation or sanctions. In addition, the market perception of the effectiveness of security measures could be harmed and could cause customers to reduce or stop their use of the Group's services. The Group or its service providers may be required to expend significant resources to protect against the threat of any such security breaches or to alleviate problems, including reputational harm and litigation, caused by any breaches. Any security measures implemented by the Group or its service providers may prove to be inadequate and could result in incidental system failures and delays that could have an adverse effect on the Group's financial condition and operating results.

Systems or facilities failure, capacity constraints or external factors (including power outages or terrorist action) could limit the Group's ability to conduct its operations.

The Group is heavily dependent on the capacity and reliability of the computer and communications systems and facilities supporting its operations, whether owned and operated internally or by third parties. These computer and communications systems and facilities may suffer performance degradation or failure from any number of reasons, including loss of power, acts of war or terrorism, human error, natural disasters, fire, sabotage, hardware or software malfunctions or defects, computer viruses, intentional acts of vandalism, customer error or misuse, lack of proper maintenance or monitoring and similar events. If such a degradation or failure were to occur, it could cause:

- Unanticipated disruptions in service to the Group's customers;
- Slower response times;
- Delays in trade execution;
- Failed settlement of trades; and
- Incomplete or inaccurate accounting, recording or processing of trades.

Further, if the Group's disaster recovery plans do not operate effectively, they may not be adequate to correct or mitigate the effects of any of the above eventualities. In addition, the disaster recovery plans or personnel of its third-party service providers may not be adequate to correct or mitigate any of the above eventualities or be implemented properly. The occurrence of degradation or failure of the communications and computer systems and facilities on which the Group relies may lead to financial losses, litigation or arbitration claims filed by or on behalf of its customers. Any such degradation or failure could also have a negative effect on the Group's reputation, which in turn could cause it to lose existing customers to its competitors or make it more difficult for it to attract new customers in the future.

The Group may not detect or deter employee misconduct or errors.

There have been a number of highly publicised cases involving fraud or other misconduct by employees of financial services firms in recent years. Misconduct by the Group's employees could include hiding unauthorised activities from the Group, improper or unauthorised activities on behalf of customers, improper use of confidential information or use of improper marketing materials. Employee misconduct could subject the Group to financial losses or regulatory sanctions and seriously harm its reputation. It is not always possible to deter employee misconduct, and the precautions the Group takes to prevent and detect such acts may not be effective in all cases. Employees may also commit errors that could expose the Group to the risk of financial claims for negligence or otherwise, as well as regulatory actions. This could seriously harm the Group's reputation and could adversely affect its financial condition and operating results.

The Group requires liquidity and new credit agreements will contain restrictive covenants which may limit the Group's working capital and corporate activities.

Ready access to cash is essential to the firm's business. Its liquidity could be impaired by an inability to access lines of credit, an inability to access funds from its subsidiaries or an inability to liquidate customer positions or otherwise sell assets. This situation may arise due to circumstances outside the Group's control, such as a general market disruption or an operational problem that affects third parties or itself. Further, the Group's ability to liquidate customer positions or otherwise sell assets may be impaired if other market participants are seeking to sell similar assets at the same time.

As part of the intended reorganisation of the Group's capital structure, the Group may enter into credit agreements which will impose operating and financial restrictions on it, including restrictions which may, directly or indirectly, limit its ability to:

- Merge, acquire or dispose of assets;
- Incur liens, indebtedness or contingent obligations;
- Make investments;

- Engage in certain transactions with affiliates and insiders;
- Enter into sale and leaseback transactions;
- Pay dividends and other distributions; and
- Enter into new lines of business that are substantially different to current lines of business.

In addition, these credit agreements will contain covenants that require the Group to maintain specified financial ratios and satisfy specified financial tests. As a result of these covenants and restrictions, the Group may be limited in how it conducts its business, and it may be unable to raise additional financing, to compete effectively or to take advantage of new business opportunities. The Group cannot guarantee that it will be able to remain in compliance with these covenants in the future. The credit agreements will also contain several events of default, including non-payment, certain bankruptcy events, covenant or representation breaches or a change in control.

The Group may be adversely affected if its reputation is harmed.

The Group's ability to attract and retain customers and employees and raise appropriate financing or capital may be adversely affected to the extent its reputation is damaged. If it fails, or appears to fail, to deal with various issues that may give rise to reputational risk, its reputation and in turn its business prospects may be harmed. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money-laundering, privacy, record-keeping, sales and trading practices, and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in its business. Failure to address these issues appropriately could give rise to additional litigation and regulatory risk to the Group.

The Group is exposed to funding risks in relation to the defined benefits under its pension schemes.

Participating employers in the Group participate in either or both of the Group's UK defined benefit occupational pension schemes. The participating employers are obliged by law to maintain a minimum funding level in relation to their ongoing obligation to provide current and future pension benefits for the members of the pensions trust who are entitled to defined benefits. The trustees of the pension schemes have a wide discretion under the respective trust deeds to decide the contributions payable by the participating employers. The size of the deficits in the defined benefit schemes may also increase due to a reduction in the value of the schemes' assets, or on increase in the schemes' liabilities due to changing mortality assumptions, changing discount rate assumptions, the expected rate of return on scheme assets, or other factors. Additionally, if either pension trust is wound up for any reason, the participating employers would become statutorily liable to make an immediate payment to the trustees of the relevant pension scheme to bring the funding of the defined benefits to a level that is higher than the minimum required by law. Additionally, if an employer is deemed to be "insufficiently resourced", the Pensions Regulator could issue a financial support direction that requires the relevant participating employers of the Group or an associated or connected company to put in place financial arrangements to support the pension liabilities, if it thinks it is reasonable to impose the direction on that company.

4. Risks relating to Ordinary Shares

As a holding company, the Company's ability to pay dividends will depend upon the level of distributions, if any, received from its operating subsidiaries, regulatory requirements and the successful conversion of operating profits into cash.

The payment of dividends by the Company is subject to the Company having sufficient distributable reserves for such purposes after the receipt of distributions from its subsidiaries. To create additional distributable reserves and thereby increase flexibility, at the Extraordinary General Meeting of Collins Stewart Tullett plc, Collins Stewart Tullett Share Owners will be asked to approve a reduction of the Company's share capital. The Company will apply to the Court before Admission for an order confirming the reduction (see Part V – "The Scheme of Arrangement and the Demerger"). At this time, it is not possible to provide assurance that such application will be successful.

The payment of dividends by the Company is also subject to the Company, after payment of the dividend, continuing to meet such regulatory requirements as are stipulated by its lead regulator, the FSA. Distributions by subsidiaries to the Company are similarly affected by local regulatory requirements.

5. Risk relating to the Demerger

Any future return of value to shareholders is dependent on the successful implementation of the Demerger.

The ability of the Group to implement a return of excess capital to its shareholders in the near future will be heavily dependent on the successful implementation of the Demerger. The implementation of the Demerger is subject to various conditions and will not proceed unless those conditions are satisfied and the Scheme and the Collins Stewart Group Transfer have occurred first. If the Scheme becomes effective but the Demerger does not occur, New CST plc will be the new holding company of a group that will include Collins Stewart Europe Limited and its current subsidiaries. In that situation New CST plc is expected to be subject to regulatory capital requirements that will limit its ability to return or prevent it from returning excess capital to its shareholders. Whether or not the Demerger occurs, the proposed return of capital described in this document is subject to uncertainty as to its timing and amount and the form it might take. In particular, the proposed return of capital will not take place unless a waiver from the consolidated capital adequacy tests under the Capital Requirements Directive has been received, the Group has adequate funding in place and the board of New CST plc considers it to be in the best interests of New CST plc.

PART III

INFORMATION RELATING TO THE GROUP

1. Introduction

Collins Stewart Tullett plc is the holding company of a global financial services group and is listed on the London Stock Exchange. The Group comprises the world's second largest inter-dealer broker and a leading independent UK stockbroking business.

The inter-dealer broker business trades under the Tullett Prebon brand and is an intermediary in the wholesale financial markets, facilitating the trading activities of market participants, particularly commercial and investment banks, hedge funds and buy-side institutions. The business covers five major product groups: Fixed Income Securities and their derivatives, Interest Rate Derivatives, Treasury Products, Equities and Energy. In addition, the business has an information sales activity.

The stockbroking business, which trades as Collins Stewart, covers institutional and private client stockbroking, market making, corporate finance, fund management and the supply of on-line financial information through the quantitative research system, Quest™.

The Group has approximately 3,000 staff in 29 countries covering all the significant financial markets.

2. Demerger and Return of Capital Proposals

On 20 March 2006, it was announced that in order to deliver significant further value to shareholders, the board of Collins Stewart Tullett plc had decided to demerge Collins Stewart and subsequently to return at least £300 million excess capital to shareholders. Collins Stewart Tullett plc intends to introduce a new holding company, New CST plc (to be renamed Tullett Prebon plc), using a Court-approved scheme of arrangement (under section 425 of the Companies Act). This will then be followed by a Court-approved capital reduction to achieve the demerger of Collins Stewart, create distributable reserves and facilitate the return of capital. The mechanism by which the return of capital is executed will be decided at the appropriate time. A new holding company, Collins Stewart plc, will also be established to acquire the Collins Stewart stockbroking business in the Demerger. The Directors believe that the Demerger will enable the Company to operate with a more efficient capital structure and that both New CST plc and Collins Stewart plc will benefit from having separate management teams which will be able to focus fully on the development opportunities available to them.

Prior to the Demerger there will be a group reorganisation to separate the stockbroking activities from the inter-dealer broker. This will also involve the transfer to Collins Stewart of all the stockbroking operations, including certain domestic US equities broking activities previously forming part of the Tullett Prebon business.

As a result of the Demerger, each Collins Stewart Tullett Share Owner will, in place of every one Collins Stewart Tullett Share owned by them, receive one Ordinary Share and one Collins Stewart Share.

Once the Demerger is completed the Board intends to return £300 million of capital to shareholders. The proposed return of capital is dependent on, amongst other matters, receipt of a waiver from the consolidated capital adequacy tests under the regulatory regime established by the Capital Requirements Directive which will come into effect in the UK from January 2007. An "in principle" waiver has already been obtained from the FSA. The Board expects that the capital return will be effected by March next year.

3. History and Development

Collins Stewart Tullett plc was incorporated on 11 January 2000 for the purpose of purchasing Collins Stewart from Singer & Friedlander Group plc. The transaction was completed on 26 May 2000 through a management buyout. Collins Stewart Tullett plc was then floated on the main market of the London Stock Exchange in October 2000.

The Company acquired Tullett Liberty in March 2003 for a consideration of approximately £250 million and the Prebon inter-dealer broking business in October 2004 for a consideration of approximately £132 million. Following the acquisition of Prebon, the enlarged inter-dealer broking business was re-branded Tullett Prebon.

History of the inter-dealer broker business

The Tullett business was founded in 1971 and focused during its early years on the money and foreign exchange markets. Following that time, during the 1970s and 1980s, Tullett developed a number of overseas offices and expanded its operations as an intermediary in the wholesale financial markets in particular developing its product range into interest rate derivatives. In 1999 Tullett acquired Liberty Brokerage Investment Corp, predominantly a fixed income broker with headquarters in New York. Tullett Liberty itself was acquired by Collins Stewart Tullett plc in March 2003.

Prebon is an inter-dealer broking business which grew rapidly both organically and by a series of mergers and acquisitions which took place primarily in the 1990s. The most significant of these was the merger of Prebon Yamane and M W Marshall to form the Prebon Group. Prebon's parent company, FPG Holdings Limited was acquired by Collins Stewart Tullett plc in October 2004.

History of the stockbroking business

Collins Stewart traces its origins back to May 1991 when it started as a partnership with Singer & Friedlander Securities Limited. It established a private client business through the acquisition of Greig Middleton's Channel Islands and Isle of Man business in 1996, the acquisition of the UK private client business of NatWest Stockbrokers in 2001 and the aquisition of the Jersey and Isle of Man based Insinger de Beaufort (International) Limited in 2005. The New York business, Collins Stewart Inc., was established in 1999. It was acquired by Collins Stewart Tullett plc in May 2000, following a management buy-out backed by funds advised by CVC Capital Partners Limited, Parallel Ventures Nominees Limited and Bank of Scotland.

4. Business Overview

4.1 Tullett Prebon

Tullett Prebon is the world's second largest inter-dealer broker ("IDB"). Tullett Prebon acts as an intermediary in the wholesale financial markets, facilitating the trading activities of its clients, in particular commercial and investment banks, hedge funds and buy-side institutions. Tullett Prebon brokes its products on either a "name give up" basis (where the counterparties to a transaction settle directly with each other) or as "matched principal" (where Tullett Prebon is the counterparty to each leg of a transaction).

The integration of the Tullett Liberty and Prebon businesses was completed during 2005. The IDB business now trades as Tullett Prebon in most jurisdictions and utilises common systems, infrastructure and facilities in virtually all locations. The voice broking business is organised on a regional and then a product basis while data sales and electronic broking are managed globally.

There is a discernible product life-cycle to the instruments which Tullett Prebon brokes. New products are characterised by high commission rates and lower volumes. As products mature, the volumes increase, liquidity increases and commissions reduce. The most mature products become commoditised and can, as in the case of spot foreign exchange and US government bonds, be suitable for migration to electronic platforms. By their nature, and despite increasing levels of market activity, most derivative, structured and medium to long term products are too complicated to be traded on an electronic platform.

In the first week of 2006 the business launched its new electronic trading platform ("TradeBlade™") with US dollar repurchase agreement ("repo") trading. This represented the first stage of Tullett Prebon's development of an electronic broking capability which will form a key part of future strategic plans. In June 2006 the platform went live for US Treasuries and other products are planned to go live before the end of 2006. The addition of TradeBlade™ to the IDB suite of services gives clients access to electronic execution coupled with straight-through processing for electronic transactions.

In the year to 31 December 2005, Tullett Prebon generated revenues of £676 million, an increase of £212 million over 2004 reflecting the benefit of the acquisition of Prebon in October 2004 and the subsequent reorganisation of the IDB business. Operating profit, before exceptional items, was £91.4 million, an increase of £42.8 million on the previous year as a result of the growth in revenue and an uplift in operating margin principally reflecting the benefits of the integration of the IDB business.

The following table analyses revenue by product group and region for the last three financial years. The 2004 revenue figures include Prebon from 13 October 2004 and the North American Energy broking business acquired from Natsource from the end of June 2004. The 2003 figures show the results for the business for the period after it was acquired by the Group on 10 March 2003.

Revenue	*2003*		*2004*		*2005*	
	£m	*% of total*	*£m*	*% of total*	*£m*	*% of total*
By region						
Europe	156.8	45	221.9	48	317.2	47
North America	158.6	46	196.0	42	287.5	42
Asia Pacific	30.6	9	47.0	10	71.7	11
Total	346.0	100	464.9	100	676.4	100
By product						
Fixed income securities	161.9	47	179.5	39	193.9	29
Treasury products	58.9	17	98.5	21	180.9	27
Interest rate derivatives	82.3	24	113.3	24	163.1	24
Equities	35.3	10	42.2	9	71.8	10
Energy	1.2	–	21.5	5	53.3	8
Information sales	6.4	2	9.9	2	13.4	2
Total	346.0	100	464.9	100	676.4	100

Geographic spread

Tullett Prebon operates in Europe, North America and Asia Pacific. Its principal offices are in London, New York, New Jersey, Hong Kong, Singapore and Tokyo.

Fixed Income Securities

Tullett Prebon has a broadly-based business in fixed income products across North America, Europe and Asia. Tullett Prebon's operations cover cash products including US Treasuries, US government agencies, US mortgage-backed securities, European government bonds and local government bonds, as well as repos and bond derivatives. Tullett Prebon's operations also cover credit products ranging from high grade corporates to high-yield bonds and certain emerging markets bonds. Over the last three years Tullett Prebon has grown its presence in the important credit derivatives market.

Treasury Products

Tullett Prebon's brokers cover treasury products which embrace the traditional money broking products areas (spot foreign exchange and cash) as well as foreign exchange forwards (including non-deliverable forwards) and foreign exchange options ("FXO"). Tullett Prebon's cash business is built around the traditional products of loans and deposits and negotiable securities including certificates of deposit,

bankers' acceptances and commercial paper in G3 and local currency markets, for banking, wholesale financial market users and UK local authorities. Tullett Prebon's FXO business is based in London, New York, Singapore and Tokyo and covers the main traded currencies, crosses, emerging markets currencies and exotic options.

Interest Rate Derivatives

Tullett Prebon's brokers cover derivative products which facilitate the management of interest rate risk. The business covers the full yield curve on a multi currency basis and offers a variety of over the counter (OTC) products, including forward rate agreements, interest rate swaps in all forms (spread, coupons and basis) and interest rate options (caps, floors and swaptions).

Equities

Tullett Prebon's operations in London offer services in equity derivatives. To facilitate its business, Tullett Prebon has multiple exchange memberships (including the London Stock Exchange). Tullett Prebon also brokes European convertible securities, global depository receipts and American depository receipts, using the "Market:Marker" service to distribute price information. The equity option market is covered in terms of major market sectors and single securities from certain elements of its London office. US equity derivatives are broked from its New Jersey offices. The domestic and international cash equities business based in New York and for the most part acquired by Tullett Prebon from Burlington Capital Markets in January 2005 will move to Collins Stewart as part of a reorganisation prior to the Demerger.

Energy

The Tullett Prebon Energy business, with offices in North America, London and Singapore, provides power marketers, utilities, producers, risk managers and institutions with a single comprehensive source for price information and liquidity in a broad and expanding range of energy markets including, power, natural gas, oil and coal.

Information Sales

Tullett Prebon uses internally developed systems to collect, collate, cleanse and distribute real-time price information generated by its global voice broking presence. This information is sold principally to the data vendors, like Reuters and Bloomberg. New products and customers are continually being developed.

Recent developments

Tullett Prebon launched "TradeBlade™", a fully electronic, inter-dealer trading system in January 2006 aimed at the institutional fixed-income dealing community, focused initially on trading dollar-based repos. In June 2006 the platform went live for US Treasuries and it is intended that further products will be rolled out across the platform before the end of 2006.

Tullett Prebon launched its property derivatives capability in July 2005 and formed a partnership with global property adviser DTZ in November of the same year for the marketing and execution of property derivative contracts in the UK and European markets. It allows the investor to manage risk associated with owning or wishing to own property in a bull, bear or flat market without having physically to buy or sell the asset.

In the wet freight derivatives market, Tullett Prebon has partnered with three well-established physical shipbroking companies: Capital Shipbrokers Ltd, in London, Island Shipbrokers (PTE) LTD in Singapore and MJLF Inc. in Connecticut, USA to assist oil companies, ship owners and other users in the shipping industry to manage the volatility in the shipping market.

In May 2005, Tullett Prebon opened the first inter-dealer broker business in South Korea to be wholly owned by a foreign firm. In December 2005, together with a partner, Shanghai International Trust & Investment Corporation Limited, a subsidiary of Shanghai International Group, one of China's largest

state-owned enterprises, Tullett Prebon opened a joint venture in Shanghai, the first inter-dealer broker in that country to include foreign participation.

4.2 Collins Stewart

Collins Stewart's activities cover institutional and private client stockbroking, market making, corporate finance, fund management and the supply of on-line financial information through its quantitative research system, Quest™. It is managed through the following operating divisions:

- Smaller Companies
- Private Clients
- Larger Companies

Quest™

Quest™ is used throughout the business as an analytical and research tool and will continue to play an important role in the future development of the business. The directors of Collins Stewart plc believe that Quest™ differentiates Collins Stewart from all other stockbrokers operating in the same area of the market.

The system was developed for use by research analysts and fund managers as a tool for analysing companies, reviewing portfolios, conducting market searches and for preparing presentations. As at 30 June 2006, the system covered approximately 2,400 companies, including approximately 600 based in the UK, 650 in the US and 500 in Europe (outside the UK) and was delivered via the internet to approximately 150 institutional investors in the UK, 90 in North America and 60 in Continental Europe and Asia.

The Quest™ service is interactive, allowing analysts and fund managers to evaluate companies, sectors and countries, load portfolios for assessment, search the database for companies with particular characteristics, produce reports and create analysis on spreadsheets. It includes a quantitative factor model called triAngle™. This ranks stocks by reference to three different sets of quantitative factors: quality, valuation and momentum. Quest™ also delivers on-line news and analysis on stocks and sectors.

Quest™'s financial results are included within the Larger Companies division.

The following table analyses revenue by business segment for the last three financial years. The figures have been prepared in accordance with UK GAAP for the financial year ended 31 December 2003 and in accordance with IFRS for the financial years ended 31 December 2004 and 31 December 2005.

	Year to					
	31 December 2003		*31 December 2004*		*31 December 2005*	
Revenue	*£m*	*%*	*£m*	*%*	*£m*	*%*
Smaller Companies	71.6	56	50.3	42	50.1	41
Private Clients	27.6	22	33.6	28	37.8	31
Larger Companies	28.7	22	35.1	30	33.8	28
Total revenue	127.9	100	119.0	100	121.7	100

Smaller Companies

The Smaller Companies division comprises Collins Stewart's Smaller Companies ("Smaller Cap") and Investment Funds businesses.

The Smaller Cap area focuses on companies below the FTSE 350 Index. The core activity is the raising of capital for clients through its corporate finance team and specialist sales force. In 2005, Collins Stewart's corporate finance operations raised £1.0 billion on behalf of its clients and was the second highest fund raiser on AIM. Collins Stewart was appointed broker, NOMAD and/or financial adviser

to 105 companies, as at 30 June 2006. As at the date of this document, approximately a quarter of Smaller Cap clients were overseas companies, reflecting the international diversity of the business.

In addition to advising on IPOs and secondary offerings, the Smaller Cap team offers advice on mergers and acquisitions, disposals and private equity funding. The Directors believe that the Smaller Companies franchise is widely recognised as one of the strongest in the AIM market and FTSE small-cap sector.

The Smaller Cap team introduced the Accelerated Initial Public Offering ("AIPO™") in 2003 and the concept of Special Purpose Acquisition Corporations ("SPACs") in 2005 to the UK market. The Directors believe that these initiatives have gained Collins Stewart a reputation for innovation in the UK market. Smaller Companies have received numerous awards in recent years for transactions including, *inter alia*, IPO of the year – Northumbrian Water (IFR Magazine 2003 (24 May 2003 issue)), IPO of the year – Hamworthy plc (Growth Company Investor 2004 (February 2005 issue)), and IPO of the year – Foseco plc (Shares Magazine 2005 (13 October 2005 issue)).

The division has its own specialist Smaller Cap research team which covers in excess of 120 stocks and at 30 June 2006 made markets in 200 smaller company stocks.

The Investment Funds team, which is now managed within the Smaller Companies division, generates revenue from market making, primary and secondary fund raisings for investment trusts and other investment vehicles, and from advisory and research work in this sector. The team has been rebuilt following the departure of nine members who left in July 2005 and currently makes markets in over 100 investment trust stocks. In 2005 the Investment Funds team raised £300 million for its clients.

In the first six months of 2006 the Smaller Companies division raised more than £1.3 billion for clients, advised on 37 transactions and was the largest fundraiser on AIM.

Private Clients

Collins Stewart's Private Clients division's activities include institutional and intermediary stockbroking and fund and portfolio management. Services are primarily provided to high net worth individuals, charities, pension funds, intermediaries and private companies in the UK, the Channel Islands and the Isle of Man. Portfolios are managed within one of two disciplines, either direct equity (utilising Collins Stewart Quest™ system) or multi-manager. The offshore operation, Collins Stewart (CI) Limited (CSCI), is the largest independent stockbroker in the Channel Islands. CSCI also provides nominee and safe custody services to its clients.

As at 30 June 2006 the division had £3.6 billion[1] under management of which £2.9 billion[1] was under discretionary management. Of this, £2.4 billion[1] related to Private Clients (£1.8 billion[1] discretionary) and the balance to property fund management and fund services.

The Private Clients division operates a range of funds in addition to discrete mandates. These include three onshore funds (Income, Balanced and Growth), 9 Guernsey registered funds (incorporating Fixed Interest, Balanced, Growth and funds of hedge funds) and 4 Dublin registered funds, which have more of a single market focus (Europe, UK, US and a Total Return bond fund).

The Private Clients division also has a fund management operation based in Guernsey and a property management company in the UK. The Guernsey Fund Management operation provides listing and administration services to a range of in-house and external open-ended and closed-ended funds.

The Private Clients division has grown organically and through acquisition. In October 2005 CSCI acquired Insinger de Beaufort (International) Limited, a stockbroking and private client portfolio management company with offices in Jersey and the Isle of Man with £380 million[1] of assets under management.

The division has won awards from The Investors Chronicle (21-27 October 2005 issue) for Best Advisory Stockbroker – Security and Administration, Best Advisory Stockbroker for Customer Service and Best Portfolio Manager.

[1] Source: Collins Stewart's portfolio management database, unaudited.

Larger Companies

The division comprises the businesses which were formerly classified as Larger Companies and Trading and certain domestic US equities broking activities previously forming part of the Tullett Prebon business which will be transferred to Collins Stewart prior to the Demerger.

The division provides an agency broking service to institutional clients in the UK, Continental Europe, and North America. The division's principal activity is the broking of international equities, but it also plays an active role in the larger IPOs undertaken by the Smaller Companies division.

The division has a dedicated equity research team which covers over 160 companies in a wide range of sectors and also relies heavily on Quest™ in providing advice to its clients.

Trading comprises a number of specialist trading desks based in London which make markets in preference shares, convertibles and Australian securities. These desks cover over 200 stocks. In addition to their core trading activities, the desks are able to offer specialist support to the Smaller Companies division's teams where appropriate. At the end of 2005, CSL set up a proprietary trading joint venture, Berkshire Investment Managers LLP, in which it has a 50 per cent. stake.

In 1999, the Group established a regulated subsidiary in New York, Collins Stewart Inc., through which it sells European equities to US institutions. This entity was put into Collins Stewart Tullett plc's US tax sub-group from the start of 2005 whilst remaining a component of the Collins Stewart business. A reorganisation which will take effect before the Demerger will move this entity into the Collins Stewart Group.

In addition, certain domestic and international equities businesses previously forming part of the Tullett Prebon business will be transferred to Collins Stewart prior to the Demerger. These businesses include broking on a matched principal basis of US equities to US institutions, market making in US and non US small and mid cap stocks and broking US equity derivatives to US institutions. The majority of these businesses were acquired by the Collins Stewart Tullett Group from Burlington Capital Markets at the start of 2005. The business has been restructured since its acquisition in 2005 and will form the core of Collins Stewart's expansion in the US market.

5. Strategy

The Board's principal objective for the Group is to maximise returns to shareholders over the medium to long-term with an acceptable level of risk. This focuses both on the fundamental returns generated by the business and the returns delivered through share price appreciation and dividends. To this end the proposed Scheme, Demerger and return of capital form part of the strategy to deliver value to shareholders.

Following the Demerger, the Group's strategy will be to continue to act as a consolidator in the inter-dealer broker sector, seeking to build a business with scale and breadth which will deliver superior performance and returns whilst maintaining strong financial management disciplines and an efficient balance sheet by:

- Building strong pools of liquidity in all the major financial products and centres;
- Retaining key revenue producers;
- Improving contribution rates and maintaining the underlying fixed cost base of the existing business;
- Rolling out a credible electronic platform capable, in the medium term, of generating returns in the relevant product areas in excess of voice broking returns; and
- Proactively managing new business initiatives.

Building strong pools of liquidity

The Group's aim is to be one of the two leading providers of liquidity to the wholesale markets in all the major financial products and centres (with a main focus on London and New York). The Board believes that this strategy will enable the business to deliver a broadly-based and high quality service to all the major participants in the financial markets and thereby maximise revenues and reduce the impact of a downturn in activity in any one product area. The combination of the Tullett Liberty and Prebon businesses has created representation in virtually all major financial products traded on an OTC basis and major financial centres.

The business, nevertheless, will seek to enhance its position further with strategic hiring or, potentially, acquisitions in specific product areas.

Management will also look to use this broad product platform to create new data sales products and distribution channels.

Retaining key revenue producers

Management continues to focus on retaining key revenue producers and the Directors believe that the strength of the Tullett Prebon franchise will attract the best brokers to the business further enhancing overall performance.

Improving contribution rates and maintaining the underlying support cost base

Management continues to focus on the control of direct costs, in order to generate improvements in contribution from each region. Management will continue to eliminate marginal and loss making businesses, seek to preserve businesses with attractive margins and continue to look for businesses not currently included within the IDB product offering but which are capable of generating acceptable levels of return. The optimum structure for support functions and offices remains under review and management will continue to seek appropriate economies of scale and other efficiencies.

Rolling out a credible electronic platform

Having successfully launched the short-term US dollar repo service in North America in January 2006 and commenced trading in US Treasuries in June 2006, the Group is seeking to launch further new products in the second half of 2006. Fundamental to the success of this roll-out will be: the identification of products that should move to the platform; the support for the system from customers; and the resilience of the underlying technology.

Proactively managing new business initiatives

Management will continue to review new markets and territories for opportunities to develop the inter-dealer broker business model.

6. Current Trading and Prospects

In the interim results of Collins Stewart Tullett plc on 18 September 2006, the following statements were made:

"The Tullett Prebon business has continued to perform in line with our expectations since the half year and, given the current geopolitical uncertainties, volatility in most markets seems likely to continue. We expect to launch further products on TradeBlade™ before the end of the year. Equity markets, as usual, have been quiet over the summer months. The Collins Stewart corporate finance order book is, however, sound for the second half."

The Board reiterates the guidance on outlook for 2006 in respect of the Group as outlined in the interim results of Collins Stewart Tullett plc announced on 18 September 2006 as set out above.

7. Funding Structure

Collins Stewart Tullett plc currently has £150 million 8.25 per cent. Step-Up Coupon Subordinated Notes due 2014 ("Notes") in issue. These Notes will remain in place following the Demerger.

Clearing and settlement deposits are placed with various financial institutions principally for the US and UK matched principal businesses to facilitate the clearing and settling of transactions. These deposits take the form of cash or other liquid assets, for example, US Treasury Bills, and are used as collateral by the relevant settlement agent for any marked to market movement in unsettled trades. The cash, which as at 30 June 2006 amounted to approximately £70 million, is considered to be restricted for the purposes of working capital management as it is not freely available, although it would become available in the event of the Group discontinuing trading in the associated line of business.

Net settlement balances, including trades pending settlement and those which are past the settlement date, can vary substantially with trading resulting in significant short term movements in working capital. As securities are only delivered versus payment, debit balances are funded by overdrafts provided by the relevant clearing bank secured on the underlying securities.

8. Regulatory Capital

Current regime

The Group's lead regulator is the FSA, which is responsible for consolidated supervision as well as the supervision of individual regulated UK subsidiaries on a solo basis. The FSA's supervision includes monitoring the Group's consolidated regulatory capital position and the capital adequacy of individual regulated UK subsidiaries.

The Group is required to submit consolidated supervision returns to the FSA. The returns contain information on the Group's Consolidated Financial Resources and consolidated Financial Resources Requirement ("FRR"), both calculated according to the FSA's rules. The consolidated FRR is an aggregation of the FRR for each company within the Group. The underlying FRR calculations are designed to assess the various risks faced by an entity as defined by the relevant regulators. Goodwill is deducted from the Group's Consolidated Financial Resources.

On 19 October 2005, the FSA directed that the Group should be exempt from the requirement to maintain consolidated financial resources in excess of its consolidated FRR on a modified basis. In other respects, including the obligation to submit consolidated supervision returns to the FSA, the Group remains subject to consolidated supervision by the FSA. The waiver expires on 31 December 2006. Despite the availability of this waiver, the Group continues to maintain consolidated financial resources in excess of the consolidated FRR.

Regulatory developments

The FSA is currently preparing for the implementation of the Capital Requirements Directive ("CRD") in the UK. As part of this process, the FSA issued Consultation Paper 06/3 Strengthening Capital Standards 2 ("CP 06/3") in February 2006. It includes a full set of draft rules and guidance. The intention is that the rules and guidance will be finalised in time for the CRD to come into force on 1 January 2007. The final handbook text for implementing the CRD in the UK may differ from the draft which has been issued in conjunction with CP 06/3.

Under the draft rules in the absence of a waiver, an investment firm, as defined, that is a member of a UK consolidation group, must ensure at all times that the group of which it is part has consolidated capital resources in excess of its consolidated capital resources requirement. Consolidated capital resources and capital resources requirements are defined in the draft rules. The definitions differ from the corresponding definitions in the current rules.

The draft rules and guidance contained in the Appendix of CP 06/3 also set out new conditions for obtaining a waiver from the requirement to maintain consolidated financial resources in excess of consolidated capital resources requirements ("a consolidation waiver").

In order to obtain a consolidation waiver, a UK consolidation group must not contain a "credit institution" as defined, and must not include a "CAD investment firm" which is neither a "limited activity firm" nor a "limited licence firm" and must meet certain other conditions. These conditions include that if the parent company of the group is a "financial holding company" it maintains capital resources in excess of:

(a) the sum of the relevant solo capital resources requirements for group companies which are "CAD investment firms" or "financial institutions" or which fall into other specified categories; and

(b) the total amount of any contingent liability in respect of group companies in the specified categories.

The above condition does not require the holding company to deduct goodwill in calculating its capital resources.

The conditions for obtaining a consolidation waiver that are specified in the draft rules are minimum conditions and satisfaction of them does not automatically mean that the FSA will grant a consolidation waiver. The FSA also applies the conditions in section 148 of the Financial Services and Markets Act 2000. In brief, these conditions are that:

(a) compliance with the unmodified rules by the firm would be unduly burdensome or would not achieve the purpose for which the rules were made; and

(b) the modification directed by FSA must not result in undue risk to persons whom the rules are intended to protect.

The Company has obtained an "in principle" waiver from the consolidated capital adequacy rules as a "limited activity"/"limited licence" group under the CRD and intends to apply for a final waiver as soon as the new rules are finalised.

The demerged Collins Stewart business will not be eligible for a waiver because Collins Stewart is a full scope CAD investment firm. Consequently, it will be subject to the consolidated capital adequacy test under the new regime.

As noted above the draft rules contain changes to the way the capital resources requirement is determined. The main change that will affect Collins Stewart is that the base requirement, which is a function of the expenditure requirement and certain risk-based requirements, will no longer apply but will be replaced by an operational risk charge. It is anticipated that when it is introduced this change will increase Collins Stewart's capital requirement. Even after allowing for this change, Collins Stewart is expected to have sufficient excess regulatory capital.

9. Pensions Regulator Clearance

The Collins Stewart Tullett Group's two UK defined benefit occupational pension schemes, the Tullett Liberty Pension Scheme (the "TL Scheme") and the Prebon Yamane (Ex K-W) Pension Scheme (the "PY Scheme") had an estimated unaudited deficit as at 30 June 2006 of £27.7 million in aggregate under International Accounting Standard 19. Where a defined benefit scheme is in deficit, the UK Pensions Regulator has power in some circumstances to make orders for additional funding support (a contribution notice issued to the employing company or financial support direction issued to another group company or entity leaving the group).

Agreement has been reached between Collins Stewart Tullett plc, the respective principal employers and the trustees of the TL Scheme and the PY Scheme that conditional on the capital return proceeding, the Group will ensure that the deficits of the respective schemes, as measured under FRS17, will be eliminated by 31 December 2010. In addition, the trustees of the TL Scheme and the PY Scheme will together have a first ranking charge over £50m of net assets of the Group's principal operating subsidiaries. Based on these agreements the Pensions Regulator has issued a Clearance Statement under sections 42 and 46 of the Pensions Act 2004 confirming that it does not believe that it would be reasonable for it to issue a contribution notice or financial support direction in respect of entities of the Group or the Collins Stewart Group as a result of either the Demerger or the proposed capital return.

10. Working Capital

The Company is of the opinion that taking into account available bank and other facilities, the Group has sufficient working capital for its present requirements, that is for at least 12 months following the date of this document.

11. Significant Change

There has been no significant change in the financial or trading position of the Group since 30 June 2006, the latest date for which audited financial information has been published.

12. Dividend Policy

The Company will maintain an appropriate level of dividend cover whilst taking into account growth in earnings and future expansion plans. The Company will only seek to retain distributable profits when it expects to earn above average returns from the deployment of the funds retained.

PART IV

DIRECTORS, EMPLOYEES AND CORPORATE GOVERNANCE

1. Directors

Upon Admission, the business address of each of the Directors will be Cable House, 54-62 New Broad Street, London EC2M 1ST. Set out below are profiles for each of the Directors of New CST plc.

2. Director Profiles

Keith Hamill – Chairman (aged 53)

Keith Hamill is currently chairman of Collins Stewart Tullett plc and following the Demerger will be Chairman of New CST plc and Deputy Chairman of Collins Stewart plc. He is also Chairman of Travelodge, Bertram Books and Heath Lambert Group Holdings Limited, a non-executive director of Electrocomponents plc and Pro-Chancellor of Nottingham University. He is a chartered accountant and worked for Price Waterhouse from 1975 to 1988, becoming partner in 1987. Subsequently he was director of financial control at Guinness, finance director of United Distillers, Forte plc and WH Smith. He was also previously a member of the Urgent Issues Task Force of the Accounting Standards Board and Chairman of the CBI Financial Reporting Panel. He is Chairman of the Nominations Committee.

Terry Smith – Chief Executive (aged 53)

Terry Smith is Chief Executive of Collins Stewart Tullett plc and following the Demerger, he will be Chief Executive of the Company and will also be the Chairman of Collins Stewart plc. He worked for Barclays Bank from 1974 to 1983 and became an Associate of the Chartered Institute of Bankers in 1976. He obtained an MBA at The Management College, Henley in 1979. He became a stockbroker with W Greenwell & Co in 1984 and was the top-rated bank analyst in London from 1984 to 1989, during which period he also worked at BZW and James Capel. In 1990 he became head of UK Company Research at UBS Phillips & Drew, a position he left in 1992 following the publication of his best selling book *Accounting for Growth*. He joined Collins Stewart & Co shortly after and became a director in 1996. He is qualified as a Series 7 Registered Representative and a Series 24 General Securities Principal with the NASD. He is also a non-executive director of William Cook Holdings Limited.

Paul Mainwaring – Finance Director (aged 43)

Paul Mainwaring trained as a chartered accountant with Price Waterhouse, qualifying in 1987, and obtained an MBA from Cranfield School of Management in 1991. From 1993 to 2000 he worked for Caradon plc in a number of financial roles including three years as Finance Director of MK Electric. In 2000 he was appointed as Group Finance Director of TDG plc. He was appointed as Group Finance Director of Mowlem plc in 2005. He was appointed to the Collins Stewart Tullett plc board of directors on 10 October 2006.

Louis Scotto – Executive Director (aged 56)

Louis Scotto started his career as Marketing Manager of AT&T. He joined Garban in 1981 as head of Technology and became President of Garban Computer Systems. In 1984 he left to join Mabon Nugent, becoming General Partner and Chief Administrative Officer. In 1993, he joined Liberty Brokerage as Managing Director, responsible for creation of US Corporate Bonds and Mortgage-Back Bond business. Based in London from 1994 to 1999, he built the business of Liberty Eurasia. In 1999, he was appointed Global Chief Operating Officer of Liberty Brokerage and then Group Chief Operating Officer of Tullett Liberty and subsequently named Chief Executive in April 2004. He was appointed to the Collins Stewart Tullett plc board of directors in June 2004.

David Clark – Independent Non-executive Director (aged 59)

David Clark worked for Bankers Trust, Commerzbank and Midland Bank before being appointed Treasurer, Europe of HSBC Holdings in 1992. In 1995 he joined Bankgesellschaft Berlin AG becoming Managing Director of Bankgesellschaft Berlin (UK) plc until June 1999. He was Senior Adviser to the Major Financial Groups Division of the Financial Services Authority until March 2003. He is non-executive chairman of Charity Bank and non-executive director of Caf Bank. He was appointed as a non-executive director of Tullett Liberty in September 2000 and to the Collins Stewart Tullett plc board on 10 March 2003. He is a member of the Audit Committee and the Nominations Committee.

Michael Fallon MP – Independent Non-executive Director (aged 54)

Michael Fallon joined the Collins Stewart Tullett plc board in September 2004 and is chairman of the Remuneration Committee and a member of the Audit and Nominations Committees. He is the founder of Just Learning Limited, a company which builds and operates nurseries and the Conservative MP for Sevenoaks. He is also a member of the Treasury Select Committee of the House of Commons, chairing the Sub-Committee which scrutinizes the Inland Revenue and Customs and Excise Departments. He was Opposition spokesman on Trade and City matters from 1997-1998. He was previously a director of Quality Care Homes PLC.

Richard Kilsby – Independent Non-executive Director (aged 54)

Richard Kilsby joined the Collins Stewart Tullett plc board on 3 June 2005 and is chairman of the Audit Committee and a member of the Remuneration and Nominations Committees. Following the Demerger he will be a non-executive director of both New CST plc and Collins Stewart plc. He is chairman of 888 Holdings plc and holds a number of board positions in privately held financial sector companies. He formerly held many positions in finance and the City including those of, inter alia, Vice Chairman of the virt-x stock exchange (created by the merger of the Swiss Exchange with Tradepoint), Chief Executive of Tradepoint (an AIM quoted electronic exchange), an executive director of the London Stock Exchange responsible for listing, secondary regulation and the introduction of the SETs trading system and audit partner at Price Waterhouse.

Bernard Leaver – Independent Non-executive Director (aged 59)

Bernard Leaver was appointed a director of Collins Stewart Tullett plc in August 2003 and is a member of the Remuneration and Nominations Committees. He was formerly a Managing Director of Lehman Europe from 1988 to 2002 and a member of the Lehman European Board. Prior to that he was the senior partner of C T Pulley and a main board director at Hoare Govett.

John Spencer – Senior Independent Non-executive Director (aged 62)

John Spencer was appointed a director of Collins Stewart Tullett plc in September 2000 and is the Senior Independent non-Executive Director and a member of the Audit, Remuneration and Nominations Committees. He qualified as a chartered accountant with KPMG and in 1969 he joined Barclays Bank where he held a variety of posts including head of group finance and planning, president of Barclays Bank of New York, chief executive of the USA Banking division and deputy chief executive of BZW. He was non-executive chairman of Regent Inns plc from 1995 to 1998 and was also previously non-executive chairman of Softtechnet.com plc, a director of Numerica Group PLC and Chief Executive of Snell & Wilcox Limited.

3. Employees

The table below sets out the average number of people (full time equivalents) employed by the Group in the previous three financial years:

	2003	*2004*	*2005*
Tullett Prebon			
Europe	841	970	1,151
North America	582	662	934
Pacific Basin and Australasia	257	364	518
	1,680	1,996	2,603
Collins Stewart			
Europe	399	414	432
North America	13	13	10
	412	427	442
Total	2,092	2,423	3,045

4. Employee Share Plans

Equity incentivisation of staff has always been a cornerstone of Collins Stewart Tullett's strategy for the remuneration of its staff. This policy will continue to apply for New CST plc and accordingly shareholder approval is being sought at Collins Stewart Tullett's EGM on 23 November 2006 for the adoption of new employee share plans for the Company.

Existing plans

As at 27 October 2006, the latest practicable date before the publication of this document, there were awards outstanding under the Tullett Liberty Equity Incentive Plan (the **EIP**) over 4 million shares. The performance period relating to these awards extends to 31 December 2007 and, to date, approximately 50 per cent. of such awards have vested in terms of performance. The Directors continue to believe that these awards are an important incentive to staff and therefore awards outstanding under the EIP will be exchanged for equivalent awards over Ordinary Shares under the rules of the EIP. The turnover target applicable to the awards will be adjusted to reflect the proposed transfer of part of the US equities business to Collins Stewart plc on Demerger. However, the operating margin target for full vesting of 18 per cent. will continue to apply. The Company will adopt and be responsible for the operation of the EIP in respect of outstanding awards following the Demerger. No new awards will be granted under the EIP.

Options over approximately 0.5 million shares granted to Tullett Prebon staff under other Collins Stewart Tullett plc share option schemes are either already exercisable or will become excercisable in accordance with their respective rules as a consequence of the Scheme. Appropriate proposals are being made to participants in respect of their rights under such option schemes. Tullett Prebon staff holding options granted under discretionary schemes which have become exercisable as a consequence of the Scheme have agreed to exchange their options for equivalent options over shares in the Company. Where such options are to be satisfied by the issue of new shares such shares will count towards the new issue limits applicable to the Company's employee share plans. No new awards will be granted under any of the old Collins Stewart Tullett plc share option schemes.

Future plans

The Company proposes to adopt a new long term incentive plan (LTIP). There are no current proposals to use the LTIP until the EIP terminates at the end of 2007. The LTIP is a discretionary plan which would be used for the incentivisation of senior staff. It provides for options to be granted at any or nil exercise price and subject to exercise periods which will normally be 3 to 10 years from the date of grant. Initial awards of options, will be limited to 200 per cent. of an individual's total remuneration. For subsequent awards, in any year no individual will receive an option grant in excess of 300 per cent. of basic pay. These individual limits give the Remuneration Committee flexibility to deal with the large proportion of staff remuneration which

is bonus. Grants are subject also to an overall limit on the use of new issue ordinary shares being limited, in normal circumstances, to 5 per cent. of the Company's issued share capital in any 10 year period under the LTIP or any other discretionary scheme (subject to the overriding limit of 10 per cent. under all employee share plans).

It is also intended that the LTIP should be used to encourage investment in the Company's shares by senior staff. Some option grants may be conditional on the employee first investing part or all of their annual bonus in ordinary shares. The Remuneration Committee will be responsible for granting options under the LTIP and for setting any performance conditions that attach to such grants.

The performance conditions which will apply to options granted under the LTIP will be designed to ensure that full vesting only occurs upon achievement of challenging performance criteria which create value for shareholders. Future grants will take account of market practice and the views of institutional shareholders.

In addition to the above, it is proposed that the Company should implement a share savings plan (SSP) to facilitate the investment by all staff in the Company's shares. This scheme is designed to enable staff to purchase shares out of their pre-tax income and will be subject to any limits imposed by local tax authorities in the countries where it is operated. In the UK it will operate within the terms for all employee share incentive plans under the Income Tax (Earnings and Pensions) Act 2003.

A summary of the principal terms of the LTIP and the SSP is set out in Part XIII of this document.

5. Corporate Governance

The Combined Code provides that the board of directors of a United Kingdom public company should include a balance of executive and non-executive directors, with independent non-executive directors (excluding the Chairman) comprising at least one-half of the board. New CST plc will comply with the requirements of the Combined Code and will implement the procedures required to comply with the internal control aspects of the Combined Code.

The following section describes Collins Stewart Tullett plc's existing corporate governance and risk management arrangements. It is intended that, following the Scheme and Demerger, the same arrangements will be made by New CST plc.

5.1 *Directors*

Upon Admission, the Board will comprise three executive directors, five non-executive directors and the Chairman. All of the non-executive directors are considered to be independent under any of the relevant codes and regulations.

The Chairman's role under Collins Stewart Tullett plc's arrangements is as a non-executive. The Chairman is responsible for the conduct of the board of Collins Stewart Tullett plc and its oversight of Collins Stewart Tullett plc's affairs and strategy and the administration of the board of Collins Stewart Tullett plc. The Chief Executive, Terry Smith, is responsible for the management of the business, the co-ordination of its activities and the development of strategy. John Spencer will be nominated by the Board as senior independent non-executive director. The senior independent non-executive director has the responsibility of dealing with any shareholders who have concerns which contact through the normal channels of chairman, chief executive or group finance director has failed to resolve or for which such contact is inappropriate.

The Company proposes to indemnify every member of the Board out of its own funds in a manner consistent with the Companies Act.

5.2 *Board Administration*

The board has a schedule of eight meetings per annum to discuss the Group's ordinary course of business. Every effort is made to arrange these meetings so that all directors can attend.

The terms of the Directors' service agreements and letters of appointment are summarised in paragraph 9 of Part XIV of this document.

All directors of Collins Stewart Tullett plc are subject to election by shareholders at the first annual general meeting of shareholders after their appointment. Thereafter, all directors are required to retire every three years.

In the event that any of the executive directors wish to take up a non-executive appointment with another company, the board is amenable to such a proposal, provided that the time commitment involved would not be too onerous.

All directors have access to the services of the Company Secretary and there are procedures in place for taking independent professional advice at Collins Stewart Tullett plc's expense if required. Collins Stewart Tullett plc carries insurance cover in respect of legal action against the directors.

5.3 ***Audit Committee***

The chairman of the Audit Committee is Richard Kilsby. The other members of the Audit Committee are John Spencer, David Clark and Michael Fallon, all of whom will be independent non-executive directors.

Collins Stewart Tullett plc's external auditors, the Chairman, the executive directors and the heads of Risk Control and Internal Audit may attend Audit Committee meetings by invitation. The Audit Committee has a discussion with the external auditors at least once a year without executive directors being present, to ensure that there are no unresolved issues of concern.

The Audit Committee's terms of reference include monitoring the integrity of the financial statements, reviewing the scope and findings of the external audit, assessing the independence and objectivity of the external auditors and making recommendations for the re-appointment or removal of the external auditors, monitoring the internal audit function, reviewing the effectiveness of Collins Stewart Tullett plc's internal control procedures, overseeing and assessing the risk control system and reviewing arrangements by which staff may, in confidence, raise concerns about improprieties.

The Audit Committee receives reports from the internal audit function and reviews the schedule of work proposed by the internal audit department, the resources available to carry out the schedule and key findings. A system of reporting to follow up on all matters raised by both internal and external audit is taken into account in assessing the effectiveness of the internal audit function.

The terms of reference of the Audit Committee are made available for inspection during normal business hours on any weekday (other than public holidays) at Collins Stewart Tullett plc's offices from the date the notice of a general meeting is posted until the conclusion of the meeting.

5.4 ***Remuneration Committee***

The Remuneration Committee comprises Michael Fallon as Chairman, John Spencer, Richard Kilsby and Bernard Leaver, all independent non-executive directors and the Chairman, Keith Hamill. The board of Collins Stewart Tullett plc delegates the following responsibilities to the Remuneration Committee: agreeing the remuneration of the executive directors and the chairman, recommending and monitoring the structure of remuneration of senior management and granting share options under Collins Stewart Tullett plc's share option schemes.

The terms of reference of the Remuneration Committee are made available for inspection during normal business hours on any week day (other than public holidays) at Collins Stewart Tullett plc's offices from the date the notice of a general meeting is posted until the conclusion of the meeting.

The Chief Executive and Chairman attend certain parts of meetings of the Collins Stewart Tullett plc Remuneration Committee by invitation.

5.5 ***Nominations Committee***

The Nominations Committee is chaired by the Chairman and all of the non-executive directors are members.

The Nominations Committee is responsible for proposing candidates for appointment to the board of Collins Stewart Tullett plc, having regard to the balance of skills, knowledge and experience of the board of Collins Stewart Tullett plc. For non-executive appointments, the Nominations Committee also considers the time commitment involved in the appointment in arriving at its decision, and this is included in all new letters of appointment.

The terms of reference of the Nominations Committee are made available for inspection during normal business hours on any week day (other than public holidays) at Collins Stewart Tullett plc's offices from the date the notice of a general meeting is posted until the conclusion of the meeting.

5.6 ***Risk Management and Internal Control***

The board of Collins Stewart Tullett plc is responsible for setting the Group's risk parameters and ensuring that it has an appropriate and effective risk management framework to monitor the ongoing process for identifying, evaluating, managing and reporting the significant risks faced by Collins Stewart Tullett plc. The board of Collins Stewart Tullett plc is also responsible for the Group's system of internal control and for reviewing its effectiveness. In discharging its responsibilities in this respect, the board of Collins Stewart Tullett plc has appointed the Audit Committee to carry out the annual review of the effectiveness of the internal control and risk management systems and to report to the board of Collins Stewart Tullett plc thereon. This process will be reviewed regularly by the board of Collins Stewart Tullett plc and accords with the Turnbull Guidance appended to the Revised Combined Code on Corporate Governance.

The key risks facing the business are described in Part II (Risk Factors) and Part VII (Operating and Financial Review). These risks are assessed before any new business is established and monitored on a day to day basis as part of the normal management process. The Group has adopted a single set of policies for the management of risk to be applied across all activities.

Risk management and the operation of the internal control systems within the Group are primarily the responsibility of the Executive directors and the senior management. These individuals are allowed commercial independence and flexibility within parameters agreed by the board of Collins Stewart Tullett plc to ensure that risks are clearly owned and managed on a day to day basis and that systems of control operate effectively.

The executive directors monitor activities on a daily basis and ensure that the appropriate controls are exercised over the Group's operations. The board of Collins Stewart Tullett plc considers the monthly management accounts, budgets and plans and discusses any issues arising therefrom.

The Risk Committee is responsible for developing policies and monitoring mechanisms which ensure that the Group operates in accordance with the board of Collins Stewart Tullett plc's risk parameters. The Head of Group Risk Control reports to the Chief Executive. The minutes of the Risk Committee are circulated to the Board.

A Group Risk Control team, which forms part of the embedded risk management process, is responsible for ensuring that the Risk Committee, executive directors and senior management receive appropriate information and exception reports to comply with the Group's risk management principles and policies and for maintaining the Group's risk assessment system.

The Group has investments in a number of joint ventures and associated companies. Where the Group is not directly involved in the management of the investment, it can influence, through board representation, but not control, the internal control systems present in those entities. The board of Collins Stewart Tullett plc's review of the effectiveness of the system of internal controls in those entities is consequently less comprehensive than in its directly owned subsidiaries.

Compliance

The Group's compliance departments ensure that all the Group's entities meet the rules of the regulators in each of the jurisdictions in which the Group operates. The compliance officers are in regular contact with the executive directors of Collins Stewart Tullett plc and report to the Risk Committee, the Audit Committee and the board of Collins Stewart Tullett plc as appropriate.

Internal Audit

The Group has an internal audit function which undertakes reviews and provides objective analysis, appraisals, advice and recommendations concerning the activities reviewed. The internal audit department uses a risk-based, disciplined approach to both selection of areas for review and assessment thereof. The proposed schedule of activities of the internal audit department is approved by the Audit Committee, and all internal audit reports are copied to the members of the Audit Committee. The Head of internal audit has a reporting line to the Audit Committee and has access at any time to the Chairman of the Audit Committee.

PART V

THE SCHEME OF ARRANGEMENT AND THE DEMERGER

1. Introduction

On 20 March 2006, Collins Stewart Tullett plc announced its intention to demerge its stockbroking business via a Court sanctioned scheme of arrangement under section 425 of the Companies Act. The proposed Demerger will result in two new listed companies, New CST plc (to be renamed Tullett Prebon plc) and Collins Stewart plc. New CST plc will own Tullett Prebon and Collins Stewart plc will own Collins Stewart. As a result of the Demerger, each Collins Stewart Tullett Share Owner will, in place of every one Collins Stewart Tullett Share owned by them, receive one Ordinary Share and one Collins Stewart Share.

It is proposed that the Proposals will be implemented in several steps as follows:

1.1 Under the Scheme a new holding company, New CST plc, will be placed on top of Collins Stewart Tullett plc. Collins Stewart Tullett Share Owners will receive one Ordinary Share in respect of every Collins Stewart Tullett Share held by them at the Scheme Record Time.

Under the Scheme:

(a) all Collins Stewart Tullett Shares in issue will be cancelled pursuant to the Collins Stewart Tullett Reduction of Capital and the holders at the Scheme Record Time will be allotted one New CST Share, credited as fully paid for every Collins Stewart Tullett Share then held; and

(b) because Collins Stewart Tullett Shares will have been cancelled, a credit will arise in the books of account of Collins Stewart Tullett plc, and this credit will be used to pay up in full at par new ordinary shares in Collins Stewart Tullett plc equal in number to the Collins Stewart Tullett Shares cancelled. These will be issued to New CST plc in return for the issue of New CST Shares to Collins Stewart Tullett Share Owners.

As a result, New CST plc will become the holding company of the Collins Stewart Tullett Group and all of its shares will be owned by former Collins Stewart Tullett Share Owners (other than two New CST Shares and 50,002 £1 redeemable deferred shares, held equally by the Initial Share Owners which were issued to ensure that New CST plc meets certain company law requirements for its minimum share capital).

1.2 Collins Stewart Tullett plc will then transfer the entire issued share capital of Collins Stewart Europe Limited, the parent company of the Collins Stewart Group to New CST plc. The result of this part of the Proposals is that Collins Stewart Europe Limited will be owned by New CST plc directly rather than by Collins Stewart Tullett plc. The terms of this are covered in the Collins Stewart Group Transfer Agreement referred to in paragraph 2.2 below.

1.3 The Demerger will then take place. The Demerger will be effected by a reduction in the capital of New CST plc, which is a court approved process. The New CST Reduction of Capital is also expected to create distributable reserves. The New CST Reduction of Capital and the Demerger will take place as follows:

(a) the capital of New CST plc will be reduced by decreasing the nominal value of each Ordinary Share by an amount which, in aggregate, is expected to be equal to at least the market value (after the Collins Stewart Group Transfer) of all the shares of Collins Stewart Europe Limited held by New CST plc. To the extent such reduction exceeds, in aggregate, such market value the New CST Reduction of Capital will create distributable reserves. The distributable reserves would be available for future dividends and share repurchases at the discretion of the directors of New CST plc;

(b) New CST plc will transfer Collins Stewart Europe Limited to Collins Stewart plc so that Collins Stewart plc becomes the holding company of Collins Stewart Europe Limited; and

(c) the New CST Share Owners at the Demerger Record Time will be allotted and issued one Collins Stewart Share, credited as fully paid, for each Ordinary Share then held.

The end result will be that former Collins Stewart Tullett Share Owners will hold one Ordinary Share and one Collins Stewart Share for every Collins Stewart Tullett Share held prior to the implementation of the Scheme and Demerger. It is only after all the steps have taken place that Collins Stewart Tullett Share Owners will receive their new share certificates (or their CREST accounts will be credited if they hold their Collins Stewart Tullett Shares through CREST).

1.4 It is also proposed that, subject to the Scheme and Demerger becoming effective and subject to separate approval by Collins Stewart Tullett Share Owners, the Board should be authorised to adopt two new employee share plans. A summary of the principal terms of both plans is set out in Part XIII of this document.

1.5 Collins Stewart plc will then carry out a reduction of capital to create distributable reserves.

2. Summary of Main Agreements relating to the Proposals

2.1 *US Reorganisation*

Prior to the Demerger, and on the terms of certain US reorganisation agreements, which will be entered into prior to the Scheme becoming effective, there will be a transfer to Collins Stewart of certain domestic US equities broking activities previously forming part of the Tullett Prebon business.

The domestic US equities businesses transferring to Collins Stewart will be transferred from Tullett Liberty Securities Inc. to Collins Stewart Inc., subsequently Collins Stewart Inc. will be transferred to the ownership of the Collins Stewart Group through the following transactions: (a) Tullett Prebon Holding Corp., a member of the New CST Group will redeem all the shares held in its capital by Collins Stewart Europe Limited in return of stock in CS Inc; (b) Tullett Prebon Holdings Corp. will redeem all the shares held in its capital by Collins Stewart Tullett plc in return for stock in CS Inc; (c) Tullett Prebon Holdings Corp. will redeem sufficient shares held in its capital by Tullett Prebon Limited, a member of the Group, as is necessary to complete the distribution of CS Inc; (d) Tullett Prebon Limited will sell the stock it owns in CS Inc to Collins Stewart Tullett plc; and (e) Collins Stewart Tullett plc will sell all of its resulting holding of stock in CS Inc to Collins Stewart Europe Limited in return for an issue of shares by Collins Stewart Europe Limited to Collins Stewart Tullett plc.

2.2 *Collins Stewart Group Transfer Agreement*

Under the Collins Stewart Group Transfer Agreement, which is expected to be entered into between New CST plc and Collins Stewart Tullett plc after New CST plc has become the holding company of Collins Stewart Tullett plc, Collins Stewart Tullett plc will transfer at book value the whole of the issued share capital of Collins Stewart Europe Limited, the parent company of the Collins Stewart Group, to New CST plc.

2.3 *Demerger Agreement*

(a) *Mechanics*

It is anticipated that the Demerger Agreement will be entered into between New CST plc and Collins Stewart plc after the Collins Stewart Group Transfer. New CST plc will, subject to the satisfaction of certain conditions, agree to transfer on the date the Demerger is to become effective the whole of the issued share capital of Collins Stewart Europe Limited to Collins Stewart plc in consideration for which Collins Stewart plc will allot and issue Collins Stewart Shares to the holders of Ordinary Shares (which will have been issued to holders of Collins Stewart Tullett Shares at the Scheme Record Time pursuant to the Scheme as described in paragraph 1 above). Each shareholder on the register of members of New CST plc, immediately before the transfer of the share capital of Collins Stewart Europe Limited, will receive one Collins Stewart Share for every Ordinary Share they hold at that time. Shareholders will not be required to make any

payment for the Collins Stewart Shares. The Demerger will not affect the number of issued Ordinary Shares.

(b) *Termination*

Once executed, the Demerger Agreement will terminate if the Demerger is not effected by 31 March 2007.

(c) *Warranties and Indemnities*

Under the Demerger Agreement, New CST plc will give no warranties (other than as to due incorporation, capacity and authority) and will give no indemnities.

2.4 *Separation Agreement*

The Separation Agreement will govern the relationship between New CST plc and Collins Stewart plc following the Demerger. Under the Separation Agreement, New CST plc and Collins Stewart plc will agree to give each other certain customary indemnities on a reciprocal basis. It is intended that these indemnities will be given to protect New CST plc and Collins Stewart plc against liabilities which such companies may incur but which, in the case of liabilities incurred by New CST plc, relate exclusively or predominately to the Collins Stewart Group or, in the case of liabilities incurred by Collins Stewart plc, which relate exclusively or predominately to the Group. In addition, New CST plc will indemnify Collins Stewart plc in respect of a proportion of certain contingent liabilities that do not relate exclusively or predominately to the Group. This proportion will be calculated by reference to the relative market capitalisation of the two groups over the first five business days following Admission. The Separation Agreement contains standard arbitration provisions for an agreement of this type, which will apply in the event of an unresolved dispute between the parties.

The Separation Agreement will also contain provisions relating to the allocation of tax liabilities and the conduct of tax affairs of the Collins Stewart Group relating to the period ending before the Demerger Effective Time.

3. Relationship with Collins Stewart

Following the Demerger, New CST plc and Collins Stewart plc will each operate as separate listed companies. Terry Smith will act as Chief Executive of New CST plc and be Chairman of Collins Stewart plc.

New CST plc and Collins Stewart plc will enter into a transitional services agreement prior to the Demerger. Transitional services are proposed in relation to tax compliance, advice and planning, human resources, payroll, information technology, internal audit, accounting services in the US and various administrative matters, which may be provided up to the end of the twelve month period commencing from the Demerger. After the Demerger, both groups will make their own arrangements for the administration of the relevant services either internally, via outsourcing, or a combination of both.

4. Principal Features of the Proposals

4.1 *Effect of the Scheme and Demerger*

The Scheme and Demerger are subject to a number of conditions as set out in paragraph 5 below. If these conditions are satisfied and the Scheme and Demerger become effective, New CST plc will become the immediate parent company of Collins Stewart Tullett plc and Collins Stewart plc will become the immediate parent company of Collins Stewart Europe Limited. Each of New CST plc and Collins Stewart plc will, in turn, be owned by Collins Stewart Tullett Share Owners in the same proportions as they own Collins Stewart Tullett plc at the Scheme Record Time.

The Scheme is expected to become effective on 15 December 2006. The Demerger is expected to become effective and dealings in both Ordinary Shares and Collins Stewart Shares are expected to commence on 19 December 2006.

Collins Stewart Tullett plc will make announcements to Collins Stewart Tullett Share Owners from time to time in relation to the progress of the Scheme and Demerger including upon the Demerger becoming effective.

4.2 ***Transitional Matters***

Further Collins Stewart Tullett Shares may be allotted before and after the Scheme comes into effect. In order to ensure that the timing of the allotment of those Collins Stewart Tullett Shares does not leave them outside the scope or effect of the Scheme, it is proposed that the articles of association of Collins Stewart Tullett plc should be amended to ensure that:

(a) any Collins Stewart Tullett Shares which are issued on or before the Scheme Record Time will be allotted and issued subject to the terms of the Scheme and will be bound by the Scheme accordingly;

(b) subject to the Scheme becoming effective, any Collins Stewart Tullett Shares which are allotted and issued after the Scheme Record Time will be acquired by New CST plc and/or its nominee or nominees in exchange for the issue or transfer of Ordinary Shares to the allottees; and

(c) if any Collins Stewart Tullett Shares are allotted and issued to any person within (b) above following any reorganisation of or material alteration to the share capital of either Collins Stewart Tullett plc or New CST plc or any other return of value to holders of Ordinary Shares after the Scheme Record Time, the number of Collins Stewart Tullett Shares to be issued or transferred to that person will be adjusted in an appropriate manner.

5. Conditions to Implementation of the Scheme and the Demerger

The implementation of the Scheme is conditional upon the following:

(a) the Scheme being approved by a majority in number, representing three fourths in value, of those Collins Stewart Tullett Share Owners present and voting, either in person or by proxy, at the Court Meeting;

(b) the special resolution to approve the matters in connection with the Scheme being duly passed at the Extraordinary General Meeting by a majority of not less than three fourths of the votes cast;

(c) the Scheme being sanctioned by the Court at the Scheme Court Hearing;

(d) the Collins Stewart Tullett Reduction of Capital being sanctioned by the Court at the Collins Stewart Tullett Reduction Court Hearing; and

(e) an office copy of the order of the Court sanctioning the Scheme under section 425 of the Companies Act having been delivered to the Registrar of Companies for registration and the minute confirming the Collins Stewart Tullett Reduction of Capital in relation to the Scheme being registered by the Registrar of Companies.

The directors of Collins Stewart Tullett plc will not take the necessary steps to implement the Scheme unless the above conditions have been satisfied or waived and, at the relevant time, they consider that it continues to be in Collins Stewart Tullett plc's and the Collins Stewart Tullett Share Owners' best interests that the Scheme should be implemented.

The implementation of the Demerger is conditional upon the following:

(a) the Scheme becoming effective;

(b) the special resolution to approve the matters in connection with the Demerger being duly passed at the Extraordinary General Meeting by a majority of not less than three fourths of the votes cast;

(c) the Collins Stewart Group Transfer being completed;

(d) the board of New CST plc resolving, following the Scheme and the Collins Stewart Group Transfer becoming effective, that the Demerger is in the best interests of New CST plc and its shareholders and approving the Demerger and the New CST Reduction of Capital;

(e) the New CST Reduction of Capital being sanctioned by the Court at the New CST Reduction Court Hearing;

(f) an office copy of the order of the Court sanctioning the New CST Reduction of Capital having been delivered to the Registrar of Companies for registration and the minute confirming the New CST Reduction of Capital being registered by the Registrar of Companies;

(g) permission having been granted by the UK Listing Authority and the London Stock Exchange for the Admission of the Ordinary Shares, and such permission not being withdrawn prior to the Demerger Effective Time; and

(h) permission having been granted by the UK Listing Authority and the London Stock Exchange for the Admission of the Collins Stewart Shares to be issued pursuant to the Demerger subject only to allotment, and such permission not being withdrawn prior the Demerger Effective Time.

The directors of New CST plc and the directors of Collins Stewart plc will not take the necessary steps to implement the Demerger unless the above conditions have been satisfied or waived and, at the relevant time, they consider that it continues to be in New CST plc's and the New CST Share Owners' (or, as the case may be, Collins Stewart plc's and Collins Stewart plc's shareholders') best interests that the Demerger should be implemented.

Clearance has been obtained from HMRC under section 138 of the Taxation of Chargeable Gains Act 1992 that each of the Scheme and the Demerger should be treated as a scheme of reconstruction for the purposes of the UK taxation of chargeable gains.

6. Timetable

The Court Meeting has been convened for 12 noon on 23 November 2006 pursuant to an order of the Court, at which meeting, or at any adjournment thereof, Collins Stewart Tullett Share Owners will consider and, if thought fit, approve the Scheme.

The Extraordinary General Meeting has been convened for 12.15 p.m. on 23 November 2006 (or, if later, immediately following the conclusion or adjournment of the Court Meeting). At the Extraordinary General Meeting, or at any adjournment thereof, Collins Stewart Tullett Share Owners will consider and, if thought fit, pass a resolution covering various matters in connection with the Proposals.

Any changes to the proposed timetable will be announced via a Regulatory Information Service.

The Scheme Court Hearing to approve the Scheme is expected to be held on 11 December 2006. Collins Stewart Tullett Share Owners will have the right to attend the Scheme Court Hearing and to appear in person or be represented by counsel to support or oppose the sanction of the Scheme. The Scheme Court Hearing will be held at the Royal Courts of Justice, The Strand, London WC2A 2LL.

The Collins Stewart Tullett Reduction Court Hearing to approve the Collins Stewart Tullett Reduction of Capital is expected to be held on 14 December 2006. Collins Stewart Tullett Owners will have the right to attend the Collins Stewart Tullett Reduction Court Hearing and to appear in person or be represented by counsel to support or oppose the sanction of the Collins Stewart Tullett Reduction of Capital. The Collins Stewart Tullett Reduction Court Hearing will be held at the Royal Courts of Justice, The Strand, London WC2A 2LL.

The New CST Reduction Court Hearing to approve the New CST Reduction of Capital is expected to be held on 18 December 2006. New CST Share Owners will have the right to attend the New CST Reduction Court Hearing and to appear in person or be represented by counsel to support or oppose the sanction of the New CST Reduction of Capital. The New CST Reduction Court Hearing will also be held at the Royal Courts of Justice, The Strand, London WC2A 2LL.

The Scheme contains a provision for Collins Stewart Tullett plc and New CST plc jointly to consent, on behalf of all persons concerned, to any modification of or addition to the Scheme, or to any condition that the Court may think fit to approve or impose. The Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of Collins

Stewart Tullett Share Owners unless Collins Stewart Tullett Share Owners were informed of any such modification, addition or condition. It will be a matter for the Court to decide, in its discretion, whether or not the consent of Collins Stewart Tullett Share Owners should be sought at a further meeting. Similarly, if a modification, addition or condition is put forward which in the opinion of the directors of Collins Stewart Tullett plc, is of such a nature or importance as to require the consent of the Collins Stewart Tullett Share Owners at a further meeting, the directors of Collins Stewart Tullett plc will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

If the relevant conditions set out in paragraph 5 are satisfied or waived, the Scheme is expected to become effective on 15 December 2006 and the Demerger on 19 December 2006. If the Scheme has not become effective by 31 March 2007 (or such later date as New CST plc and Collins Stewart Tullett plc may agree and the Court may allow), it will lapse and none of the Proposals will proceed and Collins Stewart Tullett Shares will continue to be listed on the Official List. If the Demerger has not occurred by that date, it will not proceed. In the event that, after the Scheme becomes effective, the conditions to the Demerger are not satisfied by the aforementioned date, the board of directors of New CST plc would nevertheless seek the Admission of the Ordinary Shares.

7. Listings, Dealings, Share Certificates and Settlement

Application will be made to the UK Listing Authority for the admission of up to 213,000,000 Ordinary Shares to the Official List and for the Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities. The last day of dealings in Collins Stewart Tullett Shares is expected to be 14 December 2006. The last time for registration of transfers of Collins Stewart Tullett Shares is expected to be 6.00 p.m. on 14 December 2006, the Scheme Record Time. It is expected that the listing of Collins Stewart Tullett Shares will be cancelled at 8.00 a.m. on 15 December 2006, the Scheme Effective Date. It is expected that dealings in Ordinary Shares will commence on a conditional basis on the London Stock Exchange on 14 December 2006. All dealings in the Ordinary Shares between the commencement of conditional dealings and Admission will be on a "when issued" basis and at the risk of the parties concerned. If Admission does not take place, these dealings will not be settled and will be of no effect and will be at the sole risk of the parties concerned. It is expected that Admission will become effective and that dealings in Ordinary Shares will commence on 19 December 2006.

Any of these dates may be deferred if it is necessary to adjourn any meeting required to approve the arrangements described in this document or if there is any delay in obtaining the Court's sanction of the Scheme or the New CST Reduction of Capital. In the event of a delay, the application for the Collins Stewart Tullett Shares to be delisted will, if necessary, be deferred, so that the listing will not be cancelled until immediately before the Scheme becomes effective.

The Ordinary Shares to be issued pursuant to the Scheme will rank *pari passu* with all other Ordinary Shares in issue on the Scheme Effective Date including for all dividends and other distributions made, paid or declared after the Scheme Effective Date on the ordinary share capital of New CST plc.

With effect from (and including) the Scheme Effective Date, all share certificates representing the Collins Stewart Tullett Shares will cease to be valid and binding in respect of such holdings and should be destroyed.

The articles of association of New CST plc permit the holding of Ordinary Shares under the CREST system. New CST plc will apply for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Collins Stewart Tullett Share Owner so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Collins Stewart Tullett Share Owners may, however, elect to receive Ordinary Shares in uncertificated form if they are a system shareholder (as defined in the CREST Regulations) in relation to CREST.

For Collins Stewart Tullett Share Owners who hold their Collins Stewart Tullett Shares in a CREST account at the Scheme Record Time, Ordinary Shares are expected to be credited to the relevant CREST member account on 19 December 2006, the date the Demerger is expected to become effective. For those holding shares in certificated form at the Scheme Record Time, definitive share certificates for Ordinary Shares are expected to be despatched within 10 business days after the Demerger Effective Time. In the case of joint holders, certificates will be despatched to the joint holder whose name appears first in the register. All certificates will be sent by pre-paid first class post at the risk of the person entitled to them. Pending the despatch of certificates for Ordinary Shares, transfers of Ordinary Shares will be certified against the register of members of New CST plc. Temporary documents of title will not be issued in respect of Ordinary Shares.

Collins Stewart Tullett Shares held in uncertificated form will be disabled in CREST on the Scheme Effective Date. New CST plc reserves the right to issue Ordinary Shares to any or all share owners in certificated form if, for any reason, it wishes to do so.

All mandates in force at the Scheme Record Time relating to payment of dividends on Collins Stewart Tullett Shares and all instructions given relating to notices and other communications will, unless and until varied or revoked, be treated, from the Scheme Effective Date, as being valid and effective mandates or instructions to New CST plc in relation to the corresponding holding of Ordinary Shares.

All documents, certificates, cheques or other communications sent by or to Collins Stewart Tullett Share Owners, or as such persons shall direct, will be sent at their own risk and may be sent by post.

8. Taxation

Certain UK tax and US federal income tax considerations relevant to UK resident (or, in the case of individuals, ordinarily resident) Collins Stewart Tullett Share Owners and US holders (as defined therein) are summarised in paragraphs 13 and 14 of Part XIV of this document.

9. Employee Share Plans

Details regarding existing and future employee share plans are set out at paragraph 4 of Part IV of this document.

10. Overseas share owners

General

The implications of the Scheme and the Demerger for persons resident in, or citizens or nationals of, jurisdictions outside the United Kingdom (**overseas share owners**) may be affected by the laws of the relevant jurisdictions. Such overseas share owners should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to their full observance of the laws of the relevant jurisdiction in connection with the Scheme and the Demerger, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

It is proposed that changes are made to the articles of association of Collins Stewart Tullett plc and a provision is included in the Scheme so that if, in respect of any overseas shareholder, Collins Stewart Tullett plc or New CST plc is advised that the allotment and issue of Ordinary Shares pursuant to the Scheme or the issue of Collins Stewart Shares pursuant to the Demerger would or might infringe the laws of any jurisdiction outside the United Kingdom, or would or might require Collins Stewart Tullett plc, New CST plc or Collins Stewart plc to observe any governmental or other consent or any registration, filing or other formality with which any of them cannot comply or compliance with which any of them consider unduly onerous, Collins Stewart Tullett plc or New CST plc (as appropriate) shall (unless such shareholder satisfies Collins Stewart Tullett plc or New CST plc (as appropriate) that no such infringement or requirement would apply) be entitled to appoint a person to execute as transferor an instrument of transfer of the Collins Stewart Tullett Shares or Ordinary Shares (as appropriate) held by such holder transferring such shares to a nominee to hold

such shares on trust for that holder on terms that the nominee shall sell such shares or the Ordinary Shares and/or Collins Stewart Shares, if any, it receives pursuant to the Scheme and/or Demerger (as appropriate) in respect of such shares as soon as reasonably practicable thereafter at the best price which can reasonably be obtained at the time of sale, with the net proceeds of sale being remitted to the overseas shareholder. In the absence of bad faith or wilful default, none of Collins Stewart Tullett plc, New CST plc, Collins Stewart plc or any person appointed to sell such shares shall have any liability for any loss or damage arising as a result of the timing or terms of such sale.

Overseas share owners should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme and the Demerger in their particular circumstances.

For additional information relating to certain US tax considerations relevant to the Scheme and the Demerger, see paragraph 14 of Part XIV of this document.

United States

The Collins Stewart Shares and the Ordinary Shares to be issued under the Scheme and Demerger in the United States have not been and will not be registered under the Securities Act but will be issued in reliance on the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) thereof. For the purpose of qualifying for such exemption, Collins Stewart Tullett plc will advise the Court that its sanctioning of the Scheme and subsequent confirmation of the reduction of capital required to implement the Demerger will be relied on by New CST plc and Collins Stewart plc as an approval of the Scheme and Demerger, respectively, following hearings on their fairness to Collins Stewart Tullett Share Owners, at which court hearings all Collins Stewart Tullett Share Owners are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such share owners.

The Collins Stewart Shares and the Ordinary Shares will not be registered under the securities laws of any state of the United States, and will be issued in the United States pursuant to the Scheme and Demerger only in reliance on available exemptions from such state law registration requirements.

The Ordinary Shares to be issued in the Scheme in exchange for Collins Stewart Tullett Shares that were not "restricted securities" should not be treated as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and persons who receive securities in the Scheme in exchange for Collins Stewart Tullett Shares that were not restricted securities (other than "affiliates" as described in the paragraph below) may resell them without restriction under the Securities Act. Persons who hold restricted Collins Stewart Tullett Shares will receive Collins Stewart Shares that will be subject to the same restrictions as applied to their Collins Stewart Tullett Shares.

A person who is entitled to receive securities pursuant to the Scheme and Demerger and who is an affiliate of Collins Stewart Tullett plc before implementation of the Scheme and Demerger, or of New CST plc following the implementation of the Scheme, may not resell such securities without registration under the Securities Act except pursuant to the applicable resale provisions of Rule 145(d) under the Securities Act or another applicable exemption from registration or in a transaction not subject to registration (including a transaction that satisfies the applicable requirements of Regulation S under the Securities Act). "Affiliates" of a company are generally defined as persons who directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, that company. Whether a person is an affiliate of a company for purposes of the Securities Act depends on the circumstances, but affiliates can include certain officers, directors and significant shareholders. Persons who believe they may be affiliates of Collins Stewart Tullett plc, Collins Stewart plc or New CST plc should consult their own legal advisers before any sale of securities received in the Scheme and Demerger.

Each of Collins Stewart Tullett plc and New CST plc is a public limited company incorporated under the laws of England and Wales. Some of their respective directors and officers reside outside of the United States. In addition, a substantial portion of the directly owned assets of such persons, of Collins Stewart Tullett plc and New CST plc are located outside of the United States. As a result, it may be difficult or impossible for investors to effect service of process within the United States against Collins Stewart Tullett plc, New CST plc or their respective directors and officers or to enforce against any of them judgments,

including those obtained in original actions or in actions to enforce judgments of the US courts, predicated upon the civil liability provisions of the federal securities laws of the United States.

Neither the SEC nor any US state securities commission has reviewed or approved this document, the Scheme or the Ordinary Shares. Any representation to the contrary is a criminal offence in the United States.

Canada

Any securities issued to or for the benefit of any resident of Canada pursuant to the Proposals will not be qualified for the sale under the securities laws of any province or territory of Canada and will be subject to resale restrictions.

11. Collins Stewart Group Reduction of Capital

The Collins Stewart Group Reduction of Capital is being implemented to create distributable reserves in Collins Stewart plc. Collins Stewart Shares will initially have a nominal value of 150 pence per share (or such lower nominal value as the directors of Collins Stewart plc may decide before the date on which the Court is asked to sanction the New CST Reduction of Capital effecting the Demerger). However, shortly after the Demerger becomes effective, the capital of Collins Stewart plc will, subject to Court approval, be reduced by decreasing the nominal value of each Collins Stewart Share and each unissued share in the capital of Collins Stewart plc from 150 pence (or such lower nominal value as the directors of Collins Stewart plc shall decide before the date on which the Court is asked to sanction the New CST Reduction of Capital effecting the Demerger) to 25 pence.

At the Extraordinary General Meeting of Collins Stewart Tullett plc, the Collins Stewart Tullett Share Owners (who will become the share owners of Collins Stewart plc if the Scheme and Demerger become effective) will also be asked to approve the Collins Stewart Group Reduction of Capital.

The Collins Stewart Group Reduction of Capital will also require the confirmation of the Court at the proposed Collins Stewart Group Reduction Court Hearing (which is expected will be held on 21 December 2006) and, if so confirmed, will create distributable reserves of approximately £265 million (assuming a reduction of capital of 125 pence per share, and that no further shares of Collins Stewart Tullett plc, New CST plc or Collins Stewart plc are issued after 27 October 2006 other than in connection with the Scheme or the Demerger and that the Collins Stewart Group Reduction of Capital becomes effective prior to Completion). The creation of distributable reserves will be available for future dividends and share repurchases at the discretion of the directors of Collins Stewart plc.

The Collins Stewart Group Reduction of Capital is expected to become effective on 22 December 2006.

12. Announcements

Collins Stewart Tullett plc will announce the Demerger becoming effective and New CST plc and Collins Stewart plc being listed via a Regulatory Information Service.

PART VI

SELECTED FINANCIAL INFORMATION

The selected financial information in this Part VI on Collins Stewart Tullett plc, which comprises the inter-dealer broker business Tullett Prebon and the Collins Stewart stockbroking business, should be read in conjunction with Part VIII (Financial Information Incorporated by Reference), the financial information set out in Part X (IFRS Financial Information and Accountant's Report on Collins Stewart Tullett plc for the year ended 31 December 2004), Part IX (Unaudited Interim Financial Information Relating to Collins Stewart Tullett plc), and Part VII (Operating and Financial Review) and the rest of this document. Collins Stewart Tullett Share Owners should read the whole document and not just rely on key or summarised information set out in this Part VI. The financial information in this Part VI has been extracted from the financial information set out in Parts VIII, IX and X.

The financial information has been prepared in accordance with UK GAAP for the years ended 31 December 2003 and 2004 and in accordance with IFRS for the years ended 31 December 2004 and 2005 and the six months ended 30 June 2005 and 30 June 2006. A summary of significant differences between UK GAAP and IFRS that impact on the Company are described in paragraph 42 of Part X.

The tables below set out the Company's consolidated income statements, balance sheets and cash flows for the periods indicated.

1 Consolidated Income Statements

Consolidated income statement under IFRS

for the years ended 31 December 2004 and 31 December 2005

	2004	*2005*
	£m	*£m*
Revenue		
Inter-dealer broking	464.9	676.4
Stockbroking	119.0	121.7
	583.9	798.1
Operating profit before exceptional items		
Inter-dealer broking	48.6	91.4
Stockbroking	39.2	40.0
	87.8	131.4
Exceptional items	(48.5)	(38.3)
Operating profit after exceptional items	39.3	93.1
Loss on disposal of associates	(1.4)	–
Net finance income/(costs)	(3.7)	4.5
Profit before tax	34.2	97.6
Taxation	(14.5)	(36.6)
Profit of consolidated companies	19.7	61.0
Share of results of associates	1.0	0.7
Profit for the year	20.7	61.7

Consolidated income statement under IFRS (continued)

for the six months ended 30 June 2005 and 30 June 2006

	Six months ended 30 June 2005 (unaudited) £m	*Six months ended 30 June 2006 (unaudited) £m*
Revenue		
Inter-dealer broking	338.8	348.0
Stockbroking	72.8	104.1
	411.6	452.1
Operating profit before exceptional items		
Inter-dealer broking	48.8	62.5
Stockbroking	20.6	32.5
	69.4	95.0
Exceptional items	(28.6)	–
Operating profit after exceptional items	40.8	95.0
Net finance income/(costs)	(0.9)	7.7
Profit before tax	39.9	102.7
Taxation	(14.2)	(34.2)
Profit of consolidated companies	25.7	68.5
Share of results of associates	0.4	–
Profit for the year	26.1	68.5

Consolidated income statement under UK GAAP

for the years ended 31 December 2003 and 31 December 2004

	2003 *£m* *(restated)**	*2004* *£m*
Turnover		
Inter-dealer broking		
– continuous operations	346.0	403.8
– acquisitions	–	61.1
	346.0	464.9
Stockbroking	127.9	117.5
	473.9	582.4
Operating profit before goodwill and exceptional items		
Inter-dealer broking		
– continuous operations	33.8	48.0
– acquisitions	–	3.9
	33.8	51.9
Stockbroking	41.5	38.2
	75.3	90.1
Amortisation of goodwill	(13.8)	(19.6)
Exceptional items	–	(48.5)
Operating profit	61.5	22.0
Net share of operating profit in associates	0.5	–
Exceptional items re: associates	4.5	(0.9)
Net interest receivable	0.4	0.6
Profit before tax	66.9	21.7
Taxation	(27.9)	(14.0)
Profit after tax	39.0	7.7

*Restated to take account of UITF 38: Accounting for ESOP Trusts.

2 Balance Sheets

Consolidated balance sheet under IFRS

as at 31 December 2004 and 31 December 2005

	2004 *£m*	*2005* *£m*
Non-current assets		
Goodwill	421.3	428.0
Other non current assets	82.3	66.6
	503.6	494.6
Current assets		
Trade and other receivables	71,598.4	64,408.3
Cash and cash equivalents	183.1	235.3
Other current assets	93.4	96.0
	71,874.9	64,739.6
Total assets	72,378.5	65,234.2
Current liabilities		
Trade and other payables	(71,609.5)	(64,435.8)
Other current liabilities	(72.3)	(53.5)
	(71,681.8)	(64,489.3)
Net current assets	193.1	250.3
Non-current liabilities		
Interest bearing loans and borrowings	(151.8)	(153.1)
Other non-current liabilities	(49.5)	(47.3)
	(201.3)	(200.4)
Total liabilities	(71,883.1)	(64,689.7)
Net assets	495.4	544.5
Equity		
Shareholders' equity	489.9	542.1
Minority interest	5.5	2.4
Total equity	495.4	544.5

Consolidated balance sheet under IFRS (continued)

as at 30 June 2005 and 30 June 2006

	30 June 2005 (unaudited) £m	*30 June 2006 (unaudited) £m*
Non-current assets		
Goodwill	421.2	428.4
Other non current assets	84.3	70.7
	505.5	499.1
Current assets		
Trade and other receivables	112,727.7	79,883.4
Cash and cash equivalents	177.0	265.6
Other current assets	76.4	84.6
	112,981.1	80,233.6
Total assets	113,486.6	80,732.7
Current liabilities		
Trade and other payables	(112,690.6)	(79,862.6)
Other current liabilities	(74.4)	(79.5)
	(112,765.0)	(79,942.1)
Net current assets	216.1	291.5
Non-current liabilities		
Interest bearing loans and borrowings	(153.5)	(152.1)
Other non-current liabilities	(49.4)	(36.9)
	(202.9)	(189.0)
Total liabilities	(112,967.9)	(80,131.1)
Net assets	518.7	601.6
Equity		
Shareholders' equity	516.3	599.2
Minority interest	2.4	2.4
Total equity	518.7	601.6

Consolidated balance sheet under UK GAAP

as at 31 December 2003 and 31 December 2004

	2003 £m (restated)*	2004 £m
Fixed assets		
Intangible assets	282.2	403.9
Other fixed assets	35.3	36.7
	317.5	440.6
Current assets		
Debtors	445.8	431.5
Othert current assets	264.5	276.5
	710.3	708.0
Creditors: amounts falling due within one year	(555.6)	(489.6)
Net current assets	154.7	218.4
Total assets less current liabilities	472.2	659.0
Creditors: amounts falling due after more than one year	(71.8)	(176.7)
Provisions for liabilities and charges	(4.6)	(11.8)
Net assets	395.8	470.5
Capital and reserves		
Shareholders' funds – equity	388.2	465.0
Minority interest – equity	7.6	5.5
	395.8	470.5

*Restated to take account of UITF 38: Accounting for ESOP Trusts.

3. Cash Flows

Consolidated cash flow statement under IFRS

for the years ended 31 December 2004 and 31 December 2005

	2004 *£m*	*2005* *£m*
Net cash from/(used in) operating activities	(90.0)	84.0
Net cash used in investment activities	(45.0)	(7.8)
Net cash flows (used in)/from financing activities	91.4	(18.7)
Net increase/(decrease) in cash and cash equivalents	(43.6)	57.5
Net cash and cash equivalents at the beginning of the year	214.2	169.1
Effect of foreign exchange rate changes	(1.5)	7.6
Net cash and cash equivalents at the end of the year	169.1	234.2
Cash and cash equivalents	183.1	235.3
Overdrafts	(14.0)	(1.1)
Net cash and cash equivalents	169.1	234.2

for the six months ended 30 June 2005 and 30 June 2006

	Six months ended 30 June 2005 (unaudited) £m	*Six months ended 30 June 2006 (unaudited) £m*
Net cash from/(used in) operating activities	(2.6)	40.5
Net cash from investment activities	5.7	10.5
Net cash used in financing activities	(11.8)	(24.8)
Net increase/(decrease) in cash and cash equivalents	(8.7)	26.2
Net cash and cash equivalents at the beginning of the year	169.1	234.2
Effect of foreign exchange rate changes	4.2	(5.5)
Net cash and cash equivalents at the end of the year	164.6	254.9
Cash and cash equivalents	177.0	265.6
Overdrafts	(12.4)	(10.7)
Net cash and cash equivalents	164.6	254.9

Consolidated cash flow statement under UK GAAP

for the years ended 31 December 2003 and 31 December 2004

	2003	*2004*
	£m	*£m*
Net cash (outflow)/inflow from operating activities	130.2	(36.7)
Dividends from associates	0.1	0.3
Returns on investments and servicing of finance	(2.8)	0.1
Taxation	(27.5)	(40.4)
Capital expenditure and financial investments	(7.2)	(5.5)
Acquisitions and disposals	(92.4)	(51.9)
Equity dividends paid	(13.1)	(14.9)
Net cash outflow before management of liquid resources and financing	(12.7)	(149.0)
Management of liquid resources	2.4	(6.7)
Financing	129.7	106.3
(Decrease)/increase in cash	119.4	(49.4)

PART VII

OPERATING AND FINANCIAL REVIEW

The following information should be read in conjunction with the financial information and operating data elsewhere in this document. The review contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these statements as a result of certain factors including, but not limited to, those set out in Part II of this document.

The historical financial information incorporated by reference in Part VIII contains information for the two year period ended 31 December 2004 prepared in accordance with UK GAAP, and the two year period ended 31 December 2005 prepared in accordance with IFRS.

1. Business Overview

Collins Stewart Tullett is a global financial services group which comprises an inter-dealer broking business, Tullett Prebon, and a stockbroking business, Collins Stewart. Collins Stewart Tullett had a turnover of £798 million in 2005, its operating profit before goodwill and exceptionals was £131 million and it had net assets of £545 million as at 31 December 2005. As at 27 October 2006, the latest practicable date prior to the publication of this document, Collins Stewart Tullett had a market capitalisation of approximately £1.8 billion.

Collins Stewart Tullett's inter-dealer broker ("IDB") business operates predominantly under the "Tullett Prebon" brand as the world's second largest inter-dealer broker. Tullett Prebon operates as an intermediary in wholesale financial markets facilitating the trading activities of its clients, in particular commercial and investment banks. The business covers five major product groups: Fixed Income Securities and their derivatives, Interest Rate Derivatives, Treasury Products, Equities and Energy. In addition, the business has an information sales activity. Tullett Prebon had a turnover of £676 million in 2005 and its operating profit before goodwill and exceptionals was £91 million.

Collins Stewart's activities cover institutional and private client stockbroking, market making, corporate finance, fund management and the supply of on-line financial information. It had a turnover of £122 million in 2005 and its operating profit before goodwill and exceptionals was £40 million.

At the time of the Demerger, it is proposed that certain US equities businesses currently managed within the inter-dealer broking division should be transferred to Collins Stewart. In this review, the results of these businesses are included in the inter-dealer broking division.

2. Review of Operating Results for the Three Years Ended 31 December 2005

Potential New CST Share Owners should read the whole prospectus (and in particular Parts VIII and X) and not rely on the summarised data.

2.1 Comparison of the financial year ended 31 December 2005 with the financial year ended 31 December 2004

Overview

The following table shows the results for 2005 compared with those for 2004. These results are presented in accordance with IFRS and the comparative figures have been re-stated accordingly. The principal IFRS adjustments in 2004, as well as reconciliations of the comparative information to the UK GAAP numbers reported in respect of the year ended 31 December 2004, are detailed in the notes to the statutory accounts.

	2004	2005
	£m	*£m*
Revenue		
Inter-dealer broking	464.9	676.4
Stockbroking	119.0	121.7
	583.9	798.1
Operating profit before exceptional items		
Inter-dealer broking	48.6	91.4
Stockbroking	39.2	40.0
	87.8	131.4
Exceptional items	(48.5)	(38.3)
Operating profit after exceptional items	39.3	93.1
Loss on disposal of associates	(1.4)	–
Net finance income/(costs)	(3.7)	4.5
Profit before tax	34.2	97.6
Taxation	(14.5)	(36.6)
Profit after tax	19.7	61.0

Revenues increased by £214 million (37 per cent.) and operating profit before exceptional items by more than £43 million (some 50 per cent.) compared to 2004. The bulk of both increases was attributable to the development of the IDB business which accounted for 85 per cent. (2004: 80 per cent.) of revenues and 70 per cent. (2004: 55 per cent.) of operating profit before exceptional items.

The Group operating margin before exceptional items was 16.5 per cent. compared with 15.0 per cent. for 2004 despite the enlargement of the IDB business, which structurally has lower margins than stockbroking. The uplift in margin principally reflected the benefits of the integration of the IDB business.

Tullett Prebon

The following tables analyse revenue by region and product group. The 2004 revenue figures include Prebon from 13 October 2004 and the North American Energy broking business acquired from Natsource from the end of June 2004.

	2004		2005	
	£m	*%*	*£m*	*%*
Revenue				
Europe	221.9	48	317.2	47
North America	196.0	42	287.5	42
Asia Pacific	47.0	10	71.7	11
	464.9	100	676.4	100

	2004		2005	
	£m	*%*	*£m*	*%*
Revenue				
Fixed Income Securities	179.5	39	193.9	29
Treasury Products	98.5	21	180.9	27
Interest Rate Derivatives	113.3	24	163.1	24
Equities	42.2	9	71.8	10
Energy	21.5	5	53.3	8
Information Sales	9.9	2	13.4	2
	464.9	100	676.4	100

The absolute increase in revenues primarily reflected the impact of the Prebon acquisition. Whilst the geographic distribution of revenues was, by and large, unchanged, the business had a better product balance. Revenues from Treasury Products, Interest Rate Derivatives and Energy, all products where Prebon had a leading position, were significantly higher year on year. In Equities the increase in revenues primarily reflected the acquisition of the Burlington Capital Markets business at the start of the year.

Exchange rate volatility throughout the year and the Group's strong position in the non-bank cash markets drove the performance in Treasury Products. Similarly, movements in the yield curve and interest rate changes assisted the Interest Rate Derivatives business. The improvement in Fixed Income Securities revenues was driven by the stronger platform the business now has in Credit Derivatives. This more than offset the adverse impact of relatively low levels of corporate new issuance and pressure on commissions on Cash Bond products. Acquisitions enhanced both the Cash Equities and Equity Derivatives areas, particularly in North America. The Tullett Prebon Energy franchise grew as a result of a number of recent acquisitions and was well placed to take advantage of markets which have become steadily more active in recent years owing to the increased participation of banks and investment banks as principals.

Tullett Prebon's operating profit before exceptional items was £91.4 million, a £42.8 million increase over 2004. This equated to an operating margin before exceptionals of 13.5 per cent. for the combined business compared with the 11.6 per cent. margin achieved by Tullett Liberty in 2004 and the 5-6 per cent. margins reported by Prebon prior to acquisition. The significant improvement in profits and returns is a testimony to the success of the integration exercise. The reorganisation was phased over the course of the year and the "double running" costs associated with staff and technology made redundant and premises vacated are estimated to amount to £9 million. Adding back these costs the underlying operating profit before exceptional items for the Tullett Prebon business would have been £100.4 million and the underlying margin 14.8 per cent.

The reorganisation of the broking desks in North America and Europe was substantially completed by the end of 2004. The focus for 2005, therefore, was on integrating the broking operations in the Asia Pacific region and completing the rationalisation of IT infrastructure, support functions and premises in all regions. These exercises were essentially finished by the end of the third quarter. Some 280 staff left the business during the year as part of the integration process with nearly 170 staff leaving from IT and other support functions. A further £38.3 million of reorganisation costs were incurred during the year, taking total costs for the reorganisation programme to £86.9 million (including £10.1 million of contractual completion payments reported as a cost of acquisitions in 2004). This achieved annualised savings of some £72 million compared to the aggregate 2004 cost run rates of Tullett Liberty and Prebon, some £12 million higher than the savings initially targeted when Prebon was acquired.

Average revenues per broker in 2005 for the Tullett Prebon business were approximately £370,000 compared with £350,000 per broker for the Tullett Liberty business (excluding Prebon) in 2004. As broker productivity at Prebon was at least 15 per cent. less than that at Tullett Liberty, this demonstrated the strength of the combined business. Broker employment costs averaged some 58 per cent. of broking revenues compared to 56 per cent. in Tullett Liberty in 2004 (excluding Prebon). Prebon employment costs were higher than those in Tullett Liberty, and in a year of reorganisation some slippage in this

ratio was always likely. At year end the average ratio of brokers to support staff, a measure of operational efficiency, was 2.4: 1 compared with 2.1:1 for Tullett Liberty (excluding Prebon) during 2004.

Europe

In Europe the Prebon acquisition enabled the Group to make further improvements to the profile and performance of the business. The fact that the integration process of the broking desks in London was essentially complete by the start of the year also clearly assisted performance. Treasury Products – spot, forward and derivatives activities in foreign exchange and cash deposit business – accounted for nearly 40 per cent. of the region's turnover. Revenues from Interest Rate Derivatives and Energy, where Prebon's activities were complementary to those of Tullett Liberty, also grew significantly. A number of under-performing desks were closed. Operating profits before exceptional items for the region increased from £19 million to £42 million and operating margins before exceptionals improved from 8.6 per cent. to 13.1 per cent.

The London based IDB business suffered disruption at the end of August owing to a fire in the basement of the head office, Cable House. This interrupted trading in some products but the implementation of the disaster recovery programme ensured that most products were fully operational again very soon after the fire. Insurance claims have been made, and in large part settled, in respect of the costs incurred and the revenues lost as a result of the fire.

North America

North American revenues increased by £92 million with the former Burlington Cash Equities business contributing around £20 million to this growth. Prebon did not have significant securities broking operations and therefore the growth was in Treasury Products, Interest Rate Derivatives and in Energy. All these product groups made much better profits and returns than Tullett Liberty achieved on a standalone basis in 2004. However, there was no significant improvement in the fixed income markets over 2004 and accordingly Fixed Income Securities revenues were flat year on year. Whilst many broking desks were integrated by the end of 2004, it was only in May that the Interest Rate Derivatives teams were merged and by mid year most product Group's and support functions were co-located in New Jersey. Operating profits before reorganisation costs from the region increased from £25 million to £41 million and operating margins before exceptionals improved from 12.8 per cent. to 14.3 per cent.

Asia Pacific

Asia Pacific suffered significant disruption during the year as a result of competitor activity and integration processes in three key locations. Some 50 Prebon brokers in Singapore were poached by BGC in February 2005, leading to the integration of the separate Tullett Liberty and Prebon offices in this location more quickly than originally planned. Tullett Prebon continues to seek appropriate compensation from BGC. In April the two Hong Kong offices were merged and in September the separate Sydney businesses were brought together following the agreed transfer of a team to ICAP. Despite all these changes the revenues generated in the region were double those delivered by Tullett Liberty in 2004. The Group has strong Treasury Products and Interest Rate Derivatives franchises in the region, the latter encompassing a joint venture in Tokyo which has a leading position in the local market. As noted above, in May onshore trading in Korea commenced and in December a joint venture with SITICO in Shanghai was opened.

The Asia Pacific region reported operating profits before exceptional items of £8.7 million for the year compared to £4.6 million for 2004. It should be noted that these results were boosted by a number of payments from competitors associated with staff movements.

Information sales revenues increased as a result of the Prebon acquisition. A new management team in this area is working on new products and markets and to derive benefits from the increased pricing information available from the integrated business.

Collins Stewart

The following table analyses revenue by division:

Revenue	*2004*		*2005*	
	£m	*%*	*£m*	*%*
Smaller Companies	50.3	42.3	50.1	41.2
Private Clients	33.6	28.2	37.8	31.1
Larger Companies and Quest™	35.1	29.5	33.8	27.7
Total revenue	119.0	100.0	121.7	100.0

Collins Stewart produced revenues 2 per cent. above 2004. The operating margin was once again over 30 per cent. at 33 per cent. (2004: 33 per cent.) reflecting the breadth and strength of Collins Stewart's business. The 2004 revenue figures have been restated in line with industry practice to include interest earned on client money which was previously included in other operating income. This amounted to £1.5 million in 2004.

Smaller Companies

During the year the Smaller Companies team advised on 56 transactions (2004: 40) raising £1.0 billion of funds for clients (2004: £0.7 billion). Noteworthy within the overall picture of growth, the firm maintained its reputation for innovation with the introduction to the UK market of Special Purpose Acquisition Corporations ("SPACs"), three of which were launched during the year. Although the value of funds raised in 2005 exceeded those raised in 2004, 2004 benefited from the AIPO™ of PD Ports.

The investment trust team achieved a creditable performance with revenue of £8.2 million (2004: £8.9 million) despite the fact that most of the original team left the firm in July. During the second half of the year the team was substantially rebuilt and executed two significant fundraisings, with £0.1 billion of the £0.3 billion raised in the year being achieved by the new team.

Private Clients

The Private Clients business continued to grow steadily, with funds under management rising from £2.5 billion[1] at the end of 2004 to £3.2 billion[1] at the end of 2005. Discretionary funds accounted for £2.5 billion[1] (2004: £1.9 billion[1]). The acquisition in October of the Jersey and Isle of Man based private client business of Insinger de Beaufort (International) Limited contributed £1.6 million to revenue and £0.4 billion[1] of the increase in funds under management. The integration of this business was completed before the year end and growing revenues and cost savings have been achieved. At the end of 2005 the London settlement function was transferred to the office in Guernsey to improve operating efficiency.

Larger Companies and Quest™

Larger Companies and Quest™ includes Larger Companies broking and Trading.

Revenues from Larger Companies agency broking were in line with 2004 despite continuing pressure on commissions.

The mainstay of the trading business in 2005 continued to be the fixed income business whose trading activity was adversely impacted by challenging conditions in the convertibles markets. Other trading areas performed well. At the end of the year, Collins Stewart incorporated its proprietary trading interests into a partnership, Berkshire Investment Managers.

Other Operating Income

Other operating income at £23.9 million in 2005 was significantly above the 2004 level of £3.5 million. The majority of the increase related to insurance claims in respect of costs incurred and revenues lost as a result of the fire at the Company's head office in August 2005 and to staff movements in Asia. The

[1]Source: Collins Stewart's portfolio management database, unaudited

additional costs giving rise to the insurance claims and compensation payments were included in administrative expenses.

Exceptional Items

The exceptional items of £38.3 million all related to the costs associated with the integration of Prebon. The integration exercise was completed before the year end and accordingly no further integration costs are anticipated. The 2004 comparative of £48.5 million comprised reorganisation costs of £38.5 million and a £10 million contribution to the split capital investment trust settlement fund.

Net Finance Income

The Group had net finance income in 2005 of £4.5 million compared to a net finance expense in 2004 of £3.7 million. An unrealised gain on the equity swap entered into to hedge the Company's obligations under the Tullett Liberty Equity Incentive Plan more than offset the higher interest cost of the eurobond which was issued in August 2004.

Taxation

The effective rate of tax on profit after exceptional items reduced from 42.4 per cent. in 2004 to 37.5 per cent. Owing to the integration of the IDB business and the distribution of exceptional items taxable profits are far more heavily weighted to Europe in 2005 (where the UK standard rate is the key determinant) whereas in 2004 the majority of taxable profits arose in North America (where effective tax rates are nearer 50 per cent.). The improved performance and growth in profits from the IDB business have also reduced the impact of disallowable items on the effective rate. The stockbroking business benefited from the lower corporate taxes payable in the Channel Islands.

The underlying effective rate of tax for the year, calculated after excluding exceptional items and prior year adjustments, was 35 per cent., with the IDB business having a rate of approximately 41 per cent. and the stockbroking business a rate of 24 per cent.

Acquisitions

A number of small acquisitions were made during 2005: the Burlington Cash Equities business in New York in January, the minority shareholdings of the long-standing Tullett Liberty associates in Singapore in February and the Jersey and Isle of Man based private client stockbroking business of Insinger de Beaufort (International) Limited in October. The consideration paid in respect of all these acquisitions amounted to £8.8 million and deferred consideration of up to £3.8 million is payable in the next two years in respect of the Private Clients acquisition.

2.2 Comparison of the financial year ended 31 December 2004 with the financial year ended 31 December 2003

Overview

The table below compares the results for the year with those for 2003 and was prepared under UK GAAP. The 2004 figures only include the results of the Prebon business from 13 October 2004, whilst the 2003 figures show the results for Tullett Liberty for the period after it was acquired by the Group on 10 March 2003.

	2003 (restated) £m	*2004 £m*
Turnover		
Inter-dealer broking		
– continuing operations	346.0	403.8
– acquisitions	–	61.1
	346.0	464.9
Stockbroking	127.9	117.5
	473.9	582.4
Operating profit before goodwill and exceptional items		
Inter-dealer broking		
– continuing operations	33.8	48.0
– acquisitions	–	3.9
	33.8	51.9
Stockbroking	41.5	38.2
	75.3	90.1
Operating profit	61.5	22.0
Profit before tax	66.9	21.7
Taxation	(27.9)	(14.0)
Profit after tax	39.0	7.7

Notes:

(1) The 2003 comparatives have been restated to take account of UITF 38: Accounting for ESOP Trusts. This gave rise to a reduction in operating profit in 2003 of £2.5 million and a reduction in post tax earnings of £1.7 million.

(2) Operating exceptional items comprised the £10 million contribution to the settlement fund established in connection with the FSA investigation into split capital investment trusts and £38.5 million costs associated with the reorganisation of the IDB business. There were no operating exceptional items in 2003.

Turnover increased by £108.5 million in 2004 compared to 2003. £61.1 million of this increase was primarily due to the acquisition of Prebon with the balance of the increase being due to the impact of consolidating full year results for Tullett Liberty. UK stockbroking revenues were down some £10.4 million year on year.

The Group reported an operating profit of £90.1 million before goodwill amortisation and operating exceptional items, an overall improvement of 20 per cent. over the prior year result.

The overall operating margin before goodwill amortisation and exceptional charges at 15.5 per cent. was just behind the 15.9 per cent. margin achieved in 2003. However, the operating margins from continuing activities at 16.5 per cent. indicate a stronger improvement in underlying performance.

Tullett Prebon

The following tables analyse turnover on a product and regional basis. The 2004 turnover analysed below therefore includes Prebon's trading from the date of its acquisition on 13 October 2004, as well as that of the North American Energy businesses acquired in June, in accordance with UK accounting

standards. The 2003 turnover represents the turnover of Tullett Liberty from the date of acquisition, 10 March 2003.

£m	*2003*		*2004*			
			Acquisitions	*Continuing*	*Total*	
Turnover	*£m*	*%*	*£m*	*£m*	*£m*	*%*
Fixed Income Securities	161.9	47	6.3	173.2	179.5	39
Interest Rate Derivatives	82.3	24	11.9	101.4	113.3	24
Treasury Products	58.9	17	29.0	69.5	98.5	21
Equities	35.3	10	2.5	39.7	42.2	9
Energy	1.2	–	10.6	10.9	21.5	5
Information Sales	6.4	2	0.8	9.1	9.9	2
	346.0	100	61.1	403.8	464.9	100

£m	*2003*		*2004*			
			Acquisitions	*Continuing*	*Total*	
Turnover	*£m*	*%*	*£m*	*£m*	*£m*	*%*
Europe	156.8	45	23.8	198.1	221.9	48
North America	158.6	46	25.9	170.1	196.0	42
Asia Pacific	30.6	9	11.4	35.6	47.0	10
	346.0	100	61.1	403.8	464.9	100

As a result of the 2003 figures only reflecting the results from the date of acquisition the increase in turnover from continuing operations in 2004 was some £58 million. More meaningfully, operating margins increased from 9.8 per cent. to 11.2 per cent. The 6.4 per cent. return from acquisitions reflects the higher overhead base of the Prebon business at acquisition and also the fact that the period immediately after the acquisition was one of reorganisation and some inevitable uncertainty for this part of the Group.

In the Tullett Liberty business average revenues per broker in 2004 were approximately £350,000 (2003: £355,000) and average broker employment costs (excluding share option plan charges) represented 56 per cent. of broking revenues (2003: 59 per cent.). During 2004 the average ratio of brokers to support and management staff within the Tullett Liberty business was just under 2.1:1 (2003: 2.1:1).

Whilst market conditions were volatile and favourable in areas like foreign exchange, credit derivatives and oil, the slowdown in new issuance and refinance activity had an impact on the Fixed Income activities in Europe and North America which represent more than 40 per cent. of the Tullett Liberty revenues. By contrast, the bulk of Prebon's revenues come from Treasury Products, particularly cash and forward FX, and Interest Rate Derivatives which performed strongly over the last two months of the year. As a result of the Prebon acquisition the IDB business has a more broadly based and better balanced profile going forward.

The inclusion of the Prebon operation develops the scope of the information sales business. Cost control and enhancements to the range of products contributed to a marked improvement in the profitability of this activity.

Europe

In Europe the underlying performance profile of the Tullett Liberty business was very similar to 2003 with improved results from interest rate and currency derivatives offsetting reduced revenues in the corporate debt areas. A strong focus on managing costs and eliminating loss making or marginal businesses meant that all product groups, with the exception of Fixed Income Securities, reported better operating returns than in 2003. The Prebon acquisition enabled management to make further improvements to the overall profile and performance of the European businesses in the Treasury Products, Credit Derivatives and Energy areas and brought in offices in Luxembourg, Zurich and Warsaw.

North America

The revenue development in North America was not in line with that expected by consolidating a full twelve month's results in 2004. Whilst Treasury Products performed better relatively than in 2003, Fixed Income Securities and Interest Rate Derivatives suffered from less favourable markets during the second and third quarters and only a limited increase in activity following the presidential elections. Despite the revenue profile, operating returns from the region improved through effective management of costs and of under performing desks. As in Europe, the Prebon acquisition enhanced the region's capability in Treasury Products, as well as in all types of derivatives. The New York and Calgary based power and gas broking businesses acquired from the Company's associate, Natsource LLC in June, and now integrated with Prebon's Energy business, also extended the capability in this product area.

Asia

In Asia, the Tullett Liberty business produced underlying revenues only slightly ahead of, and operating returns down, on 2003. The Prebon acquisition added operations in Singapore, Hong Kong and Sydney and a Derivatives joint venture in Tokyo. In November, as a consequence of the Prebon acquisition, the Group sold its investment in Totan Capital Markets to its co-shareholders. Following the acquisition, significant competitor activity in the region caused the Group to lose brokers and revenues and led to an acceleration of integration plans for the Hong Kong and Singapore offices.

Collins Stewart

The table below compares the results for the year to 31 December 2004 with those for 2003:

Revenue	*2003*		*2004*	
	£m	*%*	*£m*	*%*
Smaller Companies	71.6	56.0	50.3	42.3
Private Clients	27.6	21.6	33.6	28.2
Larger Companies and Quest™	28.7	22.4	35.1	29.5
Total revenue	127.9	100.0	119.0	100.0

Although revenues were down on the previous year, the reduction was all in the Smaller Companies area. Collins Stewart's operating margin before goodwill amortisation and the operating exceptional item remained above 32 per cent., reflecting tight cost control in light of the lower turnover.

Smaller Companies

Smaller Companies advised on 40 transactions including nine IPOs during 2004 (2003: 52). The total funds raised during the year were £0.7 billion (2003: £1.3 billion). The firm won an award for IPO of the Year – Hamworthy Plc (Growth Company Investor (February 2005 issue)). The lower turnover was partly because 2003 had benefited from 2 large AIPOs™, but the overall number of transactions was also down. Management attributed this to adverse publicity created for the firm by the press, particularly the "Financial Times", following the dismissal of a Smaller Companies salesman in 2003.

The FTSE Investment Trust index outperformed the FTSE All Share Index by 3.5 per cent. and the investment trust team benefited both from an upsurge in market activity and from a greater level of corporate business. The team carried out one of the sector's largest fundraisings in 2004 for the Invesco UK Property Income Trust.

Private Clients

The private client business increased funds under management by 9 per cent. to £2.5 billion[1]. Within this, discretionary funds increased 16 per cent. to £1.9 billion[1] as part of the continuing drive to develop the discretionary element of the business.

[1]Source: Collins Stewart's portfolio management database, unaudited

Larger Companies and Quest™

Larger Companies and Quest™ turnover was up on the previous year. This performance represented a commendable effort in challenging market conditions. Although UK and European equity markets were up between 5 per cent. and 10 per cent. in 2004, activity levels across those markets remained subdued.

The Trading area revenues benefited from the first contribution by the new convertibles team, who joined in April. Revenues were also generated by a new automated trading service to which the team began to act as retail service provider of preference share prices.

Exceptional Items

The operating exceptional items comprised Collins Stewart's contribution of £10 million to the settlement fund established in connection with the FSA's split capital investment trust investigation and £38.5 million costs associated with the reorganisation of the IDB business following the acquisition of Prebon.

In December 2004 Collins Stewart entered into a settlement with the FSA and other firms involved in the FSA's long-running split capital investment trust investigation, with no admissions. This settlement meant that valuable management time, which had been devoted to this exercise could now be redirected to more productive matters.

In order to present clearly the underlying performance of the IDB business, the one-off costs associated with reorganising the Tullett Liberty and Prebon groups were separately aggregated and reported as an exceptional item. At the time of the acquisition it was estimated that these costs would total approximately £80 million by the end of 2005 and that the annualised savings in fixed broker and support costs would be approximately £60 million by 2006. By the end of 2004 some £49 million of costs had been incurred, the majority of which related to staff redundancies and premises, and future annual savings of £42 million were expected to accrue from the exercise completed to date. Reorganisation costs of £10.1 million incurred in the period related to contractual completion payments which were anticipated in the £80 million but because of their form and timing were reported as a cost of acquisition in the financial statements. The exceptional restructuring costs shown in the profit and loss statement were therefore £38.5 million.

Taxation

The effective rate of tax on profit before exceptional items reduced from 44.7 per cent. in 2003 to 40.4 per cent. in 2004. The effective rate of tax on profit before exceptional items and goodwill amortisation was 31.6 per cent. (2003: 36.6 per cent.). In 2004 the Group benefited from a number of prior year adjustments and a larger part of the Group's profits arose in Europe and lower tax jurisdictions than in the previous year.

Acquisitions and Disposals

Prebon was acquired on 13 October 2004 for a consideration of £77.8 million including costs, plus assumption of £54.6 million gross indebtedness – giving an enterprise value of £132.4 million. The Prebon group had net liabilities after fair value adjustments of £60.9 million at completion and consequently the goodwill arising on the acquisition amounted to £138.7 million, which under UK GAAP, was being amortised under current accounting standards over 20 years. The main fair value adjustments related to the alignment of accounting policies, the recognition of the FRS17 deficit on the Prebon pension scheme, recognition of deferred tax assets and £10.1 million of contracted payments which crystallised on completion.

In June 2004 the Group completed the acquisition of Natsource LLC's energy broking businesses in New York and Calgary. The consideration for the deal was US$6.1 million in cash. The goodwill arising on the acquisition, amounted to £2.8 million, of which £2.3 million was written off in 2004. At the same time the Group sold its 32 per cent. direct investment in NTEL Holdings to Natsource LLC. In November the Group sold its 20 per cent. interest in Totan Capital Markets to its associate partners for

a consideration of £7 million. The book losses arising on the disposal of the interests in Totan Capital Markets and NTEL Holdings amounted to £0.9 million.

3. Liquidity and Capital Resources

3.1 Review of cash flows for the years ended 31 December 2005 and 31 December 2004 under IFRS

	2004	*2005*
	£m	*£m*
Cash generated from/(absorbed by) operations	(36.7)	125.6
Taxation	(40.4)	(23.7)
Interest paid	(12.9)	(17.9)
Investing activities	(45.0)	(7.8)
Financing activities	91.4	(18.7)
Net increase/(decrease) in cash and cash equivalents	(43.6)	57.5

During the year the Group generated cash from its operations before tax and interest of £126 million (2004: outflow of £37 million) from operating profits after exceptional costs of £93 million (2004: £39 million). Non-cash items such as depreciation and the write down of assets acquired with Prebon accounted for £22 million (2004: £18 million) of the difference. Working capital management produced £10 million cash, compared to an outflow in 2004 of £94 million (which was affected by the settlement of a number of Prebon related liabilities and an increase in year end trading positions and receivables).

The Group had a net interest outflow in the year of £2.4 million (2004: inflow of £0.1 million) which reflected the full year cost of the eurobond issued in August 2004. The Group paid tax of £24 million in 2005 (2004: £40 million), benefiting from tax relief on reorganisation costs and utilisation of Prebon's tax losses.

There was comparatively little investment in the business in 2005 as the focus was on reorganisation. Net investment (excluding interest received) of £23.3 million was largely on fixed assets purchased to facilitate the reorganisation of the IDB business. This compared to the £58.0 million outflow in 2004 as a result of investment in Prebon and the Natsource Energy business.

Cash used in financing activities amounted to £18.7 million primarily reflecting dividends paid – there were minimal new funds raised or repaid. This compares to the inflow in 2004 of £91.4 million as the Group raised funds to acquire Prebon and to refinance its borrowings.

Net cash and cash equivalents increased by £57.5 million in 2005 (2004: decrease of £43.6 million) and net funds increased by £68.3 million to £123.1 million at the end of 2005.

3.2 Review of cash flows for the years ended 31 December 2004 and 31 December 2003 under UK GAAP

	2003	*2004*
	£m	*£m*
Net cash (outflow)/inflow from operating activities	130.2	(36.7)
Dividends from associates	0.1	0.3
Returns on investments and servicing of finance	(2.8)	0.1
Taxation	(27.5)	(40.4)
Capital expenditure and financial instruments	(7.2)	(5.5)
Acquisitions and disposals	(92.4)	(51.9)
Equity dividends paid	(13.1)	(14.9)
Net cash outflow before management of liquid resources and financing	(12.7)	(149.0)
Management of liquid resources	2.4	(6.7)
Financing	129.7	106.3
(Decrease)/increase in cash	119.4	(49.4)

During 2003 the Group produced a net cash flow of £130.2 million as a result of operating profits of £61.5 million, non cash items (depreciation, amortisation and charges for share options) of £24.5 million and favourable working capital movements totalling £44.2 million. In 2004 the Group suffered a cash outflow from operating activities of £36.7 million from operating profits after exceptional items of £22.0 million. The year on year change is accounted for by a £95.7 million working capital outflow offset by £37.0 million of adjustments for non cash items. The significant working capital change was affected by the settlement of a number of Prebon related liabilities and an increase in year end trading positions and receivables.

The underlying increase in the size and profits of the Group in 2003 increased tax payable in 2004 over the previous year.

Capital expenditure reflects continued investment in technology, particularly in Tullett Prebon.

Acquisition spend reflects the acquisitions of Tullett Liberty in 2003 and Prebon in 2004. The acquisitions of both Prebon and Tullett Liberty were part funded by equity issues.

A Eurobond was issued in August 2004, producing a cash inflow of £150 million. At the same time existing borrowings of £47.6 million were repaid.

Net cash and cash equivalents decreased by £49.4 million in 2004 (2003: increase of £119.4 million) and net funds decreased by £128.7 million to £54.8 million at the end of 2004.

3.3 Capital Resources

Funding structure

Collins Stewart Tullett plc currently has £150 million 8.25 per cent. Step-Up Coupon Subordinated Notes due 2014. As part of the demerger and capital repayment proposals the New CST Group will retain the £150 million Subordinated Notes.

Settlement Funding

Clearing and settlement deposits are placed with various financial institutions principally for the US and UK matched principal businesses to facilitate the clearing and settling of transactions. These deposits take the form of cash or other liquid assets, for example, US Treasury Bills, and are used as collateral by the relevant settlement agent for any marked to market movement in unsettled trades. The cash is considered to be restricted for the purposes of working capital management as it is not freely available, although it would become available in the event of the Group discontinuing trading in the associated line of business.

Gross settlements, pending and fails can vary substantially with trading resulting in significant movements in net working capital. As securities are only delivered versus payment, debit balances are funded by overdrafts provided by the relevant clearing bank secured on the underlying securities.

Financing and Treasury

In the first half of 2004, Collins Stewart Tullett plc secured credit ratings from both Fitch and Moody's credit agencies. Fitch assigned Collins Stewart Tullett plc a long term credit rating of BBB with a stable outlook and Moody's assigned a long term issuer rating of Baa2 with a stable outlook. These ratings have been maintained subsequent to the acquisition of Prebon. On 12 August 2004, Collins Stewart Tullett plc completed a £150 million Eurobond issue of 8.25 per cent. step-up coupon subordinated notes due 2014. The Eurobond was issued to strengthen the Group's regulatory capital base and repay existing borrowings of £47.6 million. It is callable by Collins Stewart Tullett plc at any time after 12 August 2009, after which point the coupon is also set to be re-priced relative to a comparable gilt.

The Group maintained its investment grade credit ratings from Fitch and Moody's at BBB and Baa2 respectively throughout the 2005 integration period. During 2005 the Group improved the focus on liquidity and cash management to ensure that a high degree of financial flexibility was maintained. To this end, free cash generated by the operating companies is returned to and controlled by the Group treasury function to the extent that this is practical. At 31 December 2005 the Group had net cash and cash equivalents of £234.2 million (2004: £169.1 million) and net funds of £123.1 million (2004: £54.8 million). There is a strong focus on maintaining liquidity and the tenor of deposits is limited to six months. Regular cash forecasts are carried out to ensure that funds are available to meet business development needs as well as corporate requirements.

Profits of the Group's overseas subsidiaries are translated at average exchange rates. During 2004, based on management's view that the US dollar was likely to remain weak against sterling throughout the year, the Group entered into a number of FX option contracts to reduce the impact of this development on results. This strategy realised a gain of £1.0 million during the year. In addition some 60 per cent. of 2004 US dollar revenues and 30 per cent. of euro revenues which arose in Tullett Liberty entities reporting in sterling were protected by forward transactions. The benefit of these transactions to the profit and loss account was approximately £0.5 million. In addition, at 31 December 2004 there was an unrealised mark to market loss of £0.1 million relating to open contracts. Similar structures have been used to protect US dollar profits and revenues against sustained US dollar weakness in 2005. Due to a recovery in the US dollar against sterling this strategy realised a gain of £0.1 million during 2005 and at the end of the year the unrealised mark to market loss on open transactions was £1.9 million. At the end of December 2005 the Group had in place FX option contracts hedging US$60 million of revenues which will mature in the period to June 2006.

In 2004, some £64 million of the Eurobond was swapped into US dollars to provide a hedge for the Group's net investments in its North American and Hong Kong subsidiaries. The Group has hedged 100 per cent. of the cost of acquiring shares to satisfy option exercises under the equity incentive scheme established in January 2004 for Tullett Liberty senior management.

The Group's major balance sheet translation exposure is to the US dollar. The gross exposure amounts at 31 December 2005 to some US$176 million, represented by US and Hong Kong net tangible assets and the net exposure after taking account of a structural cross currency hedge amounts to some US$59 million.

Further information on financing is contained in paragraphs 21 and 24 of Part X of this document.

The Group seeks to maximise returns from its resources within the constraints of its risk appetite parameters which are established by the Group Board. The Group's Treasury Committee comprising of the Chief Executive, Finance Director, and Treasurer meet on a quarterly basis to consider liquidity and funding, counterparty risk and hedging (interest rate and foreign exchange). In managing the Group's resources the Treasury Committee has regard to the regulatory capital and financing requirements of the Group's subsidiary companies.

The Group has clear treasury policies which have to be followed by each subsidiary or business unit. The Group holding company acts as the lender of 'first resort' to subsidiaries or business units, co-ordinates standby financing arrangements, manages all intra-group financing and monitors the Group's overall cash flow position.

Liquidity rather than maximisation of interest income is the primary focus of the Group's approach to cash management.

The Group has access to an undrawn £15m committed bank facility that has a final maturity date of 31st December 2007. No covenants or off balance sheet commitment are provided to any bank or other party without the appropriate authorisation. The Group is not currently subject to any financial ratio covenants other than those relating to the maintenance of adequate regulatory capital that have been fully complied with.

Regulatory Capital

The Group requires that each regulated subsidiary maintains regulatory capital at a level at least 20% in excess of the minimum capital requirement established by the relevant regulator or clearing organisation (e.g. if a regulator requires individual entities to maintain regulatory capital equivalent to 110% of the capital requirement the Group's benchmark would be 132%). If, at any time, the subsidiary entity has capital below this target level the local Managing Director or Finance Director immediately advises the regional Finance Director or Group Finance Director, as appropriate, and advises the reason for the change in circumstances and the plan to address the shortfall.

At a consolidated level the Group seeks to maintain a buffer of at least £20 million of financial resources in excess of its consolidated financial resources requirement. At 31st December 2004 and 31st December 2005 the excess was significantly larger than the buffer.

Capital Expenditure

Tangible fixed asset acquisitions amounted to £7.4 million in 2003 and £5.9 million in 2004. In 2005 the tangible fixed asset acquisitions increased to £13.0 million reflecting the integration of the Tullett and Prebon broking teams.

Contractual Commitments

At 31 December 2005, the Group had outstanding commitments under non-cancellable operating leases, principally relating to office properties, of £9.7 million within one year, £28.7 million within 2 to 5 years and £36.4 million over 5 years.

In addition at 31 December 2005, the Group had contractual commitments of £0.8 million (2004: £0.8 million; 2003: £0.2 million), which are not provided for, in respect of the support and development of computer software.

4. Capitalisation and Indebtedness

The following table shows the capitalisation of the Group as at 30 June 2006 and the indebtedness of the Group as at 31 August 2006. There have been no material changes to the capitalisation figure since 30 June 2006. The capitalisation of the Group is based on IFRS financial information as at 30 June 2006 and has been extracted without material adjustment from the unaudited interim results of Collins Stewart Tullett plc for the six months ended 30 June 2006. The indebtedness figures have been extracted from the management and financial reporting systems of the Group as at 31 August 2006 and are unaudited.

Indebtedness at 31 August 2006	*£m*
Total current debt	
Secured	0.7
Unguaranteed/unsecured	16.5
Total non-current debt (excluding current portion of long term debt)	
Secured	2.9
Unguaranteed/unsecured	149.1
Total	169.2

Capitalisation at 30 June 2006	
Shareholders' equity	
Share capital	53.1
Other reserves:	
Share premium account	250.9
Merger reserve	121.5
Hedging and translation reserves	(3.1)
Retained earnings	176.8
	546.1
Total shareholders' equity	599.2
Total	768.4

The following table shows the net financial indebtedness of the Group as at 31 August 2006. This unaudited information has been extracted without material adjustment from the management and financial reporting systems of the group at that date, and is in accordance with IFRS.

Net funds at 31 August 2006	*£m*
Cash	249.2
Cash equivalents	11.7
Client settlement money	10.4
Trading investments	26.2
Liquidity	297.5
Current bank debt (overdraft)	(16.4)
Other current financial debt	(0.8)
Current financial debt	(17.2)
Net current financial indebtedness	280.3
Bonds issued	(149.1)
Other non-current loans and finance	(2.9)
Non current financial indebtedness	(152.0)
Gross debt	(169.2)
Total net funds	128.3

Notes:

(1) There were no material contingent liabilities as at 31 August 2006.

Prior to the Demerger Effective Time, it is intended that Collins Stewart Europe Limited will repay the two outstanding subordinated loans that total £12.8 million and discharge all inter-group balances due to Collins Stewart Tullett plc and Tullett Prebon, which amounted to £10 million at 30 June 2006.

Collins Stewart Tullett plc has agreed to contribute up to £30 million cash into Collins Stewart Europe Limited subject to the material conditions relating to the acquisition of Hawkpoint having first been satisfied, to provide regulatory capital to offset the impact of the goodwill arising on the Acquisition.

In addition, pursuant to the Demerger, it is proposed that Collins Stewart Europe Limited will acquire CS Inc (which had previously been transferred to a different tax group within the Collins Stewart Group), together with a US equities business previously managed by the inter-dealer broking business of Collins Stewart Tullett plc. Collins Stewart Europe Limited will sell its investment in Tullett Prebon Holdings Corp and issue shares to Collins Stewart Tullett plc in consideration for the transfer to it of CS Inc.

5. Risk Management

The key risks which the Group faces in its day to day operations can broadly be categorised as credit, market and operational risk.

5.1 Credit Risk

Credit risk is the risk of financial loss to the Group in the event that a client or counterparty fails to settle its contractual obligations to the Group. As a large proportion of the Group's business is contracted on an agency or intermediary basis, the main credit risk is actually more akin to a market risk, as the exposure in such cases is to movements in stock prices and foreign currency.

The Board has approved the general parameters within which credit risk is taken through a credit exposure framework. Within this overall framework specific limits are granted by the relevant Credit or Executive Committees or a number of executive directors acting in accordance with their delegated authority. All counterparties are subject to regular review and assessment.

Cash management policies are also in place to ensure that funds not committed to supporting the Group's activities are only placed with approved institutions.

5.2 Market Risk

The stockbroking business takes positions in a number of preference shares, convertibles and equities within modest and tightly controlled limits. Aside from these activities, market risk can arise in those instances where one or both counterparties in a matched principal transaction fail to fulfill their obligations (i.e. an initially unsettled transaction) or through trade mismatches or other errors. The risk in these situations is restricted to short-term price movements in the underlying stock held or to be delivered by the Group and movements in foreign exchange rates. Policies and procedures exist to reduce the likelihood of such trade mismatches and, in the event that they arise, the Group's policy is to close out such positions immediately or, with senior management approval, to carry them with an appropriate hedge in place. All market risks arising across the Group are identified and monitored on a daily basis.

The corporate finance business will at times underwrite new issues of securities. Underwriting risk is the risk that the market or sub-underwriters fail to subscribe as anticipated to the security issue and the Group is obliged to take up the offering at the issue price. If the market price of the shares or securities falls below the issue price, a loss may be incurred. Underwriting arrangements are structured so as to mitigate the effect of this risk to the extent possible.

5.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. The overall objective of the Group's operational risk management approach is not to attempt to avoid all potential risks, but proactively to identify and assess risks and risk situations in order to manage them in an efficient and informed manner, always recognising the cost relative to the benefits. This approach enables the Group to exploit existing opportunities, increase business success, and protect and enhance shareholder value. The Group's operational risk management framework is designed to:

- improve operational risk awareness and risk transparency in general;
- identify, measure and monitor key operational risks which affect the Group from both internal and external environments;

- identify and manage risks effectively so as to derive commercial benefit by minimising regulatory (and consequently economic) capital requirements thanks to a lower risk profile;
- provide operational risk information to executive management and the Group Risk Committee on the status of operational risk within the Group, and to act as an early warning on risks that could prejudice the future value or viability of the Company; and
- protect the Group's stakeholders.

Line managers in front office and support functions have the day to day responsibility for ensuring that the Group operates in accordance with its operational risk management framework.

5.4 Reputational Risk

Reputational risk is the risk that the Group's ability to do business will be impaired as a result of its reputation being tarnished. Clients rely on the Group's integrity and probity. The Group has policies and procedures in place to manage this risk to the extent possible which include, *inter alia*, procedures for employee hiring and the taking on of new business, approving corporate finance transactions and conduct of business rules.

5.5 Effects of Inflation

The Directors do not believe that inflation has had a material effect on the Group's operating results.

5.6 Other Risks

For a summary of other risk factors faced by the Group, please refer to Part II (Risk Factors) of this document.

PART VIII

FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The following information, which has been filed with the Documentary Viewing Facility of the Financial Services Authority (25 North Colonnade, London E14 5HS) or announced through a Regulatory Information Service is incorporated into this Part VIII by reference:

(a) pages 33 to 85 of Collins Stewart Tullett plc's 2005 annual report and accounts, comprising Collins Stewart Tullett plc's audited consolidated financial statements for the year ended 31 December 2005 under IFRS together with relevant accounting policies and notes. The independent auditors' report is on page 33 to 34; the consolidated balance sheet as at 31 December 2005 is on page 37; the consolidated income statement for the year ended 31 December 2005 is on page 35; the consolidated cash flow statement is on page 38; the accounting policies are on pages 39 to 47; and the explanatory notes are on pages 48 to 85;

(b) pages 43 to 88 of Collins Stewart Tullett plc's 2004 annual report and accounts, comprising Collins Stewart Tullett plc's audited consolidated financial statements for the year ended 31 December 2004 under UK GAAP together with relevant accounting policies and notes. The independent auditors' report is on pages 43 to 44; the consolidated balance sheet as at 31 December 2004 is on page 48; the consolidated profit and loss account for the year ended 31 December 2004 is on pages 45 to 46; the consolidated cash flow statement is on page 50; the accounting policies are on pages 51 to 55; and the explanatory notes are on pages 56 to 88;

(c) pages 40 to 81 of Collins Stewart Tullett plc's 2003 annual report and accounts, comprising Collins Stewart Tullett plc's audited consolidated financial statements for the year ended 31 December 2003 under UK GAAP together with relevant accounting policies and notes. The independent auditors' report is on pages 40 to 41; the consolidated balance sheet as at 31 December 2003 is on page 44; the consolidated profit and loss account for the year ended 31 December 2003 is on page 42; the consolidated cash flow statement is on page 46; the accounting policies are on pages 47 to 51; and the explanatory notes are on pages 51 to 81; and

(d) pages 66 to 100 of the listing particulars dated 24 September 2004, in relation to Collins Stewart Tullett plc's acquisition of FPG Holdings Limited, comprising the "Accountant's Report on Prebon".

New CST plc will provide without charge to each person to whom a copy of this document has been delivered, upon the written or oral request of such person, a copy of any documents incorporated by reference in this document except that exhibits to such document will not be provided unless they are specifically incorporated by reference into this document. Requests for copies of any such document should be directed to:

Collins Stewart Tullett plc
Cable House
54-62 New Broad Street
London EC2M 1ST
Attention: Company Secretary
Group Communications Directory
Telephone: +44 (0)20 7523 8000

Please note that Collins Stewart Tullett plc's audited consolidated financial statements for the year ended 31 December 2003 under UK GAAP were restated when presented as comparative information in the financial statements for the year ended 31 December 2004 due to a change in accounting policy resulting from the adoption of UITF 38 (accounting for ESOP trusts).

PART IX

UNAUDITED INTERIM FINANCIAL INFORMATION RELATING TO COLLINS STEWART TULLETT PLC

Set out below is the full text of the unaudited interim results of Collins Stewart Tullett plc for the six months ended 30 June 2006, as announced on 18 September 2006. These results, together with comparatives, have been prepared on an IFRS basis and have been reviewed by Deloitte & Touche LLP. The Independent Review Report by Deloitte & Touche LLP to Collins Stewart Tullett plc is set out on page 93 of this document.

Chairman's Statement

The Company reported strong results for the first half of 2006. Revenue and profits improved substantially compared with the same period in 2005 as both business lines, after a year of integration and consolidation in 2005, took advantage of generally favourable market conditions. Earnings per share before exceptional items rose by 43 per cent. to 32.4p and total shareholder return was 29.6 per cent. in comparison to the return of 8.5 per cent. achieved by the FTSE mid 250 Index and 17.7 per cent. achieved by the FTSE General Financials Index. The Board has decided to increase the interim dividend by 67 per cent. to 5p per share.

On 20 March it was announced that in order to deliver significant further value to shareholders, the Board of Collins Stewart Tullett plc had determined to demerge the Collins Stewart stockbroking business and subsequently to return at least £300m excess capital to shareholders. The demerger is announced today. The circular which explains the process by which the demerger will be effected and which convenes the meetings required to approve the demerger, will be posted to shareholders by 31 October. Prospectuses for the two new companies which will be established in the demerger process will be posted on the same date.

The demerger of the stockbroking business from Collins Stewart Tullett, which is subject to Collins Stewart Tullett shareholder and court approval, will result in two separate businesses operating under the two new listed companies:

- The Tullett Prebon inter-dealer broking business whose parent company will be New CST plc (to be renamed Tullett Prebon plc before share trading commences); and
- The Collins Stewart stockbroking business whose parent company will be Collins Stewart plc.

At the point when the demerger becomes effective, Collins Stewart Tullett shareholders will receive one Tullett Prebon plc share and one Collins Stewart plc share in place of every one Collins Stewart Tullett share then held. Consequently, Collins Stewart Tullett shareholders will own the same proportion of Tullett Prebon plc and Collins Stewart plc as they currently hold of Collins Stewart Tullett. The demerger is expected to be completed by the end of the year.

The proposed return of capital to shareholders is dependent, amongst other things, on Tullett Prebon plc receiving a waiver from the consolidated capital adequacy tests under the regulatory regime established by the Capital Requirements Directive which will come into effect in the UK from 1 January 2007. An "in principle" waiver has already been obtained from the FSA and the Board expects the capital return to be effected by March next year.

Following the demerger the current Board will become directors of Tullett Prebon plc. Terry Smith will remain Group Chief Executive of Tullett Prebon plc as well as taking on the role of chairman of Collins Stewart plc. Richard Kilsby and I will also be joining the Board of Collins Stewart plc. We are recruiting additional independent Non-executive Directors for Collins Stewart.

The current outlook for both of our businesses is positive although equity market conditions for the second half of the year are unlikely to be as strong as they were in the first half. The Board is confident that the corporate restructuring will deliver significant value to the Company's shareholders and enable both businesses to pursue their strategies more efficiently and effectively.

Keith Hamill
18 September 2006

Operating and Financial Review

Overview of performance

The following table shows the results for the first half of 2006 together with those for the comparative period in 2005 and the year ended 31 December 2005.

	Six months ended 30 June 2006 (unaudited)	*Six months ended 30 June 2005 (unaudited and restated)*	*Year ended 31 December 2005 (audited and restated)*
	£m	*£m*	*£m*
Revenue			
Inter-dealer broking	348.0	338.8	649.4
Stockbroking	104.1	72.8	148.7
	452.1	411.6	798.1
Operating profit before exceptional items			
Inter-dealer broking	62.5	48.8	90.7
Stockbroking	32.5	20.6	40.7
	95.0	69.4	131.4
Operating profit after exceptional items	95.0	40.8	93.1
Profit before tax	102.7	39.9	97.6
Earnings per share			
Basic	32.4p	12.3p	29.3p
Diluted	31.9p	12.2p	28.9p
Basic before exceptional items	32.4p	22.6p	42.2p

In 2006 the inter-dealer broking ("IDB") business transferred management responsibility for most of its domestic and international equities activities based in New York to the stockbroking business. The segmental analysis for 2005 has been restated accordingly.

For the first time since the acquisition of Prebon in October 2004 the results for Tullett Prebon are reported unencumbered by either reorganisation costs (reported as exceptional items in 2005) or the "double running" costs related to staff, technology and premises made redundant during 2005 (included within operating profit before exceptional items last year).

Revenue increased by £40.5m with Collins Stewart accounting for £31.3m of the improvement. Operating profit before exceptional items increased by £25.6m compared to the first half of 2005 with both business lines reporting substantially improved results. The Group operating margin before exceptional items was 21.0 per cent. compared with 16.9 per cent. for the first half of 2005. Basic earnings per share increased to 32.4p (2005 first half: 12.3p) due to the improvement in operating performance and the absence of reorganisation costs. Basic earnings per share before exceptional items rose by 43 per cent. Annualised return on capital was 33.8 per cent. (2005 first half: 23.0 per cent.) and total shareholder return was 29.6 per cent.

The effective rate of tax for the first half of the year was 33.3 per cent. (first half 2005: 35.6 per cent.) with the reduction in the rate compared with 2005 being driven by the significant improvement in taxable profits in Tullett Prebon and the rebalancing of those profits towards Europe, together with a non taxable gain on the equity swap hedging the IDB equity incentive plan. The underlying tax rate for the IDB business, before prior year adjustments and the benefit of the equity swap gain, was 39 per cent. The underlying tax rate for the stockbroking business was 30 per cent.

The directors have declared an interim dividend of 5p per share, up 67 per cent. on the previous interim period. The increase in dividend is in line with the underlying improvement in results. The dividend is payable on 7 December 2006 to shareholders on the register at the close of business on 24 November 2006.

Tullett Prebon

The Tullett Prebon business was still going through its integration exercise during the first half of 2005. The results for the first six months of this year demonstrate the success of that process. The well received launch of the TradeBlade™ platform also provides the business with a capability to transfer products to an electronic platform as the needs of its clients and the market change.

The reported revenue of the Tullett Prebon business increased by only £9.2m. However, the underlying revenue growth was £28m or 9 per cent. when revenues lost during 2005 as a result of staff losses in Asia, disposals and closures are excluded. The business benefited from volatility in a number of markets notably foreign exchange, interest rate derivatives and energy. Conditions in the cash bond markets were less helpful especially for corporate bonds.

Tullett Prebon's operating profit before exceptional items was £62.5m, a £13.7m increase over 2005. This result equates to an operating margin of 18.0 per cent. compared with a reported operating margin of 14.4 per cent. and an underlying margin of 16.3 per cent. for the equivalent period of 2005. The improvement reflects the benefit of the underlying growth in revenue, the saving of "double running" costs, the synergies which arose from the integration of the Tullett and Prebon businesses and continued management focus on enhancing performance.

For the first half of 2006 the annualised revenue per broker was £411,000 per head (2005 full year: £393,000). Tullett Prebon employed 1,563 brokers at the end of the period compared to 1,683 at 30 June 2005. Broker compensation represented some 57.7 per cent. of revenues for the six month period compared with 57.4 per cent. for the comparable period in 2005. At 30 June the ratio of front office to support staff was 2.2:1 consistent with figures reported twelve months ago.

The following tables analyse revenue by region and product group.

	Six months ended 30 June 2006		*Six months ended 30 June 2005*		*Year ended 31 December 2005*	
	£m	*%*	*£m*	*%*	*£m*	*%*
Europe	180.2	52	163.4	48	317.2	49
North America	133.9	38	136.3	40	260.5	40
Asia	33.9	10	39.1	12	71.7	11
	348.0	100	338.8	100	649.4	100

	Six months ended 30 June 2006		*Six months ended 30 June 2005*		*Year ended 31 December 2005*	
	£m	*%*	*£m*	*%*	*£m*	*%*
Treasury Products	102.3	29	91.7	27	180.9	28
Fixed Income Securities	96.4	28	105.4	31	193.9	30
Interest Rate Derivatives	88.1	25	86.3	25	163.1	25
Energy	30.1	9	26.5	8	53.3	8
Equities	24.5	7	22.4	7	44.8	7
Information Sales	6.6	2	6.5	2	13.4	2
	348.0	100	338.8	100	649.4	100

The European business performed very strongly during the first half of the year and now accounts for 52 per cent. of Tullett Prebon's revenue. Whilst market conditions have been helpful in a number of product areas, the region has also benefited from having its London operations working from a single broking floor for the whole six month period. Underlying revenue growth was 14.8 per cent. Operating profit from the region

increased from £17.4m to £36.6m and operating margins from 10.6 per cent. to 20.3 per cent. as a result of the development in revenues, year on year cost savings, the gain (2005: loss) on US dollar revenue hedges, and the benefit of more appropriate central management recharges to North America and Asia.

North American revenue at £133.9m was slightly down in sterling terms on that for the equivalent period of 2005; underlying revenue was down just under 6 per cent. in US dollar terms as the US dollar has been stronger compared to sterling in the first half of 2006 than the comparative period of 2005. Whilst Treasury Products, Interest Rate Derivatives and Energy have performed relatively strongly, revenue from Fixed Income, the largest area of our North American operations, was below that produced last year as a result of unfavourable market conditions this year. Our remaining investment in Natsource LLC, was sold at a profit of £1.4m. Operating profit for the region was £23.2m compared with £22.8m for the first half of 2005 and operating margins increased from 16.7 per cent. to 17.3 per cent.

The Asia Pacific region had a good half and reported revenue of £33.9m compared to £39.1m for the equivalent period in 2005. As some £12m of 2005 revenue related to businesses closed or disposed of last year and desks lost to competitors, there was a £6.8m or 25 per cent. improvement in underlying revenue (including revenue from the Korean office opened in May last year). The operating profit for the region was £2.7m compared with £8.6m for 2005, although last year's result benefited from a number of payments from competitors associated with staff and desk changes. We continue to seek appropriate compensation from BGC for poaching some 50 brokers from our Singapore operation in February 2005.

At the start of the year Tullett Prebon launched TradeBlade™, a fully electronic inter-dealer trading system aimed initially at the institutional fixed-income dealing community. The first product traded on the platform was dollar based repos in which TradeBlade™ had established a significant market share by 30 June. In June the platform went live in US Treasuries. Revenue from the platform is included in North America and in Fixed Income Securities in the tables above.

Information Sales revenue improved slightly year on year. The management team in this area was changed during the first half and has a mandate to develop new products and markets.

Collins Stewart

The shape of the Collins Stewart business has changed over the last six months with the transfer to it of the US equities business previously managed by Tullett Prebon, giving it a distinctive platform compared to other UK based independent stockbrokers. A new and strong management team has also been put in place in advance of it moving to a separate listing.

The Collins Stewart business enjoyed a 43 per cent growth in revenues in the first half of 2006, with all areas of its business benefiting from strong equity market conditions. The spread of revenues both by business segment and geographical area remained fairly constant compared to both the comparable period and last year as a whole.

At the operating level, margins increased from 28.3 per cent. in the first half of 2005 to 31.2 per cent. in the first half of 2006, benefiting from the higher revenues. The operating margin for the whole of 2005 was 27.4 per cent. and reflected the lower contribution by the US Equities business as a result of enhanced transitional staff bonus arrangements. Reduced transitional arrangements continue to apply until the beginning of 2008.

The following tables analyse revenue by business area and region:

	Six months ended 30 June 2006		*Six months ended 30 June 2005*		*Year ended 31 December 2005*	
	£m	*%*	*£m*	*%*	*£m*	*%*
Smaller Companies	36.0	35	27.2	37	50.1	34
Private Clients	26.5	25	16.8	23	37.8	25
Larger Companies	41.6	40	28.8	40	60.8	41
	104.1	100	72.8	100	148.7	100

	Six months ended 30 June 2006		Six months ended 30 June 2005		Year ended 31 December 2005	
	£m	*%*	*£m*	*%*	*£m*	*%*
EU	60.9	58	44.6	61	86.6	58
North America	22.4	22	16.1	22	33.6	23
Channel Islands	20.8	20	12.1	17	28.5	19
	104.1	100	72.8	100	148.7	100

Smaller Companies (which now includes the former Investment Trust business) advised on 37 transactions (2005: 34), raising £1.3 billion of new equity compared to £1.3 billion for the whole of 2005. The vast majority of the funds raised were on AIM where Collins Stewart was the leading broker (in terms of total funds raised) by a considerable margin.

Private Clients increased its revenues by 58 per cent. in the first half. Part of this increase is attributable to the acquisition of the Insinger business at the end of 2005, but the business also achieved strong underlying growth in both its asset management and stockbroking activities. Funds under management increased to £3.6 billion (December 2005: £3.2 billion) with discretionary funds rising to £2.9 billion from £2.5 billion at the end of 2005. Of these funds under management, some £2.4 billion relate to Private Clients (£1.8 billion discretionary funds) with the rest in property fund management and fund services.

Larger Companies comprises the Large Cap team, Trading and the US Equities business (previously reported as part of the inter-dealer broking business) whose activities cover broking equities to US institutions on a matched principal basis, market making in US and non US small and mid cap stocks and broking US equity derivatives to US institutions. The business operates on a different basis to that in the UK with a lower advisory content to its services and lower margins. All areas of the Larger Companies business benefited from strong market conditions, with the UK Large Cap team and the US Equities business achieving particularly good revenue growth.

Financial management

Profits of the Group's overseas operations are translated at average exchange rates. Given the proportion of business in North America and Hong Kong the US dollar rate is particularly important. The average US dollar exchange rate used for the first half of 2006 was $1.79 (first half 2005: $1.87; full year 2005: $1.81). During the first half some $60m of foreign exchange option contracts matured giving rise to a profit of £1.2m (2005 first half: £1.0m loss). The Group does not currently hedge revenues and profits arising in US dollars. It continues to hedge its investment in US dollar based operations.

In January 2004 the Company hedged some 90 per cent. of the cost of acquiring shares to satisfy option exercises under the Tullett Prebon equity incentive scheme. The improvement in the Company's share price over the first half of the year produced a £7.7m unrealised gain (first half 2005: £2.5m gain; full year 2005: £9.3m gain).

Cash flows from operating activities were subject to £38.0m adverse working capital movements in the first half (first half 2005: £51.5m). The main contributors to this swing were the annual bonus payments made during the first quarter and short term increases in settlement balances. We expect this position to improve in the second half in line with the normal seasonal pattern. Over the first six months of 2006 total net funds (cash and cash equivalents and short term investments less overdrafts and borrowings) increased by £10.5m (2005 first half: decrease of £10.5m) with increased operating profits being offset by higher tax payments and an increase in the dividend.

Collins Stewart demerger

Collins Stewart Tullett intends to introduce a new holding company, New CST plc (to be renamed Tullett Prebon plc shortly before listing), by way of a Court-approved scheme of arrangement under section 425 of the Companies Act 1985. This will then be followed by a Court-approved capital reduction of New CST plc to achieve the demerger of Collins Stewart, to create distributable reserves and facilitate the return of capital. A new holding company, Collins Stewart plc, will also be established to acquire the Collins Stewart stockbroking business in the demerger.

Prior to the demerger there will be a group reorganisation to separate the stockbroking activities from the inter-dealer broker. This will involve the transfer of all the stockbroking operations, including those US cash equities broking activities previously managed and accounted for within Tullett Prebon, to Collins Stewart.

The implementation of the demerger has received a number of the necessary regulatory approvals including the FSA's consent to the change of control of Collins Stewart Tullett plc and Collins Stewart Europe Limited as a result of both companies having new holding companies.

The board of Tullett Prebon plc will be the same as the current board of the Company.

In addition to their roles within Tullett Prebon plc, Terry Smith will be Chairman, Keith Hamill Non-executive Deputy Chairman and Richard Kilsby an independent Non-executive Director of Collins Stewart plc. Additional independent Non-executive Directors will be recruited for Collins Stewart plc in due course. As reported at the AGM, Joel Plasco (formerly Chief Operating Officer of Tullett Prebon) and Diana Dyer Bartlett (the Company Secretary) are now the Chief Executive and Finance Director of Collins Stewart.

Due to the size and nature of the demerger, the approval of Collins Stewart Tullett plc shareholders is being sought. The circular to be posted by 31 October will contain a notice of a court meeting and a notice of an extraordinary general meeting, both convened for 23 November.

Admission of both the Tullett Prebon plc shares and the Collins Stewart plc shares to the Official List of the UK Listing Authority and to trading on the market for listed securities of the London Stock Exchange is expected to take place on 19 December 2006.

Return of capital

The proposed return of capital to shareholders is dependent, amongst other things, on Tullett Prebon plc receiving a waiver from the consolidated capital adequacy test under the regulatory regime established by the Capital Requirements Directive which will come into effect in the UK from 1 January 2007. An "in principle" waiver has already been obtained from the FSA and the directors expect that a formal waiver will be forthcoming on completion of the demerger process.

The capital return will be achieved by a further court approved reduction of capital. The circular which will explain the process by which the capital return will be effected and convenes the necessary meetings is expected to be posted to shareholders in January 2007 and it is anticipated that the capital return will take place in March. The return is likely to be of the order of £300m.

Future developments and outlook

The Tullett Prebon business has continued to perform in line with our expectations since the half year and, given the current geopolitical uncertainties, volatility in most markets seems likely to continue. We expect to launch further products on TradeBladeTM before the end of the year. Equity markets, as usual, have been quiet over the summer months. The Collins Stewart corporate finance order book is, however, sound for the second half.

Operationally we have been taking the necessary steps to separate the Tullett Prebon and Collins Stewart businesses, developing appropriately the existing management and control structures. The Collins Stewart business was, of course, previously listed in its own right from December 2000 to March 2003 when Tullett Liberty was acquired.

We will continue to liaise proactively with the FSA with regard to the changes in the regulatory capital framework arising from the implementation of the EU Capital Requirements Directive to ensure that both Tullett Prebon and Collins Stewart are subject to the appropriate supervisory and capital adequacy regimes going forward.

Terry Smith
18 September 2006

Consolidated income statement

for the six months ended 30 June 2006

	Notes	Six months ended 30 June 2006 (unaudited) £m	Six months ended 30 June 2005 (unaudited) £m	Year ended 31 December 2005 £m
Revenue	3	452.1	411.6	798.1
Other operating income		7.2	7.6	23.9
Administrative expenses				
Exceptional items:				
Reorganisation costs	4	–	(28.6)	(38.3)
Other administrative expenses		(364.3)	(349.8)	(690.6)
Total administrative expenses		(364.3)	(378.4)	(728.9)
Operating profit	3	95.0	40.8	93.1
Finance income		17.9	11.1	24.9
Finance costs		(10.2)	(12.0)	(20.4)
Profit before tax		102.7	39.9	97.6
Taxation	5	(34.2)	(14.2)	(36.6)
Profit of consolidated companies		68.5	25.7	61.0
Share of results of associates		–	0.4	0.7
Profit for the period		68.5	26.1	61.7
Attributable to:				
Equity holders of the parent		68.1	25.7	61.0
Minority interest		0.4	0.4	0.7
		68.5	26.1	61.7
Earnings per share				
Basic	7	32.4p	12.3p	29.3p
Diluted	7	31.9p	12.2p	28.9p

All of the Group's revenue and operating profit were derived from continuing operations

Consolidated statement of recognised income and expense

for the six months ended 30 June 2006

	Six months ended 30 June 2006 (unaudited)	*Six months ended 30 June 2005 (unaudited)*	*Year ended 31 December 2005*
	£m	*£m*	*£m*
Gains/(losses) on cash flow hedges	4.9	(4.3)	(7.2)
Exchange differences on translation of foreign operations	(8.3)	4.5	7.9
Actuarial gains on defined benefit pension schemes	8.0	3.5	0.9
Taxation on items taken directly to equity	4.7	4.4	0.4
Net income recognised directly in equity	9.3	8.1	2.0
Profit for the period	68.5	26.1	61.7
Total recognised income and expense for the period	77.8	34.2	63.7
Attributable to:			
Equity holders of the parent	77.4	33.8	63.0
Minority interest	0.4	0.4	0.7
	77.8	34.2	63.7

Consolidated balance sheet

as at 30 June 2006

	Notes	30 June 2006 (unaudited) £m	30 June 2005 (unaudited) (as restated) £m	31 December 2005 £m
Non-current assets				
Goodwill		428.4	421.2	428.0
Other intangible assets		2.9	3.7	2.8
Land, buildings, furniture, fixtures, equipment and motor vehicles		22.1	22.3	24.3
Interests in associates		2.7	2.2	2.8
Other financial assets		6.6	4.6	5.7
Deferred tax assets		30.9	46.2	31.0
Derivative financial instruments		5.5	5.3	–
		499.1	505.5	494.6
Current assets				
Trade and other receivables		79,883.4	112,727.7	64,408.3
Trading investments	11	71.5	76.4	90.6
Cash and cash equivalents		265.6	177.0	235.3
Derivative financial instruments		13.1	–	5.4
		80,233.6	112,981.1	64,739.6
Total assets		80,732.7	113,486.6	65,234.2
Current liabilities				
Trade and other payables		(79,862.6)	(112,690.6)	(64,435.8)
Financial liabilities		(16.8)	(18.0)	(15.2)
Interest bearing loans and borrowings		(11.7)	(13.4)	(1.8)
Retirement benefit obligation		(2.1)	(2.0)	(2.0)
Tax liabilities		(48.9)	(37.6)	(32.6)
Derivative financial instruments		–	(3.4)	(1.9)
		(79,942.1)	(112,765.0)	(64,489.3)
Net current assets		291.5	216.1	250.3
Non-current liabilities				
Interest bearing loans and borrowings		(152.1)	(153.5)	(153.1)
Retirement benefit obligation		(25.6)	(33.4)	(34.6)
Deferred tax liabilities		(0.6)	(0.5)	(1.0)
Long-term provisions		(8.2)	(12.3)	(7.2)
Other long-term payables		(2.5)	(3.2)	(3.3)
Derivative financial instruments		–	–	(1.2)
		(189.0)	(202.9)	(200.4)
Total liabilities		(80,131.1)	(112,967.9)	(64,689.7)
Net assets		601.6	518.7	544.5
Equity				
Share capital	8	53.1	53.1	53.1
Share premium account	8	250.9	250.9	250.9
Merger reserve	8	121.5	121.5	121.5
Hedging and translation reserve	8	(3.1)	(0.2)	0.3
Retained earnings	8	176.8	91.0	116.3
Equity attributable to equity holders of the parent	8	599.2	516.3	542.1
Minority interest – equity		2.4	2.4	2.4
Total equity		601.6	518.7	544.5

Consolidated cash flow statement

for the six months ended 30 June 2006

	Notes	*Six months ended 30 June 2006 (unaudited)*	*Six months ended 30 June 2005 (unaudited) (as restated)*	*Year ended 31 December 2005*
		£m	*£m*	*£m*
Net cash from operating activities	9	40.5	(2.6)	84.0
Investing activities				
Proceeds from disposal/(purchases) of trading investments		8.9	7.7	(1.9)
Interest received		7.0	4.5	15.5
Dividends received from other equity investments		–	0.3	–
Proceeds on disposal of furniture, fixtures and equipment		1.0	0.1	–
Proceeds on disposal of available-for-sale investments		1.4	0.6	1.2
Purchase of available-for-sale investments		(0.8)	–	–
Purchase of intangible fixed assets		(0.3)	–	(1.6)
Purchase of furniture, fixtures and equipment		(2.7)	(6.3)	(13.0)
Investment in associates		–	–	(0.9)
Acquisition of subsidiary (net of cash acquired)		(4.0)	(1.2)	(7.1)
Net cash from/(used in) investing activities		10.5	5.7	(7.8)
Financing activities				
Dividends paid		(23.2)	(12.0)	(18.3)
Issue of ordinary share capital		–	1.3	1.3
Issue/(repayment of borrowings)		0.2	(1.0)	(1.2)
Share option exercise costs		(1.7)	–	–
Repayment of obligations under finance leases		(0.1)	(0.1)	(0.5)
Net cash used in financing activities		(24.8)	(11.8)	(18.7)
Net increase/(decrease) in cash and cash equivalents		26.2	(8.7)	57.5
Net cash and cash equivalents at the beginning of the period		234.2	169.1	169.1
Effect of foreign exchange rate changes		(5.5)	4.2	7.6
Net cash and cash equivalents at end of period		254.9	164.6	234.2
Cash and cash equivalents		265.6	177.0	235.3
Overdrafts		(10.7)	(12.4)	(1.1)
Net cash and cash equivalents		254.9	164.6	234.2

Notes to the consolidated interim financial statements

1. General information

The interim financial statements for the six months ended 30 June 2006 have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS). The interim information, together with the comparative information contained in this report for the year ended 31 December 2005, does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. However, the information has been reviewed by the Company's auditors, Deloitte & Touche LLP, and their report appears at the end of the interim financial report. The interim financial report is unaudited and was approved by the board of directors on 15 September 2006.

The IFRS statutory accounts for the year ended 31 December 2005 have been reported on by the Company's auditors, Deloitte & Touche LLP, and have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Collins Stewart Tullett plc is a company incorporated in Great Britain under the Companies Act 1985.

The following amendments to existing standards and interpretations are to be adopted for the year ending 31 December 2006. The adoption of these amendments and interpretations was not yet effective as at 30 June 2006. The directors anticipate that the adoption of these standards will have no material impact on the financial information for the year ending 31 December 2006.

IFRIC 4: “Determining whether an Arrangement Contains a Lease”

Amendment to IAS 39 “The Fair Value Option”

Amendment to IAS 39 “Cash Flow Hedge Accounting of Forecast Intragroup Transactions”

Amendment to IAS 30 and IFRS 4 “Financial Guarantee Contracts”

IFRS 7 “Financial Instruments: Disclosures and related amendments to IAS1” will come into effect for periods commencing on or after 1 January 2007 and will add additional disclosure on capital and financial instruments.

2. Significant accounting policies

Basis of accounting

These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The financial statements are rounded to the nearest hundred thousand (expressed as millions to one decimal place - £m), except where otherwise indicated. The 30 June 2005 cash and cash equivalents, cash flow statement and the related notes have been restated to reflect the reclassification of £30m of short term highly liquid investments from trading investments to cash and cash equivalents, in order to be consistent with the full year cash flow statement.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2005.

Retirement benefit costs

At the half-year, management in consultation with its independent actuaries, has updated the discount rates for current market conditions and considered whether there have been any other events that would significantly affect the pension liability. The impact of these changes in assumptions and events has been estimated in arriving at the half-year pension liability. In addition, fund asset balances have been updated to reflect actual investment returns.

3. Business and geographic segments

For management purposes, the Group is currently organised into two operating divisions: inter-dealer broking and stockbroking. These divisions are the basis on which the Group reports its primary segment information. The June 2006 and June 2005 figures are unaudited.

	Inter dealer broking			*Stockbroking*			*Group*		
	Six months ended 30 June 2006 £m	*Six months ended 30 June 2005 £m*	*Year ended ended 31 December 2005 £m*	*Six months ended 30 June 2006 £m*	*Six months ended 30 June 2005 £m*	*Year ended ended 31 December 2005 £m*	*Six months ended 30 June 2006 £m*	*Six months ended 30 June 2005 £m*	*Year ended ended 31 December 2005 £m*
Revenue									
Europe	180.2	163.4	317.2	81.7	56.7	115.1	261.9	220.1	432.3
North America	133.9	136.3	260.5	22.4	16.1	33.6	156.3	152.4	294.1
Asia Pacific	33.9	39.1	71.7	–	–	–	33.9	39.1	71.7
Total revenue	348.0	338.8	649.4	104.1	72.8	148.7	452.1	411.6	798.1
Operating profit before exceptional items									
Europe	36.6	17.4	41.6	28.8	19.9	39.2	65.4	37.3	80.8
North America	23.2	22.8	40.4	3.7	0.7	1.5	26.9	23.5	41.9
Asia Pacific	2.7	8.6	8.7	–	–	–	2.7	8.6	8.7
	62.5	48.8	90.7	32.5	20.6	40.7	95.0	69.4	131.4
Exceptional items*									
Europe	–	(17.6)	(19.4)	–	–	–	–	(17.6)	(19.4)
North America	–	(7.8)	(12.0)	–	–	–	–	(7.8)	(12.0)
Asia Pacific	–	(3.2)	(6.9)	–	–	–	–	(3.2)	(6.9)
	–	(28.6)	(38.3)	–	–	–	–	(28.6)	(38.3)
Operating profit									
Europe	36.6	(0.2)	22.2	28.8	19.9	39.2	65.4	19.7	61.4
North America	23.2	15.0	28.4	3.7	0.7	1.5	26.9	15.7	29.9
Asia Pacific	2.7	5.4	1.8	–	–	–	2.7	5.4	1.8
Operating profit from continuing operations	62.5	20.2	52.4	32.5	20.6	40.7	95.0	40.8	93.1

* Exceptional items in 2005 comprise reorganisation costs.

There are no inter-segment sales included in segment revenue. All segment revenue is derived from sales to external customers.

In 2006 the inter-dealer broking ("IDB") business transferred management responsibility for most of its domestic and international equities activities based in New York to the stockbroking business. Accordingly, Stockbroking revenue has been restated (increased) in June 2005 and December 2005 by £13.0m and £27.0m respectively and the stockbroking operating profit has increased by £0.6m and £0.7m respectively. Stockbroking revenue has also been restated in line with industry practice to include interest earned on client money which was previously included in other operating income. This amounted to £0.9m in June 2005.

4. Reorganisation costs

There were no reorganisation costs (half year 30 June 2005: £28.6m; year ended 31 December 2005: £38.3m). Previous period costs were all associated with the integration exercise in the IDB business following the acquisition of Prebon. The integration exercise was completed in 2005.

5. Taxation

	Six months ended 30 June 2006 (unaudited) £m	*Six months ended 30 June 2005 (unaudited) £m*	*Year ended 31 December 2005 £m*
Current tax:			
UK corporation tax	25.6	6.5	8.4
Double tax relief	(4.2)	(0.3)	(0.7)
	21.4	6.2	7.7
Overseas tax	14.2	8.4	14.8
Prior year UK corporation tax under/(over) provided	0.1	(0.1)	(0.6)
Prior year overseas corporation tax (over)/under provided	(0.6)	0.4	2.8
	35.1	14.9	24.7
Deferred tax:			
Current year	(0.9)	1.6	13.9
Prior year deferred tax assets understated	–	(2.3)	(2.0)
	34.2	14.2	36.6

6. Dividends

During the first six months a dividend of 11p (2005: 5.75p) per share was paid to the shareholders, amounting to £23.1m (2005: £12.0m).

The proposed interim dividend for 2006 of 5p (2005: 3p) per share, £10.5m (2005: £6.3m), was approved by the Board on 15 September 2006 and has not been included as a liability as at 30 June 2006.

7. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

Earnings	*Six months ended 30 June 2006 (unaudited) £m*	*Six months ended 30 June 2005 (unaudited) £m*	*Year ended 31 December 2005 £m*
Earnings for the purposes of the basic and diluted earnings per share	68.1	25.7	61.0
IDB reorganisation costs	–	28.6	38.3
Tax credit on reorganisation costs	–	(7.3)	(11.3)
Earnings for the purposes of the basic earnings per share before exceptional items	68.1	47.0	88.0

7. Earnings per share (continued)

Weighted average number of shares	*Six months ended 30 June 2006 (unaudited)* *No. (m)*	*Six months ended 30 June 2005 (unaudited)* *No. (m)*	*Year ended 31 December 2005* *No. (m)*
Number of ordinary shares at start of period	209.6	207.6	207.6
ESOT allocations	–	0.2	0.4
Share option exercises	0.7	0.3	0.5
Basic earnings per share denominator	210.3	208.1	208.5
Issuable on exercise of options	2.9	2.8	2.7
Diluted earnings per share denominator	213.2	210.9	211.2
Earnings per share			
Basic	32.4p	12.3p	29.3p
Diluted	31.9p	12.2p	28.9p
Basic before exceptional items	32.4p	22.6p	42.2p

8. Reconciliation of movements in equity

The following table shows an analysis of the change in equity attributable to equity shareholders of Collins Stewart Tullett.

	Share capital £m	*Share premium account £m*	*Merger reserve £m*	*Hedging and translation reserve £m*	*Retained earnings £m*	*Total shareholders' equity £m*
Balance at 1 January 2005	53.0	249.7	121.5	(0.4)	66.1	489.9
Profit for the period	–	–	–	–	25.7	25.7
Dividends paid in the period	–	–	–	–	(12.0)	(12.0)
Issue of ordinary shares	0.1	1.2	–	–	–	1.3
Credit arising on share options	–	–	–	–	3.3	3.3
Actuarial gain on defined benefit pension schemes	–	–	–	–	3.5	3.5
Losses on cash flow hedges	–	–	–	(4.3)	–	(4.3)
Foreign currency translation	–	–	–	4.5	–	4.5
Taxation on items taken directly to equity	–	–	–	–	4.4	4.4
Balance at 30 June 2005	53.1	250.9	121.5	(0.2)	91.0	516.3
Balance at 1 January 2005	53.0	249.7	121.5	(0.4)	66.1	489.9
Profit for the period	–	–	–	–	61.0	61.0
Dividends paid in the period	–	–	–	–	(18.3)	(18.3)
Issue of ordinary shares	0.1	1.2	–	–	–	1.3
Credit arising on share options	–	–	–	–	6.5	6.5
Cash cancellation of share options	–	–	–	–	(0.3)	(0.3)
Actuarial gain on defined benefit pension schemes	–	–	–	–	0.9	0.9
Losses on cash flow hedges	–	–	–	(7.2)	–	(7.2)
Foreign currency translation	–	–	–	7.9	–	7.9
Taxation on items taken directly to equity	–	–	–	–	0.4	0.4
Balance at 31 December 2005	53.1	250.9	121.5	0.3	116.3	542.1
Balance at 1 January 2006	53.1	250.9	121.5	0.3	116.3	542.1
Profit for the period	–	–	–	–	68.1	68.1
Dividends paid in the period	–	–	–	–	(23.3)	(23.3)
Credit arising on share options	–	–	–	–	3.9	3.9
Exercise of share options previously expensed through income statement	–	–	–	–	(0.9)	(0.9)
Actuarial gain on defined benefit pension schemes	–	–	–	–	8.0	8.0
Gain on cash flow hedges	–	–	–	4.9	–	4.9
Foreign currency translation	–	–	–	(8.3)	–	(8.3)
Taxation on items taken directly to equity	–	–	–	–	4.7	4.7
Balance at 30 June 2006	53.1	250.9	121.5	(3.1)	176.8	599.2

9. Reconciliation of operating profit to net cash from operating activities

	Six months ended 30 June 2006 (unaudited)	*Six months ended 30 June 2005 (unaudited) (as restated)*	*Year ended 31 December 2005*
	£m	*£m*	*£m*
Operating profit	95.0	40.8	93.1
Adjustments for:			
(Gain)/loss on derivatives	(1.9)	1.8	1.7
Expense arising from share option plans	3.9	3.3	6.5
Profit on sale of other financial assets	(1.4)	(0.5)	(0.5)
Depreciation of furniture, fixtures and equipment	3.8	5.7	9.2
Amortisation of intangible assets	0.6	1.5	1.4
Assets written (back)/off	(0.6)	–	7.8
(Gain)/loss on disposal of furniture, fixtures and equipment	(0.2)	0.2	–
Increase/(decrease) in provisions	1.5	2.8	(4.1)
(Decrease)/increase in non-current payables	(0.9)	1.0	0.1
Operating cash flows before movement in working capital	99.8	56.6	115.2
(Increase)/decrease in trade and other receivables	(15,472.6)	(41,130.4)	7,192.2
Decrease/(increase) in net long and short positions	11.1	0.2	(6.8)
Increase/(decrease) in trade and other payables	15,423.5	41,078.7	(7,175.0)
Cash generated from operations	61.8	5.1	125.6
Income taxes paid	(17.7)	(5.9)	(23.7)
Interest paid	(3.6)	(1.8)	(17.9)
Net cash flows from operating activities	40.5	(2.6)	84.0

10. Reconciliation of net cash flow to movements in net funds

	Six months ended 30 June 2006 (unaudited)	*Six months ended 30 June 2005 (unaudited) (as restated)*	*Year ended 31 December 2005*
	£m	*£m*	*£m*
Net increase/(decrease) in cash and cash equivalents during the period	26.2	(8.7)	57.5
Cash (inflow)/outflow from repayment of loans and loan notes	(0.2)	1.0	1.2
Cash outflow from lease financing	0.1	0.1	0.5
(Decrease)/increase in trading investments	(8.9)	(7.7)	1.9
Increase/(decrease) in net funds resulting from cash flows	17.2	(15.3)	61.1
Amortisation of debt issue costs and discount	(0.3)	(0.2)	(0.3)
(Decrease)/increase in finance leases	(0.2)	0.1	(0.9)
Currency translation differences	(6.2)	4.9	8.4
Increase/(decrease) in net funds	10.5	(10.5)	68.3
Net funds at the start of the period	123.1	54.8	54.8
Net funds at the end of the period	133.6	44.3	123.1

11. Analysis of net funds

	At 1 January 2005	*Cash flow*	*Non-cash items*	*Exchange Differences*	*At 30 June 2005 (unaudited) (as restated)*
	£m	*£m*	*£m*	*£m*	*£m*
Cash in hand and at bank	132.9	3.4	–	1.8	138.1
Cash equivalents	43.2	(15.6)	–	2.4	30.0
Client settlement money	7.0	1.9	–	–	8.9
Overdraft	(14.0)	1.6	–	–	(12.4)
	169.1	(8.7)	–	4.2	164.6
Loans due within one year	(1.3)	1.0	–	–	(0.3)
Loans due after one year	(148.3)	–	(0.2)	–	(148.5)
Finance leases	(3.1)	0.1	0.1	–	(2.9)
	(152.7)	1.1	(0.1)	–	(151.7)
Other trading investments	38.4	(7.7)	–	0.7	31.4
Total net funds	54.8	(15.3)	(0.1)	4.9	44.3

11. Analysis of net funds (continued)

	At 1 January 2005	*Cash flow*	*Non-cash items*	*Exchange Differences*	*At 31 December 2005*
	£m	*£m*	*£m*	*£m*	*£m*
Cash in hand and at bank	132.9	76.8	–	6.0	215.7
Cash equivalents	43.2	(37.9)	–	1.6	6.9
Client settlement money	7.0	5.7	–	–	12.7
Overdraft	(14.0)	12.9	–	–	(1.1)
	169.1	57.5	–	7.6	234.2
Loans due within one year	(1.3)	1.2	–	–	(0.1)
Loans due after one year	(148.3)	–	(0.3)	–	(148.6)
Finance leases	(3.1)	0.5	(0.9)	–	(3.5)
	(152.7)	1.7	(1.2)	–	(152.2)
Other trading investments	38.4	1.9	–	0.8	41.1
Total net funds	54.8	61.1	(1.2)	8.4	123.1

	At 1 January 2006	*Cash flow*	*Non-cash items*	*Exchange Differences*	*At 30 June 2006 (unaudited)*
	£m	*£m*	*£m*	*£m*	*£m*
Cash in hand and at bank	215.7	37.7	–	(5.3)	248.1
Cash equivalents	6.9	1.3	–	(0.2)	8.0
Client settlement money	12.7	(3.2)	–	–	9.5
Overdraft	(1.1)	(9.6)	–	–	(10.7)
	234.2	26.2	–	(5.5)	254.9
Loans due within one year	(0.1)	(0.2)	–	–	(0.3)
Loans due after one year	(148.6)	–	(0.3)	–	(148.9)
Finance leases	(3.5)	0.1	(0.2)	–	(3.6)
	(152.2)	(0.1)	(0.5)	–	(152.8)
Other trading investments	41.1	(8.9)	–	(0.7)	31.5
Total net funds	123.1	17.2	(0.5)	(6.2)	133.6

Trading investments per the balance sheet comprise:

	Six months ended 30 June 2006 (unaudited)	*Six months ended 30 June 2005 (unaudited) (as restated)*	*Year 31 December ended 2005*
	£m	*£m*	*£m*
Long trading positions	40.0	45.0	49.5
Other trading investments	31.5	31.4	41.1
	71.5	76.4	90.6

Loans due after one year are stated net of the fair value adjustment required by International Accounting Standard 39: Financial Instruments of £0.3m (half year 30 June 2005: £2.8m, year ended 31 December 2005: £1.6m).

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 2006 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 11. 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 are 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 International Standards on Auditing (UK and Ireland) 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 2006.

Deloitte & Touche LLP
Chartered Accountants
London

18 September 2006

PART X

IFRS FINANCIAL INFORMATION AND ACCOUNTANT'S REPORT ON COLLINS STEWART TULLETT PLC FOR THE YEAR ENDED 31 DECEMBER 2004

The financial information below has been prepared by, and is the responsibility of, the Directors of the Company. The financial information for the year ended 31 December 2005 has been extracted without material adjustment from the audited consolidated financial statements of Collins Stewart Tullett plc for the year then ended which are incorporated by reference as described above. The financial information for the year ended 31 December 2004 is reported on by Deloitte & Touche LLP below.

Deloitte.

Deloitte & Touche LLP
Athene Place
66 Shoe Lane
London EC4A 3BQ

The Board of Directors
on behalf of New CST plc
Cable House
54-62 New Broad Street
London EC2M 1ST

Lehman Brothers International (Europe)
25 Bank Street
London E14 5LE

Dear Sirs

Collins Stewart Tullett plc and subsidiaries (the "Group")

We report on the financial information for the year ended 31 December 2004 set out in Part X of the prospectus dated 31 October 2006 of New CST plc (the "Company") (the "Prospectus"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in Note 2. This report is required by Appendix 3 Annex I item 20.1 of the Prospectus Rules and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Notes 1 and 2 to the financial information and in accordance with International Financial Reporting Standards ("IFRS").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates

and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at 31 December 2004 and of its profits, cash flows and changes in equity for the year then ended in accordance with the basis of preparation set out in Notes 1 and 2 and in accordance with IFRS as described in note 1.

This report does not cover, and we express no opinion on, the financial information for the year ended 31 December 2005.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Appendix 3, Annex I item 1.2 of the Prospectus Rules.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

Deloitte & Touche LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu ("DTT"), a Swiss Verein whose member firms are separate and independent legal entities. Neither DTT nor any of its member firms has any liability for each other's acts or omissions. Services are provided by member firms or their subsidiaries and not by DTT.

Consolidated income statement

for the years ended 31 December 2004 and 31 December 2005

	Notes	2004 £m	2005 £m
Revenue	3	583.9	798.1
Other operating income	4	3.5	23.9
Administrative expenses			
Exceptional items:			
Reorganisation costs	5	(38.5)	(38.3)
Split capital contribution	5	(10.0)	–
Other administrative expenses		(499.6)	(690.6)
Total administrative expenses		(548.1)	(728.9)
Operating profit		39.3	93.1
Loss on disposal of associates		(1.4)	–
Finance income	8	15.5	24.9
Finance costs	9	(19.2)	(20.4)
Profit before tax		34.2	97.6
Taxation	10	(14.5)	(36.6)
Profit of consolidated companies		19.7	61.0
Share of results of associates		1.0	0.7
Profit for the year	6	20.7	61.7
Attributable to:			
Equity holders of the parent		19.9	61.0
Minority interests		0.8	0.7
		20.7	61.7
Earnings per share			
Basic	12	10.5p	29.3p
Diluted	12	10.3p	28.9p

All of the Group's revenue and operating profit were derived from continuing operations.

Consolidated statement of recognised income and expense

for the years ended 31 December 2004 and 31 December 2005

	Notes	*2004* *£m*	*2005* *£m*
(Losses)/gains on cash flow hedges		3.2	(7.2)
Exchange differences on translation of foreign operations		(3.6)	7.9
Actuarial gains/(losses) on defined benefit pension schemes		(5.6)	0.9
Taxation on items taken directly to equity		1.7	0.4
Net income/(expense) recognised directly in equity		(4.3)	2.0
Profit for the year	6	20.7	61.7
Total recognised income and expenses for the year		16.4	63.7
Attributable to:			
Equity holders of the parent		15.6	63.0
Minority interest		0.8	0.7
		16.4	63.7

Consolidated balance sheet

as at 31 December 2004 and 31 December 2005

	Notes	*2004* *£m*	*2005* *£m*
Non-current assets			
Goodwill	13	421.3	428.0
Other intangible assets	14	9.3	2.8
Land, buildings, furniture, fixtures, equipment and motor vehicles	15	22.0	24.3
Interest in associates	16	1.0	2.8
Other financial assets	18	5.7	5.7
Deferred tax assets	19	37.8	31.0
Derivative financial instruments	21	6.5	–
		503.6	494.6
Current assets			
Trade and other receivables	20	71,598.4	64,408.3
Trading investments	18	93.4	90.6
Cash and cash equivalents	32(b)	183.1	235.3
Derivative financial instruments	21	–	5.4
		71,874.9	64,739.6
Total assets		72,378.5	65,234.2
Current liabilities			
Trade and other payables	22	(71,609.5)	(64,435.8)
Financial liabilities	23	(27.4)	(15.2)
Interest bearing loans and borrowings	24	(16.1)	(1.8)
Retirement benefit obligation	38	(1.5)	(2.0)
Tax liabilities		(23.3)	(32.6)
Derivative financial instruments	21	(4.0)	(1.9)
		(71,681.8)	(64,489.3)
Net current assets		193.1	250.3
Non-current liabilities			
Interest bearing loans and borrowings	24	(151.8)	(153.1)
Retirement benefit obligation	38	(36.9)	(34.6)
Deferred tax liabilities	19	–	(1.0)
Long-term provisions	26	(9.5)	(7.2)
Other long-term payables	27	(3.1)	(3.3)
Derivative financial instruments	21	–	(1.2)
		(201.3)	(200.4)
Total liabilities		(71,883.1)	(64,689.7)
Net assets		495.4	544.5
Equity			
Share capital	28	53.0	53.1
Share premium account	29	249.7	250.9
Merger reserve	29	121.5	121.5
Hedging and translation reserve	29	(0.4)	0.3
Retained earnings	29	66.1	116.3
Total shareholders' equity	29	489.9	542.1
Minority interest		5.5	2.4
Total equity		495.4	544.5

Consolidated cash flow statement

for the years ended 31 December 2004 and 31 December 2005

	Notes	2004 £m	2005 £m
Net cash from/(used in) operating activities	32(a)	(90.0)	84.0
Investing activities			
Outflow from purchases of trading investments		(0.9)	(1.9)
Interest received		13.0	15.5
Dividends received from associates		0.3	–
Proceeds on disposal of furniture, fixtures and equipment		0.4	–
Proceeds on disposal of available-for-sale investments		–	1.2
Proceeds on disposal of interest in associate		7.0	–
Purchase of intangible fixed assets		–	(1.6)
Purchase of furniture, fixtures and equipment		(5.9)	(13.0)
Acquisition of subsidiary and minority interest (net of cash acquired)		(58.9)	(7.1)
Investment in associates		–	(0.9)
Net cash used in investment activities		(45.0)	(7.8)
Cash flows from financing activities			
Dividends paid	11	(14.9)	(18.3)
Issue of ordinary share capital		59.5	1.3
Share issue costs		(1.4)	–
Repayment of borrowings		(99.5)	(1.2)
Issue of debt		149.5	–
Debt issue costs		(0.9)	–
Repayment of obligations under finance leases		(0.9)	(0.5)
Net cash (used in)/from financing activities		91.4	(18.7)
Net increase/(decrease) in cash and cash equivalents		(43.6)	57.5
Net cash and cash equivalents at the beginning of the year		214.2	169.1
Effect of foreign exchange rate changes		(1.5)	7.6
Net cash and cash equivalents at the end of the year	32(b)	169.1	234.2
Cash and cash equivalents		183.1	235.3
Overdrafts		(14.0)	(1.1)
Net cash and cash equivalents	32(b)	169.1	234.2

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. General information

Collins Stewart Tullett plc is a company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is 9th Floor, 88 Wood Street, London EC2V 7QR. The nature of the Group's operations and its principal activities are set out in note 3.

The financial information is presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

The consolidated financial information of Collins Stewart Tullett plc ("the Company") and its subsidiaries has been prepared in accordance with International Financial Reporting Standards (IFRS).

As at the date of the authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective.

IFRS 7: 'Financial Instruments: Disclosures and the related amendment to IAS 1'

IFRIC 4: 'Determining whether an Arrangement Contains a Lease'

Amendment to IAS 39 'The Fair Value Option'

Amendment to IAS 39 'Cash Flow Hedge Accounting of Forecast Intragroup Transactions'

Amendment to IAS 39 and IFRS 4 'Financial Guarantee Contracts'

The directors anticipate that the adoption of these standards in future periods will have no material impact on the financial information of the Group, except for the additional disclosures on financial instruments. The standards will come into effect for periods commencing on or after 1 January 2007.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial information has been prepared in accordance with IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 42. The financial information has also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

Following the acquisition of Prebon, the Group has reconsidered and amended the basis upon which it amortises upfront payments from 1 January 2005. The change in accounting estimate more appropriately reflects the period of service to which the bonuses relate. In prior years they were amortised over a 12 month period. Under the revised treatment, £13.5 million of prepaid bonuses have been included in Trade and other receivables in the balance sheet as at 31 December 2005 (2004: £1.1 million).

This financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The financial information is rounded to the nearest hundred thousand (expressed as millions to one decimal place – £m), except where otherwise indicated. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial information incorporates the financial statements of Collins Stewart Tullett plc and entities controlled by Collins Stewart Tullett plc (and its subsidiaries) made up to 31 December each year. Control is achieved where Collins Stewart Tullett plc has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the indentifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair

value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, after taking into account previously recognised goodwill, the excess is immediately recognised in the profit and loss.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets, liabilities and contingent liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant inter-company transactions and balances between Group entities are eliminated on consolidation.

Investment in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but does not control or jointly control, through participation in the financial and operating policies decisions of the investee.

The results and assets and liabilities of associates are included in this financial information using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair value of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the profit and loss in the year of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of impairment of the asset transferred in which case appropriate provision is made for impairment.

Interests in joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Where a Group company undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred in respect of interests in jointly controlled assets are accounted for on an accruals basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and the income can be measured reliably.

Joint venture arrangements, which involve the establishment of a separate entity in which each venture has an interest, are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or associate at the date of acquisition. Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is recognised as an asset and is reviewed for impairment at least annually, or where such other occasions or changes in circumstances indicate that it might be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill arising on acquisition is allocated to cash-generating units for the purpose of impairment testing.

Goodwill arising on the acquisition of an associate is included within the carrying value of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or associate, the attributed amount of goodwill that has not been subject to impairment is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment.

Intangible assets

Software and software development costs

An internally generated intangible asset arising from the Group's software development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development costs of the asset can be measured reliably.

Where the above conditions are not met costs are expensed as incurred.

Acquired separately or from a business combination

Intangible assets acquired separately are capitalised at cost and intangible assets acquired in a business acquisition are capitalised at fair value at the date of acquisition. The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on finite assets, this expense is taken to the income statement through "other administrative expenses".

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged to the income statement in the year in which the expenditure is incurred.

	Software purchased or developed	*Software licences*
Useful life	Finite	Finite
Method used	3 years straight-line	Amortised over life of licences
Internally generated or acquired	Internally generated and acquired	Acquired only
Impairment testing/recoverable amount testing	Method reviewed at each financial year-end	Method reviewed at each financial year-end

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Revenue

Revenue, which excludes value added tax, includes the profit on buying and selling securities, the profit or loss arising on positions held in securities, gross commissions, brokerage, fees earned and subscriptions for

information sales. Dividends and interest arising on long and short positions in securities form part of revenue, and as they are also reflected in movements in market prices, are not identified separately. Fee income is recognised when the related services are completed and the income is considered receivable.

Revenue also includes interest receivable on segregated client money accounts. Other interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Other dividend income from investments is recognised when the shareholders' right to receive the payment is established.

Land, buildings, furniture, fixtures, equipment and motor vehicles

Freehold land is stated at cost. Buildings, furniture, fixtures, equipment and motor vehicles are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight line basis over its expected useful life as follows:

Furniture, fixtures, equipment and motor vehicles	10 per cent. – 33 per cent. pa
Short and long leasehold land and buildings	over the period of the lease
Freehold land	nil
Freehold buildings	1 per cent. pa

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less any cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Impairment losses relating to goodwill are not reversed.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Investments in securities

Investments in securities, which do not relate to inter-dealer broker settlement balances (see below), are recognised and derecognised on a trade-date basis where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments are initially measured at cost, excluding transaction costs, which are expensed immediately.

After initial recognition, investments which are classified as held for trading or available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in income. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted bid or offer prices at the close of business on the balance sheet date as appropriate. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same. Alternatively, it is calculated based on the expected cash flows of the underlying net asset base of the investment.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Pending regular way purchases and sales on behalf of customers are included in trade and other receivables and trade and other payables (see settlement balances below).

Settlement balances

Certain Group companies are involved as principal in the purchase of and simultaneous commitment to sell securities between third parties. Such trades are complete only when both sides of the deal are settled, and the Group is exposed to risk in the event that one side of the transaction remains unmatched. The amounts due to and payable by counterparties in respect of matched principal business expected to settle in the normal course of trading are shown gross within trade debtors or trade creditors as appropriate. Outstanding transactions which have gone beyond settlement date where neither side of the transaction has settled and transactions where one side has settled, but the other remains outstanding continue to be shown gross within trade and other receivables and trade and other payables until the transaction is completed.

Securities borrowing

Securities are borrowed in the ordinary course of business. All borrowing is collateralised and such collateral is included in trade debtors.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs and any discounts or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables

Trade and other receivables are settled within normal market cycles. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. The Group had entered into an equity swap to hedge market risk on the Group's future commitment to purchase own shares under the share option schemes. Such derivative financial instruments are recorded on the balance sheet at fair value. The Group does not use derivative financial instruments for speculative purposes.

The fair value of forward exchange contracts and interest rate swaps is calculated on a discounted cash flow basis using relevant market data on foreign exchange and interest rates.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge an exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

In relation to fair value hedges that meet the IAS 39 requirements for hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges to hedge forecast transactions which meet the IAS 39 requirements for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged forecast transactions result in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged transaction affects the income statement; for example, when the future sale actually occurs.

For derivatives that do not qualify for cash flow hedge accounting, any gains or losses arising from the changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, for a cash flow hedge, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is immediately recognised in the income statement.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Client money

The Group holds money on behalf of clients in accordance with the client money rules of the Financial Services Authority and other regulatory bodies. Such money and the corresponding liabilities to clients are not shown on the face of the balance sheet as the Group is not beneficially entitled thereto. The amounts held on behalf of clients at the balance sheet date are stated at note 37. The net return received on managing client money is included within Revenue.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits, which may be accessed without penalty. Cash equivalents comprise short-term highly liquid investments with a maturity of less than three months from the date of acquisition. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are classified according to the substance of the contractual arrangements entered into.

De-recognition of financial instruments

The de-recognition of financial instruments takes place when all the de-recognition criteria of IAS 39 are met and the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all of the cash flows attributable to the instrument are passed through to an independent third party.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event where it is probable it will result in an outflow of economic benefits that can be reasonably estimated.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring, which has been notified to affected parties.

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling denominated assets and liabilities.

Taxation

The tax expense represents the sum of tax currently payable and movements in deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable

that taxable profits will be available against which deductible temporary differences may be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled or when the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Leases

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Retirement benefit costs

Defined contributions made to employees' personal pension plans are charged to the income statement as and when incurred.

For defined benefit retirement benefit plans, the cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the year in which they occur. They are recognised outside the income statement and are presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits have already vested, and is otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The fair value of share options issued is determined using a Black Scholes valuation model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Employee Share Ownership Trusts

Dividends have been waived by the trustees of both Collins Stewart Tullett plc ESOT and Collins Stewart (CI) Limited ESOT on shares, which have not yet vested unconditionally pursuant to employee awards. Such shares are excluded from the denominator in the earnings per share calculation.

3. Business and geographic segments

For management purposes, the Group is currently organised into two operating divisions: stockbroking and inter-dealer broking. These divisions are the basis on which the Group reports its primary segment information.

	Inter-dealer broking		*Stockbroking*		*Group*	
	2004	*2005*	*2004*	*2005*	*2004*	*2005*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Revenue						
Europe	221.9	317.2	111.5	115.1	333.4	432.3
North America	196.0	287.5	7.5	6.6	203.5	294.1
Asia Pacific	47.0	71.7	–	–	47.0	71.7
Total revenue	464.9	676.4	119.0	121.7	583.9	798.1
Operating profit before exceptionals						
Europe	19.0	41.6	36.9	39.2	55.9	80.8
North America	25.0	41.1	2.3	0.8	27.3	41.9
Asia Pacific	4.6	8.7	–	–	4.6	8.7
	48.6	91.4	39.2	40.0	87.8	131.4
Exceptional items*						
Europe	(30.7)	(19.4)	(10.0)	–	(40.7)	(19.4)
North America	(7.2)	(12.0)	–	–	(7.2)	(12.0)
Asia Pacific	(0.6)	(6.9)	–	–	(0.6)	(6.9)
	(38.5)	(38.3)	(10.0)	–	(48.5)	(38.3)
Operating profit						
Europe	(11.7)	22.2	26.9	39.2	15.2	61.4
North America	17.8	29.1	2.3	0.8	20.1	29.9
Asia Pacific	4.0	1.8	–	–	4.0	1.8
	10.1	53.1	29.2	40.0	39.3	93.1
Loss on disposal of associates					(1.4)	–
Finance income					15.5	24.9
Finance costs					(19.2)	(20.4)
Profit before tax					34.2	97.6
Taxation					(14.5)	(36.6)
Profit of consolidated companies					19.7	61.0
Share of results of associates					1.0	0.7
Profit for the year					20.7	61.7

*Exceptional items comprise reorganisation costs in both 2005 and 2004 and split capital investment trust settlement contribution in 2004.

3. Business and geographic segments (continued)

There are no inter-segment sales included in segment revenue. All segment revenue is derived from sales to external customers.

	Inter-dealer broking		*Stockbroking*		*Group*	
	2004	*2005*	*2004*	*2005*	*2004*	*2005*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Other information						
Capital additions	7.4	14.9	0.3	0.7	7.7	15.6
Depreciation and amortisation	8.8	9.2	1.7	1.8	10.5	11.0
Impairment losses recognised in income	2.2	5.4	–	–	2.2	5.4
Expenses arising from share option plans	2.6	4.6	2.7	1.9	5.3	6.5
Balance sheet						
Assets						
Segment assets	72,008.6	64,675.8	343.2	503.6	72,351.8	65,179.4
Unallocated corporate assets					26.7	54.8
Consolidated total assets					72,378.5	65,234.2
Liabilities						
Segment liabilities	71,593.0	64,227.1	127.2	304.1	71,720.2	64,531.2
Unallocated corporate liabilities					162.9	158.5
Consolidated total liabilities					71,883.1	64,689.7

Geographical area

	Europe		*North America*		*Asia Pacific*		*Group*	
	2004	*2005*	*2004*	*2005*	*2004*	*2005*	*2004*	*2005*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
Other information								
Capital additions	5.1	10.5	2.0	3.9	0.6	1.2	7.7	15.6
Balance sheet								
Segment assets	2,039.7	2,984.9	69,888.0	61,822.7	39.8	31.5	71,967.5	64,839.1
Unallocated corporate assets							411.0	395.1
Consolidated total assets							72,378.5	65,234.2

Segment assets and liabilities exclude all inter-segment balances.

4. Other operating income

Other operating income includes insurance claims of £7.1 million (2004: nil), in large part settled, in respect of costs incurred and revenues lost as a result of fire at the Company's head office, Cable House, in London. Also included are payments received from competitors in relation to staff movements.

Interest earned on client money which was previously included in Other operating income has been reclassified and is now included within Revenue. As a result of this change the comparative figures have been restated; decreasing Other operating income by £1.5 million and increasing Revenue by £1.5 million.

5. Administrative expenses exceptional items

Reorganisation costs

Reorganisation costs comprise £38.3 million (2004: £38.5 million) associated with the reorganisation of the IDB business following the acquisition of Prebon. This amount includes incremental costs of £4.6 million arising from the further write down of Prebon information technology systems.

Split capital contribution

The Collins Stewart stockbroking business made a contribution of £10 million in 2004 to the settlement fund established in connection with the FSA's split capital investment trust investigation.

6. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2004	*2005*
	£m	*£m*
Net foreign exchange losses/(gains)	(1.5)	2.5
Depreciation of buildings, furniture, fixtures and equipment (note 15)	8.1	9.6
Amortisation of intangible assets (note 14)	2.4	1.4
Impairment of goodwill	2.2	–
Staff costs (note 7)	361.1	534.4
Auditors' remuneration for audit services (see below)	2.0	1.9

Amounts payable to Deloitte & Touche LLP, the Group's auditor, by the Company and its subsidiary undertakings in respect of non-audit services were £1.5 million (2004: £0.2 million).

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2004		*2005*	
	£m	*%*	*£m*	*%*
Audit services				
– statutory audit	1.5	68	1.4	41
– audit related regulatory reporting	0.5	23	0.5	15
	2.0	91	1.9	56
Further assurance services				
– due diligence	–	–	1.2	35
Other services				
– corporate finance advisory	0.2	9	0.3	9
	2.2	100	3.4	100

In 2004 an additional £1.2 million was paid to Deloitte & Touche LLP, the Group's auditor, in connection with the acquisition of the Prebon Group and accompanying fundraising in October 2004. This fee was capitalised as part of the Prebon acquisition.

In addition to the amounts shown above, the auditors received fees of £5,438 (2004: £7,000) for the audit of a group pension scheme.

7. Staff costs

The average monthly number of employees and directors of the Group, all of whom were employed in financial services was:

	2004	*2005*
	No.	*No.*
Europe	1,384	1,583
North America	675	944
Asia Pacific	364	518
	2,423	3,045

The aggregate employment costs of staff and directors were:

	2004	*2005*
	£m	*£m*
Wages, salaries, bonuses and incentive payments	326.1	489.3
Social security costs	26.8	33.7
Pension costs	2.9	4.9
Expense of share-based payments	5.3	6.5
	361.1	534.4

8. Finance income

	2004	*2005*
	£m	*£m*
Interest receivable and similar income	9.7	10.8
Fair value gain on cross-currency interest rate swap	1.7	–
Fair value gain on equity swap	–	9.3
Return on pension plan assets	4.1	4.8
	15.5	24.9

9. Finance costs

	2004	*2005*
	£m	*£m*
Interest payable on bank loans and overdrafts	7.7	12.2
Finance charges payable under finance leases and hire purchase contracts	0.4	0.4
Amortisation of debt issue costs	0.3	0.4
Amortisation of discount	0.2	–
Other interest payable	0.5	0.7
Total borrowing costs	9.1	13.7
Fair value loss on equity swap	3.9	–
Fair value loss on cross-currency interest rate swap	1.2	0.7
Interest cost on pension plan liabilities	5.0	6.0
	19.2	20.4

10. Taxation

	2004	*2005*
	£m	*£m*
Current tax:		
UK corporation tax	20.5	8.4
Double tax relief	(10.2)	(0.7)
	10.3	7.7
Overseas tax	16.6	14.8
Prior year UK Corporation tax under provided	0.9	(0.6)
Prior year overseas tax over provided	(6.5)	2.8
	21.3	24.7
Deferred tax (note 19)		
Current year	(6.8)	13.9
Prior year deferred tax assets understated	–	(2.0)
	14.5	36.6

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit in the income statement as follows:

	2004		*2005*	
	£m	*%*	*£m*	*%*
Profit before tax	34.2		97.6	
Tax based on the UK Corporation Tax rate of 30% (2004: 30%)	10.3	30.1	29.3	30.0
Tax effect of expenses that are not deductible	8.1	23.7	10.6	10.9
Less: Tax effect of non-taxable gains	(0.1)	(0.3)	(3.1)	(3.2)
Less: Tax effect of stock options	(0.3)	(0.9)	(2.5)	(2.6)
Effect of different tax rates of subsidiaries	1.7	5.0	1.5	1.6
Unrelieved losses	0.3	0.9	0.6	0.6
Adjustment in respect of prior years	(5.5)	(16.1)	0.2	0.2
Tax expense and effective tax rate for the year	14.5	42.4	36.6	37.5

In addition to tax included in the income statement, deferred tax relating to the actuarial movement on defined benefit pension schemes amounting to £0.3 million debit (2004: £1.5 million credit) and to stock options amounting to £3.9 million credit (2004: £0.2 million credit) has been taken directly to equity.

11. Dividends

	2004	*2005*
	£m	*£m*
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2004 of 5.75p (2003: 5.25p) per share	9.7	12.0
Interim dividend for the year ended 31 December 2005 of 3.00p (2004: 2.75p) per share	5.2	6.3
	14.9	18.3
Proposed final dividend for the year ended 31 December 2005 of 11.0p (2004: 5.75p) per share	12.0	23.1

In respect of the current year, the directors proposed that the final dividend of 11p (2004: 5.75p) per share amounting to £23.1 million (2004: £12.0 million) should be paid to shareholders on 15 June 2006. This dividend was subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend was paid to all shareholders on the Register of Members on 26 May 2006.

The ESOT trustees have waived their rights to dividends due on 2.7 million ordinary shares. The amount waived/excluded in respect of the interim ordinary dividend was £0.1 million (2004: £0.1 million) and, in respect of the final 2005 ordinary dividend, £0.3 million (2004: £ 0.2 million).

12. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	2004	*2005*
	£m	*£m*
Earnings		
Earnings for the purposes of the basic and diluted earnings per share	19.9	61.0
IDB reorganisation costs	38.5	38.3
Tax credit on reorganisation costs	(11.7)	(11.3)
Split capital investment trust contribution (net of tax)	7.0	–
Loss on disposal of associates	1.4	–
Earnings for the purposes of the basic earnings per share before exceptional items	55.1	88.0

	2004	*2005*
	No. (m)	*No. (m)*
Weighted average number of shares		
Number of ordinary shares at start of year	184.2	207.6
ESOT allocations	0.2	0.4
Share option exercises	0.9	0.5
Share issues	4.7	–
Basic earnings per share denominator	190.0	208.5
Issuable on exercise of options	2.9	2.7
Diluted earnings per share denominator	192.9	211.2

Earnings per share		
Basic	10.5p	29.3p
Diluted	10.3p	28.9p
Basic before exceptional items	29.0p	42.2p

There have been no other transactions involving ordinary shares or potential ordinary shares since 31 December 2005.

13. Goodwill

	2004 £m	2005 £m
Cost		
At 1 January	312.0	453.3
Revision to existing goodwill	(0.2)	(0.8)
Recognised on acquisition of a subsidiary	141.5	7.5
At 31 December	453.3	460.0
Accumulated impairment losses		
At 1 January	29.8	32.0
Impairment during the year	2.2	–
At 31 December	32.0	32.0
Carrying amount	421.3	428.0

Goodwill acquired through business combinations has been allocated to individual cash-generating units for impairment testing as follows:

	2004 £m	2005 £m
Tullett Prebon IDB business	313.5	311.8
Collins Stewart stockbroking and corporate finance business	84.1	84.1
Collins Stewart Channel Islands and UK Private Client Division	23.7	23.7
Insinger de Beaufort (International) Limited	–	7.1
Burlington Cash Equities business	–	1.3
	421.3	428.0

The recoverable amount of the above cash-generating units has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering the next financial year, extrapolated for a period not exceeding 5 years for each of the cash generating units. The discount rate applied to cash flow projections is 10.2 per cent. (2004: 9.5 per cent.) based on the Groups' pre-tax weighted average cost of capital. A 2 per cent. economic growth rate (2004: 2 per cent.) has been determined with reference to publicly available economic information.

14. Other intangible assets

	Purchased software £m	*Developed software £m*	*Total £m*
Cost			
At 1 January 2004	1.2	3.5	4.7
Additions	0.1	1.0	1.1
Acquisition of subsidiary	0.8	5.7	6.5
Foreign exchange differences	(0.1)	(0.2)	(0.3)
At 31 December 2004	2.0	10.0	12.0
Reclassifications	(0.4)	0.4	–
Additions	1.5	0.1	1.6
Impairment loss	–	(5.1)	(5.1)
Foreign exchange differences	0.3	0.6	0.9
Disposals	(1.9)	(1.8)	(3.7)
At 31 December 2005	1.5	4.2	5.7
Amortisation			
At 1 January 2004	0.4	0.1	0.5
Charge for the year	0.4	2.0	2.4
Foreign exchange differences	(0.1)	(0.1)	(0.2)
At 31 December 2004	0.7	2.0	2.7
Charge for the year	0.5	0.9	1.4
Impairment loss	–	(0.5)	(0.5)
Foreign exchange differences	0.2	0.4	0.6
Disposals	(1.1)	(0.2)	(1.3)
At 31 December 2005	0.3	2.6	2.9
Carrying amount			
At 31 December 2004	1.3	8.0	9.3
At 31 December 2005	1.2	1.6	2.8

The impairment loss on developed software arose in connection with the further write down of Prebon information technology systems.

15. Land, buildings, furniture, fixtures, equipment and motor vehicles

	Land and buildings			Furniture fixtures, equipment and motor vehicles	
	Freehold	Long leasehold	Short leasehold		Total
	£m	£m	£m	£m	£m
Cost					
At 1 January 2004	0.1	2.9	4.8	25.5	33.3
Reclassification	–	0.7	(0.7)	–	–
Additions	–	–	0.4	6.2	6.6
Acquisition of subsidiary	–	–	1.0	2.9	3.9
Foreign exchange differences	–	(0.1)	–	(0.2)	(0.3)
Disposals	–	–	(0.4)	(17.6)	(18.0)
At 31 December 2004	0.1	3.5	5.1	16.8	25.5
Reclassification	–	0.6	–	(0.6)	–
Additions	–	0.4	6.7	6.9	14.0
Impairment loss	–	(0.8)	–	–	(0.8)
Foreign exchange differences	–	0.2	0.1	0.8	1.1
Disposals	–	(1.8)	(0.8)	(0.8)	(3.4)
At 31 December 2005	0.1	2.1	11.1	23.1	36.4
Accumulated depreciation					
At 1 January 2004	–	0.2	1.1	10.6	11.9
Reclassification	–	0.3	(0.3)	–	–
Charge for the year	–	0.1	0.8	7.2	8.1
Foreign exchange differences	–	–	–	0.2	0.2
Disposals	–	–	(0.2)	(16.5)	(16.7)
At 31 December 2004	–	0.6	1.4	1.5	3.5
Charge for the year	–	0.3	1.1	8.2	9.6
Foreign exchange differences	–	0.1	0.1	0.2	0.4
Disposals	–	(0.4)	(0.5)	(0.5)	(1.4)
At 31 December 2005	–	0.6	2.1	9.4	12.1
Carrying amount					
At 31 December 2004	0.1	2.9	3.7	15.3	22.0
At 31 December 2005	0.1	1.5	9.0	13.7	24.3

The carrying amount of the Group's furniture, fixtures, equipment and motor vehicles includes an amount of £3.9 million (2004: £3.9 million) in respect of assets under finance lease.

The impairment loss on long leasehold buildings arose in connection with the write down of the International Plaza building in Singapore.

16. Interest in associates

	2004	2005
	£m	*£m*
Carrying amount of investment	1.0	2.8

	2004	2005
	£m	*£m*
Aggregate amounts relating to associates:		
Total assets	9.3	7.2
Total liabilities	(2.6)	(1.4)
Revenues	10.1	7.3
Profit/(loss)	(0.5)	0.6

A list of the significant investments in associates, including the name, country of incorporation and proportion of ownership interest is given in note 41.

During 2004 the Group reclassified its investment in Natsource LLC from an associate investment to a financial asset due to a dilution of ownership. During 2004 the Group purchased a 33 per cent. share in Tullett Prebon SITICO (China) Limited.

17. Interest in joint ventures

On 17 October 2005 the Group acquired a 50 per cent. share in Berkshire Investment Managers LLP.

The following amounts represent the summarised financial results of Berkshire Investment Managers LLP at 31 December 2005:

	2004	2005
	£m	*£m*
Aggregate amounts relating to joint ventures:		
Total assets	–	2.4
Total liabilities	–	(2.1)
Net assets	–	0.3
Revenue	–	0.4
Profit	–	0.3

The Group has no other interest in joint ventures in 2005 (2004: nil).

18. Investments

Other financial assets

	2004	2005
	£m	£m
Available-for-sale investments	3.2	3.2
Other investments	2.5	2.5
	5.7	5.7

Investments included above comprise principally unlisted equity securities that present the Group with opportunity for return through dividend income, trading gains and capital gains. They have no fixed maturity or coupon rate.

Trading investments

	2004	2005
	£m	£m
Long trading positions	55.0	49.5
Other trading investments	38.4	41.1
	93.4	90.6

Long trading positions are held at fair value. Other trading investments are stated at fair value and consist principally of time deposits at banks and other financial institutions and placed on the money markets and treasury bills held for settlement.

19. Deferred tax

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2004	2005
	£m	£m
Deferred tax liabilities	–	(1.0)
Deferred tax assets	37.8	31.0
Net position	37.8	30.0

The movement for the year in the Group's net deferred tax position was as follows:

	2004	2005
	£m	£m
At 1 January	14.0	37.8
Acquired with subsidiary undertakings	14.8	–
Charge to income for the year	7.5	(11.9)
Charge to equity for the year	1.7	3.6
Transfer to corporation tax	–	(0.3)
Exchange differences	(0.2)	0.8
At 31 December	37.8	30.0

19. Deferred tax (continued)

The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during the year.

	Consolidated balance sheet		*Consolidated income statement*	
	2004	*2005*	*2004*	*2005*
	£m	*£m*	*£m*	*£m*
Accelerated depreciation for tax purposes	7.6	3.6	2.4	(4.0)
Share options	1.2	7.8	0.7	2.7
Other timing differences	13.0	5.8	2.4	(7.5)
Losses available for offset against future taxable income	4.5	1.8	1.3	(2.9)
Pensions	11.5	11.0	–	(0.2)
	37.8	30.0	6.8	(11.9)

At the balance sheet date, the Group has a potential tax benefit from unused tax losses of £6.3 million (2004: £8.0 million) available for offset against future profits. A deferred tax asset has been recognised in respect of £1.8 million (2004: £4.5 million) of such losses. No deferred tax assets had been recognised in respect of the remaining £4.5 million (2004: £3.5 million) due to the unpredictability of the necessary future profit streams.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which a deferred tax liability has not been recognised was £3.1 million (2004: £2.8 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

20. Trade and other receivables

	2004	*2005*
	£m	*£m*
Trade debtors	100.4	116.7
Settlement balances	71,464.6	64,230.0
Other debtors	15.5	28.3
Prepayments	12.7	22.2
Corporation tax	5.2	8.8
Owed by joint ventures and associates	–	2.3
	71,598.4	64,408.3

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

21. Derivative financial instruments

Cross currency interest rate swap

In August 2004, the Group entered into a cross currency interest rate swap whereby it receives a fixed rate of interest of 8.25 per cent. and pays a variable rate equal to US LIBOR +2.69 per cent. The notional amount of the swap is £64.2 million with an exchange of principal of US$117 million. The maturity date of the swap is in August 2009.

The swap has been designated and is effective as a fair value hedge of interest rate risk on £64.2 million of the £150 million Eurobond and a net investment hedge of US$117 million of foreign operations (the dollar denominated assets and liabilities of United States and Hong Kong subsidiaries).

Fair value gains or losses on the effective portion of the net investment hedge are included in equity. The amount recognised in equity in the period for the net investment hedge was a loss of £7.2 million (2004: gain of £3.2 million).

At 31 December 2005 the fair value of the swap was as follows:

	2004	*2005*
	£m	*£m*
Cross currency interest rate swap	6.5	(1.2)

Currency derivatives

The Group utilises currency derivatives to hedge significant future foreign currency transactions and cash flows. The Group is a party to a variety of forward foreign exchange contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At 31 December 2005, the Group held ten foreign exchange contracts to hedge potential future receipts from customers denominated in US dollars and Euros for which the Group has forecast commitments (2004: twelve contracts). The Group also has two foreign exchange contracts outstanding at 31 December 2005 (2004: two contracts) as hedges against potential future purchases of financial assets. The foreign exchange contracts are being used to reduce the Group's exposure to foreign exchange risk. The terms of these contracts are as follows:

2005	*Maturity*	*Exchange rate*
Sell		
US$58.8m*	January to June 2006	1.8245

2004	*Maturity*	*Exchange rate*
Sell		
US$52.3m**	January to December 2005	1.8472
Euro 30.0m**	January to December 2005	1.4029

*The amount shown is the total value of the foreign exchange contracts that mature over the six month period to 30 June 2006. The exchange rate is the weighted average exchange rate.

**The amount shown is the total value of the foreign exchange contracts that mature over the twelve month period to 31 December 2005. Depending on exchange rates at the end of the contracts there is the potential that some of these contracts could extend up to June 2006.

At the balance sheet date, the fair value of outstanding forward foreign exchange contracts was as below:

	2004	*2005*
	£m	*£m*
Loss on forward foreign exchange contracts	0.1	1.9

The Group does not currently designate its currency derivatives as a hedging instrument.

21. Derivative financial instruments (continued)

Equity swap

The Group has entered into an equity swap to hedge market risk on the Group's future commitment to purchase own shares under the share option schemes. The nominal value of the swap at inception was £21.6 million. It is intended to be held until maturity in January 2007. The collateral held on the equity swap (included in other debtors) is £7.0 million (2004: £10.6 million). At the balance sheet date, the fair value of the equity swap that the Group has entered into is as below:

	2004 *£m*	*2005* *£m*
Equity swap	(3.9)	5.4

The Group does not currently designate the equity swap as a hedging instrument.

Fair values

The carrying value of the Group's financial assets and liabilities was not materially different to their fair values in either year.

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

Year ended 31 December 2004

Fixed rate	*<1 year £m*	*>1<2 years £m*	*>2<3 years £m*	*>3<4 years £m*	*>4<5 years £m*	*>5 years £m*	*Total £m*
Obligations under finance leases and hire purchase contracts	(0.4)	(0.3)	(0.2)	(0.2)	(0.1)	(1.9)	(3.1)
Eurobond	–	–	–	–	(149.5)	–	(149.5)

Floating rate	*<1 year £m*	*>1<2 years £m*	*>2<3 years £m*	*>3<4 years £m*	*>4<5 years £m*	*>5 years £m*	*Total £m*
Cash and cash equivalents	183.1	–	–	–	–	–	183.1
Bank overdrafts	(14.0)	–	–	–	–	–	(14.0)
Loan notes	(1.3)	–	–	–	–	–	(1.3)

Year ended 31 December 2005

Fixed rate	*<1 year £m*	*>1<2 years £m*	*>2<3 years £m*	*>3<4 years £m*	*>4<5 years £m*	*>5 years £m*	*Total £m*
Obligations under finance leases and hire purchase contracts	(0.3)	(0.4)	(0.2)	(0.1)	(0.1)	(2.4)	(3.5)
Eurobond	–	–	–	(150.2)	–	–	(150.2)

Floating rate	*<1 year £m*	*>1<2 years £m*	*>2<3 years £m*	*>3<4 years £m*	*>4<5 years £m*	*>5 years £m*	*Total £m*
Cash and cash equivalents	235.3	–	–	–	–	–	235.3
Bank overdrafts	(1.1)	–	–	–	–	–	(1.1)
Loan notes	(0.1)	–	–	–	–	–	(0.1)

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are short term and non-interest bearing and are therefore not subject to interest rate risk.

21. Derivative financial instruments (continued)

Foreign currency risk

Foreign currency balances are held to meet the settlement obligations of clients who bear the currency risk in accordance with the terms and conditions of trading. Foreign currency is bought and sold at the time of trading. Where possible the Group deals in foreign currencies on a matched basis on behalf of customers, limiting foreign exchange exposure.

Market risk

The Group is exposed to market risk in respect of both its trading in equities and debt instruments and in its role as an intermediary between buyers and sellers of financial instruments. The Group makes markets in smaller company stocks, investment trusts and fixed interest securities, primarily in order to facilitate liquidity in the securities of clients to whom it acts as market maker, broker or adviser. These positions are carried in current assets and liabilities at fair value. The year-end positions are considered to be representative of the Group's exposure throughout the year. Limits are set on the size of individual and aggregate positions. Day-to-day risk monitoring is undertaken by senior management.

As an intermediary, the Group acts on an agency or matched principal basis and so its exposure to market price movements is limited to when there is a trade mismatch or error, or if one matched counterparty fails to fulfill its obligations. The impact of these risks is minimised by strict limits and monitoring controls. The value of unmatched security positions is typically immaterial.

Liquidity risk

The assets of the Group are highly liquid and therefore the Group is not significantly exposed to liquidity risk.

22. Trade and other payables

	2004	*2005*
	£m	*£m*
Settlement balances	71,257.8	64,066.6
Other trade creditors	175.2	171.4
Tax and social security	23.2	23.3
Other creditors	7.6	6.6
Accruals and deferred income	145.7	167.9
	71,609.5	64,435.8

The directors consider that the carrying amount of trade payables approximates to their fair value.

23. Financial liabilities

	2004	*2005*
	£m	*£m*
Securities – short trading positions	27.4	15.2

24. Interest bearing loans and borrowings

	2004	*2005*
	£m	*£m*
Obligations under finance leases (see note 25)	3.1	3.5
Loan notes	1.3	0.1
Bank overdrafts	14.0	1.1
Eurobond	149.5	150.2
	167.9	154.9

The borrowings are repayable as follows:

	2004	*2005*
	£m	*£m*
On demand or within one year	16.1	1.8
In the second year	0.2	0.4
In the third to fifth years inclusive	151.6	152.7
	167.9	154.9

Analysis of borrowings by currency (including the effect of hedge accounting):

2004

	Sterling	*Euros*	*Other*	*Total*
	£m	*£m*	*£m*	*£m*
Obligations under finance leases	0.4	2.5	0.2	3.1
Bank overdrafts	14.0	–	–	14.0
Loan notes	1.3	–	–	1.3
Eurobond	149.5	–	–	149.5
	165.2	2.5	0.2	167.9

2005

	Sterling	*Euros*	*Other*	*Total*
Obligations under finance leases	0.1	3.4	–	3.5
Bank overdrafts	1.1	–	–	1.1
Loan notes	0.1	–	–	0.1
Eurobond	150.2	–	–	150.2
	151.5	3.4	–	154.9

The average effective interest rates paid were as follows:

	2004	*2005*
	%	*%*
Bank overdrafts	4.1	4.1
Loan notes	3.7	4.1
Bank loans	4.3	–
Eurobond	8.6	8.6

24. Interest bearing loans and borrowings (continued)

Current borrowings – loan notes

Guaranteed unsecured loan notes were issued by Collins Stewart Tullett plc in March 2003, of which £0.1 million were outstanding at the year end (2004: £1.1 million). The loan notes are redeemable in 2008 or earlier at the holder's request. Interest is payable half yearly in arrears at a rate of 1 per cent. below LIBOR.

Secured loan notes were issued by Collins Stewart Europe Limited in 1996, none of which were outstanding at the year end (2004: £0.2 million). The loan notes, which were secured by cash deposits of the same amount, were redeemed in December 2005. Interest was payable half yearly in arrears at a rate of ⅜ per cent. below LIBOR.

Non-current borrowings – £150 million Eurobond

In August 2004 £150 million 8.25% Step-Up Coupon Subordinated Notes due 12 August 2014 were issued. The notes, which are unsecured, are callable by the Company at any time after 12 August 2009 ("the Call Date"). After the Call Date the notes will bear interest calculated at 3.5 per cent. over the gross redemption yield of a gilt with a comparable maturity date.

The proportion of the Eurobond which has been designated as part of a fair value hedge with the cross currency interest rate swap (£64.2 million, 2004: £64.2 million) has been stated at fair value. The impact in 2005 was to increase the liability by £1.6 million (2004: £1.2 million).

Transaction costs are included in the carrying value of the debt and hence are recognised in the income statement through the effective interest rate.

In August 2004, bank loans of US$68.7 million and £9.8 million were repaid out of the proceeds of the Eurobond issue.

25. Obligations under finance leases

	Minimum lease payments		*Present value lease payments*	
	2004	*2005*	*2004*	*2005*
	£m	*£m*	*£m*	*£m*
Amounts payable under finance leases:				
Within one year	0.6	0.5	0.4	0.3
In the second to fifth years inclusive	1.6	1.6	0.8	0.8
After five years	2.5	2.8	1.9	2.4
	4.7	4.9	3.1	3.5
Less: future finance charges	1.6	1.4		
Present value of lease obligations	3.1	3.5		
Less: Amount due for settlement within 12 months (shown under current liabilities)			0.4	0.3
Amount due for settlement after 12 months			2.7	3.2

It is the Group's policy to lease certain items of office equipment under finance leases. The average lease term is 3-4 years (2004: 3-4 years). For the year ended 31 December 2005, the average effective borrowing rate was 8.50 per cent. (2004: 8.46 per cent.). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates the carrying amount.

The Group's obligations under finance leases are secured by a lessor's charge over the leased assets.

26. Provisions

	Onerous leases £m	*Building dilapidations £m*	*Other £m*	*Total £m*
At 1 January 2004	–	1.9	0.7	2.6
Acquired with subsidiary undertakings	2.9	1.2	2.4	6.5
Additional provision in the year	0.1	–	0.7	0.8
Utilisation of provision	–	(0.4)	–	(0.4)
At 1 January 2005	3.0	2.7	3.8	9.5
Additional provision in the year	3.5	–	0.3	3.8
Utilisation of provision	(2.1)	(1.6)	(2.4)	(6.1)
At 31 December 2005	4.4	1.1	1.7	7.2

All included in non-current liabilities

Onerous leases

The onerous lease provision represents the net present value of the future rental cost for the period until it is reasonably likely that the leasehold interest will be sold or sublet. The leases expire in 4 to 8 years.

Building dilapidations

The building dilapidations provision represents the estimated cost of making good the dilapidations and disrepair on various leasehold buildings in London. The leases expire in 1 to 13 years.

The Group held provisions of £0.1 million (2004: £1.6 million) relating to potential legal costs, of which the payment dates are uncertain.

27. Other long term payables

	2004 £m	*2005 £m*
Other creditors	2.3	2.5
Accruals and deferred income	0.8	0.8
	3.1	3.3

Other creditors consist of the USA SERP 'C' scheme liability (see note 38) and deferred rent.

28. Share capital

	2004 *No. (m)*	2005 *No. (m)*
Authorised		
Ordinary shares of 25p	284.7	284.7
Allotted, issued and fully paid		
Ordinary shares of 25p	211.8	212.3

	2004 *£m*	2005 *£m*
Authorised		
Ordinary shares of 25p	71.2	71.2
Allotted, issued and fully paid		
Ordinary shares of 25p	53.0	53.1

Movements during the year

During 2004, 1.3 million shares were allotted at 288.5p per share and 0.2 million shares were allotted at 316p per share upon exercise of options granted under the Company's share option schemes.

On 12 October 2004, 21.2 million shares were allotted pursuant to completion of the acquisition of Prebon; 5.5 million shares were allotted to Prebon shareholders at 406.5p per share, and 15.7 million shares were allotted for cash at 350p per share.

During 2005 200,000 shares were allotted at 316p per share and 220,000 shares were allotted at 349p per share upon exercise of options granted under the Company's share option schemes. The Company has one class of ordinary shares, which carry no right to fixed income.

29. Reconciliation of shareholders' funds

The following table shows an analysis of the changes in equity attributable to equity shareholders of Collins Stewart Tullett plc.

	Share capital £m	*Share premium account £m*	*Merger reserve £m*	*Hedging and translation reserve £m*	*Retained earnings £m*	*Total shareholders' equity £m*
Balance at 1 January 2004	47.3	195.9	100.4	–	59.7	403.3
Profit for the year	–	–	–	–	19.9	19.9
Dividends paid in the year					(14.9)	(14.9)
Issue of ordinary shares	5.7	55.2	21.1	–	–	82.0
Costs of share issue	–	(1.4)	–	–	–	(1.4)
Credit arising on share options	–	–	–	–	5.3	5.3
Actuarial loss on defined benefit pension schemes	–	–	–	–	(5.6)	(5.6)
Gains on cash flow hedges	–	–	–	3.2	–	3.2
Foreign currency translation	–	–	–	(3.6)	–	(3.6)
Taxation on items taken directly to equity	–	–	–	–	1.7	1.7
Balance at 1 January 2005	53.0	249.7	121.5	(0.4)	66.1	489.9
Profit for the year	–	–	–	–	61.0	61.0
Dividends paid in the year	–	–	–	–	(18.3)	(18.3)
Issue of ordinary shares	0.1	1.2	–	–	–	1.3
Credit arising on share options	–	–	–	–	6.5	6.5
Cash cancellation of share options	–	–	–	–	(0.3)	(0.3)
Actuarial gain on defined benefit pension schemes	–	–	–	–	0.9	0.9
Losses on cash flow hedges	–	–	–	(7.2)	–	(7.2)
Foreign currency translation	–	–	–	7.9	–	7.9
Taxation on items taken directly to equity	–	–	–	–	0.4	0.4
Balance at 31 December 2005	53.1	250.9	121.5	0.3	116.3	542.1

30. Share-based payments

The Group has a number of share incentive plans for the granting of non-transferable options to certain employees and executives. Options granted under the plans vest on the first day on which they become exercisable, which is typically 3 years after grant date. The maximum life of the options is ten years. These options are settled in equity once exercised and, dependent on the option scheme, will be settled either with new shares issued or shares purchased in the market. The exercise of options within some of the option schemes is also dependent on option holders meeting performance criteria, all of which are non-market conditions.

The following table summarises the share option schemes that existed during the 12 months to 31 December 2004 and 31 December 2005 and the estimated fair values of options granted:

	Options outstanding		*Estimated*
Share option scheme	*2004*	*2005*	*fair value[3]*
Sharesave scheme 2000 (4)	518,815	444,614	Not applicable
Sharesave scheme 2000	117,482	103,290	Not applicable
Approved Share Option Scheme (3)	79,812	73,161	104p
Unapproved Share Option Scheme (2,3)	5,333,790	4,100,718	105p-420p
2003 Share Option Scheme (1)	1,960,000	1,595,000	89p
Tullett Liberty Equity Incentive Plan (1,3)	4,675,766	4,342,504	342p-445p
Louis Scotto and Stephen Jack	468,473	468,473	374p
	13,154,138	11,127,760	

Notes:

(1) Subject to performance conditions.

(2) Subject to individual performance criteria for each option holder.

(3) Grants of above options occurred on several dates.

(4) The Sharesave scheme is an employee discount purchase share plan.

The weighted average contractual life for the share options outstanding as at 31 December 2005 is 7.6 years (2004: 8.0 years).

The estimated fair value of each option granted was calculated by applying a Black-Scholes option pricing model. The model inputs were the share price at grant date, exercise price, expected volatility, expected dividends based on historical dividend payment, expected life of the option until exercise and a risk-free interest rate based on government securities with a similar maturity profile.

30. Share-based payments (continued)

The model inputs for each option scheme for 2004 and 2005, except as otherwise stated, are set-out below:

	*Approved Share Option Scheme**	*Unapproved Share Option Scheme**	*2003 Share Option Scheme**	*Tullett Liberty Equity Incentive Plan**	*Louis Scotto and Stephen Jack*
Share price at date of grant (p)	436	350-436	356	372-470	403
Exercise price (p)	451	1-449	349	Nil	Nil
Expected volatility	30%	18%-30%(a)	30%	30%	30%
Expected life (years)	4	3-4	4	3-3.2	3.3
Risk free rate	4.5%	3.8%-4.5%	3.8%	4.5%	4.5%
Expected dividend yield	2.0%	2.0%	2.0%	2.0%	2.0%
Likelihood of ceasing employment before vesting					
– 2004	17%	10%-20%	17%	7%-10%	0%
– 2005	24%	0%-22%	16%	5%-23%	0%
Proportion meeting performance criteria					
– 2004	100%	100%	100%	83%	83%
– 2005	100%	100%	100%	75%	75%

(a) the expected volatility in 2004 was 30%.

* grants within these schemes occurred on several dates – input ranges reflect the rates and terms applicable on grant date.

The following table shows the number and weighted average exercise price for all share options outstanding:

	2004 Number of options	*2004 Weighted average exercise price (p)*	*2005 Number of options*	*2005 Weighted average exercise price (p)*
Outstanding at start of the year	7,566,529	258	13,154,138	141
Granted during the year	8,232,959	100	690,000	225
Forfeited during the year	(892,959)	205	(1,062,186)	104
Exercised during the year	(1,752,391)	220	(1,654,192)	85
Outstanding at end of year	13,154,138	141	11,127,760	158
Exercisable at end of year	907,500	209	913,352	147

During the year 80,442 shares were options settled at their intrinsic value on the date of exercise (2004 nil).

The weighted average share price at the date of exercise for share options exercised during the year was 507p (2004: 417p). The options outstanding at 31 December 2005 had an exercise price of nil to 451p (2004: nil to 451p).

	2004 £m	*2005 £m*
Expense arising from share and share option plans	5.3	6.5

Directors' Share Options

Details of the number of shares over which share options were held by directors who held office at the end of the year 2004 are set out below:

30. Share-based payments (continued)

	Options at 1 January 2004	*Granted*	*Lapsed*	*Options at 31 December 2004*	*Earliest exercise date*	*Expiry date*	*Exercise price*
Sharesave Scheme 2000							
Terry Smith	5,779	–	–	5,779	1.1.2006	30.6.2006	292p
Helen Smith	5,779	–	–	5,779	1.1.2006	30.6.2006	292p
2003 Share Option Scheme							
Stephen Jack	120,000	–	–	120,000	29.4.2006	28.4.2013	349p
Louis Scotto	120,000	–	–	120,000	29.4.2006	28.4.2013	349p
Individual options							
Stephen Jack	–	106,045	102,210	3,835	3.6.2007	2.6.2014	Nil
	–	102,210	–	102,210	13.10.2007	12.10.2014	£1 in total
Louis Scotto	–	212,089	164,369	47,720	13.1.2007	12.1.2014	Nil
	–	212,000	201,894	10,106	22.4.2007	21.4.2014	Nil
	–	366,263	–	366,263	13.10.2007	12.10.2014	£1 in total

No consideration was paid by any of the directors in respect of the granting of any of the above share options.

Details of the number of shares over which share options were held by directors who held office at the end of the year 2005 are set out below:

	Options at 1 January and 31 December 2005	*Earliest exercise date*	*Expiry date*	*Exercise price*
Sharesave Scheme 2000				
Terry Smith	5,779	1.1.2006	30.6.2006	292p
2003 Share Option Scheme				
Stephen Jack	120,000	29.4.2006	28.4.2013	349p
Louis Scotto	120,000	29.4.2006	28.4.2013	349p
Individual options				
Stephen Jack	3,835	3.6.2007	2.6.2014	Nil
	102,210	13.10.2007	12.10.2014	£1 in total
Louis Scotto	47,720	13.1.2007	12.1.2014	Nil
	10,106	22.4.2007	21.4.2014	Nil
	366,263	13.10.2007	12.10.2014	£1 in total

No consideration was paid by any of the directors in respect of the granting of any of the above share options.

The share options granted to Stephen Jack and Louis Scotto under the 2003 Share Option Scheme were subject to performance conditions being satisfied in 2003, including inter alia, return on capital employed targets for each of Tullett Liberty and the Collins Stewart Tullett Group and pre-tax profit targets. These targets were met in full.

The share options granted to Stephen Jack and Louis Scotto under arrangements that mirror the terms of the Tullett Liberty Equity Incentive Plan prior to October 2004 were subject to performance conditions which were to be measured up until the date when a substantial acquisition was completed by the Company. The acquisition of Prebon, which completed on 13 October 2004, constituted such an acquisition and accordingly the targets were measured up until that date, giving rise to part of each option vesting and the balance lapsing. Further options were granted on 13 October 2004 to replace the element of the aforementioned options which had lapsed. The new options, which are exercisable from 13 October 2007, are subject to performance conditions being satisfied during the next three years, including improvements in operating margins and turnover levels. Full vesting will not take place until operating margins before option charges reach 18 per cent. These targets were agreed under the previous accounting standards regime and will not be restated for this purpose under International Financial Reporting Statement format.

30. Share-based payments (continued)

In the event of a take-over offer for the Company, the options granted under the Tullett Liberty Equity Incentive Plan may only be exercised early at the Board's discretion; options granted under the 2003 Share Option Scheme, which was introduced before the equity incentive plan, automatically vest on completion of a take-over offer and are exercisable within the following 42 days.

Since the year end 31 December 2005, Terry Smith has exercised his option under the Sharesave Scheme 2000 over 5,779 shares.

31. Acquisition of subsidiary

FPG Holdings Limited ("Prebon")

On 13 October 2004, the Group acquired 100 per cent. of the issued share capital of FPG Holdings Limited, the holding company of the Prebon inter-dealer broker business. The consideration was £77.8 million including expenses of £5.7 million as set out below. The goodwill arising on the acquisition was £138.7 million.

	Book value on acquisition £m	*Fair value adjustments £m*	*Fair value £m*
Net assets acquired			
Tangible fixed assets and associates	10.0	2.7	12.7
Debtors	70.3	3.3	73.6
Cash and short term deposits	21.0	–	21.0
Creditors falling due in less than one year	(104.7)	(49.8)	(154.5)
Creditors falling due in more than one year	(38.4)	32.1	(6.3)
Provisions for liabilities and charges	(6.4)	(0.1)	(6.5)
Minority interests	(0.9)	–	(0.9)
	(49.1)	(11.8)	(60.9)
Goodwill arising			138.7
Purchase consideration			77.8
Satisfied by:			
Cash			49.6
Issue of shares			22.5
Costs of acquisition			5.7
			77.8
Net cashflow outflow arising on acquisition			
Cash consideration			55.3
Cash and cash equivalents acquired			(5.9)
			49.4

The book value of assets and liabilities were taken from the consolidated management accounts of FPG Holdings at the date of acquisition. Following completion the Group repaid £48.1 million of loans assumed on acquisition of the Prebon business together with accrued interest thereon of £6.5 million.

The main fair value adjustments related to the alignment of accounting policies, the recognition of the FRS17 deficit on the Prebon pension scheme, recognition of deferred tax assets and £10.1 million of contracted payments which crystallised on completion.

Prebon contributed £155.5 million to revenue and £4.1 million to the Group's profit before tax in the period from the date of acquisition to 31 December 2004.

31. Acquisition of subsidiary (continued)

Natsource

In June 2004, the Group completed the acquisition of Natsource LLC's energy broking businesses in New York and Calgary, which were previously associate interests. The consideration for the deal was US$6.1 million in cash. The goodwill arising on the acquisition amounted to £2.8 million, of which £2.3 million was written off in 2004, with the balance related to the Canadian businesses. At the same time the Group sold its 32 per cent. associate investment in NTEL Holdings Ltd to Natsource LLC, a transaction which created a loss on disposal of £0.3 million.

Insinger de Beaufort (International) Limited ("Insinger")

On 3 October 2005, the Group acquired 100 per cent. of the issued share capital of Insinger for cash consideration of £8.6 million. Insinger is a stockbroking and asset management company with offices in Jersey and the Isle of Man. This transaction has been accounted for by the acquisition method of accounting.

	Book value	*Fair value adjustments*	*Fair value*
	£m	*£m*	*£m*
Net assets acquired			
Property, plant and equipment	0.1	–	0.1
Trade and other receivables	12.9	–	12.9
Cash and cash equivalents	1.8	–	1.8
Client money	54.2	–	54.2
Trade and other payables	(67.5)	–	(67.5)
Goodwill			7.1
Total consideration			8.6
Satisfied by			
Cash			4.8
Deferred consideration			3.8
			8.6
Net cash outflow arising on acquisition			
Cash consideration			4.8
Cash and cash equivalents acquired			(1.8)
			3.0

The goodwill arising on the acquisition was £7.1 million. Insinger contributed £1.7 million to revenue and £0.4 million to the Group's profit before tax in the period from the date of acquisition to the balance sheet date.

If the acquisition of Insinger de Beaufort had been completed on the first day of the financial year, Group revenues for the period would have been £6.4 million higher and Group profit attributable to equity holders of the parent would have been £0.9 million higher.

Burlington Cash Equities Business ("Burlington")

In January 2005 the Group completed the acquisition of the Burlington business in New York.

The consideration for the deal was £1.6 million in cash. The net assets acquired totalled £0.3 million and goodwill arising on the acquisition amounted to £1.3 million.

Tullett Liberty Pte. Ltd. and Tullett Liberty (Energy) Holdings Pte. Ltd ("Singapore Companies")

In February 2005 the Group bought out the remaining minority holding in the Singapore Companies. The total cash consideration was £2.6 million and the net assets purchased totalled £3.6 million. The excess of the Group's interest in the fair value of the share of net assets acquired over cost was £0.9 million. After reassessment of the fair values, this excess has been offset against previously acquired goodwill relating to these entities.

32. Statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2004	*2005*
	£m	*£m*
Operating profit	39.3	93.1
Adjustments for:		
Loss on derivatives	1.5	1.7
Expense arising from share option plans	5.5	6.5
Profit on sale of other financial assets	–	(0.5)
Depreciation of furniture, fixtures and equipment	8.1	9.2
Amortisation of intangible assets	2.4	1.4
Write-down of goodwill	2.2	–
Assets written off	0.7	7.8
Decrease in provisions for liabilities and charges	(0.5)	(4.1)
Increase/(decrease) in non-current payables	(2.1)	0.1
Operating cash flows before movement in working capital	57.1	115.2
Decrease/(increase) in trade and other receivables	(8,524.9)	7,192.2
Increase in net long and short positions	(20.2)	(6.8)
(Decrease)/increase in trade and other payables	8,451.3	(7,175.0)
Cash generated from/(absorbed by) operations	(36.7)	125.6
Income taxes paid	(40.4)	(23.7)
Interest paid	(12.9)	(17.9)
Net cash flows from/(used in) operating activities	(90.0)	84.0

(b) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and other short-term highly liquid investments with maturity of three months or less. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one week depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 31 December 2005, the Group had available £15.0 million (2004: £15.0 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

	2004	*2005*
	£m	*£m*
Cash and cash equivalents	183.1	235.3
Bank overdrafts	(14.0)	(1.1)
	169.1	234.2

33. Reconciliation of net cash flow to movements in net funds

	2004 £m	2005 £m
Net increase/(decrease) in cash and cash equivalents during the year	(43.6)	57.5
Cash inflow from increase in long term loans	(149.5)	–
Cash outflow from repayment of loans and loan notes	99.5	1.2
Debt issue costs	0.9	–
Cash outflow from lease financing	0.9	0.5
Decrease in trading investments	0.9	1.9
Acquired with subsidiary:		
Finance leases	(0.2)	–
Loans due within one year	(48.1)	–
Trading investments	15.1	–
Increase/(decrease) in net funds resulting from cash flows	(124.1)	61.1
Amortisation of debt issue costs and discount	(0.3)	(0.3)
Increase in finance leases	(0.6)	(0.9)
Currency translation differences	(3.7)	8.4
Increase/(decrease) in net funds	(128.7)	68.3
Net funds at the start of the year	183.5	54.8
Net funds at the end of the year	54.8	123.1

34. Analysis of net funds

	At 1 January 2005 £m	Cash flow £m	Non-cash items £m	Exchange differences £m	At 31 December 2005 £m
Cash in hand and at bank	132.9	76.8	–	6.0	215.7
Cash equivalents	43.2	(37.9)	–	1.6	6.9
Client settlement money	7.0	5.7	–	–	12.7
Overdraft	(14.0)	12.9	–	–	(1.1)
	169.1	57.5	–	7.6	234.2
Loans due within one year	(1.3)	1.2	–	–	(0.1)
Loans due after one year	(148.3)	–	(0.3)	–	(148.6)
Finance leases	(3.1)	0.5	(0.9)	–	(3.5)
	(152.7)	1.7	(1.2)	–	(152.2)
Trading investments	38.4	1.9	–	0.8	41.1
Total net funds	54.8	61.1	(1.2)	8.4	123.1

34. Analysis of net funds (continued)

	At 1 January 2004 £m	*Cash flow £m*	*Acquisition £m*	*Non-cash items £m*	*Exchange differences £m*	*At 31 December 2004 £m*
Cash in hand and at bank	180.1	(45.7)	–	–	(1.5)	132.9
Cash equivalents	37.4	5.8	–	–	–	43.2
Client settlement money	11.4	(4.4)	–	–	–	7.0
Overdraft	(14.7)	0.7	–	–	–	(14.0)
	214.2	(43.6)	–	–	(1.5)	169.1
Loans due within one year	(9.6)	55.9	(48.1)	(0.2)	0.7	(1.3)
Loans due after one year	(43.2)	(105.0)	–	(0.1)	–	(148.3)
Finance leases and hire purchase	(3.2)	0.9	(0.2)	(0.6)	–	(3.1)
	(56.0)	(48.2)	(48.3)	(0.9)	0.7	(152.7)
Trading investments	25.3	0.9	15.1	–	(2.9)	38.4
Total net funds	183.5	(90.9)	(33.2)	(0.9)	(3.7)	54.8

Loans due after one year are stated net of the fair value adjustment required by International Accounting Standard 39: Financial Instruments of £1.6 million.

Trading investments above exclude long positions in securities of £49.5 million (2004: £55.0 million), which are included separately on the balance sheet.

Financial liabilities of £15.2 million (2004: £27.4 million) relating to short positions in securities do not form part of net funds.

35. Contingent liabilities

In the ordinary course of business the Group has given letters of indemnity in respect of lost share certificates and stock transfers. Although the contingent liability arising therefrom cannot be precisely quantified, it is not believed to be material.

36. Operating lease commitments

	2004 £m	*2005 £m*
Minimum lease payments under operating leases recognised in income for the year	7.2	17.4

At 31 December 2005 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2004 Buildings £m	*2005 Buildings £m*	*2004 Other £m*	*2005 Other £m*
Within one year	9.6	9.7	0.4	0.3
Within two to five years	30.2	28.7	0.3	0.2
Over five years	41.4	36.4	–	–
	81.2	74.8	0.7	0.5

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 10 years and rentals are reviewed annually based on movements in market rents.

37. Client money

Client money held was £368.4 million (2004: £271.8 million). This comprised £12.7 million (2004: £7.0 million) of balances held by the Group on behalf of clients to settle outstanding bargains and £355.7 million (2004: £264.8 million) of segregated deposits, held on behalf of clients, which are not reflected on the balance sheet. Movements in settlement balances are reflected in operating cash flows.

38. Retirement benefit plans

The pension cost figures used in these financial statements comply with IAS 19: Employment benefits. The Group operates a number of pension schemes throughout the world, which, with the three exceptions identified below, are defined contribution schemes. The assets of all schemes are held separately from those of the Group, either in separate trustee administered funds or in contract-based policies of insurance, except for those held by Tullett Prebon in the US to match the liabilities of a supplemental executive retirement plan (SERP 'C').

The Group operates defined benefit schemes in the UK and in North America:

(i) The Tullett Liberty UK scheme used to provide benefits based on final pensionable pay. The scheme was closed to new members in 1991 and since May 2003 future accrual on a defined benefit basis has ceased. Employees in service before 1991 receive benefits on the better of a defined contribution and defined benefit basis.

(ii) The Prebon Yamane UK scheme used to provide benefits based on final pensionable pay with a money purchase underpin. The scheme was closed to new members in 1989 and as at the year end there were only two employees in service continuing to accrue additional pension entitlement. Since April 2006, future accrual has ceased.

(iii) The Prebon Yamane US SERP 'C' provides participants in the US and Canada with retirement benefits for 10 or 15 years at a specified dollar amount. The entitlement of the participants to the plan benefits vests over time in accordance with length of service, up to a maximum period of 10 years. SERP 'C' was introduced in 1992 and the last participant was admitted in 1999.

The total pension cost for the Group charged to income was £4.9 million (2004: £2.9 million); of which £1.5 million (2004: £1.1 million) relates to overseas schemes. As at 31 December 2005, contributions of £2.3 million (2004: £1.4 million) due in respect of the current reporting period had not been paid over to the schemes, of which £0.3 million (2004: £1.0 million) related to the overseas schemes. Actuarial gains and losses which arose over the year have been recognised immediately in the Statement of Recognised Income and Expenses.

The latest actuarial valuations of the Tullett Liberty UK scheme and of the Prebon Yamane UK scheme (together, the "UK defined benefit schemes") were carried out as at 30 April 2004 and 1 January 2004 respectively by independent qualified actuaries. In both cases the present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

The present value of the vested liabilities under the Prebon Yamane USA SERP 'C' is recalculated monthly using an appropriate discount rate and the necessary additional accrual (or release of accrual) is made in the accounts of the relevant subsidiary undertaking as a pension cost. As at 31 December 2005 the SERP 'C' liability included in the balance sheet was £1.5 million (2004: £1.5 million).

38. Retirement benefit plans (continued)

The main financial assumptions used by the independent qualified actuaries of the UK defined benefit schemes to calculate the liabilities under IAS19 were:

Key assumptions used:

	2004	*2005*
	%	*%*
Discount rate	5.30	4.70
Expected rate of salary increases	4.00	4.15
Rate of increase in LPI pensions in payment*	2.75	2.80
Inflation assumption	2.75	2.90

* This applies to pension accrued from 6 April 1997. The majority of current and future pensions receive fixed increases in payment of either 0 per cent. or 2.5 per cent.

The assets in the UK defined benefit schemes and the expected rates of return were:

	2004 Expected return	*2004 Assets*	*2005 Expected return*	*2005 Assets*
	%	*£m*	*%*	*£m*
Equities	7.00	68.1	7.00	86.2
Corporate bonds	5.30	0.2	4.70	0.2
Government bonds	4.50	8.1	4.25	8.8
Cash and other	4.75	(1.0)	4.00 – 4.50	1.6
Weighted average return*	6.76		6.70	
Total fair value of schemes' assets		75.4		96.8

As at 31 December 2005, £0.7 million (2004: £0.4 million) of the fair value of the schemes' assets related to self-investment.

* The overall expected rate of return on the schemes' assets is a weighted average of the individual expected rates of return on each asset class. The actual return on schemes' assets was £22.5 million (2004: £3.7 million).

The amount included in the balance sheet arising from the Group's obligations in respect of the UK defined benefit schemes was as follows:

	2004	*2005*
	£m	*£m*
Present value of funded defined benefit obligations	(113.8)	(133.4)
Fair value of schemes' assets	75.4	96.8
Deficit in schemes	(38.4)	(36.6)

This amount was presented in the balance sheet as follows:

Current liabilities	(1.5)	(2.0)
Non-current liabilities	(36.9)	(34.6)
	(38.4)	(36.6)

38. Retirement benefit plans (continued)

The amounts recognised in profit and loss in respect of the UK defined benefit schemes were as follows:

	2004 *£m*	*2005* *£m*
Current service cost	0.1	–
Interest cost	5.0	6.0
Expected return on schemes' assets	(4.1)	(4.8)
Expenses recognised in profit and loss	1.0	1.2

The charge for the period has been included in finance income and finance costs.

Movements in the present value of the defined benefit obligations in the current period were as follows:

	2004 *£m*	*2005* *£m*
At 1 January	90.7	113.8
Obligations of schemes acquired with Prebon	14.1	–
Current service cost	0.1	–
Interest cost	5.0	6.0
Actuarial gains and losses	6.7	16.8
Benefits paid	(2.8)	(3.2)
As 31 December	113.8	133.4

Movements in the fair value of scheme assets in the current period were as follows:

	2004 *£m*	*2005* *£m*
At 1 January	60.2	75.4
Assets of schemes acquired with Prebon	11.7	–
Expected return on schemes' assets	4.1	4.8
Actuarial gains/(losses)	(0.1)	17.7
Contributions from the sponsoring companies	2.3	2.1
Benefits paid	(2.8)	(3.2)
As 31 December	75.4	96.8

The history of experience adjustments is as follows:

	At 31 December 2003 *£m*	*At 31 December 2004* *£m*	*At 31 December 2005* *£m*
Present value of funded defined benefit obligations	(90.7)	(113.8)	(133.4)
Fair value of schemes' assets	60.2	75.4	96.8
Scheme deficit	(30.5)	(38.4)	(36.6)

	2004	*2005*
Experience gains on schemes' liabilities		
Amount	£3.5m	£0.1m
Percentage of scheme liabilities	3.1%	0.1%
Experience gains/(losses) on schemes' assets		
Amount	£(0.1)m	£17.7m
Percentage of scheme assets	(0.1)%	18.3%

The estimated amounts of contributions expected to be paid into the UK defined benefit schemes during 2006 is £2.0 million.

39. Events after the balance sheet date

The proposed final dividend has been detailed in Note 11.

Since the year end the Company has settled its long running libel litigation with the Financial Times. The Company received an apology in the UK edition of the Financial Times and on FT.com, compensation and payment of all its legal expenses.

The Company announced in November 2005 that the Board had terminated talks with all third parties about a possible take-over of the Company after concluding that the terms of any such offer would not match shareholders' reasonable expectations for the valuation of the Company. At the same time, the Board announced that it would focus on other means to deliver significant further value to shareholders. To this end, since the balance sheet date, the Board has decided to demerge the Collins Stewart stockbroking business and to return at least £300 million excess capital to shareholders. The transactions will involve the introduction of a new holding company using a court approved scheme of arrangement followed by a capital reduction to achieve the demerger and facilitate the return of capital.

40. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions between the Group and its associates and joint ventures are disclosed in note 20. The total amount owed by joint ventures and associates at 31 December 2005 was £2.3 million (2004: nil). £2.2 million of this amount represents a cash facility extended to Berkshire Investment Managers LLP in order for the business to commence trading during the year.

Directors' and executives' remuneration

Remuneration of the directors who are the key management personnel of the Group during the year is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2004	*2005*
	£m	*£m*
Short-term benefits	5.0	6.2
Share based payments	0.2	0.5
	5.2	6.7

Secured loan notes issued to Terry Hitchcock, a former director of Collins Stewart Tullett plc, by Collins Stewart Europe Limited amounting to £0.1 million at 31 December 2004 were repaid on 31 December 2005.

41. Principal subsidiary undertakings and associates

At 31 December 2004 and 31 December 2005, the following companies were the Group's principal trading subsidiary undertakings, principal intermediate holding companies and associates:

Subsidiary undertakings	*Country of incorporation*	*Principal Activities*	*Issued ordinary shares, all voting*
Prebon Yamane (Australia) Pty Limited	Australia	Derivatives and money broking	100%
Tullett Prebon (Australia) Pty. Limited (formerly Tullett Liberty Pty. Limited)	Australia	Derivatives and money broking	100%
Marshalls (Bahrain) WLL*	Bahrain	Derivatives and money broking	70%
Tullett Prebon Data Services Ltd. (formerly Prebon Data Services (Bermuda) Limited.)	Bermuda	Information sales	100%
Tullett Prebon Technology Data Services Ltd. (formerly Prebon Technology Data Services (Bermuda) Limited.)	Bermuda	Information sales	100%
Prebon Canada Limited	Canada	Derivatives and money broking	100%
Tullett Prebon Capital Markets France S.A.S. (formerly Tullett Liberty Capital Markets (France) SAS)	France	Derivatives and money broking	100%
Tullett Prebon France S.A.S. (formerly Collins Stewart Tullett France SAS)	France	Securities broking	100%
Collins Stewart Europe Limited	Great Britain	Stockbroking	100%
Collins Stewart Property Fund Management Limited	Great Britain	Property management	75%
Fulton Prebon Group Limited	Great Britain	Holding company	100%
FPG Holdings Limited	Great Britain	Holding company	100%
Prebon Administration Limited	Great Britain	Holding company	100%
Prebon Group Limited	Great Britain	Holding company	100%
Prebon Limited (Japan branch)	Great Britain	Derivatives	100%
Prebon Technology Holdings Limited	Great Britain	Holding company	100%
Prebon Technology Limited (formerly Prebon Technology Service (UK) Limited)	Great Britain	IT support services	100%
Prebon Yamane International Limited	Great Britain	Holding company	100%
Tullett Liberty (European Holdings) Limited	Great Britain	Holding company	100%
Tullett Liberty (Number 2) Limited	Great Britain	Holding company	100%
Tullett Liberty (Oil & Energy) Holdings Limited	Great Britain	Energy broking	100%
Tullett Liberty (Oil & Energy) Limited	Great Britain	Energy broking	100%(a)
Tullett Liberty (Overseas Holdings) Limited	Great Britain	Holding company	100%
Tullett Prebon (Equities) Limited (formerly Tullett Liberty (Equities) Limited)	Great Britain	Securities broking	100%
Tullett Prebon Limited	Great Britain	Holding company	100%
Tullett Prebon (Securities) Limited (formerly Tullett Liberty (Securities) Limited)	Great Britain	Securities broking	100%
Tullett Prebon (Treasury & Derivatives) Limited (formerly Tullett Liberty (Treasury and Derivatives) Limited)	Great Britain	Derivatives and money broking	100%
Tullett Prebon (UK) Limited (formerly Prebon Marshall Yamane (UK) Limited)	Great Britain	Derivatives and money broking	100%
Collins Stewart (CI) Limited	Guernsey	Stockbroking	100%
Collins Stewart Fund Management Limited	Guernsey	Investment fund management	100%
Collins Stewart Portfolio Management Limited (formerly Collins Stewart Asset Management Limited)	Guernsey	Investment fund management	100%
Tullett Prebon Information Limited (formerly Tullett Financial Information (C.I.) Limited)	Guernsey	Information sales	100%
Tullett Liberty (Hong Kong) Limited	Hong Kong	Derivatives and money broking	100%
Tullett Prebon (Hong Kong) Limited (formerly Prebon Yamane (Hong Kong) Limited)	Hong Kong	Derivatives and money broking	100%

41. Principal subsidiary undertakings and associates (continued)

Subsidiary undertakings	*Country of incorporation*	*Principal Activities*	*Issued ordinary shares, all voting*
PT. Inti Tullett Prebon Indonesia (formerly PT Inti Prebon Moneybrokers)	Indonesia	Derivatives and money broking	57.72%
Tullett Liberty Japan Limited	Japan	Derivatives and money broking	100%
Collins Stewart (Offshore) Limited** (formerly Insinger de Beaufort (International) Limited)	Jersey	Stockbroking and asset management	100%
Tullett Prebon Money Brokerage (Korea) Limited	Korea	Derivatives and money broking	100%
Tullett Prebon (Luxembourg) S.A. (formerly Prebon Yamane (Luxembourg) S.A.)	Luxembourg	Derivatives and money broking	100%
Brondgeest Van Hees International Securities BV (formerly Tullett Liberty Nederland B.V.)	Netherlands	Securities broking	100%
Tullett Liberty B.V.	Netherlands	Holding company	100%
Prebon Holdings B.V.	Netherlands	Holding company	100%
Tullett Prebon (Philippines) Inc. (formerly Prebon Philippines Inc.)	Philippines	Derivatives and money broking	51%
Prebon Yamane (Polska) SA	Poland	Derivatives and money broking	100%
Tullett Liberty (Energy) Holdings Pte. Ltd.	Singapore	Holding company	100%(b)
Tullett Liberty (Oil & Energy) Pte. Ltd.	Singapore	Energy broking	100%(c)
Tullett Liberty Pte. Ltd.	Singapore	Derivatives and money broking	100%(d)
Tullett Prebon Energy (Singapore) Pte. Ltd. (formerly Prebon Energy (Singapore) Pte. Ltd.)	Singapore	Derivatives and money broking	100%
Tullett Prebon (Singapore) Limited (formerly Prebon Yamane (Singapore) Limited)	Singapore	Energy broking	100%
Prebon Yamane Financial Services (Singapore) Pte Limited	Singapore	Derivatives and money broking	100%
Cosmorex A.G.	Switzerland	Money broking	100%
Cosmorex Holdings A.G.	Switzerland	Holding company	100%
Collins Stewart Inc.	USA	Stockbroking	100%
CS Tullett Holdings Corp.	USA	Holding company	100%
Fulton Prebon Administration Services LLC	USA	Holding company	100%
Prebon Energy Inc	USA	Energy broking	100%
Prebon Financial Products Inc.	USA	Securities broking	100%
Prebon Futures Inc.	USA	Derivatives	100%
Prebon Securities (USA) Inc.	USA	Securities broking	100%
Prebon Yamane (USA) Inc.	USA	Derivatives and money broking	100%
Tullett Liberty Brokerage Inc.	USA	Securities broking	100%
Tullett Liberty Inc.	USA	Derivatives and money broking	100%
Tullett Liberty Securities Inc.	USA	Securities broking	100%
Tullett Prebon Holdings Corp. (formerly Collins Stewart Tullett Holdings Inc.)	USA	Holding company	100%

(a) The Group's interest at 31 December 2004 was 90.2 per cent.
(b) The Group's interest at 31 December 2004 was 51 per cent.
(c) The Group's interest at 31 December 2004 was 76.8 per cent.
* The Group's interest in the trading results is 90 per cent.
** Acquired on 3 October 2005.

41. Principal subsidiary undertakings and associates (continued)

All the above subsidiary undertakings are owned indirectly, with the exception of Collins Stewart Europe Limited, FPG Holdings Limited and Tullett Prebon Limited, which are owned directly. They all have a 31 December year end with the exception of Prebon Limited (Japan branch), which has a 31 March year end.

Joint Venture and Associates	*Country of incorporation*	*Principal Activities*	*Issued ordinary shares, all voting*
Berkshire Investment Managers LLP	Great Britain	Proprietary trading	50%(d)
Tullett Liberty (Bahrain) Company W.L.L.**	Bahrain	Derivatives and money broking	49%
Tullett Prebon SITICO (China) Limited	China	Derivatives and money broking	33%(d)
Parekh (Forex) Private Limited	India	Derivatives and money broking	26%
Prebon Yamane (India) Limited	India	Derivatives and money broking	48%
Fulton Prebon (Malaysia) Sdn Bhd	Malaysia	Derivatives and money broking	25%
Wall Street Tullett Liberty Limited	Thailand	Derivatives and money broking	49%
Wall Street Tullett Liberty (Securities) Limited	Thailand	Derivatives and money broking	49%

(d) The Group's interest was nil at 31 December 2004.

** The Group's interest in the trading results is 85 per cent. The company is not consolidated as the Group does not have sufficient voting control to govern the financial and operating policies of the company.

All associates are held indirectly. They all have a 31 December year end with the exception of Parekh (Forex) Private Limited, which has a 31 March year end.

42. First-time adoption of International Financial Reporting and Accounting Standards

This is the first year that the Company has presented its financial statements under International Financial Reporting Standards (IFRS). The last financial statements under UK GAAP were for the year ended 31 December 2004 and the date of transition to IFRS was therefore 1 January 2004. The following disclosures are required in the year of transition.

The Group has applied IFRS 1 *First time adoption of International Financial Reporting Standards* to provide a starting point for reporting under IFRS. The date of transition to International Financial Reporting and Accounting Standards was selected as 1 January 2004 and all comparative information in these financial statements has been restated to reflect the Group's adoption of International Financial Reporting Standards.

IFRS 1 contains a number of exemptions which companies are permitted to apply. The Group has elected:

– to present comparative information in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement";
– not to restate its financial information for acquisitions occurring before 1 January 2004;
– to deem cumulative translation differences to be zero at 1 January 2004;
– to recognise all actuarial gains and losses on pensions and other post-retirement benefits directly in equity attributable to equity holders of the parent at 1 January 2004;
– to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling denominated assets and liabilities; and
– to apply IFRS 2 to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2005.

42. First-time adoption of International Financial Reporting and Accounting Standards (continued)

Reconciliation of equity at 1 January 2004

The effect of the changes to the Group's accounting policies on the equity of the Group at the date of transition, 1 January 2004 was as follows:

	Notes	*31 December 2003 UK GAAP £m*	*Effect of transition to IFRS £m*	*1 January 2004 IFRS £m*
Non-current assets				
Goodwill	a	282.2	–	282.2
Other intangible assets	b	–	5.3	5.3
Land, buildings, furniture, fixtures, equipment and motor vehicles	b	25.6	(5.3)	20.3
Interests in associates	c	8.0	0.4	8.4
Other financial assets	d	1.7	2.2	3.9
Deferred tax assets	e	8.5	7.5	16.0
		326.0	10.1	336.1
Current assets				
Trade and other receivables	f	437.3	73,837.0	74,274.3
Trading investments	g	54.6	1.4	56.0
Cash and cash equivalents		209.9	–	209.9
		701.8	73,838.4	74,540.2
Total assets		1,027.8	73,848.5	74,876.3
Current liabilities				
Trade and other payables	f	(490.4)	(73,837.0)	(74,327.4)
Financial liabilities	h	(2.8)	–	(2.8)
Retirement benefit obligation	i	–	(2.0)	(2.0)
Tax liabilities		(27.5)	–	(27.5)
Interest bearing loans and borrowings	j	(25.2)	–	(25.2)
Short-term provisions	k	(9.7)	9.7	–
		(555.6)	(73,829.3)	(74,384.9)
Non-current liabilities				
Interest bearing loans and borrowings	j	(45.5)	–	(45.5)
Retirement benefit obligation	i	–	(28.5)	(28.5)
Deferred tax liabilities		(2.0)	–	(2.0)
Long-term provisions		(2.6)	–	(2.6)
Other long-term payables	i	(26.3)	24.4	(1.9)
		(76.4)	(4.1)	(80.5)
Total liabilities		(632.0)	(73,833.4)	(74,465.4)
Net assets		395.8	15.1	410.9
Equity				
Share capital		47.3	–	47.3
Share premium account		195.9	–	195.9
Merger reserve		100.4	–	100.4
Retained earnings	n	44.6	15.1	59.7
Total shareholders' equity		388.2	15.1	403.3
Minority interest		7.6	–	7.6
Total equity		395.8	15.1	410.9

42. First-time adoption of International Financial Reporting and Accounting Standards (continued)

Reconciliation of equity at 31 December 2004

The effect of the changes to the Group's accounting policies on the equity of the Group at the date of the last annual financial statements presented under UK GAAP, 31 December 2004 was as follows:

	Notes	*31 December 2004 UK GAAP*	*Effect of transition to IFRS*	*1 January 2005 IFRS*
Non-current assets		*£m*	*£m*	*£m*
Goodwill	a	403.9	17.4	421.3
Other intangible assets	b	–	9.3	9.3
Land, buildings, furniture, fixtures, equipment and motor vehicles	b	31.3	(9.3)	22.0
Interests in associates	c	1.9	(0.9)	1.0
Other financial assets	d	3.5	2.2	5.7
Derivative financial instruments		–	6.5	6.5
Deferred tax assets	e	29.4	8.4	37.8
		470.0	33.6	503.6
Current assets				
Trade and other receivables	f	402.1	71,196.3	71,598.4
Trading investments	g	136.6	(43.2)	93.4
Cash and cash equivalents		139.9	43.2	183.1
		678.6	71,196.3	71,874.9
Total assets		1,148.6	71,229.9	72,378.5
Current liabilities				
Trade and other payables	f	(410.9)	(71,198.6)	(71,609.5)
Financial liabilities	h	(27.4)	–	(27.4)
Retirement benefit obligation	i	–	(1.5)	(1.5)
Tax liabilities		(23.3)	–	(23.3)
Interest bearing loans and borrowings	j	(16.1)	–	(16.1)
Short-term provisions	k	(11.9)	11.9	–
Derivative financial instruments	l	–	(4.0)	(4.0)
		(489.6)	(71,192.2)	(71,681.8)
Non-current liabilities				
Interest bearing loans and borrowings	j	(150.6)	(1.2)	(151.8)
Retirement benefit obligation	i	–	(36.9)	(36.9)
Long-term provisions	c	(11.8)	2.3	(9.5)
Other long-term payables	i	(26.1)	23.0	(3.1)
		(188.5)	(12.8)	(201.3)
Total liabilities		(678.1)	(71,205.0)	(71,883.1)
Net assets		470.5	24.9	495.4
Equity				
Share capital		53.0	–	53.0
Share premium account		249.7	–	249.7
Merger reserve		121.5	–	121.5
Hedging and translation reserve	m	–	(0.4)	(0.4)
Retained earnings	n	40.8	25.3	66.1
Total shareholders' equity		465.0	24.9	489.9
Minority interest		5.5	–	5.5
Total equity		470.5	24.9	495.4

42. First-time adoption of International Financial Reporting and Accounting Standards (continued)

Notes to the reconciliation of equity due to IFRS

a Under UK GAAP, goodwill was amortised over a period not exceeding 20 years. Adoption of IFRS has resulted in the Group ceasing annual goodwill amortisation and testing for impairment annually at the cash-generating unit level.

b On transition to IFRS the Group has recognised "Other intangible assets" in relation to purchased software, software licences and internally developed software. The effect of this was to reclassify balances previously held in "Land, buildings, furniture, fixtures, equipment and motor vehicles" and balances held in "Accumulated depreciation: land, buildings, furniture, fixtures, equipment and motor vehicles".

c UK GAAP always required losses from an associate to be deducted from the associate's carrying value. However, IFRS requires that an interest in an associate cannot fall below zero unless there is a demonstrable commitment to the associate to make good the investors' share of the losses (which would be recognised as a provision). On transition this has therefore resulted in an adjustment to "Interests in associates" and a corresponding adjustment to "Retained earnings".

d Under UK GAAP financial assets now classified as "available-for-sale", such as the shares held in Euroclear, were carried at cost. Under IFRS these assets and their deferred tax impact are carried at fair value with changes in fair value being recognised through the statement of recognised income and expense. The resulting fair value adjustment to financial assets and the related deferred tax adjustment have been included in "Retained earnings".

e Under IFRS the deferred tax asset that was previously netted against the defined benefit pension liability has been reclassified to "Deferred tax assets". The tax effects of the other relevant IFRS adjustments on transition also adjust this balance.

f Under IFRS it is no longer possible for the Group to follow the convention whereby matched principal transactions are offset in the balance sheet until settlement date. These have now been grossed-up and included in "Trade and other receivables" and "Trade and other payables".

g Under IFRS "Current asset investments" such as securities and deposits to secure clearing facilities, have been reclassified as "Trading investments". Previously unrecognised gains on financial instruments have also been included within "Trading investments".

h Under IFRS "Securities – short positions" which were previously included within "Creditors: amounts falling due within one year" have been reclassified as "Financial liabilities".

i Under UK GAAP the pension deficit and its related deferred tax asset was recognised on the acquisition of Tullett Liberty and included net in "Other long-term payables". The choice has been taken to recognise all actuarial gains or losses through the Statement of recognised income and expense. On transition to IFRS, the deferred tax asset in relation to the defined benefit pension scheme was reclassified to "Deferred tax assets" (see point e. above) and the pension deficit has been reclassified from "Other long-term payables" to "Retirement benefit obligation" in current and non-current liabilities.

j The classifications of current and non-current "Interest-bearing loans and borrowings" includes: obligations under finance leases, overdrafts, subordinated loans and loan notes previously classified within "Creditors: amounts falling due within one year" and "Creditors: amounts falling due after more than one year", respectively.

k Dividends declared after the balance sheet date accrued in the balance sheet under current UK GAAP will be treated as a non-adjusting post balance sheet event under IFRS. Therefore, the dividend accrued previously has been reversed and retained earnings adjusted accordingly.

42. First-time adoption of International Financial Reporting and Accounting Standards (continued)

l Non-current "Financial liabilities" include derivative financial instruments used to hedge market risk on the required future purchase of shares to satisfy share option scheme grants and represent the mark to market loss on the equity swap.

m IFRS requires the separate recognition of a cumulative foreign currency translation reserve in relation to the translation of investments in foreign operations. On transition to IFRS as at 1 January 2004, this reserve was reset to nil. All translation gains and losses have been reclassified from "Profit and loss reserve".

n The following illustrates the adjustments to retained earnings:

	1 January 2004 £m	*31 December 2004 £m*
Interests in associates (note c)	0.4	1.4
Other financial asset revaluation (note d)	2.2	2.2
Trading investment gain (note g)	1.4	0.4
Recognition of movement in retirement benefit obligation (note i)	4.6	4.5
Dividends declared post balance sheet date (note k)	9.7	11.9
Financial liabilities (note l)	–	(3.9)
Amortisation of goodwill	–	17.4
Pension costs and interest	–	(1.0)
Transfer to hedging and translation reserve (note m)	–	0.4
Actuarial losses on defined benefit schemes	–	(5.6)
Tax effect of the above	(3.2)	(2.4)
	15.1	25.3

The adoption of IFRS also resulted in a decrease in share option expense of £1.6 million. No restatement of reserves is required because there is a corresponding debit to reserves.

Reconciliation of profit for the year ended 31 December 2004

The changes in the accounting policies had the following effect on the profit reported for the year ended 31 December 2004:

	Notes	*Year to 31 December 2004 UK GAAP £m*	*Effect of transition to IFRS £m*	*Year to 31 December 2004 IFRS £m*
Revenue		583.9	–	583.9
Administrative expenses	i	(565.4)	17.3	(548.1)
Other operating income		3.5	–	3.5
Net interest receivable	ii	0.6	(0.6)	–
Finance income	ii	–	15.5	15.5
Finance costs	ii	–	(19.2)	(19.2)
Loss on sale of business		(0.9)	(0.5)	(1.4)
Profit before tax		21.7	12.5	34.2
Tax expense	iii	(14.0)	(0.5)	(14.5)
Profit after tax		7.7	12.0	19.7
Share of results of associates	iv	–	1.0	1.0
Net profit		7.7	13.0	20.7
Attributable to minority interests		(0.8)	–	(0.8)
Profit for the period attributable to shareholders		6.9	13.0	19.9

42. First-time adoption of International Financial Reporting and Accounting Standards (continued)

Notes to the reconciliation of profit due to IFRS

i Adjustments to administrative expenses for IFRS are as follows:

- Reversal of amortisation of goodwill, resulting in a credit to the income statement.
- Difference arising on the calculation of share option charges under UITF 38 (UK GAAP) and IFRS resulting in a credit to the Income Statement.
- Change in accounting for hedges being a charge to the Income Statement.

ii IFRS requires that financial instruments that give rise to a financial asset or financial liability be recognised in the financial statements where they can be identified and reliably measured. The Group entered into a number of transactions during 2004 that require recognition under IFRS that were not recognised under UK GAAP. Items that have been included under Finance income and Finance costs are as follows:

- Unrecognised losses on the equity swap (Finance costs).
- Unrecognised gains on interest rate swaps (Finance income).
- Interest expense reclassified as Finance costs.
- Interest receivable reclassified as Finance income.
- Interest costs on defined benefit pension plan liabilities (Finance costs).
- Expected return on defined benefit pension plan assets (Finance income).

iii The tax expense reflects the net tax effect of the income statement adjustments outlined above.

iv The share of results of associates is reported net of tax. The increase relates to the equity share of losses, which is not required to be taken up under IFRS (also refer to note (c) above) and the removal of goodwill amortisation, which does not arise under IFRS.

Explanations of material adjustments to the cash flow statement for 2004

There have been no material adjustments to the cash flow statement for the year ended 31 December 2004 resulting from transition to IFRS. However, the presentation of the Consolidated Cash Flow Statement has changed, whereby cash flows are classified as operating, investing or financing and short term investments are now included as cash equivalents.

PART XI

ACCOUNTANT'S REPORT ON THE COMPANY

Deloitte.

Deloitte & Touche LLP
Athene Place
66 Shoe Lane
London EC4A 3BQ

The Board of Directors
on behalf of New CST plc
Cable House
54-62 New Broad Street
London EC2M 1ST

Lehman Brothers International (Europe)
25 Bank Street
London E14 5LE

Dear Sirs

New CST plc (the "Company")

We report on the financial information on the date of incorporation, 5 May 2006 set out in Part XI of the prospectus dated 31 October 2006 of the Company (the "Prospectus"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Annex I item 20.1 of Appendix 3 of the Prospectus Rules and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 3 to the financial information and in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Principles ("UK GAAP").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company as at 5 May 2006 in accordance with the basis of preparation set out in note 3 and in accordance with UK GAAP as described in note 2.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Appendix 3, Annex I item 1.2 of the Prospectus Rules.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

Deloitte & Touche LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu ("DTT"), a Swiss Verein whose member firms are separate and independent legal entities. Neither DTT nor any of its member firms has any liability for each other's acts or omissions. Services are provided by member firms or their subsidiaries and not by DTT.

Financial Information on New CST plc

Balance Sheet

The balance sheet of the Company on the date of incorporation, 5 May 2006, is as follows:

	Notes	£
Current assets		
Cash and cash equivalents		0.02
		0.02
Equity		
Share capital	4	0.02
Equity attributable to equity holders		0.02

1. General information

New CST plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Cable House, 54-62 New Broad Street, London EC2M 1ST. New CST plc has not traded since incorporation.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

2. Accounting policies

The financial statements have been presented in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Principles (UK GAAP). The financial statements have been prepared in accordance with the historical cost convertion.

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

3. Basis of preparation

The Company has not commenced business operations as of the date of these financial statements and therefore has not presented a profit and loss account, cash flow statement or statement of total recognised gains and losses.

The balance sheet has been prepared in accordance with the historical cost convention.

4. Share capital

The Company was incorporated on 5 May 2006 with an authorised share capital of £50,000.02 comprising 2 Ordinary shares of £0.01 each and 50,000 deferred redeemable shares of £1 each. At incorporation 2 ordinary shares were subscribed and fully paid.

5. Auditors

The auditors to the Company are Deloitte & Touche LLP, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR. There was no remuneration paid to the auditors.

6. Staff costs

There were no staff employed and staff costs were nil.

7. Related party transactions

There were no related party transactions.

8. Subsequent events

In June 2006, by special resolution, the initial shareholders of New CST plc resolved to change the name of New CST plc to "Tullett Prebon plc" conditional on the scheme of arrangement becoming effective.

In 2006 it was announced that Collins Stewart Group will be demerged from Collins Stewart Tullett plc, as part of this transaction New CST plc will be introduced as a new holding company of Collins Stewart Tullett plc, using a court approved scheme of arrangement (under section 425 of the Companies Act). This will then be followed by a court approved capital reduction to achieve the demerger of Collins Stewart.

On 23 June 2006 the Company allotted 50,002 redeemable deferred shares of £1 each fully paid.

PART XII

PRO FORMA INFORMATION ON THE GROUP

Deloitte.

Deloitte & Touche LLP
Athene Place
66 Shoe Lane
London EC4A 3BQ

The Board of Directors
on behalf of New CST plc
9th Floor
88 Wood Street
London EC2V 7QR

Lehman Brothers International (Europe)
25 Bank Street
London E14 5LE

31 October 2006

Dear Sirs,

New CST plc (the "Company")

We report on the pro forma financial information (the "Pro forma financial information") set out in Part XII of the prospectus dated 31 October 2006 (the "Prospectus"), which has been prepared on the basis described in Part XII, for illustrative purposes only, to provide information about how the proposed transaction might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ended 31 December 2005. This report is required by Annex II item 7 in Appendix 3 to the Prospectus Rules and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro forma financial information in accordance with Annex I item 20.2 and Annex II items 1 to 6 in Appendix 3 to the Prospectus Rules.

It is our responsibility to form an opinion, as required by Annex II item 7 in Appendix 3 to the Prospectus Rules, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 in Appendix 3 to the Prospectus Rules.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

Deloitte & Touche LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu ("DTT"), a Swiss Verein whose member firms are separate and independent legal entities. Neither DTT nor any of its member firms has any liability for each other's acts or omissions. Services are provided by member firms or their subsidiaries and not by DTT.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of net assets and pro forma income statement (the "pro forma financial information") have been prepared to show the effect of the Demerger, and certain other matters which are dependent on the Demerger, on the net assets of the Company as if they had occurred on 30 June 2006, and on the income statement as if they had occurred on 1 January 2005.

The unaudited pro forma financial information has been prepared for illustrative purposes only. Due to its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

In addition, the Group operated as a division of Collins Stewart Tullett prior to the Demerger and, consequently, its operating results may have been different than if it had operated as a stand-alone group.

PRO FORMA INCOME STATEMENT

The unaudited consolidated pro forma income statement set out below has been prepared for illustrative purposes only and in accordance with Annex II of the Prospectus Directive Regulation and on the basis of the notes set out below. The unaudited pro forma income statement has been prepared to illustrate the effect on the income statement of New CST plc of the acquisition of the entire issued share capital of Collins Stewart Tullett plc and subsequent demerger of Collins Stewart as if they had taken place on the 1 January 2005. Due to its nature, the unaudited consolidated pro forma income statement addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results following the Demerger.

The unaudited consolidated pro forma statement of income is compiled on the basis set out below from the income statement of New CST plc at incorporation, as set out in the historical financial information contained in Part XI. The pro forma income statement takes no account of any trading activity or other transactions since 31 December 2005.

		Adjustments		
	New CST plc Note 1 £m	*Collins Stewart Tullett plc Note 2 £m*	*Demerger of Collins Stewart Note 3 £m*	*Pro forma Income Statement Unaudited £m*
Revenue	–	798.1	(148.7)	649.4
Other operating income	–	23.9	–	23.9
Administrative expenses				
Exceptional items: Reorganisation costs	–	(38.3)	–	(38.3)
Other administrative expenses	–	(690.6)	105.7	(584.9)
Total administrative expenses	–	(728.9)	105.7	(623.2)
Operating profit	–	93.1	(43.0)	50.1
Finance income	–	24.9	(4.9)	20.0
Finance costs	–	(20.4)	1.3	(19.1)
Profit before tax	–	97.6	(46.6)	51.0
Taxation	–	(36.6)	11.4	(25.2)
Profit of consolidated companies	–	61.0	(35.2)	25.8
Share of results of associates	–	0.7	–	0.7
Profit for the year	–	61.7	(35.2)	26.5
Attributable to:				
Equity holders of the parent	–	61.0	(34.9)	26.1
Minority interests	–	0.7	(0.3)	0.4
	–	61.7	(35.2)	26.5

Notes

1. The figures for New CST plc (to be renamed Tullett Prebon plc) at the date of incorporation, 5 May 2006, are extracted without material adjustment from the Accountant's Report on the Company, as set out in Part XI of this document, and are prepared under UK GAAP.
2. The figures for Collins Stewart Tullett plc are extracted without material adjustment from the audited consolidated financial statements of Collins Stewart Tullett plc for the year ended 31 December 2005 prepared under IFRS.
3. The figures for Collins Stewart Group have been extracted, without material adjustment, from the consolidation working schedules which underlie the audited consolidated financial statements of Collins Stewart Tullett plc for the year ended 31 December 2005.

   The figures represent the business previously reported within Collins Stewart Tullett plc as the "Collins Stewart Stockbroking Business" and the domestic and international cash equities business based in New York including the business acquired from Burlington Capital Markets in January 2005. The domestic and international cash equities business based in New York was reported within the "Tullett Prebon IDB Business" by Collins Stewart Tullett plc and generated revenues of £27.0 million in 2005.

   Share options

   The income statement does not reflect the impact, if any, that might arise on the accelerated vesting and exercise of options on the Scheme of Arrangement and Demerger.

PRO FORMA NET ASSETS STATEMENT

The unaudited consolidated pro forma statement of net assets set out below has been prepared for illustrative purposes only and in accordance with Annex II of the Prospectus Directive Regulation and on the basis of the notes set out below. The unaudited pro forma statement of net assets has been prepared to illustrate the effect on the net assets of New CST plc of the acquisition of the entire issued share capital of Collins Stewart Tullett plc, subsequent demerger of Collins Stewart and acquisition of Hawkpoint by Collins Stewart as if they had taken place on 30 June 2006. Due to its nature, the unaudited consolidated pro forma statement of net assets addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results following the Demerger and Acquisition.

The unaudited consolidated pro forma statement of net assets is compiled on the basis set out below from the balance sheet of New CST plc at incorporation, as set out in the historical financial information contained in Part XI. The pro forma statement of net assets takes no account of any trading activity or other transactions since 30 June 2006.

			Demerger Adjustments			*Acquisition Adjustments*	
	New CST plc Note 1 £m	*Collins Stewart Tullett plc Note 2 £m*	*Demerger of Collins Stewart Note 3 £m*	*Other Note 4 Unaudited £m*	*Pro forma Net Assets Unaudited £m*	*Capital Contribution Note 5 £m*	*Pro forma Net Assets Unaudited £m*
Non current assets							
Goodwill	–	428.4	(31.2)	(85.4)	311.8	–	311.8
Intangible assets	–	2.9	(0.3)	–	2.6	–	2.6
Tangible assets	–	22.1	(1.9)	–	20.2	–	20.2
Interests in associates	–	2.7	–	–	2.7	–	2.7
Other non current assets	–	43.0	(6.8)	–	36.2	–	36.2
	–	499.1	(40.2)	(85.4)	373.5	–	373.5
Current assets							
Trade and other receivables	–	79,883.4	(2,228.5)	0.9	77,655.8	–	77,655.8
Trading investments	–	71.5	(26.0)	–	45.5	–	45.5
Cash and cash equivalents	–	265.6	(84.1)	18.8	200.3	(30.0)	170.3
Derivative financial instruments	–	13.1	–	–	13.1	–	13.1
	–	80,233.6	(2,338.6)	19.7	77,914.7	(30.0)	77,884.7
Total assets	–	80,732.7	(2,378.8)	(65.7)	78,288.2	(30.0)	78,258.2
Current liabilities							
Trade and other payables	–	(79,862.6)	2,227.5	(10.9)	(77,646.0)	–	(77,646.0)
Other current liabilities	–	(79.5)	23.5	(1.5)	(57.5)	–	(57.5)
	–	(79,942.1)	2,251.0	(12.4)	(77,703.5)	–	(77,703.5)
Non current liabilities							
Interest bearing loans and borrowing	–	(152.1)	11.3	(11.3)	(152.1)	–	(152.1)
Other non current liabilities	–	(36.9)	–	–	(36.9)	–	(36.9)
	–	(189.0)	11.3	(11.3)	(189.0)	–	(189.0)
Total liabilities	–	(80,131.1)	2,262.3	(23.7)	(77,892.5)	–	(77,892.5)
Net assets	–	601.6	(116.5)	(89.4)	395.7	(30.0)	365.7
Minority interest	–	(2.4)	0.8	–	(1.6)	–	(1.6)
Net assets after minority interest	–	599.2	(115.7)	(89.4)	394.1	(30.0)	364.1

Notes

1. The figures for New CST plc (to be renamed Tullett Prebon plc) at the date of incorporation, 5 May 2006, are extracted without material adjustment from the Accountant's Report on the Company, as set out in Part XI of this document, and are prepared under UK GAAP.

2. The figures for Collins Stewart Tullett plc are extracted without material adjustment from the unaudited interim results of Collins Stewart Tullett plc for the six months ended 30 June 2006, prepared under IFRS.

3. The figures for the Collins Stewart Group have been extracted, without material adjustment, from the consolidation working schedules which underline the audited consolidated financial statements of Collins Stewart Tullett plc as at 30 June 2006.

   The figures represent the business previously reported within Collins Stewart Tullett plc as the "Collins Stewart Stockbroking Business" and the domestic and international cash equities business based in New York including the business acquired from Burlington Capital Markets in January 2005. The domestic and international cash equities business based in New York was reported within the "Tullett Prebon IDB Business" by Collins Stewart Tullett plc and generated revenues of £27 million in 2005.

4. Other adjustments represent:

   (a) Goodwill of £85.4m in the group consolidated accounts of Collins Stewart Tullett plc, which arose on the acquisition of Collins Stewart Europe Limited in 2000 (£84.1m) and the Burlington Cash Equities business (£1.3m), is written off on the Demerger of the Collins Stewart business. This represents the remaining net book value of goodwill in the books and does not include the reinstatement of goodwill previously written off or amortised.

   (b) Prior to the Demerger, the Collins Stewart Group will repay in full, the outstanding inter-company balance owing to Collins Stewart Tullett plc. As at 30 June 2006 the net position was £10.0 million comprising inter-company debtors £0.9 million and inter-company creditors £10.9 million.

   (c) Prior to the Demerger, the Collins Stewart Group will repay in full, the subordinated loans from Collins Stewart Tullett plc. As at 30 June 2006, these were £12.8 million.

   (d) The cash adjustment of £18.8 million represents the receipt of the settlement of the net intercompany balances of £10.0 million and subordinated loans of £12.8 million less Demerger transaction costs of £4.0 million.

5. Collins Stewart Tullett plc announced on 27 October 2006 that a subsidiary of the company, Collins Stewart Europe Limited, had entered into a conditional agreement to acquire Hawkpoint. The acquisition is conditional on, amongst other matters, the Demerger and hence Hawkpoint will be acquired by Collins Stewart only if the Demerger is effected. Prior to the Demerger and subject to the material conditions relating to the acquisition of Hawkpoint having been satisfied, Collins Stewart Tullett plc will make a capital contribution of up to £30 million to Collins Stewart Europe Limited. This is to provide regulatory capital to offset the impact of the goodwill arising on the acquisition.

Capital Repayment

On 20 March 2006, it was announced that in order to deliver significant further value to shareholders, the Board had decided to demerge the Collins Stewart stockbroking business and to return at least £300 million excess regulatory capital to shareholders. The Board further stated that "The rules which will govern regulatory capital requirements from 1 January 2007 have not yet been finalised and will affect the timing and manner of the return." The pro forma as presented does not include any return of capital.

PART XIII

NEW EMPLOYEE SHARE PLANS

Set out below is a summary of the rules for the new share plans which the Company proposes to adopt on Admission. Shareholder approval for these plans is being sought at the EGM of Collins Stewart Tullett plc convened for 23 November 2006. The rationale for the introduction of these plans is set out in paragraph 4 of Part IV of this document.

In this Part XIII, references to the Remuneration Committee are to the Remuneration Committee of the Company.

(a) New CST Long Term Incentive Plan (the LTIP)

(i) General

New CST plc will adopt the LTIP conditional on and following its approval to do so at the EGM. The LTIP allows the Company to grant awards to acquire Ordinary Shares to eligible employees. The awards will normally become exercisable three years after their grant but only if and to the extent that the conditions to which they are subject (see (v) below) have been satisfied. The grant and vesting of an award may be made conditional on the acquisition and holding by a proposed participant of a corresponding investment in Ordinary Shares.

(ii) Eligibility

Under the LTIP, awards may be granted to any person who is an employee of the Company or a participating group company. Participants will be selected on a discretionary basis by the Remuneration Committee.

(iii) Exercise Price

The price (if any) payable on exercise of an award will be decided by the Remuneration Committee before the award is granted.

(iv) Performance Conditions

The exercise of awards will be subject to the satisfaction of one or more performance conditions to be satisfied over a performance period, all as determined by the Remuneration Committee. The performance conditions will be objective and stated at the date of grant. The Remuneration Committee will determine the extent to which a performance condition is satisfied at any time. There will be no re-testing of performance conditions.

The Remuneration Committee has a discretion to (i) include provision for any award to become unconditional during any part of the period during which the performance conditions are measured; and (ii) subsequently amend a condition if an event occurs that would make an amended condition a fairer measure of performance, as long as the condition would be no more difficult to satisfy.

(v) Exercise of Awards

Awards will normally become exercisable on the third anniversary of their date of grant, subject to the satisfaction of the performance conditions, and remain exercisable until ten years after the date of grant. If a participant ceases to be employed by the Group for any reason other than death, the participant's awards will lapse immediately. If a participant dies, the participant's awards will become exercisable *pro rata* to the extent that the performance conditions have been satisfied and the performance period has elapsed at the date of death. The Remuneration Committee may permit the exercise of an award following the cessation of a participant's employment for any reason up to the extent that the performance conditions have been satisfied and the performance period has elapsed on the date of cessation of that participant's employment and for the period determined by the Remuneration Committee. Awards will lapse at the end of any early exercise period.

Subject to paragraph (vii) below, in the event of a change of control of the Company following a general offer, or a voluntary or compulsory winding-up of the Company, awards will be exercisable for a period specified by the Remuneration Committee to the extent that the performance conditions have been satisfied at that time and, if the Remuneration Committee so decides, to the extent that the performance period has elapsed at that time, after which they will lapse.

If the court sanctions a compromise or arrangement under section 425 of the Companies Act with respect to the Company the Remuneration Committee may determine that awards may be exercised conditional on the court sanction to the extent that the performance conditions have been satisfied at that time and, if the Remuneration Committee so decides, to the extent that the performance period has elapsed at that time, unless the compromise or arrangement provides for the adjustment of awards or their replacement, in which case the Remuneration Committee may determine that awards will be adjusted or replaced as part of the compromise or arrangement.

(vi) Limits on the number of Ordinary Shares under award

An initial award of options will be subject to a limit of 200 per cent. of a participant's total remuneration. Other than an initial award, in any year any participant will not receive an award in excess of 300 per cent. of the participant's annual salary. In normal circumstances, the use of new issue Ordinary Shares under the LTIP is limited to 5 per cent. of the issued share capital of Collins Stewart plc from time to time, taking into account shares issued or to be issued over the previous ten year period under the LTIP and any other discretionary employees' share scheme(s) adopted by New CST plc. Ordinary Shares subject to awards that have lapsed or been surrendered are excluded when calculating these limits.

(vii) Exchange of Awards

If there is a change of control of the Company following an offer to acquire the whole of its issued share capital or all of its Ordinary Shares or following a compromise or arrangement, participants may be given the opportunity to exchange their awards for equivalent awards over ordinary shares in another company. If this opportunity is made available to participants, the Remuneration Committee may determine that awards will not become exercisable in the manner described above but will, if not exchanged, lapse.

(viii) Adjustment of Awards

If there is a capitalisation issue, a rights issue, a consolidation, a sub-division, a reduction, a demerger or distribution *in specie* or any other variation in the share capital of the Company, the Remuneration Committee may make the adjustments it considers appropriate to the number of Ordinary Shares under an award and the exercise price (if any).

(ix) General Provisions

Awards are personal to participants and cannot be assigned, transferred or charged. Benefits under the LTIP are not pensionable.

The LTIP rules can be amended at any time by the Remuneration Committee. However, (i) no amendment that would adversely affect the existing rights of a participant can be made without the consent of participants who, if they exercised their options in full, would be entitled to three-quarters in aggregate of all the resulting Ordinary Shares; and (ii) no amendment to the advantage of participants can be made without the prior approval of the shareholders in general meeting if the amendment relates to the provisions in the rule relating to:

- who can participate;
- the limits on the number of Ordinary Shares that can be acquired under the LTIP in total and by each participant;
- the basis for determining a participant's entitlement to and the terms on which Ordinary Shares can be acquired under the LTIP; or
- any adjustment in the event of a variation in the share capital of New CST plc,

unless the amendment is minor and made to benefit the administration of the LTIP, or is to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any present or future participants or for any member of the Group.

No award can be granted more than ten years after the date of adoption of the LTIP.

Additional schedules to the rules of the LTIP can be adopted by the Board to operate the LTIP in overseas countries.

(b) *The New CST Share Savings Plan (the SSP)*

(i) General

New CST plc will adopt the SSP conditional on and following its approval to do so at the EGM. The SSP will be operated by the Board which can operate it in a number of ways. It can:

- make an award of "free shares"; and/or
- give employees the opportunity to invest in "partnership shares"; and
- make an award of "matching shares" to those employees who have invested in "partnership shares" (free shares, partnership shares and matching shares – together **Plan Shares**); and/or
- require or allow employees to re-invest any dividends paid on their Plan Shares in further Ordinary Shares ("dividend shares").

(ii) Eligibility

All eligible employees of New CST plc and participating subsidiaries who have been employed for a minimum period (not exceeding eighteen months) are entitled to participate in the SSP.

(iii) Free shares

New CST plc may give free shares up to a maximum annual value set from time to time by HMRC. The current maximum annual value is £3,000 per employee. If New CST plc wishes, the award of free shares can be based on the achievement of individual, team, divisional or corporate performance targets which must be notified to all employees. Otherwise, free shares must be awarded to employees on the same terms, although awards can vary by reference to remuneration, length of service or hours worked.

(iv) Partnership shares

New CST plc may provide employees with the opportunity to acquire partnership shares from their gross monthly salary, up to a maximum value set from time to time by HMRC, currently £1,500 per year. New CST plc may set a minimum monthly deduction from employees' salary which may not be greater than £10. Ordinary Shares will be acquired on behalf of employees within 30 days after each deduction at the market value of the Ordinary Shares on the date they are acquired. Alternatively, deductions can be accumulated during any accumulation period of up to 12 months. In this case, Ordinary Shares will be acquired on behalf of employees within 30 days after the end of the accumulation period, at the lower of the market value of the Ordinary Shares at the beginning of the accumulation period or the date when they are acquired.

(v) Matching shares

New CST plc can give an employee up to two free matching shares for each partnership share acquired by the employee. The award of matching shares cannot be subject to performance targets.

(vi) Dividend shares

New CST plc can either give employees the opportunity or require employees to re-invest any dividends paid on any of their Plan Shares in further Ordinary Shares, up to a maximum amount set by HMRC, which is currently £1,500 per annum.

(vii) Trust

The SSP operates through a UK resident trust that will acquire any Ordinary Shares required for the SSP by purchase or by subscription and will hold the Ordinary Shares on behalf of participating employees.

(viii) Holding period

Free and/or matching shares must be held in trust for a period of between three and five years from the date on which the shares are allocated to employees. Dividend shares must be held in trust for three years.

(ix) Cessation of employment, forfeiture of shares and non-transferability

New CST plc can provide that free shares and/or matching shares are forfeited if employees cease employment with a member of the Group (other than because of certain circumstances such as redundancy, injury, disability, retirement, transfer of the employing business or change of control of the employing company) within the period of up to three years from the date on which the shares were allocated.

Employees can withdraw their partnership shares from the SSP at any time. However, New CST plc can stipulate that matching shares will be subject to forfeiture if the corresponding partnership shares are withdrawn within a specified period, not exceeding three years, of their purchase on behalf of the employee.

Awards are not transferable except on death, when Plan Shares may be transferred to the deceased employee's personal representatives. Awards of shares under the SSP are not pensionable.

(x) Funding the SSP

If existing Ordinary Shares are acquired as partnership shares, participating Group companies may be required to fund the acquisition cost to the extent that salary deductions are insufficient to do so. This may be the case if an accumulation period is operated. Participating Group companies would also need to fund the acquisition cost of any free shares or matching shares.

(xi) Limit on the issue of shares

The SSP is subject to the limit that, in any ten year period, not more than 10 per cent. of the issue share capital of New CST plc from time to time may be issued or issuable under the SSP and any other employees' share scheme(s) adopted by New CST plc. Ordinary Shares subject to awards that have lapsed or been surrendered are excluded when calculating the limits.

(xii) Amendments to the SSP

The Board has authority to amend the SSP, provided that no amendment to the advantage of participants may be made to provisions relating to:

- who can participate;
- the number of Ordinary Shares that the trustee can acquire under the SSP;
- the basis for determining a participant's entitlement to Plan Shares and the terms on which they can be acquired; and
- any adjustment in the event of a variation in New CST plc's share capital,

without the prior approval of the shareholders in general meeting (unless the amendment is minor and made to benefit the administration of the SSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment). While the SSP retains its HMRC approved status, no amendment may be made to a key feature of the SSP without the prior approval of HMRC.

PART XIV

ADDITIONAL INFORMATION

1. Incorporation and registered office

1.1 New CST plc (to be renamed Tullett Prebon plc) was incorporated on 5 May 2006 under the Companies Act as a public limited company limited by shares and registered in England and Wales with number 5807599. It became entitled to do business and borrow, pursuant to section 117 of the Companies Act, on 26 June 2006.

1.2 On 23 June 2006, by special resolution, the initial shareholders of New CST plc resolved to change the name of New CST plc to "Tullett Prebon plc" conditional on the Scheme becoming effective.

1.3 The registered office and head office of New CST plc is at Cable House, 54-62 New Broad Street, London EC2M 1ST (telephone +44 (0)20 7200 7000). New CST plc is domiciled in the United Kingdom.

2. Activity

2.1 New CST plc has not traded since incorporation.

2.2 Deloitte & Touche LLP, whose address is Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR, have been the only auditors of New CST plc since its incorporation. Deloitte & Touche LLP have also been the only auditors of Collins Stewart Tullett plc in the period covered by the financial information set out in Part VIII of this document.

3. Share capital

3.1 On incorporation, the authorised share capital of New CST plc was £50,000.02 divided into 2 Ordinary Shares of 1 pence each and 50,000 redeemable deferred shares of £1 each.

3.2 New CST plc was incorporated with two issued and fully paid ordinary shares of 1 pence.

3.3 Since incorporation there have been the following changes in the authorised and issued share capital of New CST plc:

(a) by ordinary resolution of the Company dated 23 June 2006, the authorised share capital of the Company was increased from £50,000.02 to £50,002.02 by the creation of 2 additional redeemable deferred shares of £1 each; and

(b) 25,001 redeemable deferred shares of £1 each were issued to each of the Initial Share Owners.

3.4 Accordingly the authorised, issued and fully paid share capital of New CST plc as at the date of publication of this document is as follows:

	Authorised Number	*Amount(£)*	*Issued Number*	*Amount(£)*
Ordinary shares of one pence each	2	0.02	2	0.02
Redeemable deferred shares of £1 each	50,002	50,002	50,002	50,002

3.5 Prior to the Scheme Effective Date, it is proposed that various resolutions will be passed and the New CST Articles be amended so that:

(a) the nominal value of the Ordinary Shares is altered. The nominal value will be determined by the Board having taken into account the constraints of English company law, the Scheme and the New CST Reduction of Capital;

(b) the authorised share capital of the Company is increased by the creation of such number of Ordinary Shares as necessary so that, following the proposed alteration of the nominal value of

the Ordinary Shares referred to at (a) above, there shall be no more than 284,699,448 additional Ordinary Shares;

(c) the New CST Reduction of Capital (conditional upon the Scheme having been effected and final approval by the Board) is effected by reducing the nominal value of the Ordinary Shares. The total amount by which the share capital of New CST plc will be reduced will be equal to the amount determined by the Board to be the market value (after the Collins Stewart Group Transfer) of all the shares of Collins Stewart Europe Limited held by New CST plc and a further amount which will create distributable reserves;

(d) the Board will be authorised, in accordance with section 80 of the Companies Act, so as (i) to enable them to issue the Ordinary Shares to be issued on the Scheme becoming effective, and (ii) to enable them to allot a number of relevant securities (as defined in that section) not exceeding one-third of the number of Ordinary Shares expected to be in issue at Admission;

(e) the Board will further be authorised, pursuant to section 95 of the Companies Act, to allot equity securities (as defined in section 94 of the Companies Act) for cash as if section 89(1) of the Companies Act did not apply to the allotment but such power will be limited to (i) the allotment of equity securities pursuant to a rights issue, or (ii) the allotment (otherwise than pursuant to (i) above) of a number of equity securities not exceeding five per cent. of the number of Ordinary Shares expected to be in issue at Admission; and

(f) subject to certain conditions, the Board will further be authorised, pursuant to section 166 of the Companies Act, to make market purchases (as defined in section 163 of the Companies Act) of Ordinary Shares provided that the maximum number of shares which may be purchased will not exceed 14.99 per cent. of the New CST Shares expected to be in issue at Admission.

As the nominal value of the Ordinary Shares will only be known shortly before Admission, an advertisement stating the nominal value of the Ordinary Shares on Admission will be placed in the *Financial Times* on the day after Admission (20 December 2006 based on the current expected timetable).

3.6 In order to ensure that each of the Initial Share Owners holds one Ordinary Share following alteration of the nominal value of the Ordinary Shares as described in paragraph 3.5(a) above, New CST plc may issue further Ordinary Shares of 1 pence each to such shareholders prior to the Scheme Effective Date.

3.7 Section 89 of the Companies Act confers on share owners certain rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Companies Act. Following Admission, New CST plc will be subject to the continuing obligations of the UK Listing Authority with regard to the issue of securities for cash and the statutory rights of pre-emption in section 89 of the Companies Act. The statutory rights of pre-emption apply to the balance of the authorised, but unissued share capital of New CST plc which is not the subject of the proposed disapplication referred to in paragraph 3.5 above.

3.8 New CST plc is a public company and has to meet certain company law requirements for its minimum issued share capital. Therefore, as part of the arrangements for the incorporation of New CST plc, one ordinary share of 1 pence was issued to Alnery Incorporations No. 1 Limited and one ordinary share of 1 pence was issued to Alnery Incorporations No. 2 Limited. In addition, 25,001 £1 redeemable deferred shares have been issued to each of the Initial Share Owners. This is to ensure that the relevant company law requirements were met. Once the Scheme has become effective, Ordinary Shares have been issued under the Scheme and the Demerger has become effective, the ordinary shares held by the Initial Share Owners will be gifted back to New CST plc, or New CST plc will repurchase them, and such ordinary shares will be cancelled and the 50,002 redeemable deferred shares, which will be fully paid at the time of redemption, will be redeemed.

3.9 Under the Scheme, New CST plc will issue Ordinary Shares, credited as fully paid, to the Collins Stewart Tullett Share Owners at the Scheme Record Time on the following basis:

For one Collins Stewart Tullett Share	**One Ordinary Share**

3.10 Collins Stewart Tullett plc will issue one deferred share of 25 pence, which will not form part of the Scheme, to New CST plc after the Court Meeting but prior to the Scheme Court Hearing. This is to ensure that New CST plc is a member of Collins Stewart Tullett plc at the Scheme Effective Date when the New Shares are issued to New CST plc by Collins Stewart Tullett plc. This is to ensure compliance with a technical requirement of the Companies Act.

3.11 Accordingly, the proposed authorised, issued and fully paid share capital of New CST plc as it will be following the Demerger Effective Time, and before the New CST Reduction of Capital comes into effect and the gift back, or repurchase, and cancellation of the Ordinary Shares held by Initial Share Owners and the redemption of the 50,002 redeemable deferred shares referred to in paragraph 3.8 of this Part XIV, will be as follows:

	Authorised Number	*Issued Number*
Ordinary Shares	284,699,450	212,338,141
Redeemable deferred shares of £1 each	50,002	50,002

The table set out above assumes no issues of shares by Collins Stewart Tullett plc or New CST plc after 27 October 2006 (being the latest practicable date prior to the publication of this document) other than in connection with the Scheme.

3.12 Rights attaching to the Ordinary Shares are summarised in paragraph 4.2(a) of this Part XIV below.

3.13 The Ordinary Shares have not been marketed and are not available in whole or in part to the public otherwise than pursuant to the Scheme and the Demerger.

3.14 No share or loan capital of New CST plc is under option or agreed, conditionally or unconditionally, to be put under option. At the date of this document, New CST plc has no subsidiaries and, accordingly no share or loan capital of any subsidiary is under option or agreed, conditionally or unconditionally, to be put under option.

3.15 At the date of this document, New CST plc has no subsidiaries and, accordingly there has been no material issue of share or loan capital by any subsidiary undertaking of New CST plc for cash or other consideration.

3.16 No Ordinary Shares have been marketed to, nor are available for purchase by, the public in the United Kingdom or elsewhere in connection with the introduction of the Ordinary Shares to the Official List.

3.17 No commissions, brokerages, discounts or other special terms have been granted in respect of any share capital of New CST plc.

3.18 The Ordinary Shares will, when issued, be in registered form and, subject to the provisions of the CREST Regulations, the Board may permit the holding of Ordinary Shares in uncertificated form and title to Ordinary Shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered share owners by first class post. No temporary documents of title have been or will be issued in respect of the Ordinary Shares.

3.19 The ISIN number for Collins Stewart Tullett Shares is GB0000710060. The ISIN number for Ordinary Shares will be issued after the date of this document but prior to Admission.

4. Memorandum and articles of association

4.1 *Memorandum of association*

The New CST Memorandum provides that its principal objects are, amongst others, to carry on business as a holding and investment company. The objects of New CST plc are set out in full in clause 4 of the New CST Memorandum which is available for inspection as described in paragraph 20 below.

4.2 *Articles of association*

The New CST Articles adopted on 23 June 2006 include provisions to the effect set out below. A copy of the New CST Articles is available for inspection as described in paragraph 20 below.

(a) *Rights attaching to Ordinary Shares*

(i) Voting rights of New CST Share Owners

Subject to disenfranchisement in the event of (A) non-payment of any call or other sum due and payable in respect of any share or (B) any non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares and subject to any special rights or restrictions as to voting for the time being attached to any shares (as to which there are none at present) on a show of hands every holder of Ordinary Shares who (being an individual) is present in person or (being a corporation) is present by a representative not being himself a holder of Ordinary Shares, has one vote and on a poll every member present in person or by proxy has one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

(ii) Dividends

(A) New CST plc may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.

(B) The Board may pay such interim dividends as appear to the Board to be justified by the financial position of New CST plc and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of New CST plc, in the opinion of the Board, justifies its payment. If the Board acts in good faith, none of the directors shall incur any liability to the holders of shares conferring preferred rights for any loss such holders may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

(C) Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; (ii) all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; and (iii) dividends may be declared or paid in any currency and the Board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for New CST plc or any other person to bear any costs involved.

(D) No dividend or other moneys payable by New CST plc on or in respect of any share shall bear interest as against New CST plc unless otherwise provided by the rights attached to the share.

(E) The Board may deduct from any dividend or other moneys payable to any person (either alone or jointly with another) on or in respect of a share all such sums as may be due from him (either alone or jointly with another) to New CST plc on account of calls or otherwise in relation to shares of New CST plc.

(F) With the authority of an ordinary resolution of New CST plc and on the recommendation of the Board, payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company.

(G) The Board may, with the authority of an ordinary resolution of New CST plc, offer any holders of Ordinary Shares the right to elect to receive further Ordinary Shares by way of scrip dividend instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution.

(iii) Unclaimed dividends

Any dividend unclaimed for a period of twelve years after having been declared shall be forfeited and cease to remain owing by New CST plc.

(iv) Return of capital

The liquidator may, with the sanction of an extraordinary resolution of New CST plc and any other sanction required by statute (A) divide among the members *in specie* the whole or any part of the assets of New CST plc; or (B) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.

(v) Restrictions on Ordinary Shares

The Board may, with the authority of an ordinary resolution of New CST plc (A) resolve to capitalise any sum standing to the credit of any reserve account of New CST plc (including share premium account and capital redemption reserve) or any sum standing to the credit of profit and loss account not required for the payment of any preferential dividend (whether or not it is available for distribution); and (B) appropriate that sum as capital to the holders of Ordinary Shares in proportion to the nominal amount of the Ordinary Share capital held by them respectively and apply that sum on their behalf in paying up in full any unissued shares or debentures of New CST plc of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions or in paying up the whole or part of any amounts which are unpaid in respect of any issued shares in New CST plc held by them respectively, or otherwise deal with such sum as directed by the resolution provided that the share premium account and the capital redemption reserve and any sum not available for distribution in accordance with the Statutes may only be applied in paying up unissued shares to be allotted credited as fully paid up.

(b) *Transfer of shares*

(i) A New CST Share Owner may transfer all or any of his shares in any manner which is permitted by any applicable statutory provision and is approved by the Board. New CST plc shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

(ii) A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve.

(iii) The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason for it, refuse to register any transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in listed shares from taking place on an open and proper basis) and on which New CST plc has a lien as a result of such share not being fully paid up. The Board may also refuse to register any instrument of transfer of a certificated share unless it is lodged at the registered office, or such other place as the Board may decide, for registration, accompanied by the share certificate for the shares to be transferred (except where the shares are registered in the name of a market nominee and no certificate has been issued for them) and such other evidence as the Board may reasonably require to prove title of the intending transferor and it is in the respect of the class of shares. If the Board refuses to register a transfer of a certificated share it shall, within two months after the date on which the instrument of transfer was lodged, send to the transferee notice of the refusal. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

(iv) Other than as provided by section 428 to 430 of the Companies Act and the City Code on Takeovers and Mergers there are no rules or provisions relating to mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.

(c) *Changes in share capital*

New CST plc may by ordinary resolution:

(i) increase its share capital;

(ii) consolidate and divide all or any of its share capital into shares of a larger amount;

(iii) sub-divide all or part of its share capital into shares of a smaller amount; and

(iv) cancel any shares which have not, at the date of the ordinary resolution, been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

New CST plc may by special resolution:

(i) purchase its own shares including any redeemable shares; and

(ii) reduce its share capital and any capital redemption reserve, share premium account or any other undistributable reserve.

(d) *Authority to allot securities and disapplication of pre-emption rights*

New CST plc may from time to time pass an ordinary resolution authorising, in accordance with section 80 of the Companies Act, the Board to exercise all the powers of New CST plc to allot relevant securities up to the nominal amount specified in the resolution. The authority shall expire on the day specified in the resolution (not being more than five years after the date on which the resolution is passed).

On the passing of a special resolution, the Board shall have power to allot equity securities for cash as if section 89(1) of the Companies Act did not apply to the allotment but that power shall be limited (A) to the allotment of equity securities in connection with a rights issue; and (B) to the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution.

(e) *Variation of rights*

Whenever the share capital of New CST plc is divided into different classes of shares, all or any of the rights for the time being attached to any class of shares may be varied, either with the

consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At any separate general meeting, the necessary quorum is two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question (but at any adjourned meeting, any person holding shares of the class or his proxy is a quorum).

(f) *Uncertificated shares – general powers*

In relation to any uncertificated share, New CST plc may utilise the relevant system in which it is held to the fullest extent available from time to time in the exercise of any of its powers or functions under any applicable statutory provision or the articles of association or otherwise in effecting any action. Any provision in the New CST Articles in relation to uncertificated shares which is inconsistent with any applicable statutory provision shall not apply. New CST plc may, by notice in writing to the holder of an uncertificated share, require the holder to change the form of that share to certificated form within such period as may be specified in the notice. For the purpose of effecting any action by New CST plc, the Board may determine that holdings of the same member in uncertificated form and in certificated form shall be treated as separate holdings.

(g) *Redeemable shares and purchase of own shares*

Subject to the Companies Act shares may be issued that are to be redeemed or which at the option of New CST plc or the holder are liable to be redeemed.

Subject to the Companies Act and without prejudice to any relevant special rights attached to any class of shares, New CST plc may purchase any of its own shares of any class.

(h) *Directors and officers*

(i) The directors (other than alternate directors) shall not, unless otherwise determined by an ordinary resolution of New CST plc, be less than 2 nor more than 15 in number.

(ii) A director need not be a member of New CST plc.

(iii) Section 293 of the Companies Act shall apply.

(iv) At each annual general meeting any director then in office who has been appointed by the Board since the previous annual general meeting or has held office for more than 3 years since he was appointed or last re-appointed by New CST plc in general meeting shall retire from office but shall be eligible for re-appointment.

(v) The directors shall be paid such fees as the Board may decide. Such fee shall be divided among them in such proportion and manner as they may agree, or failing agreement, equally.

(vi) The Board may grant special remuneration to any director who performs any special or extra services to or at the request of New CST plc. Special remuneration may be payable to a director in addition to his ordinary remuneration (if any) as a director.

(vii) The directors shall also be paid out of the funds of New CST plc all expenses properly incurred by them in and about the discharge of their duties, including their expenses of travelling to and from the meetings of the Board, committee meetings and general meetings.

(viii) The Board may exercise all the powers of New CST plc to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits, allowances or gratuities to any person who is or has been at any time a director of New CST plc or in the employment or service of New CST plc or of any company which is or was a subsidiary of or associated with New CST plc or of the predecessors in business of New CST plc or any subsidiary or associated company or the relatives or dependants of any such person. For that purpose the Board may procure the establishment and maintenance of,

or participate in, or contribute to any non-contributory or contributory pension or superannuation fund, scheme or arrangement or pay any insurance premiums.

(ix) Subject to any applicable statutory provisions, a director shall not be disqualified by his office from entering into any contract with New CST plc, either with regard to his tenure of any office or position in the management, administration or conduct of the business of New CST plc, or as vendor, purchaser or otherwise. A director may hold and be remunerated in respect of any other office or place of profit with New CST plc (other than the office of auditor of New CST plc) in conjunction with his office as director and he (or his firm) may also act in a professional capacity for New CST plc (except as auditor) and may be remunerated for it.

(x) A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract with New CST plc shall declare the nature of his interest at a meeting of the directors.

(xi) A director shall not vote or be counted in the quorum at a meeting in respect of any resolution concerning his own appointment (including fixing and varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with New CST plc or any other company in which New CST plc is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with New CST plc or any company in which New CST plc is interested, those proposals may be divided and considered in relation to each director separately; and in such case each of the directors concerned (if not otherwise debarred from voting under the articles of association) shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment or the termination of his own appointment.

(xii) A director shall not vote (or be counted in the quorum at a meeting) in respect of any contract in which he has an interest which (together with any interest of a connected person) is to his knowledge a material interest. Notwithstanding the above, a director shall be entitled to vote (and be counted in the quorum) on: (A) any contract in which he is interested by virtue of an interest in shares, debentures or other securities of New CST plc or otherwise in or through New CST plc; (B) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, New CST plc or any of its subsidiary undertakings; or a debt or obligation of New CST plc or any of its subsidiary undertakings for which he himself has assumed responsibility under a guarantee or indemnity or by the giving of security; (C) any issue or offer of shares, debentures or other securities of New CST plc or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter; (D) any contract concerning another company in which he and any connected person do not to his knowledge hold an interest in shares (within the meaning of sections 198 to 211 of the Companies Act) representing one per cent. or more of the issued shares of any class of such company or of the voting rights of that company; (E) any arrangement for the benefit of employees of New CST plc or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and (F) the purchase or maintenance of insurance for the benefit of directors or for the benefit of persons including directors.

(xiii) Except to the extent prohibited or restricted by the Statutes, but without prejudice to any indemnity to which a director or other officer may otherwise be entitled, every director or other officer (excluding an auditor) of New CST plc may be indemnified out of the assets of New CST plc against all liabilities incurred by him in the actual or purported execution or discharge of his duties or the exercise or purported exercise of his powers or otherwise in relation to or in connection with his duties, powers or office.

(i) *Borrowing powers*

The Board may exercise all the powers of New CST plc to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of New CST plc or of any third party. The Board shall restrict the borrowings of New CST plc and exercise all voting and other rights or powers of control exercisable by New CST plc in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (exclusive of any borrowings which are owed by one Group company to another Group company) after deducting the amount of cash deposited will not, without the previous sanction of New CST plc in general meeting, exceed the greater of £500 million and an amount equal to three times the adjusted total equity (as defined in the New CST Articles) or any higher limit fixed by ordinary resolution of New CST plc which is applicable at the relevant time.

(j) *General meetings*

An annual general meeting shall be held in accordance with the Statutes. All other general meetings shall be extraordinary general meetings. Extraordinary general meetings shall be held whenever the Board thinks fit or on the requisition of shareholders in accordance with the Companies Act.

An annual general meeting and any extraordinary general meetings at which it is proposed to pass a special resolution or (save as provided by the Companies Act) a resolution of which special notice has been given to New CST plc, shall be called by at least 21 clear days' written notice and any other extraordinary general meeting shall be called by at least 14 clear days' written notice, unless such shareholder meetings are called by shorter notice in accordance with the Companies Act.

The requisite quorum for general meetings of New CST plc shall be two persons, whether present in person or by proxy, entitled to vote on the business to be transacted at the meeting.

(k) *Disclosure of beneficial ownership*

If the holder of, or any person appearing to be interested in, any share has been given a notice requiring any of the information mentioned in section 212 of the Companies Act (**section 212 notice**) and, in respect of that share (a **default share**), has been in default for a period of 14 days after the section 212 notice has been given in supplying to New CST plc the information required by the section 212 notice, the following restrictions shall apply (A) if the default shares in which any one person is interested or appears to New CST plc to be interested represent less than 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares, to attend or to vote, either personally or by proxy, at any general meeting of New CST plc; or (B) if the default shares in which any one person is interested or appears to New CST plc to be interested represent at least 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares:

(i) to attend or to vote, either personally or by proxy, at any general meeting of New CST plc; or

(ii) to receive any dividend or other distribution; or

(iii) to transfer or agree to transfer any of those shares or any rights to them.

5. Directors of New CST plc (to be renamed Tullett Prebon plc)

5.1 The Directors of New CST plc are set out in Part IV of this document.

5.2 In addition to their directorships of New CST plc, the Directors of New CST plc are or have been members of the administrative, management or supervisory bodies of the following companies and/or are currently, or have been, partners of the following partnerships in the past five years:

Name	*Position*	*Company/Partnership*	*Position still held (Y/N)*
Keith Hamill	Non-executive Director	Collins Stewart Tullett plc	Y
		Greenwich & Bexley Cottage Hospice Limited	Y
		Alterian plc	Y
		Luminar plc	Y
		Electrocomponents Public Limited Company	Y
		Bertram Group Limited	Y
		TLLC Group Holdings Limited	N
		Moss Bros Group plc	Y
		HLG Holdings Limited	Y
		Aldrington Investments Limited	Y
		Tempus Group Limited	N
		Newgo 2 Limited	N
		Newgo 1 Limited	N
		Go Fly Ltd.	N
		Destiny Pharma Limited	N
		Travelodge Hotels Limited	N
		TDG plc	N
		Ampton Holdings LLC	Y
		Cadmus Communications Corporation	¥
		Full Moon Holdco 1 Limited	Y
		Full Moon Holdco 2 Limited	Y
		Full Moon Holdco 3 Limited	Y
		Full Moon Holdco 4 Limited	Y
		Full Moon Holdco 5 Limited	Y
		Full Moon Holdco 6 Limited	Y
		Newmarket Racecourses Trust Ltd.	Y
Terry Smith	Chairman	International Value Investments Limited	Y
		Value Investments Limited	Y
		Collins Stewart Europe Limited	Y
		Collins Stewart Tullett plc	Y
		Tullett Prebon Limited	Y
		Tullett Prebon (UK) Limited	Y
		Clayhouse Shooting Schools Limited	Y
		William Cook Holdings Limited	Y
		Prebon Group Limited	Y
		Tullett Prebon (Treasury & Derivatives) Limited	N
		Tullett Prebon (Equities) Limited	N
		Tullett Liberty (European Holdings) Limited	N
		Tullett Prebon (Securities) Limited	N
		Collins Hitchcock Stewart Whitaker Limited	N
		Collins Stewart Quest Limited	N
		Collins Stewart Inc.	Y
		Tullett Prebon Holdings Corp	Y
		Prebon Yamane International Limited	Y
Paul Mainwaring	Finance Director	Collins Stewart Tullett plc	Y
		Barclay Mowlem (Hong Kong) BV	N
		Barclay Mowlem International BV	N
		Barclay Mowlem (NZ) BV	N
		Barclay Mowlem (Thailand) BV	N
		Mowlem Aqumen BV	N
		Mowlem (Gibraltar) Limited	N
		Mowlem Holdings BV	N
		Mowlem Railways Nederland BV	N
		Barclay Mowlem (Asia) Limited	N
		Barclay Mowlem (Hong Kong) Limited	N
		Barclay Mowlem (Malaysia) Limited	N
		Barclay Mowlem (New Zealand) Limited	N
		Barclay Mowlem Overseas Limited	N
		Carillion (Uganda) Limited	N
		Carillion International 2006 Limited	N
		Carillion JM Limited	N
		Carillion Managed Services Limited	N
		Carillion Management Limited	N

Name	*Position*	*Company/Partnership*	*Position still held (Y/N)*
Paul Mainwaring	Finance Director	Carillion Nuclear Services Limited	N
		Carillion Secretariat Limited	N
		Dudley Bower Group plc	N
		Edgar Allen Limited	N
		Environmental Services Group Limited	N
		John Mowlem International (Construction) Limited	N
		Maple Oak Limited	N
		Pall Mall Holdings Limited	N
		SCIO Solutions Limited	N
		Sovereign Consultancy Services Limited	N
		TD Finance BV	N
		TDG (UK) Limited	N
		TDG Avonmouth Limited	N
		TDG Funds Limited	N
		TDG Logistics SA	N
		TDG Overseas Limited	N
		TDG plc	N
		TDG Trustees Limited	N
		The Carillion Construction Company (East Africa) Limited	N
		U.K. Fastrack Limited	N
		Windsor House Trustees Limited	N
Louis Scotto	Executive Director	Tullett Liberty Brokerage Services (UK) Limited	Y
		Tullett Liberty Brokerage Ltd	Y
		Tullett Prebon Limited	Y
		Collins Stewart Tullett plc	Y
		CS Tullett Holdings Corp.	Y
		Collins Stewart Securities Inc.	Y
		Tullett & Tokyo Forex (Futures) Inc.	Y
		Tullett & Tokyo Securities Inc.	Y
		Tullett Liberty Inc.	Y
		Tullett Liberty Securities Inc.	Y
		Tullett Liberty Brokerage Inc.	Y
		Tullett Liberty Direct Inc.	Y
		Tullett Prebon Information Inc.	Y
		Tullett Prebon Holdings Corp.	Y
		Prebon Yamane (USA) Inc.	Y
		Prebon Securities (USA) Inc.	Y
		Prebon Financial Products Inc.	Y
		Prebon Energy Inc.	Y
		Prebon Futures Inc.	Y
		M.W. Marshall Inc.	Y
David Clark	Non-executive Director	CAF Bank Limited	Y
		The ACI Foundation	Y
		Grey Panther Limited	Y
		The Charity Bank Limited	Y
		Collins Stewart Tullett plc	Y
		Westpac Europe Limited	Y
		Tullett Prebon Limited	N
Michael Fallon	Non-executive Director	Just Learning Ltd	Y
		Learning Just Limited	Y
		Just Learning Holdings Limited	Y
		Careshare Limited	Y
		Careshare Holdings Limited	Y
		Collins Stewart Tullett plc	Y
		Lauder Learning Limited	Y
		International Care and Relief	N

Name	*Position*	*Company/Partnership*	*Position still held (Y/N)*
Richard Kilsby	Non-executive Director	The Real Shamen Limited	N
		PSM Shamen Limited	N
		Efficient Frontiers Limited	Y
		Cargo Solutions Limited	Y
		J.T. Executive Search Limited	N
		Glanwall Limited	N
		A K Jensen Limited	Y
		Esterel Homes (No. 2) Limited	Y
		Impact Funding (UK) Limited	Y
		Impact Holdings (UK) plc	Y
		Collins Stewart Tullett plc	Y
		Virt-X Limited	N
		Virt-X Exchange Limited	N
		Grand Prix Sports Group Limited	N
		Intamission Limited	N
		DPD International Limited	N
		Enigmatec Corporation Limited	N
		10 Hyde Park Square Limited	N
		Esterel Homes Limited	Y
		888 Holdings plc	Y
Bernard Leaver	Non-executive Director	Collins Stewart Tullett plc	Y
John Spencer	Non-executive Director	Collins Stewart Tullett plc	Y
		JSS Services Limited	Y
		Snell & Wilcox (Management) Limited	N
		New England Special Fund Limited	N
		Snell & Wilcox Trustee Limited	N
		Acron Limited	N
		CEL Electronics Limited	N
		Electrocraft Laboratories Ltd	N
		Snell & Wilcox (UK) Limited	N
		Snell & Wilcox Limited	N
		Numerica Group Limited	N

5.3 None of the Directors of New CST plc has at anytime within the last five years:

(a) save as disclosed in paragraph 5.2, been a member of the administrative, management or supervisory body or partner of any companies or partnerships; or

(b) had any convictions (whether spent or unspent) in relation to fraudulent offences; or

(c) been adjudged bankrupt or been the subject of any individual voluntary arrangement; or

(d) been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) or been disqualified by a court from acting as a member of the administrative management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

5.4 There are no bankruptcies, receiverships or liquidations with which any Director who was acting as a member of an administrative, management or supervisory body, partner with unlimited liability (in the case of a limited partnership with a share capital), founder or as a senior manager (of sufficient standing that they would have been relevant in establishing whether the relevant entity had appropriate expertise and experience for the management of its business) was associated within the last five years.

6. Directors' interests in New CST plc (to be renamed Tullett Prebon plc)

6.1 The interests (all of which are beneficial unless otherwise stated), of the Directors of New CST plc and their immediate families in the issued share capital of Collins Stewart Tullett plc which:

(a) have or will have been notified to Collins Stewart Tullett plc pursuant to sections 324 and 328 of the Companies Act by each director;

(b) are required to be entered into the register referred to in section 325 of the Companies Act; or

(c) are interests of a connected person (within the meaning of section 346 of the Companies Act) of a Director which would, if the connected person were a Director, be required to be disclosed under (a) or (b) above and the existence of which is known to or could with reasonable diligence be ascertained by that Director;

were as at 27 October 2006 (the latest practicable date prior to publication of this document) as follows and in the event that the Scheme and the Demerger become effective the Directors of New CST plc will have the following interests in Ordinary Shares by virtue of the effect of the Scheme on their existing holdings of Collins Stewart Tullett Shares:

Director	*Number of Collins Stewart Tullett Shares*	*Percentage of Collins Stewart Tullett Shares*	*Number of Ordinary Shares following the Demerger*	*Percentage of Ordinary Shares following the Demerger*
Keith Hamill	58,299	0.027	58,299	0.027
Terry Smith	8,805,779	4.147	8,805,779	4.147
Paul Mainwaring	–	–	–	–
Louis Scotto	106,273	0.050	106,273	0.050
David Clark	–	–	–	–
Michael Fallon	2,000	0.001	2,000	0.001
Richard Kilsby	–	–	–	–
Bernard Leaver	–	–	–	–
John Spencer	32,897	0.015	32,897	0.015

The above table does not reflect the extent to which any Directors may have additional beneficial interests by virtue of their participation in the Collins Stewart Tullett Share Plans. The interests of the Directors in this regard are set out in paragraph 6.3 of this Part XIV.

The above table assumes no issues of shares by Collins Stewart Tullett plc or New CST plc after 27 October 2006 (being the latest practicable date prior to the publication of this document) other than in connection with the Scheme.

6.2 The interests of the Directors together represent approximately 4.24 per cent. of the issued share capital of Collins Stewart Tullett plc as at 27 October 2006 (the latest practicable date prior to publication of this document) and will represent approximately 4.24 per cent. of the issued share capital of New CST plc on the Scheme and the Demerger becoming effective.

6.3 As at 27 October 2006 (the latest practicable date before the publication of this document), the following Director held the following interests in Collins Stewart Tullett Shares:

	Options	*Earliest exercise date*	*Expiry date*	*Exercise price*
Louis Scotto				
Tullett Liberty Equity Incentive Plan	47,720	13.1.2007	12.1.2014	Nil
Tullett Liberty Equity Incentive Plan	10,106	22.4.2007	21.4.2014	Nil
Individual option*	366,263	13.10.2007	12.10.2014	£1 in total

*Approved by shareholders at an extraordinary general meeting of Collins Stewart Tullett plc held on 12 October 2004.

6.4 The interests disclosed in this paragraph 6 are based upon the interests of the Directors in the ordinary share capital of Collins Stewart Tullett plc which (i) have been notified by each Director to Collins Stewart Tullett plc pursuant to section 324 or section 328 of the Companies Act before 27 October 2006 (the latest practicable date before the issue of this document), or (ii) are required to be entered in the register referred to in section 325 of the Companies Act, or (iii) are interests of a connected person (within the meaning of section 346 of the Companies Act) of a Director which would, if the connected person were a Director, be required to be disclosed under (i) or (ii), and the existence of which is known to or could with reasonable diligence be ascertained by that Director.

6.5 Save as set out in this Part XIV, none of the Directors or any connected person within the meaning of section 346 of the Companies Act has any interest, whether beneficial or non-beneficial, in the share capital of any member of the Group.

6.6 None of the Directors has any potential conflicts of interest between their duties to Collins Stewart Tullett plc or New CST plc and their private interests and/or their duties to third parties.

7. Significant shareholdings

7.1 Insofar as is known to New CST plc as at 27 October 2006 (the latest practicable date prior to the publication of this document), the following persons will, on the Scheme becoming effective, directly or indirectly, have an interest in New CST plc's share capital or voting rights which is notifiable under the Companies Act (on the basis of their disclosed existing holdings of Collins Stewart Tullett Shares as at 27 October 2006 (the latest practicable date prior to the publication of this document):

	Number of Ordinary Shares after Scheme becoming effective	*Percentage of issued share capital after Scheme becoming effective*
Toscafund Limited	29,469,754	13.9%
Legal & General Group plc	16,807,565	7.9%
Lazard Asset Management LLC	15,651,887	7.4%
Barclays plc	12,494,274	5.9%
Teachers Insurance and Annuity Association of America College Retirement Equities Fund	11,486,691	5.4%
Terry Smith	8,805,779	4.1%
Morgan Stanley Securities	8,521,317	4.0%
Aviva plc	8,510,624	4.0%
Deutsche Bank AG	6,511,783	3.1%

The disclosed interests of all the above refer to the respective combined holdings of those and to entities' interests associated with them.

The above table assumes no issues of shares by Collins Stewart Tullett plc or New CST plc after 27 October 2006 (being the latest practicable date prior to the publication of this document) other than in connection with the Scheme.

7.2 Save as disclosed in paragraph 7.1, the Directors of New CST plc are not aware of any interest (within the meaning of Part VI of the Companies Act) which will represent an interest in New CST plc's share capital or voting rights which is notifiable under the Companies Act following the Scheme becoming effective and Admission occurring.

7.3 So far as New CST plc is aware no person or persons, directly or indirectly, jointly or severally, controls Collins Stewart Tullett plc and, on the Scheme becoming effective, no person or persons, directly or indirectly, jointly or severally, will exercise or could exercise control over New CST plc.

7.4 There are no differences between the voting rights enjoyed by the shareholders described in paragraph 7.1 above and those enjoyed by any other holder of Collins Stewart Tullett Shares or Ordinary Shares.

8. Related party transactions

8.1 Pursuant to the acquisition of a subsidiary undertaking by Collins Stewart Europe Limited in 1996, secured loan notes were issued to Terry Hitchcock, a former director of Collins Stewart Tullett plc, of which £100,000 remained outstanding at 31 December 2004. They were repaid in full as at 31 December 2005.

Pursuant to the acquisition of Tullett Liberty Limited in March 2003, £150,000 guaranteed unsecured loan notes were issued by Collins Stewart Tullett plc to Stephen Jack. The loan notes were guaranteed by the Governor and Company of the Bank of Scotland with whom cash deposits of an equal amount

were deposited. The loan notes carried interest at a rate of 1 per cent. below LIBOR. The notes have been repaid in full as at the date of this document.

In 2005 cash facilities totalling £5.75 million were extended by Collins Stewart Europe Limited to Berkshire Investment Managers LLP, a joint venture in the share capital of which Collins Stewart Europe Limited has a 50 per cent. interest.

8.2 New CST plc has not entered into any related party transactions since its incorporation. Save as disclosed in paragraph 8.1, Collins Stewart Tullett plc has not entered into any related party transactions since 1 January 2003.

9. Directors' service agreements and emoluments

9.1 Terry Smith entered into a service contract with Collins Stewart Tullett plc on 26 May 2000 and this was amended on 21 October 2004 and 22 April 2005. The contract provided for employment for an indefinite period, subject to early termination on twelve months' notice by either party. The annual basic salary is £650,000 and a discretionary bonus may be paid. Collins Stewart Tullett plc is entitled to terminate the service contract by paying in lieu of the director's notice period salary and a sum to compensate for the loss of other contractual benefits (excluding bonuses). No other compensation is payable upon early termination of the service contract. Terry Smith will enter into a termination agreement with Collins Stewart Tullett, terminating this service contract, conditional on the Scheme becoming effective.

Terry Smith will enter into a service contract with New CST plc, conditional on the Demerger becoming effective. The contract will provide for employment for an indefinite period, subject to early termination on twelve months' notice by either party. The annual basic salary will be £650,000 and a discretionary bonus may be paid. New CST plc will be entitled to terminate the service contract by paying in lieu of the director's notice period salary and a sum to compensate for the loss of other contractual benefits (excluding bonuses). No other compensation will be payable upon early termination of the service contract. Terry Smith's service contract anticipates that he may devote up to 30 per cent. of his time to Collins Stewart plc

Paul Mainwaring entered into a service agreement with Collins Stewart Tullett plc dated 10 October 2006. Paul Mainwaring's contract is for an indefinite period and is terminable by either party giving to the other twelve months' notice. Collins Stewart Tullett plc is entitled to terminate the agreement by paying, in lieu of the director's notice period, salary and a sum to compensate for the loss of other contractual benefits (excluding bonuses). The contract provides for an annual basic salary of £275,000 and a discretionary bonus may be paid.

Louis Scotto has a service contract entered into with Liberty Brokerage Investment Corporation and Tullett Prebon Limited on 21 November 2001. This contract was amended on 20 January 2003, 9 August 2004 and 28 September 2004. The contract provides for a basic annual salary of $875,000 and a discretionary bonus may be paid. The contract is for an indefinite period and is terminable by either party giving the other twelve months' notice. Liberty Brokerage Investment Corporation and Tullett Prebon Limited are entitled to terminate the agreement by paying salary in lieu of notice period.

9.2 Paul Mainwaring's service agreement is with Collins Stewart Tullett plc and Louis Scotto's service agreement is with Liberty Brokerage Investment Corporation and Tullett Prebon Limited. The service agreements of Paul Mainwaring and Louis Scotto will remain in place upon the Scheme becoming effective.

9.3 In order to terminate the service agreements and letters of appointment written notice is required and the notice periods required to terminate the service agreements and letters of appointment (as the case may be) are set out below:

Director	*Notice Period*
Terry Smith	12 months
Paul Mainwaring	12 months
Louis Scotto	12 months
All non-executive Directors	12 months

The non-executive Directors do not have service contracts. Other than payment in lieu of notice, no compensation is payable to any non-executive director upon termination of their appointment. The following table sets out the dates of appointment for the non-executive directors:

	Appointment date of current term
Keith Hamill	22 September 2000
David Clark	10 March 2003
Michael Fallon	1 September 2004
Richard Kilsby	3 June 2005
Bernard Leaver	1 August 2003
John Spencer	22 September 2000

When the Scheme becomes effective the non-executive Directors' letters of appointment will transfer to New CST plc.

9.4 Remuneration of the Directors who were directors of Collins Stewart Tullett plc during the year ended 31 December 2005, with comparative information for the year ended 31 December 2004, is set out in the table below. All amounts shown constitute the total amounts which the respective Director received during 2005.

	Salaries and Fees		*Benefits*		*Bonuses*		*Total*	
	2004	*2005*	*2004*	*2005*	*2004*	*2005*	*2004*	*2005*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Executive directors								
Terry Smith	237	650	2	1	2,868	2,925	3,107	3,576
Louis Scotto [(i)]	252	482	2	3	951	1,455	1,205	1,940
Non-executive directors								
Keith Hamill	100	115	–	–	–	–	100	115
David Clark	29	32	–	–	–	–	29	32
Michael Fallon	11	32	–	–	–	–	11	32
Richard Kilsby[(ii)]	–	19	–	–	–	–	–	19
Bernard Leaver	29	32	–	–	–	–	29	32
John Spencer	34	36	–	–	–	–	34	36

Notes:

(i) Louis Scotto's remuneration for 2004 is in respect of the period from the date of his appointment on 3 June 2004. For the full year his remuneration totalled £2.1 million.

(ii) Richard Kilsby was appointed to the board of Collins Stewart Tullett plc on 3 June 2005.

9.5 For the financial year ended 31 December 2005, the aggregate remuneration paid and benefits in kind granted to the Directors by the Group was £5,782,000 and no amounts were set aside by the Group to provide pension, retirement or similar benefits to the Directors.

9.6 Other than as described in paragraphs 9.1 and 9.2 above no benefit, payment (including payments in lieu of notice) or compensation of any kind is payable to any Director upon termination of his or her employment.

10. Subsidiary undertakings

The following table shows those companies that will be the significant subsidiary undertakings of New CST plc following the Scheme Effective Date. Unless otherwise stated, each of the following subsidiary undertakings will be wholly owned, either by New CST plc or by one of its subsidiaries:

Name	*Incorporated in*	*Principal activities*	*Issued ordinary shares, all voting*
Prebon Yamane (Australia) Pty Limited	Australia	Derivatives and money broking	100%
Tullett Prebon (Australia) Pty. Limited (formerly Tullett Liberty Pty. Limited)	Australia	Derivatives and money broking	100%
Marshalls (Bahrain) WLL*	Bahrain	Derivatives and money broking	70%
Tullett Prebon Data Services Ltd. (formerly Prebon Data Services (Bermuda) Limited)	Bermuda	Information sales	100%
Tullett Prebon Technology Data Services Ltd. (formerly Prebon Technology Data Services (Bermuda) Limited)	Bermuda	Information sales	100%
Prebon Canada Limited	Canada	Derivatives and money broking	100%
Tullett Prebon Capital Markets France S.A.S. (formerly Tullett Liberty Capital Markets (France) SAS)	France	Derivatives and money broking	100%
Tullett Prebon France S.A.S. (formerly Collins Stewart Tullett France SAS)	France	Securities broking	100%
Collins Stewart Europe Limited	England and Wales	Stockbroking	100%
Collins Stewart Property Fund Management Limited	England and Wales	Property management	83.25%
Fulton Prebon Group Limited	England and Wales	Holding company	100%
FPG Holdings Limited	England and Wales	Holding company	100%
Tullett Prebon Administration Limited (formerly known as Prebon Administration Limited)	England and Wales	Holding company	100%
Prebon Group Limited	England and Wales	Holding company	100%
Prebon Limited (Japan branch)	England and Wales	Derivatives	100%
Prebon Technology Holdings Limited	England and Wales	Holding company	100%
Prebon Technology Limited	England and Wales	IT support services	100%
Prebon Yamane International Limited	England and Wales	Holding company	100%
Tullett Liberty (European Holdings) Limited	England and Wales	Holding company	100%
Tullett Liberty (Number 2) Limited	England and Wales	Holding company	100%
Tullett Liberty (Oil & Energy) Holdings Limited	England and Wales	Energy broking	100%
Tullett Liberty (Oil & Energy) Limited	England and Wales	Energy broking	100%
Tullett Liberty (Overseas Holdings) Limited	England and Wales	Holding company	100%
Tullett Prebon (Equities) Limited (formerly Tullett Liberty (Equities) Limited)	England and Wales	Securities broking	100%
Tullett Prebon Limited	England and Wales	Holding company	100%
Tullett Prebon (Securities) Limited (formerly Tullett Liberty (Securities) Limited)	England and Wales	Securities broking	100%
Tullett Prebon (Treasury & Derivatives) Limited (formerly Tullett Liberty (Treasury and Derivatives) Limited)	England and Wales	Derivatives and money broking	100%
Tullett Prebon (UK) Limited (formerly Prebon Marshall Yamane (UK) Limited)	England and Wales	Derivatives and money broking	100%
Collins Stewart (CI) Limited	Guernsey	Stockbroking	100%
Collins Stewart (CI) Holdings Limited	Guernsey	Holding company	100%
Collins Stewart Fund Management Limited	Guernsey	Investment fund management	100%
Collins Stewart Portfolio Management Limited (formerly Collins Stewart Asset Management Limited)	Guernsey	Investment fund management	100%
Tullett Prebon Information Limited (formerly Tullett Financial Information (C.I.) Limited)	Guernsey	Information sales	100%
Tullett Liberty (Hong Kong) Limited	Hong Kong	Derivatives and money broking	100%
Tullett Prebon (Hong Kong) Limited (formerly Prebon Yamane (Hong Kong) Limited)	Hong Kong	Derivatives and money broking	100%
PT. Inti Tullett Prebon Indonesia (formerly PT Inti Prebon Moneybrokers)	Indonesia	Derivatives and money broking	57.52%
Tullett Liberty Japan Limited	Japan	Derivatives and money broking	100%
Collins Stewart (Offshore) Limited (formerly Insinger de Beaufort (International) Limited)	Jersey	Stockbroking and asset management	100%
Tullett Prebon Money Brokerage (Korea) Limited	Korea	Derivatives and money broking	100%
Tullett Prebon (Luxembourg) S.A. (formerly Prebon Yamane (Luxembourg) S.A.)	Luxembourg	Derivatives and money broking	100%
Brondgeest Van Hees International Securities BV (formerly Tullett Liberty Nederland B.V.)	Netherlands	Securities broking	100%

Name	Incorporated in	Principal activities	Issued ordinary shares, all voting
Tullett Liberty B.V.	Netherlands	Holding company	100%
Prebon Holdings B.V.	Netherlands	Holding company	100%
Tullett Prebon (Philippines) Inc. (formerly Prebon Philippines Inc.)	Philippines	Derivatives and money broking	51%
Prebon Yamane (Polska) SA	Poland	Derivatives and money broking	100%
Tullett Liberty (Energy) Holdings Pte. Ltd.	Singapore	Holding company	100%
Tullett Liberty (Oil & Energy) Pte. Ltd.	Singapore	Energy broking	100%
Tullett Liberty Pte. Ltd.	Singapore	Derivatives and money broking	100%
Tullett Prebon Energy (Singapore) Pte. Ltd. (formerly Prebon Energy (Singapore) Pte. Ltd.)	Singapore	Derivatives and money broking	100%
Tullett Prebon (Singapore) Limited (formerly Prebon Yamane (Singapore) Limited)	Singapore	Energy broking	100%
Prebon Yamane Financial Services (Singapore) Pte Limited	Singapore	Derivatives and money broking	100%
Cosmorex A.G.	Switzerland	Money broking	100%
Cosmorex Holdings A.G.	Switzerland	Holding company	100%
Collins Stewart Inc.	USA	Stockbroking	100%
CS Tullett Holdings Corp.	USA	Holding company	100%
Fulton Prebon Administration Services LLC	USA	Holding company	100%
Prebon Energy Inc	USA	Energy broking	100%
Prebon Financial Products Inc.	USA	Securities broking	100%
Prebon Futures Inc.	USA	Derivatives	100%
Prebon Securities (USA) Inc.	USA	Securities broking	100%
Prebon Yamane (USA) Inc.	USA	Derivatives and money broking	100%
Tullett Liberty Brokerage Inc.	USA	Securities broking	100%
Tullett Liberty Inc.	USA	Derivatives and money broking	100%
Tullett Liberty Securities Inc.	USA	Securities broking	100%
Tullett Prebon Holdings Corp. (formerly Collins Stewart Tullett Holdings Inc.)	USA	Holding company	100%

** The Group's interest in the trading results is 90%.*

11. Property, Plant and Equipment

The following are the Group's material leased properties:

Location	Area	Agreements	Details
8th and 9th Floors 88 Wood Street London EC2V 7QR	18,342 square feet	In respect of the 9th floor lease between (1) Daiwa Europe Property plc ("Daiwa") and (2) Collins Stewart Europe Limited and (3) Collins Stewart Tullett plc	The lease was entered into on 8 November 2000. The term is for 20 years. The annual rent is £1,100,520 plus service charge and insurance. On 23 January 2004 Daiwa sold the building to Sachwert Rendite-Fonds England GmbH & Co. KG. ("Sachwert"). On 26 September 2006 Sachwert transferred its interest to Wood Street Nominee (Number 1) Limited and Wood Street Nominee (Number 2) Limited.
	7,951 square feet	In respect of the 8th floor leases between (1) Enskilda Securities AB and (2) Collins Stewart Europe Limited	Underleases entered into on 1 May 2001 and 7 February 2002 and expiring on 30 April 2007. Notice to terminate the underlease has been received. As of 1 May 2006 the underleases provide for rent of £223,890 and £112,922 respectively, plus service charge and insurance.

Location	*Area*	*Agreements*	*Details*
Cable House 54-62 New Broad Street London EC2M 1ST	57,055 square feet	Lease between (1) Haslemere Estates Plc and (2) Tullett Prebon Limited	The lease was entered into on 25 December 1987 and expires on 24 March 2013. The annual rent is £2,790,000 plus service charge and insurance. Rent reviews are on 24 June 2007 and 2012.
80 Pine Street New York 10005 USA	56,660 square feet	In respect of the 26th to 29th floors, part of the 25th floor and the basement, leases between (1) 80 Pine LLC and (2) Tullett Prebon Holdings Corp.	The leases were entered into on 3 November 1995 and expire on 30 November 2010. The annual rents are currently $1,919,784 plus service charge.
155 Bishopsgate London EC2	40,472 square feet	Lease between (1) B.L.C.T. (PHC7) Limited and (2) Tullett Prebon UK Limited	The lease was entered into on 30 October 1989 and expires on 3 July 2019. The annual rent is £1,931,000 plus service charge.
101 Hudson Street Jersey City New Jersey 07302	63,372 square feet	Lease between (1) 101 Hudson Leasing Associates and (2) Prebon Yamane (USA) Inc.	The lease was entered into on 26 November 1993 and expires on 30 April 2011. The annual rent is $1,457,556 plus service charge.
40 Wall Street 26th Floor and part 27th Floor New York 10005	18,783 square feet	Lease between (1) 40 Wall Street LLC and (2) Tullett Prebon Holdings Corp.	The lease was entered into on 22 April 2004 and expires on 31 July 2014. The annual rent is $582,273 plus service charge.
444 Madison Avenue 41st Floor New York 10022	3,908 square feet	Lease between (1) Merrill Lynch, Pierce, Fenner & Smith Incorporated and (2) Collins Stewart Inc.	The sublease was entered into on 30 June 2001 and expires on 29 November 2010. The annual rent is $263,334.33 plus service charge.
444 Madison Avenue 42nd Floor New York 10022	3,580 square feet	Lease between (1) Elf Aquitaine and (2) Collins Stewart Inc.	The sublease was entered into on 17 March 2004 and expires on 30 November 2010. The annual rent is $141,553.20 plus service charge.
Hirzel House Smith Street St Peter Port Guernsey GY1 1AX	4,787 square feet	Lease between (1) Hugo (Guernsey) Limited and (2) Collins Stewart (CI) Limited.	The lease was entered into on 3 June 1991 and expires on 3 June 2012. The annual rent is £127,680 plus service charge.
No 1 Le Truchot St Peter Port Guernsey GY1 4AE	6,803 square feet	Lease between (1) Walter Property Limited and (2) Collins Stewart (CI) Limited	The lease was entered into on 10 June 2005 and expires on 23 June 2015. The annual rent is £167,042 plus service charge.
50 Raffles Place #34-06 and 39-01/06 Singapore Land Tower Singapore 048623	16,655 square feet	Lease between (1) S.L. Development Pte Limited and (2) Tullett Prebon (Singapore) Limited	The lease was entered into on 1 May 2006 and expires on 30 April 2009. The annual rent is S$1,209,153.00 plus service charge.
89-91 Rue du Faubourg Saint Honore 75008 Paris	850 square metres	Lease between (1) Locindus SA and (2) Tullett Prebon France	The lease was entered into on 28 March 1994 and expires on 28 March 2014. The annual rent is €419,468 plus service charge.

New CST plc has no items of equipment which are material tangible fixed assets.

12. Securities laws

12.1 The distribution of this document and the issue of Ordinary Shares in exchange for Collins Stewart Tullett Shares as part of the Scheme in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

12.2 This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

12.3 No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. Neither the delivery of this document nor any subscription or sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of Group since the date of this document or that the information in it is correct as of any subsequent time.

12.4 The contents of this document should not be construed as legal, financial or tax advice. Each Collins Stewart Tullett Share Owner should consult his, her or its own legal, financial or tax adviser for legal, financial or tax advice.

13. UK taxation

13.1 General

The following statements are intended to apply only as a general guide to current UK tax law and to the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. They are intended to apply only to New CST Share Owners who are resident (or, in the case of an individual, ordinarily resident) in the UK for UK tax purposes (except in so far as express reference is made to the treatment of non-UK residents), who hold Ordinary Shares as investments and who are the beneficial owners of Ordinary Shares. The statements may not apply to certain classes of share owner such as dealers in securities. New CST Share Owners who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the Ordinary Shares or who are subject to tax in a jurisdiction other than the UK should consult their own tax advisers.

13.2 Dividends

Under current UK tax law, New CST plc will not be required to withhold tax at source from dividend payments it makes.

(a) Individuals

An individual New CST Share Owner who is resident in the UK for tax purposes and who receives a dividend from New CST plc will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual share owner's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the **gross dividend**) which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10 per cent. of the "gross dividend" (i.e. the tax credit will be one-ninth of the amount of the dividend).

Generally, a UK resident individual share owner who is not liable to income tax in respect of the gross dividend will not be entitled to any payment from HMRC in respect of any part of the tax credit. A UK resident share owner who is liable to income tax at the lower or basic rate will be subject to income tax on the dividend at the rate of 10 per cent. of the gross dividend so that the tax credit will satisfy in full such share owner's liability to income tax on the dividend. A UK resident individual share owner liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent. but

will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that such a share owner will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to one quarter of the net cash dividend received).

(b) Companies

A corporate New CST Share Owner resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from New CST plc. Such corporate New CST Share Owners will not be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by New CST plc.

(c) Non-residents

New CST Share Owners resident outside the UK will not generally be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by New CST plc.

(d) Pension Funds

UK pension funds will not be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by New CST plc.

13.3 Capital Gains

A disposal of Ordinary Shares by a New CST Share Owner who is either resident or ordinarily resident in the UK for tax purposes, or is not UK resident but carries on a trade, profession or vocation in the UK through a permanent establishment, branch or agency and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency, may, depending on the New CST Share Owner's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains. Disposals by individuals at a time when they are (or are deemed for the purposes of a relevant double tax treaty to be) temporarily not resident or ordinarily resident in the UK may, in certain circumstances, subsequently be subject to tax in the UK.

For individuals, taper relief may reduce the proportion of any gain realised on a disposal of Ordinary Shares that is subject to tax in the UK. If the Ordinary Shares are held as non-business assets the gain is reduced by 5 per cent. after the assets have been held for three whole years and by a further 5 per cent. for each subsequent whole year for which the asset is held, up to a maximum reduction of 40 per cent. of the gain after ten whole years. Individuals may also be entitled to an annual exemption (£8,800 for the 2006/2007 tax year). Employees who hold Ordinary Shares as capital assets are entitled to taper relief at a higher rate. However, the tax treatment of employees holding Ordinary Shares may vary and employees are encouraged to obtain separate advice.

Companies are not entitled to taper relief. However an indexation allowance may be available, effectively giving relief for the gain in line with inflation.

13.4 Stamp duty and stamp duty reserve tax (SDRT)

In relation to Ordinary Shares, no liability to stamp duty or SDRT will arise on the issue, or on the issue of definitive share certificates in respect of the issue, by New CST plc of the Ordinary Shares pursuant to the Demerger, save in specific circumstances set out below.

The conveyance or transfer on sale of Ordinary Shares outside the CREST system will generally be subject to *ad valorem* stamp duty on the instrument of transfer at the rate of 0.5 per cent. (rounded up to the nearest £5) of the amount or value of the consideration given. Stamp duty will normally be payable by the purchaser or transferee of Ordinary Shares. An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed and duly stamped, the SDRT liability will be cancelled and any SDRT which has been paid will be repaid. SDRT will normally be the liability of the purchaser or transferee of the Ordinary Shares.

Where Ordinary Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty (in the case of a transfer to such persons) or SDRT may be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares or, in the case of an issue to such persons, the issue price of the Ordinary Shares. Clearance service providers may opt, under certain circumstances, for the normal rates of stamp duty and SDRT to apply to an issue or transfer of Ordinary Shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of the Ordinary Shares into the clearance system and the exemption for dealings in the Ordinary Shares whilst in the system.

Under the CREST system for paperless share transfers, deposits of Ordinary Shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at the rate of 0.5 per cent. of the value of the consideration given. Paperless transfers of Ordinary Shares within CREST will generally be liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT from the purchaser of the Ordinary Shares on relevant transactions settled within the system.

The above statements are intended as a general guide to the current position. Certain categories of person, including certain intermediaries, are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

13.5 Inheritance Tax

The Ordinary Shares will form part of the estate for inheritance tax purposes of an individual New CST Share Owner, so inheritance tax may be chargeable on the death of such New CST Share Owner or on a gift or transfer at an undervalue.

14. US Federal income taxation

14.1 The following is a summary of certain US federal income tax considerations relevant to the purchase, ownership and disposition of Ordinary Shares. The following is not a complete description of all the tax considerations that may be relevant to a particular share owner.

This summary addresses only US Holders (as defined below) who hold Ordinary Shares as capital assets and use the US dollar as their functional currency. It does not address the tax treatment of investors subject to special rules, such as banks, dealers, traders in securities that elect mark to market treatment, insurance companies, tax-exempt entities, holders of a beneficial interest in five per cent. or more (directly, indirectly or by attribution) by voting power or value of Ordinary Shares, persons who have ceased to be US citizens or to be taxed as resident aliens, persons holding Ordinary Shares through a partnership, estate or trust or as part of a hedge, straddle, conversion or other integrated financial transaction and persons resident or ordinarily resident in the UK. In addition, it does not address consequences relevant to holders of an equity interest in a holder of Ordinary Shares.

Each investor is advised to consult its own tax advisers about the US federal, state and local tax consequences to it of holding and disposing of Ordinary Shares.

As used here, **US Holder** means a beneficial owner of Ordinary Shares that is for US federal income tax purposes (a) a US citizen or individual resident of the United States, (b) a corporation created or organised in or under the laws of the United States or any state thereof (including the District of Columbia), (c) a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have authority to control all the substantial decisions of such trust or (d) an estate the income of which is subject to US federal income tax regardless of its source.

The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, and published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

To ensure compliance with requirements imposed by the US Internal Revenue Service (the IRS), we inform you that any tax discussion herein was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding US federal income tax penalties that may be imposed on the taxpayer. Any such tax discussion was written to support the promotion or marketing of the proposals described herein. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax adviser.

14.2 Distributions

Subject to the passive foreign investment company rules set out below, cash distributions paid with respect to Ordinary Shares generally will be treated as dividends and included in the gross income of a US Holder as ordinary income to the extent paid out of New CST plc's earnings and profits as determined under US federal income tax principles. To the extent that a distribution exceeds New CST plc's earnings and profits, it will be treated as a non-taxable return of capital to the extent of the US Holder's adjusted tax basis in the Ordinary Shares and thereafter as a capital gain. US Holders should not expect New CST plc to maintain calculations of its earnings and profits under US federal income tax principles, and US Holders should therefore expect to treat all cash distributions as dividends for such purposes. The dividends will not be eligible for the dividends-received deduction available to corporations. Dividends generally will constitute income from sources outside the United States for purposes of the US foreign tax credit. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For tax years before 1 January 2007, dividends received with respect to the Ordinary Shares will generally be treated as "passive income" or, in the case of certain holders, "financial services income" for United States foreign tax credit limitation purposes, and for tax years beginning after 31 December 2006, will generally be treated as "passive category income" or "general category income" for United State foreign tax credit limitation purposes. The rules regarding availability of foreign tax credits are complex and US Holders may be subject to various limitations on the amount of foreign tax credits that are available.

Dividends paid in pounds sterling will be included as a US dollar amount based on the exchange rate in effect on the date of receipt whether or not the payment is converted into dollars at that time. A US Holder's tax basis in pounds sterling will equal such US dollar amount. Any gain or loss recognised on a subsequent conversion of the pounds sterling for a different currency will generally be US source ordinary income or loss. Distributions to US Holders of additional Ordinary Shares or rights to acquire additional Ordinary Shares that are made as part of a *pro rata* distribution to all share owners of New CST plc may not be subject to US federal income tax.

Certain dividends received by individual US Holders (as well as certain trusts and estates) in taxable years beginning before 1 January 2011 generally will be subject to a maximum income tax rate of 15 per cent. This reduced income tax rate is only applicable to dividends paid by "qualified corporations" and only with respect to Ordinary Shares held for a minimum holding period of at least 61 days during a specified 121-day period. New CST plc reasonably expects to be considered a qualified corporation. Accordingly, subject to the summary of passive foreign investment company considerations in paragraph 14.4 below, dividends paid by New CST plc should be eligible for the reduced income tax rate. The amount of dividend income, if any, paid by New CST plc to a US Holder that is subject to the reduced dividend income tax rate and that is taken into account for purposes of calculating the US Holder's foreign tax credit limitation must be reduced by the "rate differential portion" of such dividend.

14.3 Sale or Other Disposition

Subject to the passive foreign investment company rules summarised below, a US Holder generally will recognise a capital gain or loss on the sale or other disposition of Ordinary Shares equal to the

difference between the amount realised (or the US dollar value of any amount received other than in US dollars) and the US Holder's adjusted tax basis in the Ordinary Shares. Any gain or loss generally will be treated as arising from US sources. Such gain or loss, if any, will be a capital gain or loss and will be long-term capital gain or loss if the Ordinary Shares were held for more than one year. The deductibility of capital losses is subject to significant limitations. A maximum US federal tax rate of 15 per cent. (rather than the higher rates of tax generally applicable to items of ordinary income) will generally apply to individual US Holders (as well as certain trusts and estates) with respect to gains on capital assets held for over one year and sold or otherwise disposed of in taxable years beginning before 1 January 2011.

A US Holder that receives foreign currency on the sale or other disposition of Ordinary Shares will realise an amount equal to the US dollar value of the foreign currency on the date of sale (or in the case of cash basis and electing accrual basis taxpayers, the US dollar value of the foreign currency on the settlement date). If a US Holder receives foreign currency upon a sale or exchange of Ordinary Shares, the gain or loss, if any, recognised on the subsequent sale, conversion or disposition of such foreign currency will be ordinary income or loss, and will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. However, if such foreign currency is converted into US dollars on the date received by the US Holder, a cash basis or electing accrual US Holder should not recognise any gain or loss on such conversion.

14.4 Passive Foreign Investment Company Considerations

A corporation organised or incorporated outside the United States is a passive foreign investment company (a **PFIC**) in any taxable year in which, after taking into account its income and assets and the income and assets of certain subsidiaries either (a) at least 75 per cent. of its gross income is passive income or (b) at least 50 per cent. of the average value of its assets is attributable to assets that produce or are held to produce passive income.

New CST plc believes that it is not a PFIC and that New CST plc will not become a PFIC after the Scheme becomes effective. However, because this is a factual determination made at the end of the taxable year, there can be no assurance that New CST plc will not become a PFIC for any future taxable year.

If New CST plc were a PFIC in any year during which a US Holder owns Ordinary Shares, the US Holder would be subject to additional taxes on any "excess distributions" received from New CST plc and from any gain realised from a sale or other disposition of Ordinary Shares (regardless of whether New CST plc continues to be a PFIC). In addition, corporations classified as PFICs are not qualified corporations (as discussed in paragraph 14.2 above) and dividends paid by such corporations are not eligible for the reduced tax rate that may otherwise be available to US Holders that are individuals, trusts or estates.

US Holders can avoid some of the tax consequences described above by making certain valid elections with respect to Ordinary Shares.

Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime to New CST plc, the consequences thereof and the availability of these elections.

14.5 Information Reporting and Backup Withholding Tax

In general, payments of dividends with respect to, and the proceeds of a sale, redemption or other disposition of, Ordinary Shares, payable to a US Holder by a US paying agent or other US intermediary will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the requirements of the backup withholding rules. Certain US Holders (including, among others, corporations) are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a US Holder's federal income tax liability, and a US Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing all required information.

15. Material contracts

The Demerger and reorganisation agreements summarised in paragraphs 2 and 3 of Part V of this document, when they are entered into will be material contracts of the Group. The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which New CST plc or any member of the Group is a party, for the two years immediately preceding the date of publication of this document and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Group which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

(a) An agreement for the sale and purchase of shares in Totan Capital Markets Co. Ltd. ("TCM") dated 5 November 2004 between Tullett Liberty Limited (now Tullett Prebon Limited) ("TPL") and Totan Holdings Co., Ltd. ("Totan") and Garban International ("Garban") pursuant to the terms of which TPL agreed to sell its entire shareholding in TCM. TPL sold 639 shares in TCM to Totan and 250 shares in TCM to Garban for a total consideration of approximately ¥1.37 billion. The agreement contained only limited warranties between the parties and terminated a joint venture agreement between the parties in relation to TCM in so far as it related to TPL.

(b) An agreement for the sale and purchase of shares in Insinger de Beaufort (International) Limited dated 16 September 2005 between Bank Insinger de Beaufort N.V. (the "Seller") and Collins Stewart (CI) Limited (the "Purchaser") pursuant to the terms of which the Seller agreed to sell its entire shareholding in Insinger de Beaufort (International) Limited to the Purchaser. The total initial consideration was £8,100,000, payable as to £4,850,000 on 3 October 2005 and £3,250,000 on 3 April 2006. Deferred consideration, calculated by reference to the income from existing broking clients, is also payable for the two-year period ending 30 September 2007. The agreement contained general commercial representation and warranties by the Seller, including the existence, power and authority of the Seller, and the absence of any required consents and encumbrances on the shares.

(c) A sponsor's agreement dated 31 October 2006 between Collins Stewart Tullett plc, Collins Stewart plc, New CST plc and Lehman Brothers International (Europe) ("Lehman") under which each of Collins Stewart Tullett plc, New CST plc and Collins Stewart plc confirmed the appointment of Lehman as its sponsor (and Lehman agreed, subject to certain conditions, to act as sponsor) for the purposes of the circular to shareholders with respect to the Proposals, the Admission of Collins Stewart plc and the Admission of New CST plc respectively. Lehman may terminate the sponsor's agreement in certain circumstances prior to Admission. These circumstances include non-compliance with the obligations under the sponsor's agreement or the occurrence of certain changes in the condition of the Collins Stewart Tullett Group. Collins Stewart Tullett plc, New CST plc and Collins Stewart plc have given certain representations and/or warranties and/or indemnities to Lehman as are usual in an agreement of this nature.

(d) A conditional agreement for the sale and purchase of shares in Hawkpoint Holdings Limited dated 26 October 2006 between Collins Stewart Europe Limited and the shareholders of Hawkpoint ("Hawkpoint Shareholders") pursuant to the terms of which the Hawkpoint Shareholders agreed to sell their entire shareholding in Hawkpoint Holdings Limited. The Hawkpoint Shareholders will sell the entire share capital of Hawkpoint Holdings Limited to Collins Stewart Europe Limited in consideration for £40 million in cash (with a loan note alternative) and the issue of 35,074,221 new Collins Stewart Shares. Deferred consideration is payable equivalent to the amount of surplus cash held by the Hawkpoint Group at 31 December 2006. The agreement contains certain representations and warranties as are usual in an agreement of this nature. Subject to the satisfaction or, where permitted, the waiver of the conditions (which include the Demerger)

the acquisition is expected to complete on 22 December 2006. Certain of the Hawkpoint Shareholders have agreed to indemnify Collins Stewart plc against liabilities arising from certain taxation matters under an agreed form of tax deed.

(e) Agreements between Collins Stewart Tullett plc and the trustees of the Tullett Liberty Pension Scheme and the trustees of the Prebon Yamane (Ex K-W) Pension Scheme and the principal employers respectively, each dated 12 July 2006, conditional on the proposed return of excess cash to shareholders, which govern the agreed measures to eliminate the FRS 17 deficits in such schemes by 31 December 2010. If the proposed return of cash to shareholders proceeds then these agreements provide that to the extent the FRS 17 deficits are not on track to be eliminated the principal employers will pay the shortfall into an escrow account.

16. Currency

Unless otherwise indicated, all references in this document to "pounds sterling", "sterling" "GBP", "£", "pence" or "p" are to the lawful currency of the United Kingdom and all references to "US$", "US Dollars", "USD", "dollars" or "$" are to the lawful currency of the United States of America. The Group prepares its financial statements in pounds sterling.

17. Litigation

17.1 Prebon Yamane (Singapore) Limited ("PY(S)L"), a Singapore company, is involved in ongoing litigation with BGC International (Singapore) ("BGC"), a Singapore branch of a company incorporated in England and Wales, and 55 named brokers. PY(S)L is claiming damages from BGC arising from alleged unlawful poaching of staff in Singapore on the grounds of (a) conspiracy to induce employees on fixed term employment contracts to breach those contracts and (b) actively inducing those employees to breach their contracts and start work for BGC. The case is currently in the discovery stage with a trial window of October to December 2006. PY(S)L has been advised that it will recover substantial damages at trial in the event that the case is not settled prior to those dates.

17.2 In March 2006, Tullett Prebon received an enquiry from the US Securities and Exchange Commission regarding fixed income securities as part of a wider investigation involving certain inter-dealer brokers. Tullett Prebon is cooperating fully in this matter.

17.3 Save as referred to in paragraphs 17.1 and 17.2, neither New CST plc nor any member of the Group is or has been engaged in any governmental legal or arbitration proceedings (including any such proceedings which are pending or threatened of which New CST plc is aware) during the period covering at least the twelve months preceding the date of this document which may have, or have had in the recent past significant effects on New CST plc's and/or the Group's financial position or profitability.

18. Consents

18.1 Deloitte & Touche LLP is a member of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion in this document of its name, reports, letter and references to it in the form and context in which they appear and has authorised the contents of that part of this prospectus for the purposes of paragraph 5.5.3R(2)(f) of the Prospectus Rules.

18.2 Lehman Brothers has given and not withdrawn its written consent to the inclusion in this document of its name and references to it in the form and context in which they appear.

19. General

19.1 Transaction Costs

The total costs (exclusive of any amounts in respect of value added tax) payable by the Group in connection with the Scheme and Demerger and the listing of New CST plc are estimated to amount to approximately £4.0 million. Given the inter-relationship between the Scheme and Demerger and the listing of New CST plc, it is not practicable to separate costs attributable solely to the Scheme and Demerger or to the listing of New CST plc. There are no amounts payable to financial intermediaries.

19.2 Third Party Information

All information sourced from a third party in this document has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

19.3 Comparative Financial Information

In all places in this document where 2005 financial information has been compared to 2004, the 2004 financial information has been presented on an IFRS basis and has been extracted without material adjustment from the Accountant's Report in Part IX of this document.

20. Documents available for inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of twelve months from the date of publication of this document at New CST plc's registered office at Cable House, 54-62 New Broad Street, London EC2M 1ST and the office of Allen & Overy LLP, One Bishops Square, London E1 6AO:

(a) the memorandum and articles of association of New CST plc;

(b) Collins Stewart Tullett plc's annual report and accounts for the financial years ended 31 December 2003, 31 December 2004 and 31 December 2005;

(c) Collins Stewart Tullett plc's listing particulars dated 24 September 2004 in relation to the acquisition of FPG Holdings Limited;

(d) the Accountant's Report on Collins Stewart Tullett plc for the Year Ended 31 December 2004 contained in Part X of this document;

(e) the Accountant's Report on the Company contained in Part XI of this document;

(f) the Accountant's Report on the Pro Forma Financial Information contained in Part XII of this document;

(g) copies of the rules of the New Share Plans;

(h) the Directors' service agreements and draft letters of appointment referred to under "Directors' service agreements and emoluments" above;

(i) the consent letters referred to under "Consents" in this Part XIV;

(j) the material contracts referred to under "Material contracts" in this Part XIV;

(k) the draft agreements relating to the Demerger (including the draft US reorganisation agreements) referred to in paragraphs 2 and 3 of Part V of this document;

(l) the Scheme Circular; and

(m) this document.

Dated 31 October 2006

PART XV

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

Admission	admission of the Ordinary Shares to the Official List and to trading on the market for listed securities of the London Stock Exchange and **Admission becoming effective** means it becoming effective in accordance with paragraph 3.2.7 of the Listing Rules
AIM	Alternative Investment Market
the Board	the directors of New CST plc from time to time
business day	a day (excluding Saturday or Sunday) on which banks generally are open for business in the City of London for the transaction of normal banking business
Collins Stewart	the stockbroking business and other activities of the Collins Stewart Group
Collins Stewart Europe Limited	Collins Stewart Europe Limited, a private limited company incorporated in England and Wales with registered number 1774003
Collins Stewart Group	before the Demerger Effective Time, Collins Stewart Europe Limited and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings as constituted immediately prior to the Demerger Effective Time and, after the Demerger Effective Time, Collins Stewart plc and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings
Collins Stewart Group Reduction Court Hearing	the hearing of the petition to sanction the Collins Stewart Group Reduction of Capital by the Court
Collins Stewart Group Reduction of Capital	The proposed reduction of capital of Collins Stewart plc under Section 135 of the Companies Act described in paragraph 11 of Part V of this document
Collins Stewart Group Transfer	the transfer by Collins Stewart Tullett plc to New CST plc, as part of the Demerger, of the entire issued share capital of the Collins Stewart Group
Collins Stewart Group Transfer Agreement	the share purchase agreement, to be entered into between Collins Stewart Tullett plc and New CST plc after New CST plc has become the holding company of Collins Stewart Tullett plc, in order to give effect to the Collins Stewart Group Transfer. Further details of the Collins Stewart Group Transfer Agreement are set out in paragraph 2 of Part V of this document
Collins Stewart plc	Collins Stewart plc, a public limited company incorporated in England and Wales with registered number 5807587
Collins Stewart Share Owner	a holder of Collins Stewart Shares

Collins Stewart Shares
(a) prior to the Collins Stewart Group Reduction of Capital, the ordinary shares of 150 pence (or such lower nominal value as the directors of Collins Stewart plc shall decide prior to the date on which the Court is asked to sanction the New CST Reduction of Capital to effect the Demerger) each in Collins Stewart Holdings plc to be allotted and issued pursuant to the Demerger; and

(b) following the Collins Stewart Group Reduction of capital becoming effective, the ordinary shares of 25 pence each in Collins Stewart plc

Collins Stewart Tullett
the business and activities of the Collins Stewart Tullett Group

Collins Stewart Tullett Group
Collins Stewart Tullett plc and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings

Collins Stewart Tullett plc
Collins Stewart Tullett plc, a public limited company incorporated in England and Wales with registered number 3904126

Collins Stewart Tullett Reduction Court Hearing
the hearing of the petition to sanction the Collins Stewart Tullett Reduction of Capital by the Court

Collins Stewart Tullett Reduction of Capital
the proposed reduction of capital of Collins Stewart Tullett plc in connection with the Scheme, as described in paragraph 1 of Part V of this document

Collins Stewart Tullett Share Owner
a holder of Collins Stewart Tullett Shares

Collins Stewart Tullett Share Plans
(i) the Tullett Liberty Equity Incentive Plan;
(ii) the Collins Stewart Tullett plc Unapproved Share Option Scheme
(iii) the Collins Stewart Tullett plc Unapproved Share Option Scheme for options granted by the trustee of the Collins Stewart Tullett plc employee share ownership trust
(iv) the Collins Stewart Tullett plc Company Share Option Plan
(v) the Collins Stewart Tullett plc 2003 Share Option Scheme; and
(vi) the Collins Stewart Tullett plc Sharesave Scheme 2000

Collins Stewart Tullett Shares
the ordinary shares of 25 pence each of Collins Stewart Tullett plc

Combined Code
the Combined Code on Corporate Governance dated July 2003 appended to the Listing Rules

Companies Act
the Companies Act 1985, as amended

Court
the High Court of Justice of England and Wales

Court Meeting
the meeting, notice of which is set out in Part 9 of the Scheme Circular, of the holders of Collins Stewart Tullett Shares convened by order of the Court pursuant to section 425 of the Companies Act to consider and, if thought fit, approve the Scheme, and any adjournment thereof

CREST
the system for the paperless settlement of trades in listed securities operated by CRESTCo Limited

CREST Regulations
the Uncertificated Securities Regulations 2001, as amended

CS Inc	Collins Stewart Inc., a private corporation incorporated in Delaware under registered number 2880769
CSCI	Collins Stewart (CI) Holdings Limited, a private limited company incorporated in Guernsey under registered number 482351
CSL	Collins Stewart Europe Limited, a private limited company incorporated in England and Wales with registered number 1774003
Demerger	the proposed demerger of Collins Stewart Europe Limited to create the Group and the Collins Stewart Group (summarised in Part V of this document); and, where the context requires, includes the Scheme, the Collins Stewart Group Transfer and the New CST Reduction of Capital
Demerger Agreement	the demerger agreement expected to be entered into between New CST plc and Collins Stewart plc after the Collins Stewart Group Transfer as described in paragraph 2 of Part V of this document
Demerger Effective Time	the time and date on which the Demerger becomes effective, expected to be 8.00 am (London Time) on 19 December 2006
Demerger Record Time	6.00 am (London time) on the day on which the New CST Reduction of Capital becomes effective
Directors	the directors and proposed directors of New CST plc set out in Part IV of this document, except where otherwise indicated
Disclosure Rules	the disclosure rules of the FSA
Exchange Act	the United States Securities Exchange Act of 1934, as amended
Extraordinary General Meeting or **EGM**	the extraordinary general meeting of Collins Stewart Tullett plc convened for 23 November 2006, notice of which is set out in Part 13 of the Scheme Circular, and any adjournment thereof
FSA	Financial Services Authority
FSMA	the Financial Services and Markets Act 2000 (as amended)
Group	means, before the Demerger Effective Time, the Collins Stewart Tullett Group and, following the Demerger, means New CST plc and its subsidiaries and subsidiary undertakings as from the Demerger Effective Time and, where the context requires, its associated undertakings
Hawkpoint	the corporate finance advisory business and other activities of the Hawkpoint Group
Hawkpoint Group	Hawkpoint Holdings Limited and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings
Hawkpoint Holdings Limited	Hawkpoint Holdings Limited, a private limited company incorporated in England and Wales with registered number 3875826
HMRC	Her Majesty's Revenue and Customs
IDB	inter-dealer broker
IFRS	International Financial Reporting Standards

in certificated form	in relation to a share or other security, a share or other security which is not in uncertificated form
Initial Share Owners	two partners of Allen & Overy LLP, the Company's legal advisers
Lehman Brothers	Lehman Brothers Europe Limited and/or Lehman Brothers International (Europe) as the case may be
Listing Rules	the listing rules of the UK Listing Authority
London Stock Exchange	London Stock Exchange plc
NASD	The National Association of Securities Dealers
New CST Articles	the articles of association of New CST plc
New CST Memorandum	the memorandum of association of New CST plc
New CST plc or **the Company**	New CST plc, a public limited company incorporated in England and Wales with registered number 5807599 (to be renamed Tullett Prebon plc)
New CST Reduction Court Hearing	the hearing of the petition to sanction the New CST Reduction of Capital by the Court
New CST Reduction of Capital	the proposed reduction of capital of New CST plc under section 135 of the Companies Act
New CST Share Owner	a holder of Ordinary Shares
New Share Plans or New Employee Share Plans	the New CST Long Term Incentive Plan and the New CST Share Savings Plan, the principal terms of which are summarised in Part XIII of this document
New Shares	the ordinary shares of 25 pence each in the capital of Collins Stewart Tullett plc created following the cancellation of the Scheme Shares which shall be of an aggregate nominal amount equal to the aggregate nominal amount of the shares cancelled
NOMAD	Nominated adviser
Official List	the Official List of the UK Listing Authority
Ordinary Shares	ordinary shares in the capital of New CST plc to be issued credited as fully paid pursuant to the Scheme, the nominal value of which is to be adjusted at an extraordinary general meeting of New CST plc to be held prior to the Scheme Effective Date
overseas share owners	share owners resident in, or citizens or nationals of, jurisdictions outside the United Kingdom
pence or **£**	the lawful currency of the United Kingdom
Prebon	FPG Holdings Limited, parent company of a group of companies trading as, *inter alia*, as Prebon
Proposals	collectively the proposed Scheme and Demerger and the subsequent Collins Stewart Group Reduction of Capital as described in this document and the Scheme Circular

Prospectus Rules	the rules made for the purposes of Part VI of the FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated market
Scheme	the scheme of arrangement in its present form as described in Part V of this document and Part 2 of the Scheme Circular or (including the Collins Stewart Tullett Reduction of Capital) with or subject to any amendment modification, additional or condition approved or imposed by the Court
Scheme Circular	the circular to Collins Stewart Tullett Share Owners dated 31 October 2006 relating to the Scheme including, amongst other things, a description of the Scheme, notice of the Court Meeting and notice of the Extraordinary General Meeting
Scheme Court Hearing	the hearing of the petition to sanction the Scheme by the Court
Scheme Effective Date	the date on which the Scheme (and the reduction of capital provided for by the Scheme) becomes effective in accordance with clause 6 of the Scheme, expected to be 15 December 2006
Scheme Record Date	the date of the Collins Stewart Tullett Reduction Court Hearing
Scheme Record Time	6.00 p.m. (London time) on the Scheme Record Date
Scheme Shares	means Collins Stewart Tullett Shares: (a) in issue at the date of the Scheme; (b) (if any) issued after the date of the Scheme and prior to the Scheme Voting Record Time; and (c) (if any) issued at or after the Scheme Voting Record Time and on or before the Scheme Record Time in respect of which the original or any subsequent holders shall be bound by the Scheme or in respect of which the original or any subsequent holders shall have agreed in writing to be so bound
Scheme Voting Record Time	6.00 p.m. (London time) on 21 November 2006, or if the Court Meeting is adjourned, 48 hours before the time appointed for any adjourned Court Meeting
SEC	the United States Securities and Exchange Commission
Securities Act	the US Securities Act of 1933, as amended
share owner or **holder**	a registered holder of Collins Stewart Tullett Shares, Collins Stewart Shares or Ordinary Shares, as the context requires, including any person(s) entitled by transmission
Sponsor	Lehman Brothers
Statutes	the Companies Act, the Uncertificated Securities Regulations 2001 and every other statute, statutory instrument, regulation or order for the time being in force concerning companies registered under the Companies Act
Tullett or **Tullett Liberty**	Tullett Prebon Limited (formerly known as Tullett Liberty Limited prior to which it was known as Tullett plc) a private limited company incorporated in England and Wales with registered number 1105245

Tullett Prebon	the inter-dealer broking business and other activities of the Group (but, for the avoidance of doubt, excluding Collins Stewart)
UK GAAP	generally accepted accounting principles in the UK
UK Listing Authority	the FSA acting in its capacity as competent authority under the FSMA
uncertificated or **in uncertificated form**	in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland
United States or **US** or **USA**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
US GAAP	generally accepted accounting principles in the US