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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 Collins Stewart plc (which includes the proposed Directors), whose names appear on page 13 of this document, and Collins Stewart plc accept responsibility for the information contained in this document. To the best of the knowledge of the Directors of Collins Stewart plc (which includes the proposed Directors) and Collins Stewart 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.

Collins Stewart plc

(incorporated under the Companies Act and registered in England and Wales with registered number 5807587)

Prospectus

relating to

**admission to the Official List and to trading on the London Stock Exchange
of up to 213,000,000 Ordinary Shares and 35,074,221 New 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 Collins Stewart 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 or New 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 or New 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 Collins Stewart plc.

Application will be made to the UK Listing Authority for the ordinary share capital of Collins Stewart 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 of the Ordinary Shares to listing and trading will become effective and that dealings in the Ordinary Shares will commence at 8.00 a.m. on 19 December 2006. It is further expected that, subject to the conditions (other than the condition relating to the Admission of the New Ordinary Shares) to the Acquisition being satisfied or, where permitted, waived, and subject also to the timing of the satisfaction or, where permitted, waiver of such conditions, admission of the New Ordinary Shares to listing and trading will become effective and that dealings in New Ordinary Shares will commence at 8.00 a.m. on 22 December 2006.

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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 New CST Shares issued pursuant to the Scheme and the 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 the New CST 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 the Demerger in reliance on available exemptions from such state law registration requirements.

Collins Stewart plc may include forward looking statements in oral or written public statements issued by or on behalf of Collins Stewart 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 Collins Stewart 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 Collins Stewart plc that Collins Stewart plc's plans and objectives will be achieved. Collins Stewart 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 Collins Stewart plc as Sponsor in connection with the application for Admission and for no-one else and will not be responsible to anyone other than Collins Stewart 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.

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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 or New 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 New CST Share.

2. The Acquisition

The Board announced on 27 October 2006 that a subsidiary of the Company, Collins Stewart Europe Limited, had entered into a conditional agreement to acquire Hawkpoint, one of the leading corporate finance advisory firms in the UK. 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. The total consideration for the Acquisition will be satisfied by the issue of 35,074,221 New Ordinary Shares representing approximately 14.2 per cent. of the enlarged issued share capital of Collins Stewart plc after the Demerger and the issue of the New Ordinary Shares, £40 million of cash at Completion (with a loan note alternative) and an additional cash consideration equivalent to the surplus cash in Hawkpoint at 31 December 2006. Approximately 82 per cent. of the New Ordinary Shares will be subject to lock-up undertakings for a period of one year from the date of Completion and 49 per cent. of the New Ordinary Shares will be subject to lock-up undertakings for a period of two years from the date of Completion.

3. Business Summary

Collins Stewart's activities cover institutional and private client stockbroking, market making, corporate finance, fund management and the supply of on-line financial information to institutional investors through the quantitative research system, Quest™. It is managed through three 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. 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 and the six months ended 30 June 2005 and 30 June 2006.

Revenue	<i>Year to</i>					
	<i>31 December 2003</i>		<i>31 December 2004</i>		<i>31 December 2005</i>	
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Smaller Companies	67.4	52	50.3	42	50.1	34
Private Clients	28.7	22	33.6	28	37.8	25
Larger Companies	33.0	26	35.1	30	60.8	41
Total revenue	129.1	100	119.0	100	148.7	100

Revenue	<i>Six months to</i>			
	<i>30 June 2005 (unaudited)</i>		<i>30 June 2006</i>	
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Smaller Companies	27.2	37	36.0	35
Private Clients	16.8	23	26.5	25
Larger Companies	28.8	40	41.6	40
Total revenue	72.8	100	104.1	100

3.1 *Smaller Companies*

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

The Smaller Cap team's core activity is the raising of capital for smaller clients (mainly below the FTSE 350 Index) through its corporate finance team and specialist sales force. The Investment Funds team 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. In the first half of 2006, Collins Stewart's corporate finance operation raised £1.3 billion on behalf of its clients and was the leading fund raiser on AIM by value. 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 Public Offering ("AIPO™") to the UK market in 2003 and the concept of Special Purpose Acquisition Corporations ("SPACs") in 2005. The Directors believe that these initiatives have gained Collins Stewart a reputation for innovation in the UK market. Collins Stewart has received numerous awards in recent years including IPO of the Year – Northumbrian Water (IFR Magazine 2003), IPO of the Year – Hamworthy plc (Growth Company Investor 2004) and IPO of the Year – Foseco plc (Shares Magazine 2005).

3.2 *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, through discretionary and non-discretionary asset management and client dealing services. The division makes use of Quest™ when advising clients. The offshore operation, Collins Stewart (CI) Limited, is the largest independent stockbroker in the Channel Islands. The Private

Clients division has a fund management operation based in Guernsey and a property management company in the UK.

Private Clients was awarded three prizes by Investors Chronicle in 2005 which recognised the quality of its stockbroking services and portfolio management.

As at 30 June 2006 the division had £3.6 billion¹ under management, of which £2.9 billion¹ was under discretionary management. Of this, £2.4 billion¹ related to Private Clients (£1.8 billion¹ discretionary) and the balance to property fund management and fund services.

3.3 Larger Companies

The division comprises the businesses which were formerly classified as Larger Companies and Trading, and the 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 its institutional clients in the UK, Continental Europe, and North America. Clients have access to the Quest™ on-line database modelling system.

Trading comprises a number of specialist trading desks based in London which make markets in preference shares, convertibles and Australian securities.

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 together with certain domestic and international equities businesses previously forming part of the Tullett Prebon business. 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.

4. Strategy

The Board's principal objective is to maximise returns to shareholders over the medium to long term with an acceptable level of risk.

International expansion

Part of the Company's diversification strategy is to extend its operations so as to reduce its dependence on the UK market. It has already established successful operations in New York and Dublin. The Company intends to develop its US business further using this enlarged platform and to seek and develop opportunities in other countries.

Extension of product capability

Another core aspect of the Company's diversification strategy is to expand the range of existing products offered across the geographies in which the Company operates and at the same time to introduce new products to the business.

Development of enhanced advisory capability

The Company intends to develop its corporate finance business to provide a fuller corporate finance service offering either by recruiting new teams to add to the existing department or through acquisition.

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

Market independence of research and unique product set as a differentiator

The Directors believe that continuing to provide a strong independent research product is key to continuing to generate agency revenues from institutional clients.

In addition to producing analysts' research, Collins Stewart differentiates itself from its competitors by being able to provide Quest™, a disciplined, interactive, analytical model which fund management clients can use in structuring their portfolios.

Creation of new opportunities through continued innovation

Collins Stewart continually seeks to exploit new methods of raising capital and to generate new business by solving problems for clients.

Continue to grow share of equity fundraisings in the UK

With its widening geographical coverage, Collins Stewart is well placed to capitalise on the increasing number of overseas companies who see AIM as an appropriate market for their capital raising requirements. To assist in sourcing new mandates in future, the Group is expanding its presence in the US and exploring joint ventures in a number of Asian markets.

Capitalise on scalability of the Private Clients business

The Company intends to continue to explore opportunities to grow by acquisition in the Private Clients sector.

Equity incentivisation of staff

The alignment of employees' interests with those of shareholders has always been and will continue to be an essential element of Collins Stewart's remuneration strategy.

Maintain control of costs and trading risks to ensure continued margin stability

A cornerstone of the Company's strategy has always been its low trading risk profile and low fixed cost base. These principles have allowed Collins Stewart to sustain strong operating margins in variable market conditions and are key in evaluating development opportunities.

Opportunistic additions

The Company will continue to consider opportunistic acquisitions capable of generating value for shareholders.

5. Directors

The Company's Directors on Admission will be:

Terry Smith	<i>Chairman</i>
Keith Hamill	<i>Deputy Chairman</i>
Joel Plasco	<i>Chief Executive</i>
Diana Dyer Bartlett	<i>Finance Director</i>
Richard Kilsby	<i>Non-executive Director</i>

As chairman, Terry Smith will continue to guide the development of the business, provide support to the new management team and assist with client relationships. Terry Smith's service contract anticipates that he may devote up to 30 per cent. of his time to Collins Stewart plc. Keith Hamill and Richard Kilsby are currently non-executive directors of Collins Stewart Tullett plc and will provide continuity and experience to the board. The Collins Stewart plc board intends to appoint additional non-executive directors following Admission. Paul Baines has agreed to become an executive director of Collins Stewart plc upon completion of the acquisition of Hawkpoint.

6. Risk Factors

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

Market Risks

- The Group and, following the Acquisition, the Enlarged Group is materially affected by conditions in the financial markets and economic conditions generally, both in the United Kingdom and elsewhere;
- The securities and financial services industries are highly competitive and the Directors expect 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 and, following the Acquisition, the Enlarged Group to sanctions and oblige it to change the scope or nature of its operations;
- The securities trading and settlement process exposes the Group and, following the Acquisition, the Enlarged Group to risks that may have an impact on its liquidity and profitability. In addition, liability for unmatched trades could adversely affect its results and balance sheet;
- There may be inefficient markets in stocks in which the Group and, following the Acquisition, the Enlarged Group acts as a market maker; and
- The Group and, following the Acquisition, the Enlarged Group may be adversely impacted by carrying significant underwriting positions.

Credit Risks

- Customers and counterparties indebted to the Group and, following the Acquisition, the Enlarged Group in cash, securities or other assets may default on their obligations to the Group and, following the Acquisition, the Enlarged Group due to bankruptcy, lack of liquidity, operational failure or other reasons.

Operating Risks

- The Group and, following the Acquisition, the Enlarged Group may not be successful in its efforts to recruit and retain personnel;
- The Group's and, following the Acquisition, the Enlarged Group's future success depends to a significant degree upon the continued contributions of its key personnel;
- The Group and, following the Acquisition, the Enlarged Group may fail to provide its employees with adequate training to allow them to fulfill their roles competently and obtain required qualifications;
- The Group and, following the Acquisition, the Enlarged 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 failure or capacity constraints could limit the Group's and, following the Acquisition, the Enlarged Group's ability to conduct its operations;
- The Group and, following the Acquisition, the Enlarged Group may not detect or successfully deter employee misconduct or errors; and
- The Group and, following the Acquisition, the Enlarged Group may be adversely affected if its reputation is harmed.

Risks relating to Ordinary Shares

- An active public market for the Ordinary Shares may not develop or be sustained; and
- 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 and regulatory requirements.

Risks relating to the Demerger

- Separation of the Group from Collins Stewart Tullett may result in additional costs and disruption to the normal course of operations; and
- After the Demerger the Group and, following the Acquisition, the Enlarged Group will operate as an independent group.

Risks relating to the Acquisition

- Unforeseen difficulties may result from introducing Hawkpoint into the Enlarged Group;
- Collins Stewart may be unable fully to recover under the representations and warranties included in the Acquisition Agreement; and
- Future sales of New Ordinary Shares once relevant lock-ins are removed in the public market could cause the share price to fall.

7. Summary Financial Information

The summary financial information in this Part I is extracted from the financial information set out in Part IX (Accountant's Report on the Collins Stewart Group) of this document.

The financial information has been prepared in accordance with IFRS.

7.1 Combined Income Statements

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Revenue	129.1	119.0	148.7	72.8	104.1
Administrative expenses					
Exceptional item: split capital contribution	–	(10.0)	–	–	–
Other administrative expenses	(82.1)	(79.4)	(105.7)	(52.2)	(71.6)
Total administrative expenses	(82.1)	(89.4)	(105.7)	(52.2)	(71.6)
Operating profit	47.0	29.6	43.0	20.6	32.5
Finance income	2.9	4.1	4.9	2.4	2.5
Finance costs	(0.9)	(1.0)	(1.3)	(0.5)	(0.8)
	2.0	3.1	3.6	1.9	1.7
Profit before tax	49.0	32.7	46.6	22.5	34.2
Taxation	(14.6)	(8.6)	(11.4)	(6.2)	(12.6)
Profit after tax	34.4	24.1	35.2	16.3	21.6
Attributed to:					
Equity holders of the parent	34.2	23.8	34.9	16.2	21.5
Minority interest	0.2	0.3	0.3	0.1	0.1
	34.4	24.1	35.2	16.3	21.6
Earnings per share					
Basic	16.1p	11.2p	16.4p	7.6p	10.1p
Diluted	16.0p	11.2p	16.4p	7.6p	10.1p

7.2 Combined Balance Sheets

	As at			As at	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Non-current assets					
Goodwill	25.1	25.1	32.2	25.1	32.6
Other intangible assets	0.5	0.6	0.5	0.5	0.3
Land, buildings, furniture, fixtures and equipment	4.4	2.8	2.1	2.3	1.9
Other financial assets	1.6	1.6	1.6	1.6	1.7
Deferred tax assets	0.8	0.7	2.3	1.8	5.1
	<u>32.4</u>	<u>30.8</u>	<u>38.7</u>	<u>31.3</u>	<u>41.6</u>
Current assets					
Trade and other receivables	116.6	117.2	626.8	414.2	2,228.5
Trading investments	10.3	55.0	38.5	45.2	26.0
Cash and cash equivalents	106.5	57.9	66.9	78.7	84.1
	<u>233.4</u>	<u>230.1</u>	<u>732.2</u>	<u>538.1</u>	<u>2,338.6</u>
Total assets	265.8	260.9	770.9	569.4	2,380.2
Current liabilities					
Trade and other payables	(133.1)	(113.9)	(636.1)	(409.4)	(2,227.5)
Financial liabilities	(2.8)	(27.4)	(11.9)	(18.0)	(4.5)
Interest bearing loans and borrowings	(3.6)	(4.0)	(1.1)	(3.6)	(5.9)
Tax liabilities	(11.3)	(2.3)	(11.4)	(7.3)	(13.1)
	<u>(150.8)</u>	<u>(147.6)</u>	<u>(660.5)</u>	<u>(438.3)</u>	<u>(2,251.0)</u>
Net current assets	82.6	82.5	71.7	99.8	87.6
Non-current liabilities					
Interest bearing loans and borrowings	(12.9)	(12.9)	(12.8)	(12.8)	(11.3)
Long-term provisions	(2.0)	(0.7)	–	(0.4)	–
	<u>(14.9)</u>	<u>(13.6)</u>	<u>(12.8)</u>	<u>(13.2)</u>	<u>(11.3)</u>
Total liabilities	<u>(165.7)</u>	<u>(161.2)</u>	<u>(673.3)</u>	<u>(451.5)</u>	<u>(2,262.3)</u>
Net assets	<u>100.1</u>	<u>99.7</u>	<u>97.6</u>	<u>117.9</u>	<u>117.9</u>
Equity					
Share capital	20.8	20.8	20.8	20.8	20.8
Retained earnings	78.9	78.3	75.9	96.3	96.3
	<u>99.7</u>	<u>99.1</u>	<u>96.7</u>	<u>117.1</u>	<u>117.1</u>
Total shareholders' equity	<u>99.7</u>	<u>99.1</u>	<u>96.7</u>	<u>117.1</u>	<u>117.1</u>
Minority interest	0.4	0.6	0.9	0.8	0.8
	<u>100.1</u>	<u>99.7</u>	<u>97.6</u>	<u>117.9</u>	<u>117.9</u>
Total equity	<u>100.1</u>	<u>99.7</u>	<u>97.6</u>	<u>117.9</u>	<u>117.9</u>

7.3 Combined Cash Flows

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Net cash from/(used in) operating activities	53.0	(32.0)	56.6	25.7	21.1
Investing activities					
Interest received	2.9	5.0	5.1	2.3	2.5
Purchase of intangible fixed assets	(0.6)	(0.3)	(0.1)	(0.1)	–
Purchase of furniture, fixtures and equipment	(0.1)	(0.4)	(0.6)	(0.5)	(0.4)
Acquisition of subsidiary (net of cash acquired)	–	–	(3.0)	–	(3.9)
Net cash (used in)/from investing activities	2.2	4.3	1.4	1.7	(1.8)
Cash flow from financing activities					
Dividends paid	(7.0)	(21.3)	(46.0)	(6.0)	(5.0)
Repayment of borrowings	(4.4)	–	(0.1)	–	–
Purchase of own shares	–	–	–	–	(0.5)
Net cash used in financing activities	(11.4)	(21.3)	(46.1)	(6.0)	(5.5)
Net increase/(decrease) in cash and cash equivalents	43.8	(49.0)	11.9	21.4	13.8
Net cash and cash equivalents at the beginning of the period	59.6	102.9	53.9	53.9	65.8
Effect of foreign exchange rate changes	(0.5)	–	–	(0.1)	0.1
Net cash and cash equivalents at the end of the period	102.9	53.9	65.8	75.2	79.7
Cash and cash equivalents	106.5	57.9	66.9	78.7	84.1
Overdrafts	(3.6)	(4.0)	(1.1)	(3.5)	(4.4)
Net cash and cash equivalents	102.9	53.9	65.8	75.2	79.7

DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors and position to be held upon Admission

Terry Smith	<i>Chairman</i>
Keith Hamill	<i>Deputy Chairman</i>
Joel Plasco	<i>Chief Executive</i>
Diana Dyer Bartlett	<i>Finance Director</i>
Richard Kilsby	<i>Non-executive Director</i>

Paul Baines has agreed to become an executive director of Collins Stewart plc upon completion of the acquisition of Hawkpoint.

The business address for all the above Directors is 9th Floor, 88 Wood Street, London EC2V 7QR

Company Secretary Diana Dyer Bartlett

Registered Office and Head Office 9th Floor,
88 Wood Street,
London EC2V 7QR

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

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 New CST 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 New CST Shares commences on the London Stock Exchange ⁽⁴⁾
19 December 2006	Crediting of Ordinary Shares and New CST Shares to CREST accounts ⁽⁴⁾
21 December 2006	Court hearing of the petition to confirm the Collins Stewart Group Reduction of Capital ⁽⁴⁾
22 December 2006	Collins Stewart Group Reduction of Capital becomes effective ⁽⁴⁾
22 December 2006	Expected date of completion of the Acquisition and commencement of dealings in New Ordinary Shares on the London Stock Exchange ⁽⁴⁾
By 5 January 2007	Despatch of certificates for Ordinary Shares and New CST 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 or New 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 or New 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 Collins Stewart plc, or that the Company currently deems immaterial, may also have an adverse effect on the Group's and, following the Acquisition, the Enlarged Group's business. Investors should consider carefully whether an investment in Ordinary Shares or New Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

1. Market Risks

The Group and, following the Acquisition, the Enlarged Group is materially affected by conditions in the financial markets and economic conditions generally, both in the United Kingdom and elsewhere.

As a financial services business, the Group and, following the Acquisition, the Enlarged Group is materially affected by conditions particularly in the UK, but also in the global financial markets and economic conditions throughout the world. During periods of unfavourable market or economic conditions the volume and value of transactions may decrease, thereby reducing the demand for the Group's and, following the Acquisition, the Enlarged Group's services and increasing price competition among financial services companies. The Group's and, following the Acquisition, the Enlarged Group's results could be adversely affected by such reduction in the volume or value of transactions. In addition its profitability could be adversely affected if it were unable to scale back fixed costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions. The future market and economic climate may deteriorate because of many factors, including rising interest rates or inflation, terrorism or political uncertainty.

The Group and, following the Acquisition, the Enlarged Group is particularly exposed to the AIM and smaller companies markets. Volatility in these markets, or in the markets of particular companies or sectors within them, could have a significant impact on the Group's and, following the Acquisition, the Enlarged Group's performance. Underwriting and fund raising for companies in these markets form a material part of the Group's and, following the Acquisition, the Enlarged Group's business. Consequently any future downturn in this business would materially impact the Group's and, following the Acquisition, the Enlarged Group's results.

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

The Group and, following the Acquisition, the Enlarged Group has numerous current and prospective competitors, many of whom are much larger than the Group and, following the Acquisition, the Enlarged Group. 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 and, following the Acquisition, the Enlarged Group has. These resources may enable them to, among other things:

- Develop services similar to those currently offered by the Group and, following the Acquisition, the Enlarged Group or new services that are preferred by the Group's and, following the Acquisition, the Enlarged Group's customers;
- Provide access to trading in products or a range of products that the Group and, following the Acquisition, the Enlarged 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; and
- Better leverage their relationships with their customers.

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

Changes in industry practice could also have a harmful effect on the Group's and, following the Acquisition, the Enlarged Group's results. This may include the potential impact of clients deciding to pay separately for trading and research services, a process known as "unbundling", in order to lower their costs of trading. Such changes could adversely impact the Group and, following the Acquisition, the Enlarged Group by reducing commission rates and/or, requiring changes to the business models operated by parts of the Group, and, following the Acquisition, the Enlarged Group.

The Group and, following the Acquisition, the Enlarged 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 and, following the Acquisition, the Enlarged Group to sanctions and oblige it to change the scope or nature of its operations.

Regulatory obligations require a significant commitment of resources. The Group's and, following the Acquisition, the Enlarged 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 and, following the Acquisition, the Enlarged 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 and, following the Acquisition, the Enlarged 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 firm and are not designed to protect the Group's and, following the Acquisition, the Enlarged Group's shareholders. Consequently, these regulations often serve to limit the Group's and, following the Acquisition, the Enlarged Group's flexibility regarding capital structure. Customer protection and market conduct requirements may also impinge on the Group's and, following the Acquisition, the Enlarged Group's activities.

The current regulatory regimes under which the Group and, following the Acquisition, the Enlarged 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 the implementation of the Capital Requirements Directive ("CRD"). Whilst the Group's management are confident that the Group and, following the Acquisition, the Enlarged Group has and will have sufficient capital to support the transition to CRD, any additional future changes in the Group's and, following the Acquisition, the Enlarged Group's regulatory environment could impact the Group's and, following the Acquisition, the Enlarged Group's operations.

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

The Group and, following the Acquisition, the Enlarged Group provides brokerage services by executing transactions for its clients. Some of these transactions are executed on a “matched principal” basis whereby the Group and, following the Acquisition, the Enlarged Group acts as a “middleman” by serving as a counterparty to both a buyer and a seller in matching reciprocal back-to-back trades. In executing matched principal transactions, the Group and, following the Acquisition, the Enlarged 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, one party fails to deliver the cash or securities it is obligated to deliver. In such circumstances adverse movements in prices before the position can be closed may give rise to losses.

There may be inefficient markets in stocks in which the Group and, following the Acquisition, the Enlarged Group acts as a market maker.

As a market maker, the Group and, following the Acquisition, the Enlarged Group must always offer a price at which it is ready to buy and sell those shares in which it makes a market, irrespective of whether there is a third party ready to buy or sell a matching amount of stock. A number of the stocks in which the Group and, following the Acquisition, the Enlarged Group is a market maker are substantially illiquid, hence the true market price is not always clearly identifiable and the bid-offer spread is typically much wider than for more liquid stocks. As there is not an efficient market in these illiquid stocks there is a chance that the Group and, following the Acquisition, the Enlarged Group will misjudge where the true market lies and make a market at an inappropriate level. This could have an adverse effect on the Group’s and, following the Acquisition, the Enlarged Group’s result of operations.

The Group and, following the Acquisition, the Enlarged Group may be adversely impacted by carrying significant underwriting positions.

The Group and, following the Acquisition, the Enlarged Group regularly underwrites IPOs for clients. There is a risk that as a consequence it has to subscribe for a significant amount of stock for its own account. In such an event, it may not be possible to liquidate such a position quickly, or without incurring potentially significant losses. Accordingly, such underwriting positions can carry increased liquidity risk, and can adversely impact the Group’s and, following the Acquisition, the Enlarged Group’s profits and capital and financing requirements.

2. Credit Risks

Customers and counterparties indebted to the Group and, following the Acquisition, the Enlarged Group in cash, securities or other assets may default on their obligations to the Group and, following the Acquisition, the Enlarged Group due to bankruptcy, lack of liquidity, operational failure or other reasons.

The Group and, following the Acquisition, the Enlarged Group acts as an intermediary between clients buying and selling securities. In the event that a client fails to deliver securities, the Group and, following the Acquisition, the Enlarged Group is required to finance the failed trade, and in the event of customer default may be required to settle the trade by closing out in the open market. The Group and, following the Acquisition, the Enlarged Group also incurs credit risk in such situations, although this is limited to the impact of adverse price movements on failed trades in the event that client default forces the Group and, following the Acquisition, the Enlarged Group to settle the position in the market. Although the Group and, following the Acquisition, the Enlarged Group regularly reviews credit exposures to specific customers and counterparties to address credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee. The Group and, following the Acquisition, the Enlarged Group may be materially and adversely affected in the event of a significant default by its customers and counterparties.

3. Operating Risks

The Group and, following the Acquisition, the Enlarged Group may not be successful in its efforts to recruit and retain personnel.

The Group's and, following the Acquisition, the Enlarged Group's future success depends upon the efforts of its qualified, highly trained and experienced personnel, and upon its ability to recruit, retain and motivate such personnel. The level of competition for such skilled individuals is intense. If the Group and, following the Acquisition, the Enlarged Group is not able to attract and retain highly skilled employees, or if 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's and, following the Acquisition, the Enlarged Group's future success depends to a significant degree upon the continued contributions of its key personnel.

The Group's and, following the Acquisition, the Enlarged Group's future success will depend greatly upon the expertise and continued services of certain key personnel, including its Directors and Senior Managers. The Group and, following the Acquisition, the Enlarged Group has employment or service contracts with its key personnel, and has in place the existing employee share plans and proposes to introduce new employee share plans to grant options to employees. The Group and, following the Acquisition, the Enlarged 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. Nevertheless, the Group's and, following the Acquisition, the Enlarged 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 and, following the Acquisition, the Enlarged 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 mis-represented to the Group and, following the Acquisition, the Enlarged Group their qualifications and experience. Training needs are assessed on a regular basis and tuition provided accordingly. There remains a risk that the Group and, following the Acquisition, the Enlarged 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 and, following the Acquisition, the Enlarged 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 failure or capacity constraints could limit the Group's and, following the Acquisition, the Enlarged Group's ability to conduct its operations.

The Group and, following the Acquisition, the Enlarged 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.

The Group and, following the Acquisition, the Enlarged Group is heavily dependent on the capacity and reliability of the computer and communications systems supporting its operations, whether owned and operated internally or by third parties. These computer and communications systems 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 and, following the Acquisition, the Enlarged 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 and, following the Acquisition, the Enlarged Group's disaster recovery plans do not operate effectively, they may not be adequate to correct or mitigate any of the above eventualities. The occurrence of degradation or failure of the communications and computer systems on which the Group and, following the Acquisition, the Enlarged 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 and, following the Acquisition, the Enlarged Group's reputation, which in turn could cause it to lose existing customers to its competitors or make it more difficult to attract new customers in the future.

The Group and, following the Acquisition, the Enlarged Group may not detect or successfully 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 and, following the Acquisition, the Enlarged Group's employees could include hiding unauthorised activities from the Group, and, following the Acquisition, the Enlarged 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 and, following the Acquisition, the Enlarged 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 and, following the Acquisition, the Enlarged 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 and, following the Acquisition, the Enlarged Group to the risk of financial claims for negligence or otherwise, as well as regulatory actions. This could seriously harm the Group and, following the Acquisition, the Enlarged Group and could adversely affect its financial condition and operating results.

The Group and, following the Acquisition, the Enlarged Group may be adversely affected if its reputation is harmed.

The Group's and, following the Acquisition, the Enlarged 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 reputational risk to the Group and, following the Acquisition, the Enlarged Group.

4. Risks relating to Ordinary Shares

An active public market for the Ordinary Shares may not develop or be sustained.

Although the Company will apply for Admission, and it is expected that this application will be approved, the Company can give no assurance that an active trading market for the Ordinary Shares will develop or, if developed, will be sustained following Admission. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

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 and regulatory requirements.

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 after Admission for an order confirming the reduction (see paragraph 11 of 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. Risks relating to the Demerger

Separation of the Group from Collins Stewart Tullett may result in additional costs and disruption to the normal course of operations.

Demerging the Group and its simultaneous conversion to a publicly traded company may result in increased administrative and regulatory costs and burdens that are not reflected in the historical financial statements of the Group. Further, the Group's and, following the Acquisition, the Enlarged Group's systems, infrastructure and day-to-day corporate governance provisions will be required to operate on a standalone basis. Although the Group's management are confident that the transition to a standalone entity will go smoothly, all of the above could adversely affect the Group's and, following the Acquisition, the Enlarged Group's operations.

After the Demerger the Group and, following the Acquisition, the Enlarged Group will operate as an independent group.

After the Demerger, the Group and, following the Acquisition, the Enlarged Group will operate as an independent group, but will have the benefit of certain transitional services arrangements with New CST plc. In due course the Company will have to replace the transitional services provided by New CST plc. The Group and, following the Acquisition, the Enlarged Group may be materially and adversely affected in the event that it is not able to support the businesses of the Group and, following the Acquisition, the Enlarged Group on an independent basis or if it is not able properly to replace the transitional services when they are terminated.

6. Risks relating to the Acquisition

Unforeseen difficulties may result from introducing Hawkpoint into the Enlarged Group

Although Hawkpoint will remain a separate entity following the Acquisition, there may be unforeseen difficulties with introducing Hawkpoint into the Enlarged Group including, but not limited to, the implementation of post Acquisition initiatives. This may have an adverse effect on the financial condition and results of operations of the Enlarged Group.

Collins Stewart may be unable fully to recover under the representations and warranties included in the Acquisition Agreement

Collins Stewart is receiving the benefit of representations and warranties relating to the business and affairs of Hawkpoint from certain of the Hawkpoint Shareholders. In the event of the insolvency or bankruptcy of any of these persons Collins Stewart would have to bear any irrecoverable losses itself.

Future sales of New Ordinary Shares once relevant lock-ins are removed in the public market could cause the share price to fall.

Following the Acquisition, Hawkpoint Shareholders will together own approximately 14.2 per cent. of the issued Ordinary Shares. It is not possible to predict whether substantial amounts of New Ordinary Shares will be sold in the open market following termination of the lock-up arrangements described in Part VI of this document. Sales of a substantial number of New Ordinary Shares in the public market after Admission, or the perception that these sales might occur, could depress the market price of the Ordinary Shares and could impair Collins Stewart plc's ability to raise capital through the sale of additional equity securities.

PART III

INFORMATION RELATING TO COLLINS STEWART

1. Introduction

Collins Stewart is the largest independent UK stockbroking business in terms of its revenue and profits. The Group's activities cover 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™.

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. A new holding company, Collins Stewart plc, will also be established to acquire the Collins Stewart stockbroking business in the Demerger. The directors of Collins Stewart Tullett plc believe that the Demerger will enable New CST plc 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 of all the operations, including certain domestic US equities broking activities previously forming part of the Tullett Prebon business, to 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 New CST Share.

3. History and Development

Collins Stewart's operations have their origins in the formation in May 1991 of the boutique stockbroking partnership Collins Stewart & Co., a corporate partnership between Singer Friedlander Securities Limited, a wholly owned subsidiary of Singer & Friedlander Group plc, and Collins Hitchcock Stewart Whitaker Limited, a company owned by certain members of Collins Stewart's management and individual shareholders. In February 1996, Singer & Friedlander Securities Limited changed its name to Collins Stewart Limited ("CSL") and in March of the same year it acquired the entire issued share capital of Collins Hitchcock Stewart Whitaker Limited. Also in 1996, Greig Middleton's Channel Islands and Isle of Man stockbroking operations were purchased to form Collins Stewart (CI) Limited ("CSCI").

In 1999, CSL commenced operations in the US through the establishment of Collins Stewart Inc. ("CS Inc"), a NASD registered broker dealer in New York. CSL also entered the UK investment trust sector that year.

In May 2000, a management buy-out of CSL backed by funds advised by CVC Capital Partners Limited, Parallel Ventures Nominees Limited and Bank of Scotland was completed from Singer & Friedlander Group plc by Collins Stewart Holdings plc (subsequently renamed Collins Stewart Tullett plc). Collins Stewart Tullett plc was then floated on the main market of the London Stock Exchange in October 2000.

As part of its strategy of building an asset management business, the Group acquired the business and goodwill of the private client division of NatWest Stockbrokers Limited in May 2001 and, in October 2005, acquired the Jersey and Isle of Man based Insinger de Beaufort (International) Limited. A property fund management business, based in the UK, was also established in April 2001.

Since 2003, the Group has opened branches or has representatives in Boston, Paris, Dublin, Milan, Geneva and, most recently, Tokyo.

The decision has now been taken to demerge Collins Stewart from Collins Stewart Tullett plc. The directors of Collins Stewart Tullett plc believe that the Demerger will enable New CST plc 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 to available to them. Prior to the Demerger Collins Stewart will acquire certain US equity businesses previously forming part of the Tullett Prebon business.

4. Business Overview

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

Revenue	<i>Year to</i>					
	<i>31 December 2003</i>		<i>31 December 2004</i>		<i>31 December 2005</i>	
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Smaller Companies	67.4	52	50.3	42	50.1	34
Private Clients	28.7	22	33.6	28	37.8	25
Larger Companies	33.0	26	35.1	30	60.8	41
Total revenue	129.1	100	119.0	100	148.7	100

	<i>Six months to</i>			
	<i>30 June 2005</i> <i>(unaudited)</i>		<i>30 June 2006</i>	
Revenue	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Smaller Companies	27.2	37	36.0	35
Private Clients	16.8	23	26.5	25
Larger Companies	28.8	40	41.6	40
Total revenue	72.8	100	104.1	100

4.1 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 also its own small-cap market making team which as at 30 June 2006 made markets in over 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.

4.2 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 billion¹ under management of which £2.9 billion¹ was under discretionary management. Of this, £2.4 billion¹ related to Private Clients (£1.8 billion¹ discretionary) and the balance to property fund management and fund services.¹

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, a stockbroking and private client portfolio management company with offices in Jersey and the Isle of Man with £380 million¹ 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.

4.3 Larger Companies

The division comprises the businesses which were formerly classified as Larger Companies and Trading and the 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 QuestTM 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.

4.4 The Hawkpoint Group

The Board announced on 27 October 2006 that a subsidiary of the Company, Collins Stewart Europe Limited, had entered into a conditional agreement to acquire Hawkpoint, one of the leading corporate finance advisory firms in the UK. 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.

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

Hawkpoint is a leading independent UK corporate advisory firm, operating from offices in London and Paris, with approximately 120 employees, of whom 70 are professional staff. Its clients principally comprise quoted and unquoted companies, private equity firms and entrepreneurs. Hawkpoint advises on a broad spectrum of strategic and transactional matters, including acquisitions, disposals, public offers and mergers, capital raisings and IPOs. It also provides capital markets advice and has an established debt and restructuring advisory capability. In the year ended 31 December 2005, Hawkpoint had revenues of approximately £36.3 million and profit before tax (before a charge for share based payments of £2.3 million) of £8.0 million. After the charge, which will not be incurred following the Acquisition, Hawkpoint's profit before tax for the year ended 31 December 2005 was £5.7 million. Its revenues for the six months ended 30 June 2006 were £25.5 million and profit before tax was £7.9 million (before the charge for share based payments of £6.5 million). As at 30 June 2006, Hawkpoint had gross assets of £34.2 million. Collins Stewart Tullett Share Owners should read the whole document and not just rely on this summarised financial information. These figures are extracted, without material adjustment, from the Accountant's Report on the Hawkpoint Group in Part XI of this document.

Hawkpoint's core philosophy is to establish long-term relationships with its clients based on high quality, unconflicted advice and extensive senior director involvement. It undertakes transactions in the UK and across Europe for European and US corporates and private equity firms. Hawkpoint also has an extensive track record advising clients in most sectors. It has a substantial financial services advisory group and also focuses on a number of other sectors which include business and support services, leisure, retail, media, healthcare, defence and aerospace, electronics, general industrial, IT and utilities.

Hawkpoint has relationships with a large number of UK and Continental European private equity firms and is a leading adviser to the private equity community on a range of transactions.

Hawkpoint has won numerous awards over the past three years, including being named Financial Adviser of the Year at the BVCA/Real Deals Private Equity Awards in 2006 (for the second time in three years), UK Independent Corporate Finance House of the Year in 2006 at the Acquisitions Monthly Awards, Independent House of the Year in 2006 at the HG Capital Rainmaker Awards as well as being named the Best Performing Independent House over five years in 2004 and 2005. Hawkpoint was also chosen as Financial Adviser of the Year at the European Private Equity Summit & Awards in 2005.

Hawkpoint's senior management team has extensive and long experience of both domestic and international investment banking.

David Reid Scott has been Chairman of Hawkpoint since June 2001. He started his career with White Weld and Co in 1969 working in both London and New York, in institutional equity sales and capital markets. In 1983, he was appointed managing director of Merrill Lynch's UK investment banking activities and in 1984, he became a founding partner of Phoenix Securities. In 1997, the firm was sold to Donaldson Lufkin Jenrette (DLJ) and David became Vice-Chairman of European Investment Banking and Chairman of its Financial Institutions Group. After DLJ was acquired by Credit Suisse First Boston (CSFB) in 2000, David worked at CSFB as Vice Chairman before joining Hawkpoint as Chairman.

Paul Baines is Chief Executive and Managing Partner of Hawkpoint. After qualifying as a solicitor with Freshfields, he joined Antony Gibbs & Sons Limited, a UK merchant bank. In 1984, he joined Charterhouse Bank, where he became a director in 1988. He became Chief Executive of the corporate finance business in 1993. He joined Hawkpoint in 2000 and was appointed Chief Executive and Managing Partner in October 2003.

5. Strategy

The Board's principal objective is to maximise returns to shareholders over the medium to long term with an acceptable level of risk.

Collins Stewart is the largest independent stockbroking business in the UK in terms of revenue and profits. The Board intends to focus on creating a more broadly based financial services group while at the same time maintaining and strengthening the Company's market position by leveraging its particular strengths:

International Growth

Part of the Company's diversification strategy is to extend its operations so as to reduce its dependence on the UK market. It has already established successful operations in New York and Dublin. The transfer to the Company of the US equities business from the inter-dealer broker division of Collins Stewart Tullett plc is an important further step in implementing this strategy. The Company intends to develop its US business further using this enlarged platform and to seek and develop opportunities in other countries. The most likely country for further development in the near future is India, where the Company already has business links and has already conducted corporate finance business.

Extension of product capability

Another core aspect of the Company's diversification strategy is to expand the range of existing products offered across the geographies in which the Company operates and at the same time to introduce new products to the business. To this end, the US equities business has a business which specialises in selling equity derivatives to US institutions. It is intended that similar businesses should be developed elsewhere in the Group.

Development of enhanced advisory capability

The Company has a well established and successful corporate finance business which specialises in raising capital for its clients. It intends to develop this business to provide a fuller corporate finance service offering either by recruiting new teams to add to the existing department or through acquisition.

Market independence of research and unique product set as a differentiator

Collins Stewart produces research that is free from the influences of competing businesses within an integrated house. The Directors believe that a strong independent research product is key to continuing to generate agency revenues from institutional clients.

In addition to producing analysts' research, Collins Stewart differentiates itself from its competitors by being able to provide Quest™, a disciplined, interactive, analytical model which fund management clients can use in structuring their portfolios. Given the time taken to develop this system and that to date only Collins Stewart's much larger competitors amongst the major investment banks have been able to develop or acquire such systems, this product is a key differentiator.

Creation of new opportunities through continued innovation

Collins Stewart continually seeks to exploit new methods of raising capital and to generate new business by solving problems for clients. The Directors regard Collins Stewart's ability to spot opportunities together with its flexibility to adapt to new market situations as important factors in developing its franchise.

Continue to grow share of equity fundraisings in the UK

Collins Stewart has a strong distribution capability, demonstrated by it remaining consistently at the top of league tables for raising funds for companies in the small-mid cap sector of the market in recent years. As one of the largest fundraisers on AIM, the Directors believe that Collins Stewart has, furthermore, played a key role in advancing the global perception of AIM as the leading market in Europe for early stage and growing companies. The Board believes that Collins Stewart is well placed to capitalise on the increasing number of overseas companies who see AIM as an appropriate market for their capital raising requirements. To this end transactions have been completed with clients based in the USA, Continental Europe, India and the Far East. To assist in sourcing similar mandates in future, the Company is expanding its presence in the US and exploring joint ventures in a number of Asian markets.

Capitalise on scalability of the Private Clients business

The Private Clients business is well established and has good brand recognition particularly in the Channel Islands. In addition, the management of this area has shown its ability successfully to integrate a number of businesses over recent years and the Directors believe that it is capable of assimilating further such acquisitions to improve its critical mass and operating performance. Geographic expansion of the business is also planned. The Company intends to continue to explore opportunities to grow by acquisition in the Private Clients sector.

Equity incentivisation of staff

The alignment of employees' interests with those of shareholders has always been and will continue to be an essential element of Collins Stewart's remuneration strategy. To this end it is proposed that two new employee share plans should be established for the new Group.

Maintain control of costs and trading risks to ensure continued margin stability

A cornerstone of the Company's strategy has always been its low trading risk profile and low fixed cost base. These principles have allowed Collins Stewart to sustain strong operating margins in variable market conditions and are key in evaluating development opportunities.

Control over trading risks is of paramount importance and to this end strict limits are and will continue to be applied to the various trading activities. Furthermore, most staff remuneration (which forms the majority of the business' costs) is in the form of performance related bonuses and equity incentivisation. The new US equities business is a higher volume, lower margin business. However, it is intended that co-operation with existing Collins Stewart businesses will enable an improvement in margin to be achieved in future.

Opportunistic additions

The Company will continue to consider opportunistic acquisitions capable of generating value for shareholders.

6. Current Trading and Prospects

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

"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 Collins Stewart stockbroking business as outlined in the interim results of Collins Stewart Tullett plc on 18 September 2006 as set out above.

7. Funding Structure

The Group generates significant operating cash flows and will meet its routine working capital requirements from these cash flows. The Group also maintains significant net cash resources. This is partly to facilitate trading activities, but is also partly the result of the levels of capital required to be maintained in the Group by the FSA.

The Group has a committed facility of £25 million for a period of 3 years and will continue to benefit from two uncommitted overdraft arrangements of £5 million and US\$15 million. These facilities will primarily be used for occasional short-term financing, but will be available for general corporate purposes as required. In addition the Group benefits from a number of operating arrangements to facilitate the clearing and settlement process.

Approximately £4.4 million of the Group's £79.7 million net cash balances as at 30 June 2006 was held in accounts to support clearing facilities and was therefore not available to the Group for other working capital purposes.

The Group has provided £5.75 million facilities to Berkshire Investment Managers, LLP, a joint venture in which Collins Stewart Europe Limited has a 50 per cent. interest. At 31 August 2006 £1.7 million had been drawn under the facilities.

The Group currently has two unsecured subordinated loans totally £12.8m from Collins Stewart Tullett. It is intended that these loans will be repaid prior to Admission. Repayment of these loans is dependent upon prior approval of the FSA in the form of a signed Deed of Termination. This will require the Group to satisfy the FSA that repayment of the loans would not cause the Group to breach its Financial Resources Requirement in relation to its regulatory capital position.

8. Regulators and Regulatory Capital

Current regime

Collins Stewart'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's overseas subsidiaries are subject to local regulatory supervision by the Guernsey Financial Services Commission, the Jersey Financial Services Commission and the Isle of Man Financial Services Commission in respect of CSCI and its subsidiaries and NASD in respect of CS Inc.

Collins Stewart will be 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 FRR comprises calculations which are designed to assess the various risks faced by an entity and which are defined by the relevant regulators.

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. This 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, "an investment firm", as defined, which 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 resource requirements are defined in the draft rules. The definitions differ from the corresponding definitions in the current rules.

The Directors expect the demerged Collins Stewart business to be a full scope Capital Adequacy Directive ("CAD") investment firm. Consequently, it will be subject to the consolidated capital adequacy test under the new regime. The main change in the draft rules 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. However, even after allowing for this change Collins Stewart is expected to have a sufficient surplus of regulatory capital.

9. Working Capital

Collins Stewart plc 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.

10. Significant Change

Save for the effects of and matters relating to the Scheme and the Demerger, there has been no significant change in the financial or trading position of the Collins Stewart Group since 30 June 2006 and the Company

since 5 May 2006, the latest date reported upon respectively in the Accountant's Reports in Parts IX and X of this document.

11. Dividend Policy

The Directors intend to adopt a dividend policy that reflects the earnings of the Group in any given year, with the total dividend for the financial year being approximately three times covered by the earnings for that particular year. The first dividend to be paid after Admission will be the final dividend for the 2006 financial year. The Directors intend to pay an interim and final dividend in respect of each financial year, with approximately one-third being paid as an interim dividend and two-thirds as a final dividend.

PART IV

DIRECTORS, SENIOR MANAGERS, EMPLOYEES AND CORPORATE GOVERNANCE

1. Directors and Senior Managers

The following table sets out information relating to each of the Directors and Senior Managers as at the date of this document. Upon Admission, the business address of each of the Directors and Senior Managers will be 9th Floor, 88 Wood Street, London EC2V 7QR.

1.1 Directors

The Company's Directors on Admission will be:

<i>Name</i>	<i>Age</i>	<i>Position</i>
Terry Smith	53	Chairman
Keith Hamill	53	Deputy Chairman
Joel Plasco	35	Chief Executive
Diana Dyer Bartlett	44	Finance Director
Richard Kilsby	54	Non-executive Director

As chairman, Terry Smith will continue to guide the development of the business, provide support to the new management team and assist with client relationships. Terry Smith's service contract anticipates that he may devote up to 30 per cent. of his time to Collins Stewart plc. Keith Hamill and Richard Kilsby are currently non-executive directors of Collins Stewart Tullett plc and will provide continuity and experience to the board. The board of Collins Stewart plc intends to appoint additional non-executive directors following Admission. Paul Baines has agreed to become an executive director of Collins Stewart plc upon Completion of the acquisition of Hawkpoint.

1.2 Senior Managers

<i>Name</i>	<i>Age</i>	<i>Position</i>
Shawn McLoughlin	46	Chief Executive, North America
Gary Hayes	41	Chief Operating Officer
Paul Compton	43	Head of Smaller Companies
Kripa Radhakrishnan	51	Head of Corporate Finance
John Davey	37	Head of Private Clients
John Abularrage	29	Head of Larger Companies
Neil Darke	38	Head of Quest™

2. Directors' Profiles

Terry Smith – Chairman

Terry is Chairman of the Company and is also Chief Executive of New CST 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 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.

Keith Hamill – Deputy Chairman

Keith is currently Chairman of Collins Stewart Tullett plc and following the Demerger will be Deputy Chairman of the Company and Chairman of New CST 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 will initially be Chairman of the Audit and Nominations Committees, and member of the Remuneration Committee.

Joel Plasco – Chief Executive

Joel qualified as a solicitor with Goudens (now Jones Day) after which he joined Collins Stewart's nascent Corporate Finance department. He left Collins Stewart in 1999 to found NewMedia SPARK plc, a technology investment company, where he served as a director for 5 years. He rejoined Collins Stewart Tullett plc in 2004 where he was appointed Chief Operating Officer of the inter-dealer broking business following the acquisition of Prebon. He was appointed Chief Executive of Collins Stewart in May 2006.

Diana Dyer Bartlett – Finance Director

Diana qualified as a chartered accountant with Deloitte Haskins & Sells after which she worked for five years in the corporate finance division of Hill Samuel Bank. Having spent two years as the company secretary of Coal Investments plc, she went on to do a management buy-out, backed by Candover, of two collieries from that company and spent the next three years as finance director of Midlands Mining Limited. She was appointed company secretary of Collins Stewart Tullett plc in 2000 after its flotation on the main market of the London Stock Exchange. She was appointed Finance Director of Collins Stewart in May 2006.

Paul Baines – Executive Director

Paul is Chief Executive and Managing Partner of Hawkpoint. After qualifying as a solicitor with Freshfields, he then joined Antony Gibbs & Sons Limited, a UK merchant bank. In 1984 he joined Charterhouse Bank, where he became a director in 1988. He became Chief Executive of the corporate finance business in 1993. He joined Hawkpoint in 2000 and was appointed Chief Executive and Managing Partner in October 2003.

Richard Kilsby – Non-executive Director

Richard is currently a director of Collins Stewart Tullett plc and following the Demerger he will be a non-executive director of both Collins Stewart plc and New CST 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. He will be Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees.

3. Senior Manager Profiles

Shawn McLoughlin – Chief Executive, North America

Shawn started his career at Government Securities broker, RMJ in 1982. He joined Cantor Fitzgerald in New York in 1986 becoming co-manager of the Intermediate Government Securities Department. He left to join Liberty Brokerage in 1991. After a four year term running sales and trading at SMR Energy Income funds, he returned to Liberty Brokerage to work in the fixed income arena in 1999 shortly before its merger with Tullett & Tokyo. In 2002 he was mandated to start a North American equities division for the firm and was instrumental in the acquisition and subsequent restructuring of the equity broking business of Burlington

Capital Markets which forms the core of the business which will transfer to Collins Stewart prior to the Demerger.

Gary Hayes – Chief Operating Officer

Gary commenced his career with Smith Brothers plc in 1983, progressing to Senior Trader Sector Trading of Smith New Court plc prior to its acquisition by Merrill Lynch in 1995. He then spent ten years occupying various positions at Merrill Lynch in New York and London, including Managing Director and Head of International Trading, Head of EMEA Region Sales Trading and Managing Director Event Driven Equity Arbitrage Sales and Trading. He joined Collins Stewart as Chief Operating Officer in May 2006.

Paul Compton – Head of Smaller Companies

Paul joined Collins Stewart in September 2000 and has 20 years experience in the equity markets. He has worked for Morgan Grenfell, UBS, Credit Lyonnais and Merrill Lynch as an engineering analyst. He became head of Smaller Companies in 2002.

Kripa Radhakrishnan – Head of Corporate Finance

Kripa qualified as a chartered accountant with Ernst & Young in 1980. His involvement with the securities industry began in 1985 when he joined Morgan Grenfell and was made group financial controller of Morgan Grenfell Securities. In 1989 he was invited to join Peel Hunt as a founder member of Peel Hunt where he held senior positions in the corporate finance and finance teams. Kripa joined Collins Stewart in 1995, as head of Corporate Finance.

John Davey – Head of Private Clients

John joined Collins Stewart in 1997 from the management consultancy practice of Coopers & Lybrand in London, where he worked in the investment management group. Prior to Coopers & Lybrand, John worked for Kleinwort Benson, where he was a director of a number of fund management companies and funds in Jersey, Guernsey, Dublin, Luxembourg and the Cayman Islands. John originally ran the Private Clients Jersey office but took on responsibility for the London Private Clients business following the acquisition of this business from NatWest Stockbrokers and has subsequently been responsible for the whole of the Private Clients business. He is an Associate of the Chartered Institute of Bankers.

John Abularrage – Head of Larger Companies

John joined Collins Stewart's New York operation in 2001 after working in equity sales with ABN Amro. John was instrumental in building the equities business in the US, in particular its relationship with hedge funds. In 2005 John moved to London to help develop the large cap broking business.

Neil Darke – Head of Quest™

Neil joined Collins Stewart in 1993 from Royal Insurance Asset Management. Since 1996 he has been responsible for developing Quest™.

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 Collins Stewart 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. Arrangements are also being made in respect of existing share options.

Existing Plans

Options over approximately 3.5 million shares granted to Collins Stewart staff under Collins Stewart Tullett plc share option schemes are either already exercisable or will become exercisable 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. 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 Ordinary Shares. Where such options are to be satisfied by an issue of new Ordinary Shares, such Ordinary Shares will count towards the new issue limits applicable to the Company's employee share plans. No new awards will be made under any of the old Collins Stewart Tullett plc share option schemes.

Future Plans

Collins Stewart plc proposes to adopt a new long term incentive plan (LTIP). It is intended that the LTIP should be operated immediately and details of the proposed option grants under this plan are set out below.

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 between 3 to 10 years from the date of grant. Other than the Initial Options, in any year no individual will receive an option grant in excess of 300 per cent. of basic pay. This individual limit gives 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 share scheme (subject to an 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.

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. The SSP 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.

Grants under future plans

It is proposed that nil cost options (**the Initial Options**) should be granted under the LTIP to the newly appointed Collins Stewart management team on Admission. The Initial Options are over approximately 5.3 million shares, representing 2.5 per cent. of Collins Stewart plc's issued share capital (before taking account of the proposed share issue in connection with the acquisition of Hawkpoint). Members of the new management team currently hold options granted under existing share option schemes with an intrinsic value of approximately £4 million (based on the closing price of a Collins Stewart Tullett plc share on 27 October 2006, being the latest practicable date before the publication of this document). These options become exercisable as a consequence of the Scheme. In order to qualify for Initial Options, all members of the management team will be exchanging their options for equivalent options over Collins Stewart plc's shares. The Board considers that it is important that the new management team's interests are closely aligned with those of shareholders and that the team is appropriately incentivised to drive the business forward in this new stage of its development. This is a one-off grant to the new management team and any further grants will be within the annual limits described above.

It is proposed that the following Initial Options be granted to executive directors with the remainder being allocated to the other members of the senior management team:

<i>Director</i>	<i>No of Ordinary Shares</i>	<i>Percentage of issued share capital following Admission of the Ordinary Shares</i>	<i>Percentage of issued share capital following Completion</i>
Joel Plasco	1,486,367	0.7%	0.6%
Diana Dyer Bartlett	637,014	0.3%	0.3%

To qualify for these Initial Options, Joel Plasco and Diana Dyer Bartlett will be exchanging options granted under Collins Stewart Tullett plc option schemes with an intrinsic value of £2.5 million and £0.6 million respectively (which have become exercisable as a consequence of the Scheme) for options over Ordinary Shares.

The table set out above assumes no issues of shares by Collins Stewart Tullett plc, New CST plc or Collins Stewart plc after 27 October 2006 (being the latest practicable date prior to the publication of this document) and before the date of grant of the Initial Options, other than in connection with the Scheme, the Demerger or the Acquisition.

The performance conditions attaching to the Initial Options require minimum return on capital employed throughout the performance period of 25 per cent. per annum. The level of vesting will depend on the degree to which the Company's total shareholder return outperforms the constituents of the FTSE General Financials Index. At median performance 10 per cent. of the options vest, with full vesting at upper quartile performance and straight line vesting in between. Assuming the performance conditions are met, one half of the options are exercisable 3 to 10 years from date of grant and the balance 4 to 10 years from date of grant. Future grants will take account of market practice and the views of institutional shareholders.

5. Employees

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

	2003	2004	2005
EU	267	280	255
Channel Islands	132	134	177
North America	13	13	86
Total	412	427	518

6. Corporate Governance

Collins Stewart plc will comply with the requirements of the Combined Code with the exceptions described below and will implement the procedures required to comply with the internal control aspects of the Combined Code.

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 (and in particular independent non-executive directors), with independent non-executive directors, excluding the chairman, comprising at least one half of the board. The Company's Directors on Admission will be:

- Chairman – Terry Smith
- Chief Executive – Joel Plasco
- Finance Director – Diana Dyer Bartlett
- Non Executive Deputy Chairman – Keith Hamill
- Non Executive Director – Richard Kilsby

The Board intends to appoint additional non-executive directors following Admission. Paul Baines has agreed to become an executive director of Collins Stewart plc upon completion of the acquisition of Hawkpoint.

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

Terry Smith, as Chairman, will have a part time executive role which will mainly deal with supporting the management, strategy and certain client and business relationships. Joel Plasco will be responsible for the management of the business, the co-ordination of its activities and the implementation of strategy. Keith Hamill will act as Deputy Chairman in a non-executive capacity in order to enable the Board to benefit from continuity and his experience of the Collins Stewart business and board practice generally and to provide balance within the Board. He has been Non-Executive Chairman of Collins Stewart Tullett plc since September 2000 and will continue as Non-Executive Chairman of New CST plc. Because of these associations he will not be treated as an “independent” director for the purposes of the Combined Code.

Richard Kilsby has been an independent non-executive director of Collins Stewart Tullett plc since June 2005 and will continue as an independent non-executive director of New CST plc. Given that, with the limited exception of the transitional services agreement described in paragraph 3 of Part V of this document, there will not be a continuing relationship between New CST plc and the Company, that neither intends to develop competing business and his limited period to date on the Board of Collins Stewart Tullett plc, the Board intends to classify Richard Kilsby as an “independent” director within the definition set out in the Combined Code.

The Company will not comply with the provisions of the Combined Code relating to the number of independent directors on the Board until additional non-executive director appointments have been completed.

The Board intends to establish Audit, Remuneration and Nominations Committees to which it will delegate some of its responsibilities. Each of the Committees will have detailed terms of reference and will have a schedule of business to be transacted during the year. The responsibilities of each of the Committees are described below.

During the period of the transition Keith Hamill will chair the Audit Committee and the Nominations Committee and be a member of the Remuneration Committee. Richard Kilsby will chair the Remuneration Committee and be a member of the Audit Committee and the Nominations Committee. Terry Smith will be a member of the Nominations Committee and will normally attend meetings of the Audit and Remuneration Committees. These arrangements will not comply with the provisions of the Combined Code relating to the requirement for members of the Audit and Remuneration Committees to be independent, as defined by that Code. It is intended that, following the appointment of the additional independent non-executive directors the membership of all the Committees will be reviewed.

It is intended that the Board will review its structure and its effectiveness after one year of operation.

The corporate governance framework and risk management policies and procedures for the Group will be modelled on those currently employed by Collins Stewart Tullett plc with certain exceptions, notably the Chairman, who will have an executive role. These policies and procedures are outlined below.

6.1 Board Administration

The Board will decide on the appropriate schedule of board meetings, which will initially be eight meetings per annum, to discuss the Group’s ordinary course of business. Additional Board meetings may be convened throughout the year to address matters arising.

The Board will have a formal schedule of matters reserved to it for decision, including, *inter alia*, developing the future direction of the Group’s business, agreeing policies and procedures, approving material transactions, budgets and borrowings and monitoring the Group’s progress. All directors will receive written reports prior to each Board meeting which will enable them to make an informed decision on corporate and business issues under review. All Board meetings will be minuted and any

unresolved concerns recorded in such minutes. Beneath the Board there will be a structure of delegated authority which sets out the authority levels allocated to the individual directors and senior management.

The terms of the Directors' service agreements and letters of appointment are summarised in Part XIV. All directors are subject to election by shareholders at the first annual general meeting of shareholders after their appointment. Thereafter, all directors will be required to retire every three years.

In the event that any executive director wishes to take up a non-executive appointment with another company, the Board would be amenable to such a proposal, provided that the time commitment involved would not be too onerous. All directors will have access to the services of the Company Secretary and there are procedures in place for taking independent professional advice at the Company's expense if required. The Company Secretary will be responsible for arranging insurance cover in respect of legal action against the directors. The Company Secretary will also be responsible for ensuring that the Board keeps up to date with key changes in legislation which affect the Company.

6.2 *Audit Committee*

Keith Hamill will initially be Chairman of the Audit Committee and Richard Kilsby will also be a member of the Audit Committee. The Board intends to review the membership of the Audit Committee once the additional independent non-executive directors have been appointed. One of the new non-executive directors will take on the chairmanship of the Audit Committee. Prior to these appointments the Chairman will have a casting vote. The Committee will meet at least three times a year. The Committee will hold discussions 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 the Company'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 will be responsible for reviewing the interim and preliminary announcements of results and the statutory accounts prior to their approval by the Board.

6.3 *Remuneration Committee*

The Remuneration Committee will be chaired by Richard Kilsby and Keith Hamill will initially also be a member. The Board intends to review the membership of the Committee once the additional non-executive directors have been appointed. Prior to these appointments the Chairman will have a casting vote. The Board will delegate 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 the Company's employee share plans. The Chairman and Chief Executive will attend certain parts of meetings of the Remuneration Committee by invitation.

6.4 *Nominations Committee*

The Nominations Committee will be chaired by Keith Hamill and its other members will initially be Terry Smith and Richard Kilsby. The Nominations Committee will be responsible for proposing candidates for appointment to the Board, having regard to the balance of skills, knowledge and experience of the Board. For non-executive appointments, the Nominations Committee will consider the time commitment involved in the appointment in arriving at its decision, and this will be included in all new letters of appointment. The constitution of the Nominations Committee will be reviewed once new non-executive directors have been appointed.

6.5 Risk Management

The Board will be responsible for setting the Group's risk parameters and ensuring that it has an appropriate and effective risk management framework and monitors the processes in place for identifying, evaluating, managing and reporting the significant risks faced by the Company. The Board will also be responsible for the Group's system of internal control and for reviewing its effectiveness. In discharging its responsibilities in this respect, the Board will appoint 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 thereon. This process will be reviewed regularly by the Board and accords with the Turnbull guidance appended to the Revised Combined Code on Corporate Governance.

The key risks facing the Group are described in Part II. These risks will be assessed before any new business is established and monitored on a day-to-day basis as part of the normal management process. The Group will adopt a single set of policies for the management of risk to be applied across all activities. This will be based initially on the process currently in place for Collins Stewart Tullett plc.

Risk management and the operation of the internal control systems within the Group will primarily be the responsibility of the executive directors and the senior management. These individuals will be allowed commercial independence and flexibility within parameters agreed by the Board 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 will monitor activities on a daily basis and ensure that the appropriate controls are exercised over the Group's operations. The Board will consider the monthly management accounts, budgets and plans and discuss any issues arising therefrom.

The Risk Committee will comprise the executive directors and certain members of the senior management team. The Risk Committee will be responsible for developing policies and monitoring mechanisms which ensure that the Group operates in accordance with the Board's risk parameters. Minutes of the Risk Committee will be circulated to the Board.

The systems of internal control operated by the Group are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A Risk Control team, which forms part of the embedded risk management process, will be 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 reports provided will cover, *inter alia*, the current status of existing controls, audits, loss events, and any required action plans to remedy any identified shortcomings in the control environment.

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 New CST Share and one Ordinary Share.

It is proposed that the Demerger 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 New CST 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 all of the issued shares of Collins Stewart Europe Limited, the holding company of the Group to New CST plc. The result of this part of the Demerger 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 New CST 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 Ordinary Share, credited as fully paid, for each New CST Share then held.

The end result will be that former Collins Stewart Tullett Share Owners will hold one New CST Share and one Ordinary 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 equity incentive 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 Demerger 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 for 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 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 Ordinary Shares to the holders of New CST 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 Ordinary Share for every New CST Share they hold at that time. Shareholders will not be required to make any payment for the Ordinary Shares. The Demerger will not affect the number of issued New CST 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 predominantly to the Group or, in the case of liabilities incurred by Collins Stewart plc, which relate exclusively or predominately to the New CST 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 New CST Group

Following the Demerger, New CST plc and Collins Stewart plc will each operate as separate listed companies. Terry Smith will act as Chief Executive Officer 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 other 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 Demerger 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 New CST Shares and Ordinary 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 New CST 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 New CST 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 quarters 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 amount of 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 New CST 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 Ordinary Shares to be issued pursuant to the Demerger subject only to allotment, and such permission not being withdrawn prior to 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 resolutions 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 Share 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 Demerger 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 New CST Shares.

The Collins Stewart Group Reduction Court Hearing to approve the Collins Stewart Group Reduction of Capital is expected to be held on 21 December 2006. Collins Stewart Share Owners will have the right to attend the Collins Stewart Group Reduction Court Hearing and to appear in person or be represented by counsel to support or oppose the sanction of the Collins Stewart Group Reduction of Capital. The Collins Stewart Group Reduction Court Hearing will also be held at the Royal Courts of Justice, The Strand, London WC2A 2LL.

The Acquisition is conditional on, amongst other matters, the Demerger becoming effective (as described in more detail in Part VI of this document). If the Demerger has not become effective by 31 December 2006 the Acquisition will not proceed, unless otherwise agreed by the parties to the Acquisition Agreement.

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 35,074,221 New Ordinary Shares and for the Ordinary Shares and the New 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. 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.

Subject to the satisfaction or, where permitted, waiver of the conditions to the Acquisition, including the completion of the Demerger, (as described in more detail in Part VI of this document), save for that relating to Admission of the New Ordinary Shares, it is expected that Admission of the New Ordinary Shares will become effective and that dealings in New Ordinary Shares will commence on 22 December 2006.

The Ordinary Shares to be issued pursuant to the Demerger will rank *pari passu* with all other Ordinary Shares in issue at the Demerger Effective Time including for all dividends and other distributions made, paid or declared after the Demerger Effective Time on the ordinary share capital of Collins Stewart plc. The New Ordinary Shares to be issued pursuant to the Acquisition will rank *pari passu* with all other Ordinary Shares in issue immediately prior to Completion including for all dividends and other distributions made, paid or

declared after Completion on the ordinary share capital of Collins Stewart plc other than the final dividend in respect of the financial period ending 31 December 2006.

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 Collins Stewart plc permit the holding of Ordinary Shares under the CREST system. Collins Stewart 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 Collins Stewart 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. Collins Stewart 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 Demerger Effective Time relating to payment of dividends on New CST Shares and all instructions given relating to notices and other communications will, unless and until varied or revoked, be treated, from the Demerger Effective Time, as being valid and effective mandates or instructions to Collins Stewart 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 New CST Shares pursuant to the Scheme or the issue of Ordinary 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 New CST 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 New CST Shares and/or Ordinary 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 New CST Shares and the Ordinary Shares to be issued pursuant to the Scheme and the 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 the 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 New CST 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.

Securities to be issued pursuant to the Scheme and the Demerger 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 (other than “affiliates” as described in the paragraph below) who receive securities in the Scheme in exchange for Collins Stewart Tullett Shares that were not restricted securities may resell them without restriction under the Securities Act. Persons who hold restricted Collins Stewart Tullett Shares will receive Ordinary 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 the Demerger and who is an affiliate of Collins Stewart Tullett plc before implementation of the Scheme and the Demerger or of Collins Stewart plc or New CST plc following implementation of the Scheme and the Demerger 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 the Demerger.

Each of Collins Stewart Tullett plc and Collins Stewart 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 Collins Stewart 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, Collins Stewart 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 Demerger Proposals will not be qualified for 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. Ordinary Shares will initially have a nominal value of 150 pence per share (or such lower nominal value as the Board 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 Ordinary Share and each unissued share in the capital of Collins Stewart plc from 150 pence (or such lower nominal value as the Board 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 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 Board.

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

As set out in paragraph 7 of this Part V, for those holding Collins Stewart Tullett 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. It is also expected that such share certificates will be despatched after the Collins Stewart Group Reduction of Capital (provided that the Collins Stewart Group Reduction of Capital is effective within seven days of the Demerger Effective Time) to reflect holdings of Ordinary Shares after the Collins Stewart Group Reduction of Capital.

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.

Collins Stewart plc will announce the Collins Stewart Group Reduction of Capital becoming effective via a Regulatory Information Service.

PART VI

SUMMARY OF THE TERMS OF THE ACQUISITION

1. Introduction

The Acquisition Agreement is dated 27 October 2006 and the parties to it are: (1) Collins Stewart Europe Limited and (2) the Hawkpoint Shareholders. Under the Acquisition Agreement, Collins Stewart Europe Limited has conditionally agreed to purchase the entire issued share capital of Hawkpoint Holdings Limited.

2. Consideration

The consideration for the Acquisition is: (1) cash of £40 million payable to the Hawkpoint Shareholders on Completion (with a loan note alternative); (2) 35,074,221 New Ordinary Shares, which will be issued as fully paid to the Hawkpoint Shareholders on Completion; and (3) an amount equal to the surplus cash in the Hawkpoint Group at 31 December 2006, up to a maximum of £15 million. Shortly before Completion, the rights, benefits and obligations of Collins Stewart Europe Limited as purchaser under the Acquisition Agreement will be assumed by Collins Stewart plc.

The New Ordinary Shares to be issued pursuant to the Acquisition will rank *pari passu* with all other Ordinary Shares in issue immediately prior to Completion including for all dividends and other distributions made, paid or declared after Completion other than the final dividend in respect of the financial period ending 31 December 2006.

3. Conditions to Completion

Completion is conditional upon, *inter alia*:

- (i) the successful completion of the Demerger;
- (ii) the passing of resolutions necessary to approve the Acquisition and to authorise the issue of the New Ordinary Shares;
- (iii) admission of the New Ordinary Shares to the Official List and to trading on the London Stock Exchange's market for listed securities; and
- (iv) there not having been a material adverse change in the business, operations, assets, position, profits or prospects of the Hawkpoint Group or the Collins Stewart Group or any event likely to result in such.

Completion will take place shortly after satisfaction of the above conditions precedent and is currently expected to occur on 22 December 2006.

The Hawkpoint Shareholders have agreed that between the date of the Acquisition Agreement and Completion, the businesses of Hawkpoint and the Hawkpoint Group will be operated in the ordinary course and subject to certain specific restrictions which are usual in circumstances where there is a period between exchange and completion of legally binding contracts.

4. Warranties and Indemnities

Certain of the Hawkpoint Shareholders (the **Hawkpoint Warrantors**) (representing approximately 80 per cent. of the New Ordinary Shares) are providing warranties relating to the business and affairs of the Hawkpoint Group. The warranties are customary for transactions similar in nature and type to the Acquisition.

The Hawkpoint Warrantors will each be liable for any breach of the warranties up to a maximum amount equal to the value of 50 per cent. of the New Ordinary Shares issued to them, but will have no liability for a breach of warranty until the aggregate value of all claims exceeds £5,000,000. Individual claims of less than £100,000 will be disregarded. The liability of Hawkpoint Warrantors will terminate on 31 March 2008 in respect of the warranties.

The Acquisition Agreement contains a warranty from Collins Stewart Europe Limited in favour of the Hawkpoint Shareholders in relation to the accuracy of the Collins Stewart Group Prospectus. It will have no liability for a breach of such warranty until the aggregate value of all claims exceeds £5,000,000. The maximum liability is an amount equal to 50 per cent. of the value of the New Ordinary Shares issued to the Hawkpoint Shareholders. The liability will terminate on 31 March 2008.

The Hawkpoint Warrantors have also agreed to enter into a tax deed pursuant to which they will indemnify Collins Stewart plc against liabilities arising from certain taxation matters in terms customary for transactions similar in nature and type to the Acquisition. The maximum liability of the Hawkpoint Warrantors under the tax indemnity when aggregated with their liability for any breach of the warranties as above shall be an amount equal to 50 per cent. of the value of the New Ordinary Shares issued to them. There will be no liability until the aggregate value of all claims exceeds £100,000. Individual claims of less than £5,000 will be disregarded. The liability of the Hawkpoint Warrantors under the tax indemnity will terminate on 31 December 2009 other than in respect of employee payroll withholding taxes in respect of which liability will terminate on 31 December 2012.

The Hawkpoint Shareholders have agreed for a period of two years following the date of Completion not to solicit clients or employees of Hawkpoint should they leave the employment of the Enlarged Group,

5. Lock-up undertakings

Subject to the provisions relating to claw back below and certain other limited exceptions, the Hawkpoint Warrantors and certain other of the Hawkpoint Shareholders (representing approximately 82 per cent. of the New Ordinary Shares) (i) may not dispose of any New Ordinary Shares until after the first anniversary of Completion, (ii) may dispose of up to 40 per cent. of their New Ordinary Shares after the first anniversary, but prior to and including the second anniversary of Completion and (iii) all of their New Ordinary Shares after the second anniversary of Completion shall be released from any restrictions on disposal. Any release from lock-up after the second anniversary of Completion shall be subject to any outstanding warranty or tax indemnity claims at such time.

6. Claw back

With certain limited exceptions, in the event that a Hawkpoint Shareholder ceases to be employed by Hawkpoint as a result of (i) his giving notice to resign from his employment, or (ii) his contract of employment being terminated as a result of his being convicted of a criminal offence, his being disqualified from being a director, his being guilty of fraud or his ceasing to be an “approved person” for the purposes of the Financial Services and Markets Act 2000, then, in most circumstances, some or all of the New Ordinary Shares held by such Hawkpoint Shareholder will be transferred by the relevant Hawkpoint Shareholder to an employee benefit trust on the following basis:

- (i) where the leaving date is on or before the first anniversary of Completion, 100 per cent. of the New Ordinary Shares held at the leaving date;
- (ii) where the leaving date is after the first anniversary but on or before the second anniversary of Completion, the relevant percentage is 60 per cent.; and
- (iii) where the leaving date is after the second anniversary, the relevant percentage is 0 per cent.

PART VII

SELECTED FINANCIAL INFORMATION

The selected financial information in this Part VII should be read in conjunction with the financial information set out in Part IX (Accountant's Report on the Collins Stewart Group), Part VIII (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 VII. The financial information in this Part VII has been extracted without material adjustment from the financial information set out in Part IX.

The financial information has been prepared in accordance with IFRS.

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

1. Combined Income Statements

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 <i>(unaudited)</i>	30 June 2006
	£m	£m	£m	£m	£m
Revenue	129.1	119.0	148.7	72.8	104.1
Administrative expenses					
Exceptional item: split capital contribution	–	(10.0)	–	–	–
Other administrative expenses	(82.1)	(79.4)	(105.7)	(52.2)	(71.6)
Total administrative expenses	(82.1)	(89.4)	(105.7)	(52.2)	(71.6)
Operating profit	47.0	29.6	43.0	20.6	32.5
Finance income	2.9	4.1	4.9	2.4	2.5
Finance costs	(0.9)	(1.0)	(1.3)	(0.5)	(0.8)
	2.0	3.1	3.6	1.9	1.7
Profit before tax	49.0	32.7	46.6	22.5	34.2
Taxation	(14.6)	(8.6)	(11.4)	(6.2)	(12.6)
Profit after tax	34.4	24.1	35.2	16.3	21.6
Attributed to:					
Equity holders of the parent	34.2	23.8	34.9	16.2	21.5
Minority interest	0.2	0.3	0.3	0.1	0.1
	34.4	24.1	35.2	16.3	21.6
Earnings per share					
Basic	16.1p	11.2p	16.4p	7.6p	10.1p
Diluted	16.0p	11.2p	16.4p	7.6p	10.1p

2. Combined Balance Sheets

	<i>As at</i>			<i>As at</i>	
	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005 (unaudited)</i>	<i>30 June 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Non-current assets					
Goodwill	25.1	25.1	32.2	25.1	32.6
Other intangible assets	0.5	0.6	0.5	0.5	0.3
Land, buildings, furniture, fixtures and equipment	4.4	2.8	2.1	2.3	1.9
Other financial assets	1.6	1.6	1.6	1.6	1.7
Deferred tax assets	0.8	0.7	2.3	1.8	5.1
	<u>32.4</u>	<u>30.8</u>	<u>38.7</u>	<u>31.3</u>	<u>41.6</u>
Current assets					
Trade and other receivables	116.6	117.2	626.8	414.2	2,228.5
Trading investments	10.3	55.0	38.5	45.2	26.0
Cash and cash equivalents	106.5	57.9	66.9	78.7	84.1
	<u>233.4</u>	<u>230.1</u>	<u>732.2</u>	<u>538.1</u>	<u>2,338.6</u>
Total assets	265.8	260.9	770.9	569.4	2,380.2
Current liabilities					
Trade and other payables	(133.1)	(113.9)	(636.1)	(409.4)	(2,227.5)
Financial liabilities	(2.8)	(27.4)	(11.9)	(18.0)	(4.5)
Interest bearing loans and borrowings	(3.6)	(4.0)	(1.1)	(3.6)	(5.9)
Tax liabilities	(11.3)	(2.3)	(11.4)	(7.3)	(13.1)
	<u>(150.8)</u>	<u>(147.6)</u>	<u>(660.5)</u>	<u>(438.3)</u>	<u>(2,251.0)</u>
Net current assets	82.6	82.5	71.7	99.8	87.6
Non-current liabilities					
Interest bearing loans and borrowings	(12.9)	(12.9)	(12.8)	(12.8)	(11.3)
Long-term provisions	(2.0)	(0.7)	–	(0.4)	–
	<u>(14.9)</u>	<u>(13.6)</u>	<u>(12.8)</u>	<u>(13.2)</u>	<u>(11.3)</u>
Total liabilities	<u>(165.7)</u>	<u>(161.2)</u>	<u>(673.3)</u>	<u>(451.5)</u>	<u>(2,262.3)</u>
Net assets	<u>100.1</u>	<u>99.7</u>	<u>97.6</u>	<u>117.9</u>	<u>117.9</u>
Equity					
Share capital	20.8	20.8	20.8	20.8	20.8
Retained earnings	78.9	78.3	75.9	96.3	96.3
	<u>99.7</u>	<u>99.1</u>	<u>96.7</u>	<u>117.1</u>	<u>117.1</u>
Total shareholders' equity	<u>99.7</u>	<u>99.1</u>	<u>96.7</u>	<u>117.1</u>	<u>117.1</u>
Minority interest	0.4	0.6	0.9	0.8	0.8
	<u>100.1</u>	<u>99.7</u>	<u>97.6</u>	<u>117.9</u>	<u>117.9</u>
Total equity	<u>100.1</u>	<u>99.7</u>	<u>97.6</u>	<u>117.9</u>	<u>117.9</u>

3. Combined Cash Flows

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005</i> <i>(unaudited)</i>	<i>30 June 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Net cash from/(used in) operating activities	53.0	(32.0)	56.6	25.7	21.1
Investing activities					
Interest received	2.9	5.0	5.1	2.3	2.5
Purchase of intangible fixed assets	(0.6)	(0.3)	(0.1)	(0.1)	–
Purchase of furniture, fixtures and equipment	(0.1)	(0.4)	(0.6)	(0.5)	(0.4)
Acquisition of subsidiary (net of cash acquired)	–	–	(3.0)	–	(3.9)
Net cash (used in)/from investing activities	2.2	4.3	1.4	1.7	(1.8)
Cash flow from financing activities					
Dividends paid	(7.0)	(21.3)	(46.0)	(6.0)	(5.0)
Repayment of borrowings	(4.4)	–	(0.1)	–	–
Purchase of own shares	–	–	–	–	(0.5)
Net cash used in financing activities	(11.4)	(21.3)	(46.1)	(6.0)	(5.5)
Net increase/(decrease) in cash and cash equivalents	43.8	(49.0)	11.9	21.4	13.8
Net cash and cash equivalents at the beginning of the period	59.6	102.9	53.9	53.9	65.8
Effect of foreign exchange rate changes	(0.5)	–	–	(0.1)	0.1
Net cash and cash equivalents at the end of the period	102.9	53.9	65.8	75.2	79.7
Cash and cash equivalents	106.5	57.9	66.9	78.7	84.1
Overdrafts	(3.6)	(4.0)	(1.1)	(3.5)	(4.4)
Net cash and cash equivalents	102.9	53.9	65.8	75.2	79.7

PART VIII

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. This section reviews the operating and financial performance of Collins Stewart Europe Limited, its subsidiaries and the US equities business to be transferred to the Group prior to the Demerger. 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 discussed in Part II of this document.

The historical financial information set out in Part IX contains information for the three year period ended 31 December 2005 and the six months to 30 June 2006 prepared in accordance with IFRS.

1. Business Overview

Collins Stewart's activities cover institutional and private client stockbroking, market making, corporate finance, fund and asset management and the supply of on-line financial information.

2. Review of Operating Results

The financial information has been prepared by the Directors from audited financial information. Potential Collins Stewart Group Share Owners should read the whole prospectus (and in particular Part IX) and not rely on the summarised data.

The financial information set out below has been presented in accordance with IFRS.

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Revenue	129.1	119.0	148.7	72.8	104.1
Operating profit					
Before exceptional item	47.0	39.6	43.0	20.6	32.5
After exceptional item	47.0	29.6	43.0	20.6	32.5
Net financing income	2.0	3.1	3.6	1.9	1.7
Profit before tax	49.0	32.7	46.6	22.5	34.2
Taxation	(14.6)	(8.6)	(11.4)	(6.2)	(12.6)
Profit after tax	<u>34.4</u>	<u>24.1</u>	<u>35.2</u>	<u>16.3</u>	<u>21.6</u>

Revenue

Revenue comprises profit on buying and selling securities, gross commissions, brokerage, fees earned and the profit or loss on positions held in securities.

Revenue in 2003 included fees from two large corporate finance transactions, (both AIPO™s) which were responsible for the Group producing the highest revenue in its history. In the subsequent years, the Group has produced more broadly based revenues less dependent on its corporate finance business. Private Clients and Larger Companies revenues have grown steadily during the period under review. The Private Clients business derives a significant proportion of its revenue from its discretionary management business, which provides a stable underpin to that business.

In 2005 approximately £27 million of revenue was contributed by the US equities business which will be transferred to Collins Stewart prior to the Demerger. This revenue comprised commissions and brokerage as well as market making income.

In the first half of 2006 Collins Stewart achieved a 43 per cent. growth in revenues compared to the first half of 2005. All areas of the business benefited from strong equity market conditions. During the first half of 2006, the US equities business generated £18.6 million revenues (2005: £13 million).

Revenue was predominantly UK based throughout the period, even after including the new US equities business from 2005 onwards. This balance is expected to alter in future years as the Group develops its international presence.

The following tables analyse revenue by business segment:

<i>Revenue</i>	<i>Year to</i>					
	<i>31 December 2003</i>		<i>31 December 2004</i>		<i>31 December 2005</i>	
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Smaller Companies	67.4	52	50.3	42	50.1	34
Private Clients	28.7	22	33.6	28	37.8	25
Larger Companies	33.0	26	35.1	30	60.8	41
Total revenue	129.1	100	119.0	100	148.7	100

<i>Revenue</i>	<i>Six months to</i>			
	<i>30 June 2005</i>		<i>30 June 2006</i>	
	<i>(unaudited)</i>			
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Smaller Companies	27.2	37	36.0	35
Private Clients	16.8	23	26.5	25
Larger Companies	28.8	40	41.6	40
Total revenue	72.8	100	104.1	100

Smaller Companies

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

The Smaller Cap team predominantly generates its revenue from raising funds for clients, either at IPO or through subsequent offerings. It also produces income from agency broking of small cap shares and making markets in small cap shares.

Smaller Cap turnover in 2003, at £60.7 million, was the highest Collins Stewart has produced in its history. The highlights of the year were the two AIPO™s, Northumbrian Water and Center Parcs. Total funds raised amounted to £1.3 billion.

In 2004 and 2005 funds raised for clients totalled £0.7 billion and £1.0 billion respectively on 40 transactions in 2004 and 56 transactions in 2005. Results for 2004 included one AIPO™, PD Ports, and the fee income for both 2004 and 2005 was therefore more diversified than 2003. Collins Stewart maintained its reputation for innovation in 2005 with the launch of three Special Purpose Acquisition Corporations ("SPACs").

The Investment Funds team generates the core of its revenue from commissions and fees on the launch of new trusts. The market was affected adversely in the period under review by the FSA investigation into split capital investment trusts which was settled at the end of 2004. This had a detrimental impact on overall investment trust market liquidity and served to depress revenues in 2003 and 2004.

In July 2005, the majority of the Investment Funds team resigned, and consequently the second half of 2005 was focused on rebuilding the team and developing a new transaction pipeline. Crucially, the Group ended 2005 having rebuilt an effective Investment Funds team.

In the first half of 2006 the Smaller Companies division advised on 37 transactions (2005 first half 34), and raised £1.3 billion of new equity compared to £1.3 billion for the whole of 2005. The vast majority of funds raised were on AIM where the Company was the leading broker in terms of value of funds raised by a considerable margin. A number of transactions were joint brokerships and accordingly the revenues were below those generated in calendar year 2005. Revenues grew by 32 per cent. compared to the first half of 2005.

Private Clients

The Private Clients business comprises private client stockbroking and asset management businesses located in London, the Channel Islands and the Isle of Man, a fund management business in Guernsey and a property management business based in Uxbridge. Revenues comprise fees on discretionary funds and property under management as well as agency stockbroking commissions and a small amount of income from market making in Channel Islands stocks.

The business has grown considerably over the last three years with funds under management increasing from £2.3 billion¹ at the end of 2003 to £3.2 billion¹ at the end of 2005 (2004: £2.5 billion¹). The acquisition in October 2005 of the Jersey and Isle of Man based private client stockbroking business of Insinger contributed £0.4 billion¹ of the increase in funds.

Over the same period there has been a progressive shift to discretionary management which typically attracts higher and more consistent fee levels. Discretionary funds increased from £1.7 billion¹ at the end of 2003 to £2.5 billion¹ at the end of 2005 (2004: £1.9 billion¹).

At the end of 2005 the London settlement function was transferred to the office in Guernsey to improve operating efficiencies.

In the first half of 2006 Private Clients increased funds under management to £3.6 billion¹, with discretionary funds rising to £2.9 billion. Private Clients accounted for £2.4 billion¹ of funds managed (£1.8 billion¹ discretionary) with the balance contributed by property fund management and fund services.¹ Insinger made a good contribution to first half revenues. However, there was also strong growth in underlying revenues, giving rise to a 58 per cent. improvement in revenues over the first half of 2005.

Larger Companies

Larger Companies comprises the businesses which were formerly classified as Larger Companies and Trading. It also includes the US Equities business previously forming part of the Tullett Prebon business which will be transferred to the Company prior to the Demerger. When the Group produces its first statutory accounts the US Equities business results will be included only from the time when the transfer to Collins Stewart takes place. QuestTM's financial results have also been included within the Larger Companies division.

The Larger Companies broking business has produced mixed results in the last three years. Market conditions in 2003 and 2004 were challenging and 2005 suffered from a number of staff departures.

In 2003 offices were opened in Paris and Dublin and new European salesmen hired to extend the division's marketing to prospective continental European clients. A new QuestTM model was launched in the first half of 2004 following two years of software development. The latter part of 2005 saw a number of analyst hires which started to have a positive impact on revenues during the last quarter of that year.

In 2003 the Larger Companies broking team started to assist in some of the larger fund raisings carried out by the Smaller Companies Division. The division played a significant role in two IPO's in 2005 and this interaction is expected to continue.

The Trading business comprises a number of discrete market making activities which do not fall within the Smaller Companies or Private Clients divisions. In 2003 this was solely a preference shares desk. At the beginning of 2004 an Australian equities desk was opened and this was joined later in 2004 by a convertibles team. The latter team has recently been down-sized and amalgamated with the preference shares desk. In October 2005 Collins Stewart established a proprietary trading joint venture, Berkshire Investment Managers LLP.

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

The 2005 results include for the first time the domestic US and international equities businesses which will transfer to the Collins Stewart Group as part of the pre-Demerger reorganisation plan. The bulk of this business was acquired from Burlington Capital Markets at the start of 2005. In the first year, and in accordance with expectations, this business generated revenues of £27 million but did not yield a significant profit due to the transitional bonus arrangements agreed with the vendor of the majority of this business.

In the first half of 2006 all areas of the business benefited from strong equity market conditions, with the Larger Companies broking team and US Equities business achieving particularly good performances. Revenues grew by 44 per cent. compared to the first half of 2005.

Operating Margin

Throughout the three year period, the original Collins Stewart business produced operating margins before exceptional items above 30 per cent. The Group's operational gearing and tight cost control enabled these margins to be maintained despite variable levels of revenue.

The exceptional charge of £10 million in 2004 related to the Group's contribution to the settlement fund established in connection with the FSA's split capital investment trust investigation. Pursuant to the settlement, the FSA agreed to terminate its investigation.

In 2005 the operating margin was reduced to below 30 per cent. thanks to the inclusion of the US equities business which made no operating contribution as a result of transitional bonus arrangements with the vendor of a material part of that business. The bonus arrangements for this business will continue until early 2008, although these will only apply once operating margins exceed 17 per cent.

The Smaller Companies business is the most profitable division, with margins (before exceptional items) consistently around 50 per cent. or above.

The UK Private Clients business made losses in 2003 and 2004 after a prolonged period of rationalisation and integration following its acquisition but turned to profit in 2005 and the first half of 2006. Profits have steadily improved in the Private Clients division as a whole, with margins rising in the first half of 2006 to 28.7 per cent. (2005 first half: 20.8 per cent.), as a result of higher revenue, the benefits of integrating the Ininger business and relocating the London settlement function to Guernsey.

The Larger Companies division has suffered over recent years from downward pressure on margins as a result of competition. It has also borne the full cost of operating Quest™ although other divisions utilise Quest™. 2005 and the first half of 2006 saw a significant improvement in profitability with margins improving to 15.1 per cent. and 19.8 per cent. respectively in the UK and continental European business.

As mentioned above, the US Larger Companies business has generated lower margins as a result of transitional bonus arrangements. However margins improved in the first half of 2006 to 16.5 per cent. compared to 4.3 per cent. in the comparable period.

The US equities business operates on a different model to that in the UK. There is a lower advisory content to its services and accordingly a lower margin is generated, even before the enhanced transitional staff bonus arrangements. These transitional arrangements will cease at the beginning of 2008. However it is not expected that this business will generate margins at the levels currently enjoyed by the existing Collins Stewart businesses.

Net Financing Income

The Group held substantial net cash throughout the period, giving rise to a positive net interest income. This has increased in recent years predominantly due to higher interest rates. A substantial amount of cash was distributed to Collins Stewart Tullett plc in 2005 and further cash will be returned prior to the Demerger which will adversely affect net interest income in the future.

Taxation

The Group is subject to both UK and overseas corporation tax as a result of its normal operating activities. Profits arising in the UK are chargeable at the UK standard rate of 30 per cent., with profit arising from the Channel Islands business subject to local corporation tax at 20 per cent. or less unless remitted to the UK,

and that derived from the North American business subject to a combined federal and state tax rate of approximately 46 per cent. Given this mix of rates, the Group's effective rate of tax varies year on year.

In 2003 the effective rate of tax was 30 per cent. as revenues were heavily skewed to the UK as a result of the strong Smaller Companies corporate finance performance. In subsequent years the geographic balance of the business shifted so that a lower proportion of revenue was generated in the UK and a higher percentage in the Channel Islands, resulting in a lower effective tax rate. Despite the revenues contributed by the new US equities business in 2005, no profits were generated as a result of transitional bonus arrangements and accordingly no US tax was payable. The effective rate of tax is likely to increase once the US equities business generates a higher level of profit, as the transitional bonus arrangements diminish.

In the first half of 2006 the effective rate of tax was 36.8 per cent. However, £14.5 million dividends were paid by Channel Islands companies to Collins Stewart Europe Limited, giving rise to additional taxes. Although these were sheltered by other Collins Stewart Tullett Group companies, Collins Stewart bore the full taxes. The underlying rate of taxation during the period was actually 30 per cent.

Earnings per share

The earnings per share have been calculated using the anticipated issued share capital of Collins Stewart plc post demerger, assuming that such share capital had been in issue throughout the period under review. The diluted earnings per share only take account of the share options outstanding to Collins Stewart staff at the date of this document, again assuming that such options had been outstanding throughout the period under review. As a consequence the earnings per share simply vary with the level of earnings and the tax rates which applied during the relevant periods.

Acquisitions

In 2005 the Group acquired the Jersey and Isle of Man based private client stockbroking business of Insinger de Beaufort (International) Limited ("Insinger"). Total consideration amounted to £8.6 million, of which £4.8 million was payable on completion. The business had £1.8 million cash at completion. Insinger had net assets of £1.5 million at completion and consequently goodwill arising on the acquisition amounted to £7.1 million.

The US equities business has been treated as an acquisition in January 2005, the date that it was acquired by the Collins Stewart Tullett Group, despite the fact that it will only be transferred to Collins Stewart prior to the Demerger. For the purposes of this document, it has been assumed that the business was acquired with no net assets and that no goodwill arose on the acquisition. The US equities matched principal business was responsible for the significant increase at 30 June 2006 in Trade and other receivables and Trade and other payables.

Prior to the Demerger, Collins Stewart Inc will be transferred to Collins Stewart Europe Limited, having first acquired the business and assets of the US equities business. No goodwill is expected to arise on the transfer.

When Collins Stewart plc produces its statutory accounts in respect of 2006, the results of the US equities business will only be included from the date of legal transfer to Collins Stewart.

3. Review of Cash Flows

Review of cash flows for the three years ended 31 December 2005 and the two half years ended 30 June 2005 and 2006

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> 2003	<i>31 December</i> 2004	<i>31 December</i> 2005	<i>30 June</i> 2005 <i>(unaudited)</i>	<i>30 June</i> 2006
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cash generated from/(absorbed by) operations – (excluding taxation, interest paid and exceptional item)	63.3	(2.8)	60.9	27.5	31.9
Exceptional item	–	(10.0)	–	–	–
Net financing income	2.0	3.2	4.4	1.8	1.7
Taxation	(9.4)	(17.4)	(3.6)	(1.3)	(10.0)
Capital expenditure	(0.7)	(0.7)	(0.7)	(0.6)	(0.4)
Purchase of subsidiary undertakings	–	–	(3.0)	–	(3.9)
Repayment of borrowings	(4.4)	–	(0.1)	–	–
Purchase of own shares	–	–	–	–	(0.5)
Dividends	(7.0)	(21.3)	(46.0)	(6.0)	(5.0)
Cashflow for the period	<u>43.8</u>	<u>(49.0)</u>	<u>11.9</u>	<u>21.4</u>	<u>13.8</u>

Operating cash flows

Cash generation from operating activities was strongly positive in both 2003 and 2005; 2004 was affected by a £20.1 million increase in net trading positions following the establishment of the convertibles desk, and a reduction in creditors, largely due to the settlement of inter-company management charges with Collins Stewart Tullett plc. Nevertheless in the three and a half years ended 30 June 2006, some 94 per cent. of Collins Stewart's operating profit converted to cash.

Exceptional item: split capital contribution

The split capital contribution represents the £10 million payment by Collins Stewart to the settlement fund established in connection with the FSA's split capital investment trust investigation, before tax relief of £3 million.

Taxation

Taxation payments in 2004 were unusually large due to the high level of taxable profit in 2003. Payments in 2005 were substantially lower than in previous years as a result of utilisation of tax losses surrendered to Collins Stewart by the companies in the Collins Stewart Tullett Group which were only reimbursed in 2006. Collins Stewart paid other Collins Stewart Tullett Group companies for these tax losses but the payments were included in Taxation.

Purchase of subsidiary undertakings and repayment of borrowings

In October 2005, the Group paid £3.0 million cash on completion (net of cash acquired with the company) for the acquisition of Insinger de Beaufort (International) Limited's Jersey and Isle of Man based private client stockbroking business. Deferred consideration of £3.25 million was paid at the end of March 2006.

During 2003 the majority of the loan notes issued in relation to the acquisition of Collins Hitchcock Stewart Whitaker in 1996 were redeemed, with the final £0.1 million repaid in December 2005.

Dividends

The Group paid dividends to Collins Stewart Tullett out of its retained earnings totalling £79.3 million over the three and a half year period under review. These dividends increased in 2004 and 2005, following

adoption of a policy by Collins Stewart Tullett plc, to centralise the treasury management of the Group. Total dividends paid amount to 80.3 per cent. of post tax cash flows generated by operating activities.

4. Capital Resources

Due to the cash generative nature of the Group's operating activities the Group has historically held significant positive cash balances. It has two unsecured subordinated loans from Collins Stewart Tullett plc of £11.3 million and £1.5 million, which, as described in paragraph 7 of Part III, the Group intends to repay out of its existing cash balances prior to Admission.

The Group has historically operated two uncommitted overdraft facilities, a £5.0 million facility in Collins Stewart and a US\$15.0 million facility in CSCI as well as a number of settlement facilities. In addition, a £15.0 million credit facility was shared with Collins Stewart Tullett plc. The sterling facilities have been used only periodically, typically as short term financing for large placings, and are not used as part of the Group's core working capital. The dollar facility is used exclusively to finance clients' US dollar based transactions, and as such is effectively always collateralised.

Of the Group's overall cash balance, a relatively small amount is not available for general use. As part of the normal settlement process the Group is required to deposit margin balances with various clearing agencies. These balances totalled £4.4 million at 30 June 2006.

The Group provides £5.75 million facilities to the proprietary trading joint venture, Berkshire Investment Managers LLP. At 31 August 2006, £1.7 million had been drawn under these facilities. This unaudited information has been extracted from the management and financial reporting systems of the Group at that date.

The Group has no off balance sheet financing.

Upon Admission, the Group will have a single committed facility of £25 million for a period of 3 years, uncommitted overdrafts of £5 million and US\$15 million as well as its operating facilities to facilitate the clearing and settlement process.

5. Treasury Policies

The Group will seek to maximise returns from its resources within the constraints of the Board's risk parameters and having 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 Company will act as lender of first resort to subsidiaries or business units, co-ordinate standby financing arrangements, manage all intra-group financing and monitor 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 is not currently subject to any financial ratio covenants other than being required to maintain adequate regulatory capital, which it has done at all times. The new working capital facility has minimum tangible net worth covenants.

Collins Stewart has historically been a largely UK-based business with a developing presence in the US. The majority of revenues, costs, assets and liabilities in Collins Stewart have been sterling based resulting in limited foreign exchange risk. Collins Stewart has therefore historically not undertaken any foreign exchange hedging transactions. This position will be reviewed when the US equities business is transferred into the Group.

6. Regulatory Capital

As part of Collins Stewart Tullett plc, the Group has not been subject to the FSA's consolidated capital adequacy tests as these only apply to the ultimate parent company. In the three years under review, Collins Stewart has at all times maintained greater regulatory capital than its local requirements. The consolidated capital requirements for the Group, once it has become an independent entity, have been evaluated and the Directors expect the Group to maintain satisfactory excesses of regulatory capital on a consolidated basis.

The draft regulatory capital requirements proposed to be adopted by the FSA to implement the Capital Requirements Directive in the UK have also been considered. These are expected to require that higher levels of regulatory capital be maintained. Nevertheless, the Directors expect both the UK regulated entities and the Group to maintain satisfactory excesses of regulatory capital.

7. Capitalisation & 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 Accountant's Report on Collins Stewart in Part IX of this document. The indebtedness figures have been extracted from the management and financial reporting systems of the Group as at 31 August 2006 and are unaudited.

<i>Indebtedness at 31 August 2006</i>	<i>£m</i>
Total current debt	
Unguaranteed/Unsecured	11.5
Total non-current debt (excluding current portion of long term debt)	
Unguaranteed/Unsecured	11.3
	<u>22.8</u>
 <i>Capitalisation at 30 June 2006</i>	 <i>£m</i>
Shareholders' equity	
Share capital	20.8
Retained earnings	96.3
Total shareholders' equity	<u>117.1</u>
Total	<u>139.9</u>

The following table shows the net funds of the Group as at 31 August 2006. This unaudited information has been extracted from the management and financial reporting systems of the Group at that date.

<i>Net funds at 31 August 2006</i>	<i>£m</i>
Cash in hand and at bank	58.6
Cash equivalents	7.6
Client settlement money	8.0
	<u>74.2</u>
Bank overdraft	(10.0)
Loans due within one year	(1.5)
Net current financial indebtedness	<u>(11.5)</u>
Loans due after one year	(11.3)
Non current financial indebtedness	<u>(11.3)</u>
Gross debt	<u>(22.8)</u>
Total net funds	<u>51.4</u>

Long and short positions in securities do not form part of net funds.

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.

Prior to the Demerger, 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.

8. 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.

8.1 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 Group has a credit exposure framework. Within this overall framework specific limits will be granted by the Risk Committee or the 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.

8.2 Market risk

The Group 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 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.

8.3 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 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 is designed to enable the Group to exploit existing opportunities, increase business success, and protect and enhance shareholder value. The Group's operational risk management framework aims 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 due to a lower risk profile;

- provide operational risk information to executive management 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 Group; 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.

8.4 *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.

8.5 *Effects of inflation*

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

8.6 *Other risks*

Part II (Risk Factors) of this document contains further information on risks faced by the Group.

PART IX

ACCOUNTANT'S REPORT ON THE COLLINS STEWART GROUP

Deloitte.

Deloitte & Touche LLP
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66 Shoe Lane
London EC4A 3BQ

The Board of Directors
on behalf of Collins Stewart plc
9th Floor
88 Wood Street
London EC2V 7QR

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

Dear Sirs

**Collins Stewart Europe Limited (formerly Collins Stewart Limited)
and its subsidiaries (“Collins Stewart”)**

We report on the financial information set out in Part IX of the prospectus dated 31 October 2006 of Collins Stewart 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 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 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 the dates stated and of its profits, cash flows and changes in equity for the periods 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.

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

31 October 2006

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 UNDER IFRS

Combined Income Statement

	Notes	Year to			Six months to	
		31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
		£m	£m	£m	£m	£m
Revenue	3	129.1	119.0	148.7	72.8	104.1
Administrative expenses						
Exceptional item: split capital contribution	4	–	(10.0)	–	–	–
Other administrative expenses		(82.1)	(79.4)	(105.7)	(52.2)	(71.6)
Total administrative expenses		(82.1)	(89.4)	(105.7)	(52.2)	(71.6)
Operating profit		47.0	29.6	43.0	20.6	32.5
Finance income	7	2.9	4.1	4.9	2.4	2.5
Finance costs	8	(0.9)	(1.0)	(1.3)	(0.5)	(0.8)
		2.0	3.1	3.6	1.9	1.7
Profit before tax		49.0	32.7	46.6	22.5	34.2
Taxation	9	(14.6)	(8.6)	(11.4)	(6.2)	(12.6)
Profit after tax	5	34.4	24.1	35.2	16.3	21.6
Attributed to:						
Equity holders of the parent		34.2	23.8	34.9	16.2	21.5
Minority interest		0.2	0.3	0.3	0.1	0.1
		34.4	24.1	35.2	16.3	21.6
Earnings per share						
Basic	11	16.1p	11.2p	16.4p	7.6p	10.1p
Diluted	11	16.0p	11.2p	16.4p	7.6p	10.1p

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

Combined Statement of Recognised Income and Expense

	<i>Notes</i>	<i>Year to</i>			<i>Six months to</i>	
		<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005</i> <i>(unaudited)</i>	<i>30 June 2006</i>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Exchange differences on translation of foreign operations		(0.1)	–	0.1	0.1	0.3
Taxation on items taken directly to equity		0.2	0.1	0.6	0.6	2.9
Net income recognised directly in equity		0.1	0.1	0.7	0.7	3.2
Profit for the period	5	34.4	24.1	35.2	16.3	21.6
Total recognised income and expense for the period		<u>34.5</u>	<u>24.2</u>	<u>35.9</u>	<u>17.0</u>	<u>24.8</u>
Attributed to:						
Equity holders of the parent		34.3	23.9	35.6	16.9	24.7
Minority interest		0.2	0.3	0.3	0.1	0.1
		<u>34.5</u>	<u>24.2</u>	<u>35.9</u>	<u>17.0</u>	<u>24.8</u>

Combined Balance Sheet

	<i>Notes</i>	<i>As at</i>			<i>As at</i>	
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>
		<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Non-current assets						
Goodwill	12	25.1	25.1	32.2	25.1	32.6
Other intangible assets	13	0.5	0.6	0.5	0.5	0.3
Land, buildings, furniture, fixtures and equipment	14	4.4	2.8	2.1	2.3	1.9
Other financial assets	16	1.6	1.6	1.6	1.6	1.7
Deferred tax assets	17	0.8	0.7	2.3	1.8	5.1
		<u>32.4</u>	<u>30.8</u>	<u>38.7</u>	<u>31.3</u>	<u>41.6</u>
Current assets						
Trade and other receivables	18	116.6	117.2	626.8	414.2	2,228.5
Trading investments	16	10.3	55.0	38.5	45.2	26.0
Cash and cash equivalents	27(b)	106.5	57.9	66.9	78.7	84.1
		<u>233.4</u>	<u>230.1</u>	<u>732.2</u>	<u>538.1</u>	<u>2,338.6</u>
Total assets		<u>265.8</u>	<u>260.9</u>	<u>770.9</u>	<u>569.4</u>	<u>2,380.2</u>
Current liabilities						
Trade and other payables	20	(133.1)	(113.9)	(636.1)	(409.4)	(2,227.5)
Financial liabilities	21	(2.8)	(27.4)	(11.9)	(18.0)	(4.5)
Interest bearing loans and borrowings	22	(3.6)	(4.0)	(1.1)	(3.6)	(5.9)
Tax liabilities		(11.3)	(2.3)	(11.4)	(7.3)	(13.1)
		<u>(150.8)</u>	<u>(147.6)</u>	<u>(660.5)</u>	<u>(438.3)</u>	<u>(2,251.0)</u>
Net current assets		<u>82.6</u>	<u>82.5</u>	<u>71.7</u>	<u>99.8</u>	<u>87.6</u>
Non-current liabilities						
Interest bearing loans and borrowings	22	(12.9)	(12.9)	(12.8)	(12.8)	(11.3)
Long-term provisions	23	(2.0)	(0.7)	–	(0.4)	–
		<u>(14.9)</u>	<u>(13.6)</u>	<u>(12.8)</u>	<u>(13.2)</u>	<u>(11.3)</u>
Total liabilities		<u>(165.7)</u>	<u>(161.2)</u>	<u>(673.3)</u>	<u>(451.5)</u>	<u>(2,262.3)</u>
Net assets		<u>100.1</u>	<u>99.7</u>	<u>97.6</u>	<u>117.9</u>	<u>117.9</u>
Equity						
Share capital	24	20.8	20.8	20.8	20.8	20.8
Retained earnings	25	78.9	78.3	75.9	96.3	96.3
Total shareholders' equity		<u>99.7</u>	<u>99.1</u>	<u>96.7</u>	<u>117.1</u>	<u>117.1</u>
Minority interest		0.4	0.6	0.9	0.8	0.8
Total equity		<u>100.1</u>	<u>99.7</u>	<u>97.6</u>	<u>117.9</u>	<u>117.9</u>

Combined Cash Flow Statement

	<i>Notes</i>	<i>Year to</i>			<i>Six months to</i>	
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>
		<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Net cash from/(used in) operating activities	27(a)	53.0	(32.0)	56.6	25.7	21.1
Investing activities						
Interest received		2.9	5.0	5.1	2.3	2.5
Purchase of intangible fixed assets		(0.6)	(0.3)	(0.1)	(0.1)	–
Purchase of furniture, fixtures and equipment		(0.1)	(0.4)	(0.6)	(0.5)	(0.4)
Acquisition of subsidiary (net of cash acquired)		–	–	(3.0)	–	(3.9)
Net cash (used in)/from investing activities		2.2	4.3	1.4	1.7	(1.8)
Cash flow from financing activities						
Dividends paid		(7.0)	(21.3)	(46.0)	(6.0)	(5.0)
Repayment of borrowings		(4.4)	–	(0.1)	–	–
Purchase of own shares		–	–	–	–	(0.5)
Net cash used in financing activities		(11.4)	(21.3)	(46.1)	(6.0)	(5.5)
Net increase/(decrease) in cash and cash equivalents		43.8	(49.0)	11.9	21.4	13.8
Net cash and cash equivalents at the beginning of the period		59.6	102.9	53.9	53.9	65.8
Effect of foreign exchange rate changes		(0.5)	–	–	(0.1)	0.1
Net cash and cash equivalents at the end of the period	27(b)	102.9	53.9	65.8	75.2	79.7
Cash and cash equivalents		106.5	57.9	66.9	78.7	84.1
Overdrafts		(3.6)	(4.0)	(1.1)	(3.5)	(4.4)
Net cash and cash equivalents	27(b)	102.9	53.9	65.8	75.2	79.7

NOTES TO THE COMBINED FINANCIAL INFORMATION

1. General information

Collins Stewart Europe Limited (“CSEL”), formerly Collins Stewart Limited, is the parent company of the Collins Stewart stockbroking business (“the Group”). It 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 and in the Operating and Financial Review in Part VIII of the Collins Stewart Group Prospectus.

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 Combined Financial Information of Collins Stewart Europe Limited 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 IFRS 7: “Financial Instruments: Disclosures and the related amendments to IAS 1” was in issue but not yet effective:

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 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 accounting

The Combined Financial Information for the companies or businesses in Collins Stewart following the Demerger has been prepared in accordance with applicable accounting standards for the three years ended 31 December 2005 and six months ended 30 June 2005 and 30 June 2006. The Combined Financial Information for the three years ended 31 December 2005 is based on financial information extracted from the consolidation schedules which support the audited financial statements of Collins Stewart Tullett plc as adjusted to comply with IFRS in 2003. The Combined Financial Information for the six months ended 30 June 2005 and 30 June 2006 has been prepared for the purpose of this prospectus. The companies or businesses included within the Combined Financial Information are shown in note 36. The combination represents a reorganisation of entities under common control and is therefore outside the scope of IFRS 3: Business Combinations. It has been accounted for as a group reorganisation as described in UK accounting literature. Accordingly no adjustment has been made to reflect the fair value of assets and liabilities, and results are included as if they had been part of the Group for the entire period.

The Combined Financial Information has been prepared in accordance with IFRS adopted for use in the European Union and therefore complies with Article 4 of the EU IAS Regulation. It 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, which have been applied consistently throughout all the periods presented, have been set out below.

Basis of combination

The Combined Financial Information incorporates the financial information of CSEL, the financial information of entities controlled by CSEL (and its subsidiaries) made up to 31 December each year. Control of another entity is achieved where CSEL has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The Combined Financial Information also includes the assets, liabilities, revenues, expenditure and cashflows of businesses not controlled by CSEL at 30 June 2006 but which will be transferred to CSEL and its subsidiaries prior to the Demerger as set out in note 36.

The Group's accounting policy on goodwill is described below.

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 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 in the Combined Financial Information.

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 is recognised in the financial statements of the relevant company and classified according to its 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 the Group's 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the net 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 in 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 included at the previous UK GAAP amount 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

Other 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 “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.

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

Revenue

Revenue, which excludes value added tax, includes the profit on buying and selling securities, gross commissions, brokerage, fees earned and the profit or loss arising on positions held in securities. 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 the net returns on managing segregated client money accounts accrued on a time basis.

Dividend income from investments is recognised when the shareholder’s right to receive the payment is established.

Land, buildings, furniture, fixtures and equipment

Freehold land is stated at cost. Buildings, furniture, fixtures and equipment 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 and equipment	10 per cent. – 33 per cent. pa
Leasehold land and buildings (short/long)	over the period of the lease
Freehold land	nil
Freehold buildings	1 per cent. pa

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 (or 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 are recognised and derecognised on a trade-date basis where a purchase or sale of an investment is under a contract the terms of which 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 or is calculated based on the expected cash flows of the investment or the net asset base.

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 timeframe 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).

Derivatives

Derivatives are measured initially at fair value and subsequently re-measured to fair value. Fair values are obtained from quoted prices prevailing in active markets, including recent market transactions, and valuation

techniques, including discounted cash flow models and option pricing models as appropriate. All derivatives are included in assets when their fair value is positive, and liabilities when their fair value is negative.

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 debtors and trade creditors 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 recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

Trade and other receivables

Trade receivables are settled within normal market cycles. Trade receivables are recognised at fair value.

Trade payables

Trade payables are recognised at fair value.

Client money

The Group holds money on behalf of clients in accordance with the client monies 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 33. The net return received on managing client money is included within revenue.

Cash and cash equivalents

Cash comprises cash on 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 which it is probable 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 may enter 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 an expense 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 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.

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 profit and loss account as and when incurred.

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.

3. Business and geographic segments

For management purposes, the Group is currently organised into three operating divisions: Smaller Companies, Private Clients and Larger Companies. These divisions are the basis on which the Group reports its primary segment information.

	<i>Smaller Companies</i>			<i>Private Clients</i>			<i>Larger Companies</i>			<i>Total</i>		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
	<i>£m</i>			<i>£m</i>			<i>£m</i>			<i>£m</i>		
Revenue												
EU	67.4	50.3	50.1	7.4	8.2	9.3	25.2	27.5	27.2	100.0	86.0	86.6
North America	–	–	–	–	–	–	7.8	7.6	33.6	7.8	7.6	33.6
Channel Islands	–	–	–	21.3	25.4	28.5	–	–	–	21.3	25.4	28.5
Total revenue	67.4	50.3	50.1	28.7	33.6	37.8	33.0	35.1	60.8	129.1	119.0	148.7
Operating profit before exceptional item												
EU	38.5	29.8	28.5	(1.1)	(0.2)	0.5	2.0	(0.2)	4.1	39.4	29.4	33.1
North America	–	–	–	–	–	–	1.9	1.6	1.5	1.9	1.6	1.5
Channel Islands	–	–	–	5.7	8.6	8.4	–	–	–	5.7	8.6	8.4
	38.5	29.8	28.5	4.6	8.4	8.9	3.9	1.4	5.6	47.0	39.6	43.0
Exceptional item*												
EU	–	(10.0)	–	–	–	–	–	–	–	–	(10.0)	–
North America	–	–	–	–	–	–	–	–	–	–	–	–
Channel Islands	–	–	–	–	–	–	–	–	–	–	–	–
	–	(10.0)	–	–	–	–	–	–	–	–	(10.0)	–
Operating profit												
EU	38.5	19.8	28.5	(1.1)	(0.2)	0.5	2.0	(0.2)	4.1	39.4	19.4	33.1
North America	–	–	–	–	–	–	1.9	1.6	1.5	1.9	1.6	1.5
Channel Islands	–	–	–	5.7	8.6	8.4	–	–	–	5.7	8.6	8.4
	38.5	19.8	28.5	4.6	8.4	8.9	3.9	1.4	5.6	47.0	29.6	43.0
Finance income										2.9	4.1	4.9
Finance costs										(0.9)	(1.0)	(1.3)
Profit before tax										49.0	32.7	46.6
Taxation										(14.6)	(8.6)	(11.4)
Profit after tax										34.4	24.1	35.2

*The exceptional item was the split capital investment trust settlement contribution.

3. Business and geographic segments (continued)

	<i>Smaller Companies</i>		<i>Private Clients</i>		<i>Larger Companies</i>		<i>Total</i>	
	<i>Six months to</i>		<i>Six months to</i>		<i>Six months to</i>		<i>Six months to</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>(unaudited)</i>		<i>(unaudited)</i>		<i>(unaudited)</i>		<i>(unaudited)</i>	
	<i>£m</i>		<i>£m</i>		<i>£m</i>		<i>£m</i>	
Revenue								
EU	27.2	36.0	4.7	5.7	12.7	19.2	44.6	60.9
North America	–	–	–	–	16.1	22.4	16.1	22.4
Channel Isles	–	–	12.1	20.8	–	–	12.1	20.8
Total revenue	27.2	36.0	16.8	26.5	28.8	41.6	72.8	104.1
Operating profit before exceptional items								
EU	14.1	17.4	0.2	0.4	2.3	3.8	16.6	21.6
North America	–	–	–	–	0.7	3.7	0.7	3.7
Channel Isles	–	–	3.3	7.2	–	–	3.3	7.2
	14.1	17.4	3.5	7.6	3.0	7.5	20.6	32.5
Exceptional items								
EU	–	–	–	–	–	–	–	–
North America	–	–	–	–	–	–	–	–
Channel Isles	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
Operating profit								
EU	14.1	17.4	0.2	0.4	2.3	3.8	16.6	21.6
North America	–	–	–	–	0.7	3.7	0.7	3.7
Channel Isles	–	–	3.3	7.2	–	–	3.3	7.2
	14.1	17.4	3.5	7.6	3.0	7.5	20.6	32.5
Finance income							2.4	2.5
Finance costs							(0.5)	(0.8)
Profit before tax							22.5	34.2
Taxation							(6.2)	(12.6)
Profit after tax							16.3	21.6

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

	<i>Smaller Companies</i>			<i>Private Clients</i>			<i>Larger Companies</i>			<i>Total</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£m</i>			<i>£m</i>			<i>£m</i>			<i>£m</i>		
Business segments												
Other Information												
Capital additions	–	–	–	0.1	0.1	0.3	0.6	0.6	0.6	0.7	0.7	0.9
Depreciation and amortisation	0.2	0.2	0.1	0.3	0.2	0.2	1.9	1.8	1.5	2.4	2.2	1.8
Expenses arising from share plans	0.2	0.5	1.0	–	0.1	0.1	0.3	2.2	0.9	0.5	2.8	2.0
Balance Sheet												
Assets	8.5	19.6	22.4	51.4	65.4	154.5	205.9	175.9	594.0	265.8	260.9	770.9
Liabilities	2.9	4.2	3.8	29.5	34.8	108.7	133.3	122.2	560.8	165.7	161.2	673.3
Geographical area												
	<i>EU</i>			<i>Channel Isles</i>			<i>North America</i>			<i>Total</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£m</i>			<i>£m</i>			<i>£m</i>			<i>£m</i>		
Other Information												
Capital additions	0.5	0.5	0.4	0.1	0.1	0.2	0.1	0.1	0.3	0.7	0.7	0.9
Balance Sheet												
Assets	212.0	192.8	263.6	51.4	65.4	154.5	2.4	2.7	352.8	265.8	260.9	770.9

3. Business and geographic segments (continued)

	<i>Smaller Companies</i>		<i>Private Clients</i>		<i>Larger Companies</i>		<i>Total</i>	
	<i>Six months to</i>		<i>Six months to</i>		<i>Six months to</i>		<i>Six months to</i>	
	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>		<i>£m</i>		<i>£m</i>		<i>£m</i>	
Business segments								
Other Information								
Capital additions	0.2	0.1	0.2	0.1	0.2	0.2	0.6	0.4
Depreciation and amortisation	0.3	0.3	0.5	0.1	0.4	0.4	1.2	0.8
Expenses arising from share plans	0.6	0.6	0.1	0.1	0.4	0.4	1.1	1.1
Balance Sheet								
Assets	16.3	14.6	115.5	66.7	437.6	2,298.9	569.4	2,380.2
Liabilities	5.0	2.6	76.0	29.9	370.5	2,229.8	451.5	2,262.3

Geographical area

	<i>EU</i>		<i>Channel Isles</i>		<i>North America</i>		<i>Total</i>	
	<i>Six months to</i>		<i>Six months to</i>		<i>Six months to</i>		<i>Six months to</i>	
	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>		<i>£m</i>		<i>£m</i>		<i>£m</i>	
Other Information								
Capital additions	0.5	0.3	0.1	0.1	–	–	0.6	0.4
Balance Sheet								
Assets	372.2	405.2	115.5	66.7	81.7	1,908.3	569.4	2,380.2

Segment assets and liabilities exclude all inter-segment balances.

4. Exceptional item

Split capital contribution

The 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.

5. Profit for the period

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

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
	<i>£m</i>			<i>(unaudited) £m</i>	
Net foreign exchange (gains)/losses	0.1	(0.2)	–	(0.1)	(0.1)
Depreciation of property, plant and equipment (Note 14)	2.3	2.0	1.6	1.0	0.6
Amortisation of intangible assets (Note 13)	0.1	0.2	0.2	0.2	0.2
Staff costs (Note 6)	50.5	53.9	71.5	36.4	51.5
Auditors' remuneration for audit services	0.3	0.2	0.2	0.1	0.1

5. Profit for the period (continued)

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

	Year to						Six months to			
	31 December 2003		31 December 2004		31 December 2005		30 June 2005		30 June 2006	
	£m	%	£m	%	£m	%	(unaudited)		£m	%
Audit services										
– statutory audit	0.2	67	0.2	100	0.2	100	0.1	100	0.1	100
	<u>0.2</u>	<u>67</u>	<u>0.2</u>	<u>100</u>	<u>0.2</u>	<u>100</u>	<u>0.1</u>	<u>100</u>	<u>0.1</u>	<u>100</u>
Other services										
– taxation	0.1	33	–	–	–	–	–	–	–	–
	<u>0.3</u>	<u>100</u>	<u>0.2</u>	<u>100</u>	<u>0.2</u>	<u>100</u>	<u>0.1</u>	<u>100</u>	<u>0.1</u>	<u>100</u>

6. Staff costs

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

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005	30 June 2006
	No.	No.	No.	(unaudited)	
EU	267	280	255	259	241
Channel Islands	132	134	177	161	198
North America	13	13	86	77	77
	<u>412</u>	<u>427</u>	<u>518</u>	<u>497</u>	<u>516</u>

The aggregate employment costs of staff and directors were:

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005	30 June 2006
	£m	£m	£m	(unaudited)	
Wages, salaries, bonuses and incentive payments	45.2	46.0	63.5	32.3	45.8
Social security costs	4.3	4.5	5.3	2.7	4.2
Pension costs	0.5	0.6	0.7	0.3	0.4
Expense of share-based payments	0.5	2.8	2.0	1.1	1.1
	<u>50.5</u>	<u>53.9</u>	<u>71.5</u>	<u>36.4</u>	<u>51.5</u>

7. Finance income

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005	30 June 2006
	£m	£m	£m	(unaudited)	
Interest receivable and similar income	2.9	4.1	4.9	2.4	2.5
	<u>2.9</u>	<u>4.1</u>	<u>4.9</u>	<u>2.4</u>	<u>2.5</u>

8. Finance costs

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Interest payable on bank loans and overdrafts	0.1	0.2	0.4	0.1	0.4
Interest payable on subordinated debt	0.8	0.8	0.9	0.4	0.4
Total finance costs	0.9	1.0	1.3	0.5	0.8

9. Taxation

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Current tax					
UK corporation tax	13.8	6.7	10.0	5.9	13.3
Double tax relief	–	(0.3)	(0.3)	(0.2)	(3.7)
	13.8	6.4	9.7	5.7	9.6
Overseas tax	2.0	2.3	2.5	1.0	3.7
Prior period UK corporation tax under/(over) provided	(0.1)	–	0.3	–	–
Prior period overseas tax over provided	–	(0.3)	(0.1)	–	–
	15.7	8.4	12.4	6.7	13.3
Deferred tax					
Current period	(1.1)	0.2	(1.0)	(0.5)	(0.7)
	14.6	8.6	11.4	6.2	12.6

Taxation for overseas 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:

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Profit before tax	49.0	32.7	46.6	22.5	34.2
Tax on profit at standard rate of 30%	14.7	9.8	14.0	6.8	10.3
Factors affecting the charge for the period:					
Disallowable expenditure	0.7	0.4	0.9	0.1	0.5
Utilisation of tax losses	–	–	(0.1)	–	–
Tax effect of stock options	(0.2)	(0.7)	(2.3)	(0.2)	(0.1)
Effect of different tax rates of subsidiaries	(0.5)	(0.6)	(1.3)	(0.5)	1.9
Adjustment in respect of prior periods	(0.1)	(0.3)	0.2	–	–
	14.6	8.6	11.4	6.2	12.6

10. Dividends

		<i>Year to</i>			<i>Six months to</i>		
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>	
		<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>	
						<i>(unaudited)</i>	
		<i>p</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	
Final	2002	2.83	6.0	–	–	–	
Interim	2003	0.47	1.0	–	–	–	
Final	2003	nil	–	–	–	–	
Interim	2004	10.03	–	21.3	–	–	
Final	2004	2.83	–	6.0	–	–	
Interim	2005	7.07	–	–	15.0	–	
Final	2005	11.78	–	–	25.0	–	
Interim	2006	2.35	–	–	–	5.0	
			<u>7.0</u>	<u>27.3</u>	<u>40.0</u>	<u>–</u>	<u>5.0</u>

Dividend per share has been calculated using Collins Stewart plc's issued share capital of 212.3 million shares, which is the expected number of shares in issue immediately following the Demerger (see note 11).

11. Earnings per share

Since Collins Stewart Europe Limited is not listed and has not been listed throughout the period, IAS 33 does not historically apply and consequently there is no requirement to disclose earnings per share on the historical capital structure. However, following the Demerger becoming effective Collins Stewart plc is expected to have 212.3 million shares issued and listed. The earnings per share for the newly listed Group have been calculated based on the expected number of shares in issue immediately following the Demerger.

		<i>Year to</i>			<i>Six months to</i>		
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>	
		<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>	
						<i>(unaudited)</i>	
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	
Earnings							
Earnings for the purposes of the basic and diluted earnings per share		<u>34.2</u>	<u>23.8</u>	<u>34.9</u>	<u>16.2</u>	<u>21.5</u>	

		<i>Year to</i>			<i>Six months to</i>		
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>	
		<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>	
						<i>(unaudited)</i>	
		<i>No. (m)</i>	<i>No. (m)</i>	<i>No. (m)</i>	<i>No. (m)</i>	<i>No. (m)</i>	
Weighted average number of shares							
Expected number of ordinary shares in issue		<u>212.3</u>	<u>212.3</u>	<u>212.3</u>	<u>212.3</u>	<u>212.3</u>	
Basic earnings per share denominator		<u>212.3</u>	<u>212.3</u>	<u>212.3</u>	<u>212.3</u>	<u>212.3</u>	
Issuable on exercise of options		<u>0.9</u>	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>	
Diluted earnings per share denominator		<u>213.2</u>	<u>213.2</u>	<u>213.2</u>	<u>213.2</u>	<u>213.2</u>	

The diluted earnings per share only take account of the share options outstanding to Collins Stewart staff at the date of this document.

12. Goodwill

	<i>Year to</i>		
	<i>31 December</i> 2003	<i>31 December</i> 2004	<i>31 December</i> 2005
Cost	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 January	25.1	25.1	25.1
Recognised on acquisition of a subsidiary	–	–	7.1
At 31 December	<u>25.1</u>	<u>25.1</u>	<u>32.2</u>
	<i>Six months to</i>		
		<i>30 June</i> 2005	<i>30 June</i> 2006
		<i>(unaudited)</i>	
Cost		<i>£m</i>	<i>£m</i>
At 1 January		25.1	32.2
Recognised on acquisition of a subsidiary		–	0.4
At 30 June		<u>25.1</u>	<u>32.6</u>

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

	<i>As at</i>			<i>As at</i>	
	<i>31 December</i> 2003	<i>31 December</i> 2004	<i>31 December</i> 2005	<i>30 June</i> 2005	<i>30 June</i> 2006
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>(unaudited)</i>	
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Private Clients Division	<u>25.1</u>	<u>25.1</u>	<u>32.2</u>	<u>25.1</u>	<u>32.6</u>

The recoverable amount of the above cash-generating unit 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. The discount rate applied to cash flow projections is 10.2 per cent. (2004: 9.5 per cent., 2003: 9.5 per cent.) based on the Group's pre-tax weighted average cost of capital. A 2 per cent. economic growth rate (2004: 2 per cent., 2003: 2 per cent.) has been determined with reference to publicly available economic information.

13. Other intangible assets

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005</i>	<i>30 June 2006</i>
Developed software				<i>(unaudited)</i>	
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cost					
At start of period	–	0.6	0.9	0.9	1.0
Additions	0.6	0.3	0.1	0.1	–
At end of period	<u>0.6</u>	<u>0.9</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Amortisation					
At start of period	–	(0.1)	(0.3)	(0.3)	(0.5)
Charged during the period	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
At end of period	<u>(0.1)</u>	<u>(0.3)</u>	<u>(0.5)</u>	<u>(0.5)</u>	<u>(0.7)</u>
Carrying value					
At end of period	<u>0.5</u>	<u>0.6</u>	<u>0.5</u>	<u>0.5</u>	<u>0.3</u>

14. Land, buildings, furniture, fixtures and equipment

	<i>Freehold land and buildings</i>	<i>Leasehold improvements</i>	<i>Furniture, fixtures and equipment</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cost				
As at 1 January 2003	0.1	2.5	8.0	10.6
Additions	–	–	0.1	0.1
As at 1 January 2004	<u>0.1</u>	<u>2.5</u>	<u>8.1</u>	<u>10.7</u>
Additions	–	–	0.4	0.4
As at 1 January 2005	<u>0.1</u>	<u>2.5</u>	<u>8.5</u>	<u>11.1</u>
Additions	–	0.2	0.7	0.9
As at 31 December 2005	<u>0.1</u>	<u>2.7</u>	<u>9.2</u>	<u>12.0</u>
Depreciation				
As at 1 January 2003	–	(0.6)	(3.4)	(4.0)
Charge for the year	–	(0.3)	(2.0)	(2.3)
As at 1 January 2004	<u>–</u>	<u>(0.9)</u>	<u>(5.4)</u>	<u>(6.3)</u>
Charge for the year	–	(0.4)	(1.6)	(2.0)
As at 1 January 2005	<u>–</u>	<u>(1.3)</u>	<u>(7.0)</u>	<u>(8.3)</u>
Charge for the year	–	(0.3)	(1.3)	(1.6)
As at 31 December 2005	<u>–</u>	<u>(1.6)</u>	<u>(8.3)</u>	<u>(9.9)</u>
Carrying amount				
At 31 December 2003	<u>0.1</u>	<u>1.6</u>	<u>2.7</u>	<u>4.4</u>
At 31 December 2004	<u>0.1</u>	<u>1.2</u>	<u>1.5</u>	<u>2.8</u>
At 31 December 2005	<u>0.1</u>	<u>1.1</u>	<u>0.9</u>	<u>2.1</u>

14. Land, buildings, furniture, fixtures and equipment (continued)

	<i>Freehold land and buildings £m</i>	<i>Leasehold improvements £m</i>	<i>Furniture, fixtures and equipment £m</i>	<i>Total £m</i>
Cost				
As at 1 January 2005	0.1	2.5	8.5	11.1
Additions	–	–	0.5	0.5
As at 30 June 2005	<u>0.1</u>	<u>2.5</u>	<u>9.0</u>	<u>11.6</u>
As at 1 January 2006	0.1	2.7	9.2	12.0
Additions	–	–	0.4	0.4
As at 30 June 2006	<u>0.1</u>	<u>2.7</u>	<u>9.6</u>	<u>12.4</u>
Depreciation				
As at 1 January 2005	–	(1.3)	(7.0)	(8.3)
Charge for the period	–	(0.2)	(0.8)	(1.0)
As at 30 June 2005	<u>–</u>	<u>(1.5)</u>	<u>(7.8)</u>	<u>(9.3)</u>
As at 1 January 2006	–	(1.6)	(8.3)	(9.9)
Charge for the period	–	(0.2)	(0.4)	(0.6)
As at 30 June 2006	<u>–</u>	<u>(1.8)</u>	<u>(8.7)</u>	<u>(10.5)</u>
Carrying amount				
At 30 June 2005	<u>0.1</u>	<u>1.0</u>	<u>1.2</u>	<u>2.3</u>
At 30 June 2006	<u>0.1</u>	<u>0.9</u>	<u>0.9</u>	<u>1.9</u>

15. Investment in joint venture

On 17 October 2005 Collins Stewart Europe Limited acquired a 50 per cent. share of Berkshire Investment Managers LLP.

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of Berkshire Investment Managers LLP:

	<i>As at</i>			<i>As at</i>	
	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005</i>	<i>30 June 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Aggregate amounts relating to joint ventures:					
Total assets	–	–	1.2	–	2.3
Total liabilities	–	–	(1.0)	–	(0.7)
Net assets	<u>–</u>	<u>–</u>	<u>0.2</u>	<u>–</u>	<u>1.6</u>
Loan granted to joint venture	<u>–</u>	<u>–</u>	<u>2.2</u>	<u>–</u>	<u>1.6</u>
Revenue	–	–	0.2	–	1.5
Profit	<u>–</u>	<u>–</u>	<u>0.2</u>	<u>–</u>	<u>1.4</u>

The Group has provided £5.75 million in facilities to Berkshire Investment Managers LLP.

16. Other investments

Other financial assets

	<i>As at</i>			<i>As at</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
				<i>(unaudited)</i>	
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Available-for-sale investments	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.7</u>

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

Trading investments

	<i>As at</i>			<i>As at</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
				<i>(unaudited)</i>	
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Long trading positions	<u>10.3</u>	<u>55.0</u>	<u>38.5</u>	<u>45.2</u>	<u>26.0</u>

Long trading positions are held at fair value. Included in long trading positions are £2.4 million (June 2005: £1.9 million; December 2005: £2.5 million; 2004: £2.5 million; 2003: £0.4 million) of options acquired.

17. Deferred tax asset

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

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
				<i>(unaudited)</i>	
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 January	(0.5)	0.8	0.7	0.7	2.3
Charge to income for the period	1.1	(0.2)	1.0	0.5	0.7
Charge to equity for the period	0.2	0.1	0.6	0.6	2.1
	<u>0.8</u>	<u>0.7</u>	<u>2.3</u>	<u>1.8</u>	<u>5.1</u>

17. Deferred tax (continued)

The following are the deferred tax assets recognised by the Group and movements thereon:

	<i>As at</i>			<i>As at</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Accelerated depreciation for tax purposes	0.1	0.3	0.5	0.4	0.5
Stock options	0.2	0.6	2.2	1.7	4.8
Other timing differences	0.5	0.1	(0.1)	(0.3)	(0.2)
Overseas income	–	(0.3)	(0.3)	–	–
	<u>0.8</u>	<u>0.7</u>	<u>2.3</u>	<u>1.8</u>	<u>5.1</u>

18. Trade and other receivables

	<i>As at</i>			<i>As at</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Trade debtors	110.1	108.8	613.0	400.9	2,218.6
Other debtors	5.0	7.1	9.6	11.8	6.2
Prepayments	1.5	1.3	2.0	1.5	2.1
Owed by joint venture	–	–	2.2	–	1.6
	<u>116.6</u>	<u>117.2</u>	<u>626.8</u>	<u>414.2</u>	<u>2,228.5</u>

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.

19. Financial instruments

Interest rate risk

At 30 June 2006 the Group had two floating rate subordinated loans (re-pricing annually) from Collins Stewart Tullett plc totalling £12.75 million. These obligations were unchanged from 31 December 2003. One loan is for £11.25 million, repayable from 6 June 2006, subject to prior approval by the FSA, otherwise not repayable before 31 December 2010, the other for £1.5 million repayable on 30 June 2007 subject to prior approval by the FSA. Both attract LIBOR plus 2 per cent.

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 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 fulfil its obligations. The impact of these risks is minimised by strict limits and monitoring controls. The value of unmatched security positions is typically immaterial.

Fair values

The carrying value of the Group's financial assets and liabilities (which exclude all short term debtors and creditors) were not materially different to their fair values in the period under review.

Liquidity risk

The assets of the Group are highly liquid and therefore the Group is not significantly exposed to liquidity risk.

Forward Foreign Exchange Contracts

The Group acted as matched principal broker for clients in forward foreign exchange contracts during the period under review.

The Group's net exposure to these contracts is nil.

The amounts, based on market value of equivalent instruments as at the balance sheet date, included in the balance sheet were as follows:

	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005 (unaudited)</i>	<i>30 June 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Asset (shown in Trade and other receivables)	0.6	0.4	0.5	0.9	0.8
Liability (shown in Trade and other payables)	0.6	0.4	0.5	0.9	0.8

20. Trade and other payables

	As at			As at	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Trade creditors	96.0	59.2	586.3	367.2	2,177.3
Tax and social security	0.6	0.9	3.8	0.7	1.0
Other creditors	3.7	15.8	8.7	17.5	14.2
Accruals and deferred income	32.8	32.0	37.3	24.0	35.0
Proposed dividends	–	6.0	–	–	–
	<u>133.1</u>	<u>113.9</u>	<u>636.1</u>	<u>409.4</u>	<u>2,227.5</u>

The directors consider that the carrying amount of trade payables approximates to their fair value.

21. Financial liabilities

	As at			As at	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Securities – short trading positions	<u>2.8</u>	<u>27.4</u>	<u>11.9</u>	<u>18.0</u>	<u>4.5</u>

22. Interest bearing loans and borrowings

Current:

	As at			As at	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Bank overdrafts	3.6	4.0	1.1	3.5	4.4
Loan Notes	–	–	–	0.1	–
Subordinated loans	–	–	–	–	1.5
	<u>3.6</u>	<u>4.0</u>	<u>1.1</u>	<u>3.6</u>	<u>5.9</u>

The bank overdrafts are repayable on demand.

Non Current:

	As at			As at	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Loan notes	0.1	0.1	–	–	–
Subordinated loans	12.8	12.8	12.8	12.8	11.3
	<u>12.9</u>	<u>12.9</u>	<u>12.8</u>	<u>12.8</u>	<u>11.3</u>

The Group has been provided with two unsecured subordinated loans by Collins Stewart Tullett plc, one for £11.25 million repayable from 6 June 2006 subject to prior approval by the FSA, otherwise not repayable before 31 December 2010, the other for £1.5 million repayable on 30 June 2007 subject to prior approval by the FSA.

The borrowings are repayable in the third to fifth years inclusive.

22. Interest bearing loans and borrowings (continued)

Analysis of borrowings by currency:

	<i>Sterling</i> <i>£m</i>	<i>Other</i> <i>£m</i>	<i>Total</i> <i>£m</i>	
31 December 2003				
Bank overdrafts	2.9	0.7	3.6	
Loan notes	0.1	–	0.1	
Subordinated loans	12.8	–	12.8	
	<u>15.8</u>	<u>0.7</u>	<u>16.5</u>	
31 December 2004				
Bank overdrafts	1.8	2.2	4.0	
Loan notes	0.1	–	0.1	
Subordinated loans	12.8	–	12.8	
	<u>14.7</u>	<u>2.2</u>	<u>16.9</u>	
31 December 2005				
Bank overdrafts	0.7	0.4	1.1	
Loan notes	–	–	–	
Subordinated loans	12.8	–	12.8	
	<u>13.5</u>	<u>0.4</u>	<u>13.9</u>	
	<i>Sterling</i> <i>£m</i>	<i>Euros</i> <i>£m</i>	<i>Other</i> <i>£m</i>	<i>Total</i> <i>£m</i>
30 June 2005				
Bank Overdrafts	3.5	–	–	3.5
Loan notes	0.1	–	–	0.1
Subordinated loans	12.8	–	–	12.8
	<u>16.4</u>	<u>–</u>	<u>–</u>	<u>16.4</u>
30 June 2006				
Bank Overdrafts	–	1.3	3.1	4.4
Loan notes	–	–	–	–
Subordinated loans	12.8	–	–	12.8
	<u>12.8</u>	<u>1.3</u>	<u>3.1</u>	<u>17.2</u>

The average effective interest rates paid were as follows:

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i>	<i>30 June</i> <i>2006</i>
	%	%	%	%	%
Bank overdrafts	4.1	4.1	4.1	4.1	4.1
Loan notes	4.2	4.2	4.4	4.4	n/a
Subordinated loans	7.0	7.0	7.5	7.5	7.5
Weighted average	6.9	6.6	6.9	6.8	6.0

Non-current borrowings – loan notes

Secured loan notes were issued by Collins Stewart Europe Limited in 1996, none of which were outstanding at 30 June 2006 (2005: nil; 2004: £0.1 million; 2003: £0.1 million). The loan notes were secured by cash deposits. Interest was payable half yearly in arrears at a rate of $\frac{3}{8}$ per cent. below LIBOR.

The other financial instruments of the Group that are not included in the above tables are short term and non-interest bearing and therefore are not subject to interest rate risk.

23. Provisions

	<i>As at</i>			<i>As at</i>	
	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005 (unaudited)</i>	<i>30 June 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Legal provisions					
At 1 January	–	2.0	0.7	0.7	–
Additional provision in the period	2.0	–	–	–	–
Utilisation of provision	–	(1.3)	(0.7)	(0.3)	–
	<u>2.0</u>	<u>0.7</u>	<u>–</u>	<u>0.4</u>	<u>–</u>

All legal provisions are included in non-current liabilities.

24. Share capital

	<i>As at</i>			<i>As at</i>	
	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005 (unaudited)</i>	<i>30 June 2006</i>
	<i>No. (m)</i>	<i>No. (m)</i>	<i>No. (m)</i>	<i>No. (m)</i>	<i>No. (m)</i>
Authorised					
Ordinary shares of £1	<u>20.8</u>	<u>20.8</u>	<u>20.8</u>	<u>20.8</u>	<u>20.8</u>
Allotted, called up and fully paid					
Ordinary shares of £1	<u>20.8</u>	<u>20.8</u>	<u>20.8</u>	<u>20.8</u>	<u>20.8</u>
	<i>As at</i>			<i>As at</i>	
	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005 (unaudited)</i>	<i>30 June 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Authorised					
Ordinary shares of £1	<u>20.8</u>	<u>20.8</u>	<u>20.8</u>	<u>20.8</u>	<u>20.8</u>
Allotted, called up and fully paid					
Ordinary shares of £1	<u>20.8</u>	<u>20.8</u>	<u>20.8</u>	<u>20.8</u>	<u>20.8</u>

The share capital of 20.8 million shares all relates to Collins Stewart Europe Limited. The dividend per share in note 10 and the earnings per share in note 11 have been calculated using an issued share capital of 212.3 million shares which is the expected number of shares of Collins Stewart plc in issue immediately following the Demerger.

25. Reconciliation of shareholders' funds

The following table shows an analysis of the changes in equity attributable to equity shareholders of Collins Stewart Europe Limited.

	<i>Share capital £m</i>	<i>Retained earnings £m</i>	<i>Total shareholders' funds £m</i>
Balance at 1 January 2003	20.8	51.1	71.9
Profit for the year	–	34.2	34.2
Dividends paid in the year	–	(7.0)	(7.0)
Credit arising on share options	–	0.5	0.5
Taxation on amounts taken to equity	–	0.2	0.2
Foreign currency translation	–	(0.1)	(0.1)
Balance at 1 January 2004	20.8	78.9	99.7
Profit for the year	–	23.8	23.8
Dividends paid in the year	–	(27.3)	(27.3)
Credit arising on share options	–	2.8	2.8
Taxation on amounts taken to equity	–	0.1	0.1
Foreign currency translation	–	–	–
Balance at 1 January 2005	20.8	78.3	99.1
Profit for the year	–	34.9	34.9
Dividends paid in the year	–	(40.0)	(40.0)
Credit arising on share options	–	2.0	2.0
Taxation amounts taken to equity	–	0.6	0.6
Foreign currency translation	–	0.1	0.1
Balance at 31 December 2005	20.8	75.9	96.7
	<i>Share capital £m</i>	<i>Retained earnings £m</i>	<i>Total shareholders' funds £m</i>
Balance at 1 January 2005	20.8	78.3	99.1
Profit for the period	–	16.2	16.2
Dividends paid in the period	–	–	–
Credit arising on share options	–	1.1	1.1
Taxation on amounts taken to equity	–	0.6	0.6
Foreign currency translation	–	0.1	0.1
Balance at 30 June 2005	20.8	96.3	117.1
Balance at 1 January 2006	20.8	75.9	96.7
Profit for the period	–	21.5	21.5
Dividends paid in the period	–	(5.0)	(5.0)
Credit arising on share options	–	0.7	0.7
Taxation on amounts taken to equity	–	2.9	2.9
Foreign currency translation	–	0.3	0.3
Balance at 30 June 2006	20.8	96.3	117.1

26. Acquisition of subsidiary

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.

	<i>Book value</i>	<i>Fair value</i>	<i>Fair value</i>
	<i>£m</i>	<i>adjustments</i>	<i>£m</i>
		<i>£m</i>	<i>£m</i>
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 monies	54.2	–	54.2
Trade and other payables	(67.5)	–	(67.5)
Net assets acquired			1.5
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

*£3.25 million paid at the end of March 2006.

Insinger contributed £1.7 million 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 had been completed on the first day of the 2005 financial year, Group revenues for 2005 would have been £6.4 million higher and Group profit attributable to equity holders of the parent would have been £0.9 million higher.

US Equities Business

In January 2005 Collins Stewart Tullett plc completed the acquisition of the Burlington cash equities business in New York. This business will be transferred to the Group prior to the Demerger as described in paragraph 2.1 of Part V of this document. For the purpose of this document, and in accordance with the basis of preparation it has been included in the combined financial statements at net book value. There is no goodwill on acquisition.

27. Statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 <i>(unaudited)</i>	30 June 2006
	£m	£m	£m	£m	£m
Operating profit	47.0	29.6	43.0	20.6	32.5
Adjustments for:					
Expense arising from share option plans	0.5	2.8	2.0	1.1	1.1
Depreciation of furniture, fixtures and equipment	2.3	2.0	1.6	1.0	0.6
Amortisation of intangible assets	0.1	0.2	0.2	0.2	0.2
(Decrease)/increase in provisions for liabilities and charges	2.0	(1.3)	(0.7)	(0.3)	–
Operating cash flows before movement in working capital	51.9	33.3	46.1	22.6	34.4
Increase in trade and other receivables	(29.1)	(1.5)	(496.9)	(297.1)	(1,601.5)
Decrease/(increase) in net long and short positions	–	(20.2)	1.0	0.5	5.2
Increase/(decrease) in trade and other payables	40.5	(24.4)	510.7	301.5	1,593.8
Cash generated from/(absorbed by) operations	63.3	(12.8)	60.9	27.5	31.9
Income tax paid	(9.4)	(17.4)	(3.6)	(1.3)	(10.0)
Interest paid	(0.9)	(1.8)	(0.7)	(0.5)	(0.8)
Net cash flows from/(used in) operating activities	53.0	(32.0)	56.6	25.7	21.1

(b) Cash and cash equivalents

Cash and cash equivalents comprise 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 requirement of the Group, and earn interest at the respective short-term deposit rates.

For the purposes of the combined cash flow statement, cash and cash equivalents comprise the following:

	As at			As at	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 <i>(unaudited)</i>	30 June 2006
	£m	£m	£m	£m	£m
Cash and cash equivalents	106.5	57.9	66.9	78.7	84.1
Bank overdrafts	(3.6)	(4.0)	(1.1)	(3.5)	(4.4)
	102.9	53.9	65.8	75.2	79.7
Undrawn committed borrowing facilities	10.0	15.0	15.0	15.0	15.0

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

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005</i> <i>(unaudited)</i>	<i>30 June 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Net increase/(decrease) in cash and cash equivalents during the period	43.8	(49.0)	11.9	21.4	13.8
Cash outflow from repayment of loans and loan notes	4.4	–	0.1	–	–
Increase/(decrease) in net funds resulting from cash flows	48.2	(49.0)	12.0	21.4	13.8
Currency translation differences	(0.5)	–	–	(0.1)	0.1
Increase/(decrease) in net funds	47.7	(49.0)	12.0	21.3	13.9
Net funds at the start of the period	42.3	90.0	41.0	41.0	53.0
Net funds at the end of the period	90.0	41.0	53.0	62.3	66.9

29. Analysis of net funds

	<i>At 1 January 2003 £m</i>	<i>Cash flow £m</i>	<i>Non-cash items £m</i>	<i>Exchange differences £m</i>	<i>At 31 December 2003 £m</i>
Cash in hand and at bank	47.7	47.1	–	(0.5)	94.3
Cash equivalents	7.9	(5.6)	–	–	2.3
Client settlement monies	6.0	3.9	–	–	9.9
Overdraft	(2.0)	(1.6)	–	–	(3.6)
	59.6	43.8	–	(0.5)	102.9
Loans due after one year	(17.3)	4.4	–	–	(12.9)
Total net funds	42.3	48.2	–	(0.5)	90.0

	<i>At 1 January 2004 £m</i>	<i>Cash flow £m</i>	<i>Non-cash items £m</i>	<i>Exchange differences £m</i>	<i>At 31 December 2004 £m</i>
Cash in hand and at bank	94.3	(44.1)	–	–	50.2
Cash equivalents	2.3	(0.2)	–	–	2.1
Client settlement monies	9.9	(4.3)	–	–	5.6
Overdraft	(3.6)	(0.4)	–	–	(4.0)
	102.9	(49.0)	–	–	53.9
Loans due after one year	(12.9)	–	–	–	(12.9)
Total net funds	90.0	(49.0)	–	–	41.0

29. Analysis of net funds (continued)

	<i>At</i> <i>1 January</i> <i>2005</i> <i>£m</i>	<i>Cash</i> <i>flow</i> <i>£m</i>	<i>Non-cash</i> <i>items</i> <i>£m</i>	<i>Exchange</i> <i>differences</i> <i>£m</i>	<i>At</i> <i>31 December</i> <i>2005</i> <i>£m</i>
Cash in hand and at bank	50.2	1.1	–	–	51.3
Cash equivalents	2.1	3.0	–	–	5.1
Client settlement monies	5.6	4.9	–	–	10.5
Overdraft	(4.0)	2.9	–	–	(1.1)
	53.9	11.9	–	–	65.8
Loans due after one year	(12.9)	0.1	–	–	(12.8)
Total net funds	41.0	12.0	–	–	53.0
	<i>At</i> <i>1 January</i> <i>2005</i> <i>£m</i>	<i>Cash</i> <i>flow</i> <i>£m</i>	<i>Non-cash</i> <i>items</i> <i>£m</i>	<i>Exchange</i> <i>differences</i> <i>£m</i>	<i>At</i> <i>30 June</i> <i>2005</i> <i>(unaudited)</i> <i>£m</i>
Cash in hand and at bank	50.2	18.0	–	(0.1)	68.1
Cash equivalents	2.1	1.4	–	–	3.5
Client settlement monies	5.6	1.5	–	–	7.1
Overdraft	(4.0)	0.5	–	–	(3.5)
	53.9	21.4	–	(0.1)	75.2
Loans due within one year	–	(0.1)	–	–	(0.1)
Loans due after one year	(12.9)	0.1	–	–	(12.8)
	(12.9)	–	–	–	(12.9)
Total net funds	41.0	21.4	–	(0.1)	62.3
	<i>At</i> <i>1 January</i> <i>2006</i> <i>£m</i>	<i>Cash</i> <i>flow</i> <i>£m</i>	<i>Non-cash</i> <i>items</i> <i>£m</i>	<i>Exchange</i> <i>differences</i> <i>£m</i>	<i>At</i> <i>30 June</i> <i>2006</i> <i>£m</i>
Cash in hand and at bank	51.3	20.8	–	0.1	72.2
Cash equivalents	5.1	(0.7)	–	–	4.4
Client settlement monies	10.5	(3.0)	–	–	7.5
Overdraft	(1.1)	(3.3)	–	–	(4.4)
	65.8	13.8	–	0.1	79.7
Loans due within one year	–	–	(1.5)	–	(1.5)
Loans due after one year	(12.8)	–	1.5	–	(11.3)
	(12.8)	–	–	–	(12.8)
Total net funds	53.0	13.8	–	0.1	66.9

30. 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.

31. Operating lease commitments

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Minimum lease payments under operating leases recognised in income for the period	<u>2.6</u>	<u>2.6</u>	<u>2.9</u>	<u>1.3</u>	<u>1.4</u>

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, all of which relate to buildings, as follows:

	<i>As at</i>			<i>As at</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
– Within one year	2.8	2.8	2.7	2.7	2.7
– Within two to five years	7.7	7.7	7.7	7.7	7.7
– Over five years	20.6	19.0	17.3	18.2	15.9
	<u>31.1</u>	<u>29.5</u>	<u>27.7</u>	<u>28.6</u>	<u>26.3</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 16 years and rentals are reviewed annually based on movements in market rents.

32. 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 three 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 2003, 2004, 2005 and the 6 months to 30 June 2005 and 2006 respectively and the estimated fair values of options granted:

12 months to 31 December 2003		<i>Estimated fair value⁽³⁾</i>
Sharesave scheme 2000 ⁽¹⁾	648,027	Not applicable
Sharesave scheme 2000	157,509	Not applicable
Approved Share Option Scheme ^(2,3)	51,085	Not applicable
Unapproved Share Option Scheme ^(2,3)	4,572,408	328p–353p
	<u>5,429,029</u>	
12 months to 31 December 2004		<i>Estimated fair value</i>
Sharesave scheme 2000 ⁽¹⁾	518,815	Not applicable
Sharesave scheme 2000	117,482	Not applicable
Approved Share Option Scheme ^(2,3)	118,744	93p–104p
Unapproved Share Option Scheme ^(2,3)	5,164,858	93p–420p
	<u>5,919,899</u>	
12 months to 31 December 2005		<i>Estimated fair value</i>
Sharesave scheme 2000 ⁽¹⁾	444,614	Not applicable
Sharesave scheme 2000	103,290	Not applicable
Approved Share Option Scheme ^(2,3)	133,318	67p–104p
Unapproved Share Option Scheme ^(2,3)	4,469,034	93p–420p
	<u>5,150,256</u>	
6 months to 30 June 2005		<i>Estimated fair value</i>
Sharesave scheme 2000 ⁽¹⁾	484,141	Not applicable
Sharesave scheme 2000	113,974	Not applicable
Approved Share Option Scheme ^(2,3)	133,318	67p–104p
Unapproved Share Option Scheme ^(2,3)	5,545,284	93p–420p
	<u>6,276,717</u>	
6 months to 30 June 2006		<i>Estimated fair value</i>
Sharesave scheme 2000	98,346	Not applicable
Approved Share Option Scheme ^(2,3)	120,016	67p–104p
Unapproved Share Option Scheme ^(2,3)	3,387,935	93p–420p
	<u>3,606,297</u>	

Notes:

- (1) The sharesave scheme is an employee discount purchase share plan.
- (2) Subject to individual performance criteria.
- (3) Grants of above options occurred on several dates.

The weighted average contractual life for the share options outstanding as at 30 June 2006 is 7.5 years (30 June 2005: 7.7 years; 31 December 2005: 7.2 years; 31 December 2004: 7.7 years; 31 December 2003: 7.2 years)

32. Share-based payments (continued)

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.

2003

	<i>Unapproved Share Option Scheme*</i>
Share price at date of grant	350-376p
Exercise price	1p
Expected volatility	30%
Expected life (years)	3-4
Risk free rate	3.8%
Expected dividend yield	2.0%
Likelihood of ceasing employment before vesting	10%
Proportion meeting performance criteria	100%

2004

	<i>Approved Share Option Scheme*</i>	<i>Unapproved Share Option Scheme*</i>
Share price at date of grant	402p-451p	350-449p
Exercise price	402p-451p	1-449p
Expected volatility	30%	30%
Expected life (years)	3-4	3-4
Risk free rate	4.5%	3.8%-4.5%
Expected dividend yield	2.0%	2.0%
Likelihood of ceasing employment before vesting	10%-17%	10%-20%
Proportion meeting performance criteria	100%	100%

2005 and 2006

	<i>Approved Share Option Scheme*</i>	<i>Unapproved Share Option Scheme*</i>
Share price at date of grant	402p-451p	350-449p
Exercise price	402p-451p	1-449p
Expected volatility	18%-30%	18%-30%
Expected life (years)	3-4	3-4
Risk free rate	4.5%	3.8%-4.5%
Expected dividend yield	2.0%	2.0%
Likelihood of ceasing employment before vesting: 2005	10%-26%	0%-27%
2006	10%-43%	0%-100%
Proportion meeting performance criteria	100%	100%

* grants within these schemes occurred on several date - input ranges reflect the rates and terms applicable on grant date

32. Share-based payments (continued)

The following table shows the number and weighted average exercise price for all share options outstanding:

	<i>Year to 31 December 2003</i>	<i>Weighted average exercise price (p)</i>	<i>Year to 31 December 2004</i>	<i>Weighted average exercise price (p)</i>	<i>Six months to 30 June 2005</i>	<i>Weighted average exercise price (p)</i>	<i>Year to 31 December 2005</i>	<i>Weighted average exercise price (p)</i>	<i>Six months to 30 June 2006</i>	<i>Weighted average exercise price (p)</i>
Outstanding at start of period	5,125,987	166	5,429,029	155	5,919,899	193	5,919,899	193	5,150,256	228
Granted in period	754,000	1	2,991,000	265	680,000	228	680,000	228	–	–
Forfeited	(56,653)	287	(670,239)	149	(113,182)	390	(195,893)	307	(236,595)	70
Exercised in period	(394,305)	306	(1,829,891)	212	(210,000)	301	(1,253,750)	51	(1,307,364)	124
Outstanding at end of period	5,429,029	155	5,919,899	193	6,276,717	190	5,150,256	228	3,606,297	276
Exercisable at end of period	609,493	316	1,050,852	188	1,312,102	102	1,023,352	131	689,602	148

The weighted average share price at the date of exercise for share options exercised during the period was 710p (30 June 2005 : 410p; 31 December 2005: 530p; 31 December 2004: 417p; 31 December 2003: 452p)

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005</i>	<i>30 June 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Expense arising under share option plans	0.5	2.8	2.0	1.1	1.1

33. Client money

	<i>As at</i>			<i>As at</i>	
	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005</i>	<i>30 June 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Balances held by the Group on behalf of clients to settle outstanding bargains:	9.9	5.6	10.5	7.1	7.5
Segregated deposits	207.0	264.8	355.7	281.2	450.0
Total Client Money	216.9	270.4	366.2	288.3	457.5

34. Events after the balance sheet date

In 2006 it was announced that the Collins Stewart Group will be demerged from Collins Stewart Tullett plc. A new holding company Collins Stewart plc will be introduced with its shares admitted to listing on the official list of the Financial Services Authority (“FSA”) and admission to trading on the LSE main market for listed securities.

In October 2006 the Company received £3.9 million in respect of the settlement of its split capital investment trust insurance claim.

On 27 October 2006 it was announced that Collins Stewart Europe Limited had entered into a conditional agreement to acquire Hawkpoint Holdings Limited. The Acquisition is conditional on, amongst other matters, the Demerger, and hence Hawkpoint Holdings Limited will be acquired by Collins Stewart only if the Demerger is effected. The agreement to acquire Hawkpoint Holdings Limited will be novated to Collins Stewart plc once the Demerger is effected. Prior to the Demerger and subject to the material conditions

relating to the acquisition of Hawkpoint Holdings Limited having been satisfied, Collins Stewart Tullett plc will make a capital contribution of up to £30 million to Collins Stewart Europe Limited. This will provide regulatory capital to offset the impact of the goodwill arising on the acquisition.

35. Related party transactions

Transactions between the Company and its subsidiaries, which were related parties, have been eliminated on consolidation and are not disclosed in this note.

Relationship with the remaining group

In addition to transactions with ‘third parties’, the results of the business will also include transactions with the part of the overall group which is not part of the carve out business (the “remaining group”). Hence, for example, sales which were previously regarded as ‘intra group’ will need to be re-examined to determine whether they relate to entities within the carve out business or outside it. The remaining group will normally also be regarded as a related party for the purposes of disclosing related party transactions, and it will normally be necessary to identify the extent of the relationships between the carve out business and the remaining group. Balances with the remaining group may have comprised elements of trading balances and short term or long term funding balances, which may or may not have been interest bearing. Balances of a trading nature will normally be presented as an element of debtors or creditors. Balances which are considered to be funding in nature (having regard inter alia to the use made of the balances, the period for which they remain outstanding and the level of other capital) will normally be classified according to their general nature. Where the balance is interest bearing and has other characteristics of debt, it will be presented in the manner of debt financing. Where the balance does not have the characteristics of debt, it will be re-classified from creditors into capital and be presented in the manner of equity, typically aggregated with the share capital and reserves of companies comprising the carve out business, as ‘parent company net investment’ in the carve out business.

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005</i>	<i>30 June 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Transactions with related parties:					
Collins Stewart Tullett plc:					
<i>Dividends paid/payable</i>	7.0	27.3	40.0	–	5.0
<i>Management fees</i>	6.2	0.3	1.2	0.2	1.2
<i>Interest</i>	0.8	0.8	0.8	0.4	0.4
<i>Purchase of tax relief</i>	–	1.4	–	–	1.0
	<u>14.0</u>	<u>29.8</u>	<u>42.0</u>	<u>0.6</u>	<u>7.6</u>
Berkshire Investment Managers LLP:					
<i>Interest</i>	–	–	–	–	0.1
<i>Admin charges</i>	–	–	–	–	0.1
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>0.2</u>
Terry Hitchcock:					
<i>Repayment of secured loan notes</i>	–	–	0.1	–	–
	<u>–</u>	<u>–</u>	<u>0.1</u>	<u>–</u>	<u>–</u>
Total	<u>14.0</u>	<u>29.8</u>	<u>42.1</u>	<u>0.6</u>	<u>7.8</u>

35. Related party transactions (continued)

	<i>As at</i>			<i>As at</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Amounts owed by related parties:					
Collins Stewart Tullett plc:					
<i>Other balances</i>	–	–	0.9	–	0.9
	–	–	0.9	–	0.9
Berkshire Investment Managers LLP:					
<i>Cash facility</i>	–	–	2.2	–	1.6
	–	–	2.2	–	1.6
Total	–	–	3.1	–	2.5
Amounts owed to related parties:					
Collins Stewart Tullett plc:					
<i>Subordinated loans</i>	12.8	12.8	12.8	12.8	12.8
<i>Dividends</i>	–	6.0	–	–	–
<i>Other balances</i>	4.5	15.3	6.6	16.6	12.1
	17.3	34.1	19.4	29.4	24.9
Terry Hitchcock:					
<i>Secured loan notes</i>	0.1	0.1	–	0.1	–
	0.1	0.1	–	0.1	–
Total	17.4	34.2	19.4	29.5	24.9

Directors' and executives' remuneration

Remuneration of the directors of Collins Stewart Europe Limited who were the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i> <i>(unaudited)</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Short-term benefits	5.1	4.4	7.5	0.7	0.6
Share based payments	–	1.4	0.3	0.1	0.1
	5.1	5.8	7.8	0.8	0.7

Some of the directors who are executives of the holding company, Collins Stewart Tullett plc, are also directors of Collins Stewart plc. These directors received remuneration of £5.1 million, £3.3 million and £3.6 million from Collins Stewart Tullett plc during 2003, 2004, 2005 and £0.3m and £0.3m for the first six months of 2005 and 2006 respectively. However, it is not practicable to allocate this between their services as executives of Collins Stewart Tullett plc and their services as directors of Collins Stewart plc.

36. Principal subsidiary undertakings and joint venture

During the period under review, the following companies were CSEL's principal trading subsidiary undertakings.

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Issued ordinary shares, all voting</i>
Collins Stewart Property Fund Management Limited	Great Britain	Property management	75%*
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%
Collins Stewart (Offshore) Limited (formerly Insinger de Beaufort (International) Limited)	Jersey	Stockbroking	100%

During the period under review, the following company was not a principal trading subsidiary undertaking but will be transferred to CSEL prior to the Demerger.

Collins Stewart Inc.	USA	Stockbroking	100%
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*Increased to 83.25% – effective 1 January 2006.

The US equities business is included within Collins Stewart Inc. (see note 26).

All the above subsidiary undertakings were owned indirectly. They all have a 31 December year end.

At 31 December 2005 and 30 June 2006, the following company was a joint venture of the Group.

<i>Joint Venture</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Issued ordinary shares, all voting</i>
Berkshire Investment Managers LLP	Great Britain	Proprietary trading	50%

37. First-time adoption of International Financial Reporting and Accounting Standards

The date of transition to International Financial Reporting and Accounting Standards was selected as 1 January 2003 and all comparative information in these financial statements has been restated to reflect the Group's adoption of IFRS. The main adjustments in transition to IFRS were as follows:

- 1 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 only for impairment annually at the cash-generating unit level.
- 2 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".
- 3 The classifications of current and non-current "Interest-bearing loans and borrowings" includes: 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".
- 4 Dividends declared after the balance sheet date accrued in the balance sheet under current UK GAAP are treated as a non-adjusting post balance sheet event under IFRS. Therefore, some dividends accrued previously have been reversed and retained earnings adjusted accordingly.

38. Reconciliation of equity at 1 January 2003

The effect of the changes to the Group's accounting policies on the equity of the Group at the date of transition, 1 January 2003 was as follows:

	31 December 2002	Effect of transition to IFRS	1 January 2003
Note	UK GAAP £m	£m	IFRS £m
Non-current assets			
Goodwill	25.1	–	25.1
Land, buildings, furniture, fixtures and equipment	6.4	–	6.4
Other financial assets	a 0.2	1.4	1.6
Deferred tax assets	a 0.2	(0.1)	0.1
	<u>31.9</u>	<u>1.3</u>	<u>33.2</u>
Current assets			
Trade and other receivables	87.1	–	87.1
Trading investments	9.3	–	9.3
Cash and cash equivalents	61.6	–	61.6
	<u>158.0</u>	<u>–</u>	<u>158.0</u>
Total assets	<u>189.9</u>	<u>1.3</u>	<u>191.2</u>
Current liabilities			
Trade and other payables	b (98.2)	6.0	(92.2)
Financial liabilities	(1.8)	–	(1.8)
Tax liabilities	(5.9)	–	(5.9)
Interest bearing loans and borrowings	(2.0)	–	(2.0)
	<u>(107.9)</u>	<u>6.0</u>	<u>(101.9)</u>
Non-current liabilities			
Interest bearing loans and borrowings	(17.3)	–	(17.3)
Total liabilities	<u>(125.2)</u>	<u>6.0</u>	<u>(119.2)</u>
Net assets	<u>64.7</u>	<u>7.3</u>	<u>72.0</u>
Equity			
Share capital	20.8	–	20.8
Retained earnings	c 43.7	7.3	51.0
Total shareholders' equity	<u>64.5</u>	<u>7.3</u>	<u>71.8</u>
Minority interest	0.2	–	0.2
Total equity	<u>64.7</u>	<u>7.3</u>	<u>72.0</u>

Notes to the reconciliation of equity due to IFRS

- a Under UK GAAP financial assets, now classified as "available-for-sale", were carried at cost such as the shares held in Euroclear. Under IFRS these assets and their deferred tax impact are carried at fair value with changes in fair value being recognised through the SORIE. The resulting fair value adjustment to financial assets and the related deferred tax adjustment have been included in "Retained Earnings".
- b Dividends declared after the balance sheet date accrued in the balance sheet under UK GAAP are treated as a non-adjusting post balance sheet event under IFRS. Accordingly the dividend accrued in "Trade and other payables" has been reversed and retained earnings adjusted accordingly.
- c The following illustrates the adjustments to retained earnings:

	1 January 2003 £m
Other financial asset revaluation (note a)	1.4
Tax effect of the above	(0.1)
Dividends declared post balance sheet date (note 10)	6.0
	<u>7.3</u>

PART X

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 Collins Stewart plc
9th Floor
88 Wood Street
London EC2V 7QR

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

Dear Sirs

Collins Stewart plc (the “Company”)

We report on the financial information on the date of incorporation, 5 May 2006 set out in Part X of the prospectus dated 31 October 2006 of Collins Stewart plc (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 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 Collins Stewart plc

Balance Sheet

The balance sheet of the Company on the date of incorporation, 5 May 2006 was as follows:

	<i>Notes</i>	<i>£</i>
Current assets		
Cash and cash equivalents		0.02
		<u>0.02</u>
Equity		
Share Capital	4	0.02
Equity attributable to equity holders		<u>0.02</u>

Notes to the financial information

1. General information

Collins Stewart plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is on page 13. Collins Stewart 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 convention.

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 had 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 2006 it was announced that the Collins Stewart Group will be demerged from Collins Stewart Tullett plc. Collins Stewart plc will be introduced as the new holding company of the Collins Stewart Group and its shares admitted to listing on the official list of the Financial Services Authority (“FSA”) and admission to trading on the London Stock Exchange’s main market for listed securities.

On 23 June 2006 the Company allotted 50,000 redeemable deferred shares of £1 each fully paid.

On 27 October 2006 it was announced that Collins Stewart Europe Limited had entered into a conditional agreement to acquire Hawkpoint Holdings Limited. 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. The agreement to acquire Hawkpoint will be novated to Collins Stewart plc once the Demerger is effected.

PART XI

ACCOUNTANT'S REPORT ON THE HAWKPOINT GROUP



PricewaterhouseCoopers LLP
Southwark Towers
33 London Bridge Street
London SE1 9SY

The Directors
Collins Stewart plc
9th Floor
88 Wood Street
London EC2V 7QR

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

31 October 2006

Dear Sirs

Hawkpoint Holdings Limited

We report on the consolidated financial information of Hawkpoint Holdings Limited for the years and six months ended 30 June 2006 set out in Part XI. This financial information has been prepared for inclusion in the prospectus of Collins Stewart plc (the "Company") dated 31 October 2006 (the "**Prospectus**") on the basis of the accounting policies set out in paragraph 2. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

We have not audited the financial information for the six months ended 30 June 2005 and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of 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 which we may have to those persons to whom this report is expressly addressed and save for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules 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 person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD 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 Company'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 dated 31 October 2006, a true and fair view of the state of affairs of Hawkpoint Holdings Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended on the basis of IFRS 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 item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP

Chartered Accountants

Consolidated Income Statement

	Notes	Year to			Six months to	
		31 December 2003	31 December 2004	31 December 2005	30 June 2005 <i>(unaudited)</i>	30 June 2006
		£m	£m	£m	£m	£m
Revenue	4	24.2	31.1	36.3	15.6	25.5
Administrative expenses before impairment of goodwill and share based payment charges		(21.8)	(25.9)	(28.5)	(12.1)	(17.8)
Impairment of goodwill	11	(2.8)	–	–	–	–
Share based payment charges	21	(0.2)	(1.5)	(2.3)	(1.0)	(6.5)
Administrative expenses		(24.8)	(27.4)	(30.8)	(13.1)	(24.3)
Operating profit before impairment of goodwill and share based payment charges	3	2.4	5.2	7.8	3.5	7.7
Impairment of goodwill	11	(2.8)	–	–	–	–
Share based payment charges	21	(0.2)	(1.5)	(2.3)	(1.0)	(6.5)
Operating profit/(loss)		(0.6)	3.7	5.5	2.5	1.2
Interest income	7	0.3	0.6	0.7	0.3	0.5
Interest expense	7	(0.8)	(0.6)	(0.5)	(0.3)	(0.3)
Finance costs – net		(0.5)	–	0.2	–	0.2
Profit/(loss) before tax		(1.1)	3.7	5.7	2.5	1.4
Taxation	8	(0.7)	(1.8)	(2.5)	(1.1)	(2.4)
(Loss)/profit after tax and for the period/year	5	(1.8)	1.9	3.2	1.4	(1.0)
Attributed to:						
Equity holders of the parent		(1.8)	1.9	3.2	1.4	(1.0)

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

Consolidated Balance Sheet

	<i>Notes</i>	<i>As at</i>			<i>As at</i>	
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>
		<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
					<i>(unaudited)</i>	
Non-current assets						
Property, plant and equipment	12	0.3	0.2	0.2	0.2	0.2
Goodwill	11	4.8	4.8	4.8	4.8	4.8
Other financial assets	13	0.2	0.1	–	–	–
Deferred tax	9	0.4	0.3	0.3	0.3	0.3
		<u>5.7</u>	<u>5.4</u>	<u>5.3</u>	<u>5.3</u>	<u>5.3</u>
Current assets						
Trade and other receivables	14	8.1	5.3	3.6	6.3	8.0
Cash and cash equivalents	17	9.9	19.2	28.5	11.2	20.9
		<u>18.0</u>	<u>24.5</u>	<u>32.1</u>	<u>17.5</u>	<u>28.9</u>
Total assets		23.7	29.9	37.4	22.8	34.2
Current liabilities						
Trade and other payables	15	(8.8)	(12.0)	(16.9)	(6.8)	(12.1)
Interest bearing loans and borrowings	16	–	(1.9)	(3.5)	(3.5)	(2.6)
Deferred consideration	17	(1.9)	(1.9)	–	–	–
Tax liabilities		(0.1)	(1.2)	(1.6)	(0.9)	(2.4)
		<u>(10.8)</u>	<u>(17.0)</u>	<u>(22.0)</u>	<u>(11.2)</u>	<u>(17.1)</u>
Net current assets		7.2	7.5	10.1	6.3	11.8
Non-current liabilities						
Trade and other payables	15	(2.8)	(4.1)	(6.8)	(5.0)	(13.2)
Interest bearing loans and borrowings	16	(7.7)	(5.8)	(2.5)	(2.4)	–
Deferred consideration	17	(1.8)	–	–	–	–
Provisions	18	–	(0.4)	(0.6)	(0.5)	–
		<u>(12.3)</u>	<u>(10.3)</u>	<u>(9.9)</u>	<u>(7.9)</u>	<u>(13.2)</u>
Total liabilities		(23.1)	(27.3)	(31.9)	(19.1)	(30.3)
Net assets		<u>0.6</u>	<u>2.6</u>	<u>5.5</u>	<u>3.7</u>	<u>3.9</u>
Attributable to equity shareholders						
Share capital	19	0.7	0.7	0.7	0.7	0.7
Share premium		3.3	3.3	3.3	3.3	3.3
Retained earnings		(3.4)	(1.4)	1.5	(0.3)	(0.1)
		<u>0.6</u>	<u>2.6</u>	<u>5.5</u>	<u>3.7</u>	<u>3.9</u>

Statement of changes in equity

		<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Total share- holders' funds</i>
	<i>Notes</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Balance at 1 January 2003		0.6	1.7	(1.6)	0.7
Issue of D ordinary shares	19	0.1	1.6	–	1.7
Redemption of C ordinary shares	19	–	–	(0.1)	(0.1)
Movement due to own shares held	20	–	–	0.1	0.1
Loss for the year		–	–	(1.8)	(1.8)
Balance at 31 December 2003 and 1 January 2004		0.7	3.3	(3.4)	0.6
Movement due to own shares held	20	–	–	0.1	0.1
Profit for the year		–	–	1.9	1.9
Balance at 31 December 2004 and 1 January 2005		0.7	3.3	(1.4)	2.6
Profit for the year		–	–	3.2	3.2
Dividend paid in the year	10	–	–	(0.3)	(0.3)
Balance at 31 December 2005		0.7	3.3	1.5	5.5
Balance at 1 January 2005		0.7	3.3	(1.4)	2.6
Profit for the period (unaudited)		–	–	1.4	1.4
Dividend paid in the period (unaudited)	10	–	–	(0.3)	(0.3)
Balance at 30 June 2005 (unaudited)		0.7	3.3	(0.3)	3.7
Balance at 1 January 2006		0.7	3.3	1.5	5.5
Loss for the period		–	–	(1.0)	(1.0)
Dividend paid in the period	10	–	–	(0.6)	(0.6)
Balance at 30 June 2006		0.7	3.3	(0.1)	3.9

Consolidated Cash Flow Statement

	<i>Notes</i>	<i>Year to</i>			<i>Six months to</i>	
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>
		<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Profit/(loss) for the period						
before taxation		(1.1)	3.7	5.7	2.5	1.4
Adjustments for:						
Depreciation of property, plant and equipment	12	0.2	0.2	0.1	–	0.1
Share based payment charges		0.2	1.5	2.3	1.0	6.5
Impairment of goodwill	11	2.8	–	–	–	–
Interest income		(0.3)	(0.6)	(0.7)	(0.3)	(0.5)
Interest expense		0.8	0.6	0.5	0.3	0.3
Operating cash flows before movement in working capital		2.6	5.4	7.9	3.5	7.8
(Increase)/decrease in trade and other receivables		(4.0)	2.8	1.7	(1.0)	(4.3)
(Decrease)/increase in trade and other payables		4.2	3.2	5.0	(5.4)	(4.8)
(Decrease)/increase in provisions for liabilities and charges		–	0.4	0.2	0.1	(0.6)
Cash (used in)/generated from operations		2.8	11.8	14.8	(2.8)	(1.9)
Income tax paid		(1.3)	(0.7)	(2.1)	(1.3)	(1.7)
Interest paid		(0.3)	(0.5)	(0.4)	(0.2)	(0.1)
Net cash (used in)/from operating activities		1.2	10.6	12.3	(4.3)	(3.7)
Investing activities						
Interest received		0.2	0.6	0.6	0.3	0.4
Proceeds from sale of own shares		–	–	0.5	–	–
Purchase of property, plant and equipment		(0.1)	(0.1)	(0.1)	–	(0.1)
Net cash from investing activities		0.1	0.5	1.0	0.3	0.3
Cash flows from financing activities						
Net proceeds from issue of shares		1.7	–	–	–	–
Net proceeds from loan stock		7.7	–	–	–	–
Proceeds from other financial assets		–	0.1	0.1	0.1	–
Dividends paid		–	–	(0.3)	(0.3)	(0.6)
Repayment of borrowings		(6.7)	(1.9)	(3.8)	(3.8)	(3.6)
Net cash (used in)/from financing activities		2.7	(1.8)	(4.0)	(4.0)	(4.2)
Net (decrease)/increase in cash and cash equivalents		4.0	9.3	9.3	(8.0)	(7.6)
Net cash and cash equivalents at the beginning of the period		5.9	9.9	19.2	19.2	28.5
Net cash and cash equivalents at the end of the period		9.9	19.2	28.5	11.2	20.9

NOTES TO HAWKPOINT FINANCIAL INFORMATION

1. General information

Hawkpoint Holdings Limited is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is 4 Great St Helen's, London, EC3A 6HA. The nature of the Hawkpoint Group's operations and its principal activities are the provision of corporate finance advice to Financial Institutions and to the Corporate and Private Equity communities.

The financial information is presented in pounds sterling because that is the currency of the primary economic environment in which the Hawkpoint Group operates.

The consolidated financial information of Hawkpoint Holdings Limited and its subsidiaries have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

The consolidated financial information was approved by the Board of Directors on 30 October 2006.

2. Summary of significant accounting policies

Basis of accounting

The financial information has been prepared in accordance with IFRS adopted for use in the European Union. The consolidated financial information has been prepared under the historical cost convention. 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 of the Hawkpoint Group, as set out below, have been applied consistently in respect of all the periods presented.

Basis of consolidation

The consolidated financial information incorporates the financial information of Hawkpoint Holdings Limited and its subsidiaries made up to 31 December each year.

Subsidiaries are all entities (including special purpose entities) over which the Hawkpoint Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Hawkpoint Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Hawkpoint Group. They are deconsolidated from the date that control ceases.

Transition to Adopted IFRSs

The Hawkpoint Group is preparing the financial information in accordance with Adopted IFRSs for the first time and consequently has applied IFRS 1. "First-time Adoption of International Financial Reporting Standards". IFRS 1 grants certain exemptions from the full requirements of IFRSs in transition period. The Hawkpoint Group has selected the option to apply IFRS 3 "Business Combinations" ("IFRS 3") prospectively from the date of transition, 1 January 2003, to IFRS rather than to restate previous business combinations.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Hawkpoint Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of a subsidiary 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 was tested for impairment at the transition date, 31 December 2003, 31 December 2004 and 31 December 2005.

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

2. Summary of significant accounting policies (continued)

Revenue

Revenue represents fees, excluding value added tax. Fee income is recognised when the related services are completed and the income is considered earned in accordance with the terms of the letter of engagement.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is provided 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, fittings	10 per cent. – 33 per cent. per annum
Leasehold buildings	over the period of the lease

Impairment

At each balance sheet date, the Hawkpoint Group reviews the carrying amounts of its assets other than deferred tax assets 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 Hawkpoint 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 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 (cash-generating unit) is increased to the revised state of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that should have been determined had no impairment loss been recognised for the asset (or 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 Hawkpoint Group's balance sheet when the Hawkpoint Group has become a party to the contractual provisions of the instrument.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Deferred consideration is measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Summary of significant accounting policies (continued)

Trade and other receivables

Trade receivables are settled within normal market cycles. Trade receivables are recognised at amortised cost less impairment provisions.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash comprises cash on 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.

Equity instruments

Equity instruments issued by Hawkpoint Holdings Limited are recorded at the proceeds received, net of direct issue costs. Equity instruments are classified according to the substance of the contractual arrangements entered into.

Provisions

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

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.

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 Hawkpoint 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.

The carrying amounts of deferred tax assets are 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.

2. Summary of significant accounting policies (continued)

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 Hawkpoint Group intends to settle its current tax assets and liabilities on a net basis.

Leased assets

Finance leases

Leases in terms of which the Hawkpoint Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

All leases other than finance leases are classified as operating leases. Operating lease rentals are charged to the Income Statement on a straight line basis over the period of the lease. Lease incentives are recognised in the Income Statement as an integral part of the total lease expense.

Retirement benefit costs

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

Own shares held by Employee Benefit Trust ("EBT")

Transactions of the group-sponsored EBT are included in the group financial statements. In particular, the trust's purchases of shares in Hawkpoint Holdings Limited are debited directly to equity, within retained earnings, and subsequent profits or losses recorded when the shares are sold to employees are recognised directly in equity, within retained earnings.

Share-based payment transactions

The share option programme allows Hawkpoint Group employees to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. The fair value of options granted is recognised as an employee expense. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

The share acquisition programme aligns employees' interests with those of shareholders by encouraging employees to acquire shares in Hawkpoint Holdings Limited. Hawkpoint Holdings Limited has an authority under the Articles of Association to acquire the shares back and as a matter of practice, to date, has exercised this. The Hawkpoint Group treats these transactions as cash settled share based payments. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the estimated service life of the employees. The fair value of the rights is measured based on a valuation model, taking into account the terms and conditions upon which the instruments were granted. The liabilities is remeasured at each balance sheet date and at settlement date and any changes in fair value recognised in profit or loss spread equally over the vesting period.

2. Summary of significant accounting policies (continued)

Critical Accounting estimates and judgements

Details of critical accounting estimates and judgements are disclosed throughout the financial information. These include the valuation of goodwill, trade debtors and the share acquisition liability.

- Goodwill – Goodwill is tested annually for impairment. Note 11 details the assumptions used in testing the valuation.
- Trade receivables – The valuation of trade receivables is based on an estimate made by management over the recoverability of the asset. This is based on management’s knowledge of each of the clients.
- Share acquisition liability – Under IFRS 2 the Hawkpoint Group is required to provide for the potential cost of acquiring shares from employee shareholders who leave the Hawkpoint Group. The calculation is based on a number of assumptions including the service life of the employees and the market value of the shares.
 - Management have estimated a service life of between 8 and 13 years for employees based on their knowledge of the company and historical information.
 - The amount which will be paid for the shares will depend on the share price at the time the employee leaves the Hawkpoint Group. The period end share valuation is used as the best estimate of this value. Hawkpoint Group shares are not publicly available and therefore the assumption is based on a professional valuation.

Adopted IFRS not yet applied

IFRS 7 “Financial instruments: Disclosure” was available for early adoption but has not yet been applied by the Hawkpoint Group in these financial statements. IFRS 7 is applicable for years commencing on or after 1 January 2007. The application of IFRS 7 would not have affected the balance sheet or income statement for any of the periods disclosed as the standard is concerned only with disclosure.

3. Adjusted operating profit

The directors have presented below an adjusted operating profit which they believe more fairly represents the results of the Hawkpoint Group. This removes the impact of the impairment of goodwill and the share based payment charge. As part of the proposed acquisition of the Hawkpoint Group, it is proposed that the shares that form the basis of the share based payment charge will be acquired by Collins Stewart plc and consequently following the acquisition the share based payment charge arising from these shares will no longer apply.

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>	<i>30 June</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Reported operating profit/(loss)	(0.6)	3.7	5.5	2.5	1.2
Add back:					
Impairment of goodwill	2.8	–	–	–	–
Share based payment charges	0.2	1.5	2.3	1.0	6.5
Adjusted operating profit	2.4	5.2	7.8	3.5	7.7
Adjusted profit after tax	1.2	3.4	5.5	2.4	5.5

4. Business and geographic segments

Revenue arises entirely from the Hawkpoint Group's one business segment of providing corporate finance advisory and consulting services.

The Hawkpoint Group's secondary segmental reporting given below is for geographical segments. The main segment is the United Kingdom with all other locations being grouped together as other.

The Hawkpoint Group's revenue is analysed by geographical markets as follows:

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>(unaudited)</i> <i>£m</i>	<i>£m</i>
Revenue					
United Kingdom	19.5	24.5	33.2	15.0	22.4
Other	4.7	6.6	3.1	0.6	3.1
Total revenue	<u>24.2</u>	<u>31.1</u>	<u>36.3</u>	<u>15.6</u>	<u>25.5</u>

Revenue is allocated based on the country where the client is located.

Cash consideration was received in relation to all revenues above except for £1.8 million in the year ended 31 December 2004 which was settled on receipt of convertible bonds.

The following shows the carrying amount of assets and additions to property, plant and equipment and intangible assets by the geographical area in which the assets are located:

Segment Assets

	<i>As at</i>			<i>As at</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>(unaudited)</i> <i>£m</i>	<i>£m</i>
United Kingdom	21.9	29.4	35.5	22.4	31.4
Other	1.8	0.5	1.9	0.4	2.8
Total	<u>23.7</u>	<u>29.9</u>	<u>37.4</u>	<u>22.8</u>	<u>34.2</u>

Additions to property, plant and equipment and intangible assets

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>(unaudited)</i> <i>£m</i>	<i>£m</i>
United Kingdom	0.1	0.1	0.1	–	0.1

5. (Loss)/profit for the year

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

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>(unaudited)</i> <i>£m</i>	<i>£m</i>
Depreciation of property, plant and equipment (Note 12)	0.2	0.2	0.1	–	0.1
Staff costs (Note 6)	15.5	20.3	24.0	9.9	20.9
Impairment of trade receivables	0.1	0.3	0.5	–	(0.2)
Impairment of goodwill	2.8	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Analysis of auditors' remuneration is provided below:

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i>	<i>30 June</i> <i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>(unaudited)</i> <i>£'000</i>	<i>£'000</i>
Audit Services					
– statutory audit	34	36	38	18	18
	<u>34</u>	<u>36</u>	<u>38</u>	<u>18</u>	<u>18</u>
Other services					
– taxation	105	21	25	6	39
	<u>139</u>	<u>57</u>	<u>63</u>	<u>24</u>	<u>57</u>

6. Staff costs

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

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> 2003	<i>31 December</i> 2004	<i>31 December</i> 2005	<i>30 June</i> 2005	<i>30 June</i> 2006
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>(unaudited)</i>	
				<i>No.</i>	<i>No.</i>
Professional staff and direct support	80	76	79	81	96
Administration	27	26	27	26	27
	<u>107</u>	<u>102</u>	<u>106</u>	<u>107</u>	<u>123</u>

The aggregate employment costs of staff and directors were:

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> 2003	<i>31 December</i> 2004	<i>31 December</i> 2005	<i>30 June</i> 2005	<i>30 June</i> 2006
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>(unaudited)</i>	
				<i>£m</i>	<i>£m</i>
Wages, salaries and bonuses	13.0	16.2	18.6	7.6	12.5
Social security costs	1.6	2.1	2.5	1.0	1.6
Share based payment charges	0.2	1.5	2.3	1.0	6.5
Pension costs	0.7	0.5	0.6	0.3	0.3
	<u>15.5</u>	<u>20.3</u>	<u>24.0</u>	<u>9.9</u>	<u>20.9</u>

Directors' emoluments

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> 2003	<i>31 December</i> 2004	<i>31 December</i> 2005	<i>30 June</i> 2005	<i>30 June</i> 2006
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>(unaudited)</i>	
				<i>£m</i>	<i>£m</i>
<i>Hawkpoint Group</i>					
Aggregate emoluments	1.7	2.7	2.8	0.4	0.4
Aggregate Hawkpoint Holdings Limited pension contribution paid to money purchase schemes on behalf of three (all periods) directors	0.1	0.1	0.1	–	–
Highest paid director	0.7	1.1	1.3	0.1	0.1

The annual discretionary bonuses are not included within the analysis of directors' emoluments for the six month periods to 30 June 2005 and 2006 above because it is uncertain how much would be paid to the directors at these dates.

7. Finance costs – net

Interest income

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Interest receivable and similar income	0.3	0.6	0.7	0.3	0.5

Interest expense

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Interest payable	0.5	0.5	0.5	0.3	0.3
Preference dividend	0.1	–	–	–	–
Amortisation of discount on deferred consideration	0.2	0.1	–	–	–
Total interest expense	0.8	0.6	0.5	0.3	0.3

8. Taxation

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Current tax					
UK corporation tax	0.8	1.7	2.5	1.1	2.4
Deferred tax					
Origination and reversal of temporary differences	(0.1)	0.1	–	–	–
Total taxation expense in the income statement	0.7	1.8	2.5	1.1	2.4

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Reconciliation of taxation expense					
Profit/(loss) before tax	(1.1)	3.7	5.7	2.5	1.4
Tax on profit at standard rate of 30%	(0.3)	1.1	1.7	0.8	0.4
Factors affecting the charge for the year					
Share based payment charge	0.1	0.5	0.7	0.3	2.0
Impairment of goodwill	0.8	–	–	–	–
Other disallowable expenditure	0.1	0.2	0.1	–	–
	0.7	1.8	2.5	1.1	2.4

9. Deferred tax

Deferred tax assets are attributable to the following:

	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Property, plant and equipment	0.1	0.1	0.1	0.1	0.1
Accruals and deferred income	0.3	0.2	0.2	0.2	0.2
	<u>0.4</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>

During the year ended 31 December 2003 the deferred tax asset in relation to accruals and deferred income increased by £0.1 million with the resultant credit recognised in the income statement.

During the year ended 31 December 2004 the deferred tax asset in relation to accruals and deferred income decreased by £0.1 million with the resultant charge recognised in the income statement.

There were no other movements in deferred tax assets in the reported periods.

10. Dividends

In the year ended 31 December 2005 an interim dividend of 313p per share (total £304,731) was paid to the shareholders of the 'D' shares.

In the six months ended 30 June 2006 an interim dividend of 576p per share (total £560,782) was paid to the shareholders of the "D" shares.

11. Goodwill

	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Cost					
At 1 January	7.6	7.6	7.6	7.6	4.8
Write off	–	–	(2.8)	–	–
At period end	<u>7.6</u>	<u>7.6</u>	<u>4.8</u>	<u>7.6</u>	<u>4.8</u>
Accumulated impairment losses					
At 1 January	–	2.8	2.8	2.8	–
Write off	–	–	(2.8)	–	–
Impairment charge	2.8	–	–	–	–
At period end	<u>2.8</u>	<u>2.8</u>	<u>–</u>	<u>2.8</u>	<u>–</u>
Carrying amount at period end	<u>4.8</u>	<u>4.8</u>	<u>4.8</u>	<u>4.8</u>	<u>4.8</u>

In 2003, following the loss of key personnel in the media consultancy business, an impairment of £2.8 million was recognised within operating costs as a result of an impairment review of goodwill. This was calculated in line with the methodology described below.

Goodwill is all in relation to the corporate finance advisory business.

The recoverable amount of the corporate finance advisory business cash generating unit is based on value in use calculations. Those calculations use cash flow projections based on actual operating results. Cash flows in perpetuity are extrapolated using a 2.5 per cent. growth rate and are appropriate because the business is a long term business. A pre tax discount rate of 10 per cent. has been used in discounting the projected cash flows. The key assumptions of revenue and administrative costs were determined using the Hawkpoint Group's best estimate.

12. Property, plant and equipment

	<i>Leasehold improvements</i> £m	<i>Furniture fittings and equipment</i> £m	<i>Total</i> £m
Costs			
As at 1 January 2003	0.1	0.6	0.7
Additions	–	0.1	0.1
As at 31 December 2003 and 1 January 2004	0.1	0.7	0.8
Additions	–	0.1	0.1
Disposals	–	(0.2)	(0.2)
As at 31 December 2004 and 1 January 2005	0.1	0.6	0.7
Additions	–	0.1	0.1
Disposals	–	(0.1)	(0.1)
As at 31 December 2005	0.1	0.6	0.7
Depreciation			
As at 1 January 2003	–	(0.3)	(0.3)
Charge for the year	–	(0.2)	(0.2)
As at 31 December 2003 and 1 January 2004	–	(0.5)	(0.5)
Charge for the year	(0.1)	(0.1)	(0.2)
Disposals	–	0.2	0.2
As at 31 December 2004 and 1 January 2005	(0.1)	(0.4)	(0.5)
Charge for the year	–	(0.1)	(0.1)
Disposals	–	0.1	0.1
As at 31 December 2005	(0.1)	(0.4)	(0.5)
Carrying amount			
As at 31 December 2003	0.1	0.2	0.3
As at 31 December 2004	–	0.2	0.2
As at 31 December 2005	–	0.2	0.2

12. Property, plant and equipment (continued)

	<i>Leasehold improvements</i>	<i>Furniture fittings and equipment</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Costs			
As at 1 January 2005	0.1	0.6	0.7
Additions (unaudited)	–	–	–
As at 30 June 2005 (unaudited)	<u>0.1</u>	<u>0.6</u>	<u>0.7</u>
As at 1 January 2006	0.1	0.6	0.7
Additions	–	0.1	0.1
As at 30 June 2006	<u>0.1</u>	<u>0.7</u>	<u>0.8</u>
Depreciation			
As at 1 January 2005	(0.1)	(0.4)	(0.5)
Charge for the period (unaudited)	–	–	–
As at 30 June 2005 (unaudited)	<u>(0.1)</u>	<u>(0.4)</u>	<u>(0.5)</u>
As at 1 January 2006	(0.1)	(0.4)	(0.5)
Charge for the period	–	(0.1)	(0.1)
As at 30 June 2006	<u>(0.1)</u>	<u>(0.5)</u>	<u>(0.6)</u>
Carrying amount			
As at 30 June 2005 (unaudited)	<u>–</u>	<u>0.2</u>	<u>0.2</u>
As at 30 June 2006	<u>–</u>	<u>0.2</u>	<u>0.2</u>

13. Other financial assets

	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005 (unaudited)</i>	<i>30 June 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Other financial assets	<u>0.2</u>	<u>0.1</u>	<u>–</u>	<u>–</u>	<u>–</u>

Other financial assets comprise money market funds purchased and pledged as a bank security for a guarantee issued by the bank in favour of a third party. These were sold on 15 September 2005.

14. Trade and other receivables

	<i>31 December 2003</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>30 June 2005 (unaudited)</i>	<i>30 June 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Trade debtors	6.9	4.0	3.0	3.9	6.5
Other debtors	–	0.2	0.2	0.3	0.2
Prepayments	1.2	1.1	0.4	2.1	1.3
	<u>8.1</u>	<u>5.3</u>	<u>3.6</u>	<u>6.3</u>	<u>8.0</u>

15. Trade and other payables

	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Current					
Trade payables	0.1	0.1	1.5	0.4	0.3
Tax and social security	1.9	1.6	3.2	1.3	2.4
Accruals and deferred income	6.8	10.3	12.2	5.1	9.4
	<u>8.8</u>	<u>12.0</u>	<u>16.9</u>	<u>6.8</u>	<u>12.1</u>
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Non-current					
Accruals and deferred income	0.5	0.4	0.3	0.3	0.2
Share acquisition liability (note 21)	2.3	3.7	6.5	4.7	13.0
	<u>2.8</u>	<u>4.1</u>	<u>6.8</u>	<u>5.0</u>	<u>13.2</u>

16. Interest bearing loans and borrowings

	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Current					
Redeemable loan notes	–	1.9	3.5	3.5	2.6
	<u>–</u>	<u>1.9</u>	<u>3.5</u>	<u>3.5</u>	<u>2.6</u>
Non-current					
Redeemable loan notes	7.7	5.8	2.5	2.4	–
	<u>7.7</u>	<u>5.8</u>	<u>2.5</u>	<u>2.4</u>	<u>–</u>

Hawkpoint Holdings Limited issued 8m units of fixed rate secured cumulative redeemable loan notes of £1 each on 11 July 2003.

The fixed rate on the Loan Notes is 6 per cent. per annum. Under an agreement with the Loan Note holders, Hawkpoint Holdings Limited must redeem an amount of loan notes equivalent to a percentage of operating profit each year, subject to an annual maximum of £4,000,000.

Unless fully redeemed, the remainder of the Loan Notes will be redeemed at par on 11 July 2010.

The Loan Notes will immediately become repayable and Hawkpoint Holdings Limited must redeem the Loan Notes at par if certain conditions are not met. The Loan Notes are secured by a fixed and floating charge over the assets of the Hawkpoint Group.

17. Financial instruments

Analysis of net funds

The Hawkpoint Group's financial instruments comprise borrowings, obligations under finance leases, cash and various items such as trade debtors and creditors that arise directly from its operating activities. The main purpose of these financial instruments is to raise finance for the Hawkpoint Group's operations. The main risk associated with these financial instruments is the interest rate risk.

17. Financial instruments (continued)

Interest rate risk

The Hawkpoint Group does not hedge interest rate risk.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they repay

	<i>Effective interest rate</i>	<i>6 months Total £m</i>	<i>6 months or less £m</i>	<i>6-12 months £m</i>	<i>1-2 years £m</i>	<i>2-5 years £m</i>	<i>> 5 years £m</i>
<i>31 December 2003</i>							
Cash and cash equivalents	3.8%	9.9	9.9	–	–	–	–
Redeemable loan notes	6.0%	(7.7)	–	–	–	–	(7.7)
Deferred consideration	4.0%	(3.7)	–	(1.9)	(1.8)	–	–
		<u>(1.5)</u>	<u>9.9</u>	<u>(1.9)</u>	<u>(1.8)</u>	<u>–</u>	<u>(7.7)</u>
<i>31 December 2004</i>							
Cash and cash equivalents	4.0%	19.2	19.2	–	–	–	–
Redeemable loan notes	6.0%	(7.7)	(1.9)	–	–	–	(5.8)
Deferred consideration	4.0%	(1.9)	–	(1.9)	–	–	–
		<u>9.6</u>	<u>17.3</u>	<u>(1.9)</u>	<u>–</u>	<u>–</u>	<u>(5.8)</u>
<i>30 June 2005 (unaudited)</i>							
Cash and cash equivalents	4.2%	11.2	11.2	–	–	–	–
Redeemable loan notes	6.0%	(5.9)	–	(3.5)	–	(2.4)	–
		<u>5.3</u>	<u>11.2</u>	<u>(3.5)</u>	<u>–</u>	<u>(2.4)</u>	<u>–</u>
<i>31 December 2005</i>							
Cash and cash equivalents	4.4%	28.5	28.5	–	–	–	–
Redeemable loan notes	6.0%	(6.0)	(3.5)	–	–	(2.5)	–
		<u>22.5</u>	<u>25.0</u>	<u>–</u>	<u>–</u>	<u>(2.5)</u>	<u>–</u>
<i>30 June 2006</i>							
Cash and cash equivalents	4.5%	20.9	20.9	–	–	–	–
Redeemable loan notes	6.0%	(2.6)	–	(2.6)	–	–	–
		<u>18.3</u>	<u>20.9</u>	<u>(2.6)</u>	<u>–</u>	<u>–</u>	<u>–</u>

The Hawkpoint Group's cash assets attract variable interest rates. At 31 December 2005 and 30 June 2006 £0.5m of the Hawkpoint Group's cash balance was ring fenced for use by the Employee Benefit Trust. Cash and cash equivalents comprise entirely of cash at each of the period ends.

At 31 December 2005, the Hawkpoint Group had available £0.5m undrawn overdraft facilities (2004: £3.5m, 2003 £3.5m).

The deferred consideration is in respect of the acquisition of the business (Hawkpoint Partners Limited and Hydra Associates Limited). This has been discounted from the anticipated settlement date at a discount rate of 4 per cent. The amortisation of this discount is recognised in interest expense.

Credit risk

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

The Hawkpoint 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 Hawkpoint Group's management based on prior experience and their assessment of the current economic environment.

17. Financial instruments (continued)

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

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

Market Risk

Adverse economic, equity or debt market conditions can have a negative effect upon corporate finance deal flows, can extend transaction origination and execution timetables and can create greater uncertainty of outcome than in more favourable conditions. Hawkpoint's revenues can be affected in such circumstances. It is also the case, however, that such conditions create other types of corporate finance, restructuring or debt advisory mandate opportunities, for which Hawkpoint is reasonably well positioned.

Liquidity Risk

The assets of the Hawkpoint Group are highly liquid and therefore the Hawkpoint Group is not significantly exposed to liquidity risk.

Foreign Currency Risk

The Hawkpoint Group is not significantly exposed to currency risk. The Hawkpoint Group does not hedge foreign currency risk.

Sensitivity analysis

It is estimated that a general increase of one percentage point in interest rates would increase the Hawkpoint Group's profit before tax by approximately £0.1 million for the 6 months ended 30 June 2006, £0.2 million for the year ended 31 December 2005, £0.1 million for the 6 months ended 30 June 2005, £0.1 million for the year ended 31 December 2004 and £0.1 million for the year ended 31 December 2003.

Fair Values

The carrying amount of financial assets and liabilities equate to their fair values for all reported periods.

Estimation of fair values

- Cash and cash equivalents carrying value approximate to fair value because of the short maturity of the instruments.
- The fair value of debt is calculated based on discounted future cash flows, based on the rate the Hawkpoint Group could reasonably expect to borrow at.
- Trade and other receivables/payables with a remaining life of less than one year carrying amount is deemed to reflect the fair value.

18. Provisions

	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
<i>Employee remuneration provisions</i>					
At 1 January	–	–	0.4	0.4	0.6
Additional provision in the period	–	0.4	0.2	0.1	–
Utilisation	–	–	–	–	(0.6)
At 31 December	–	0.4	0.6	0.5	–

The Hawkpoint Group had a potential liability in respect of employee remuneration costs for which the maximum exposure was £0.6m as at 31 December 2005. The amount of this liability was dependent on the outcome of negotiations surrounding their settlement. A provision of £0.2m was made during 2005 (2004: £0.4m) and therefore the expense was fully provided for. This was settled in full in March 2006.

19. Share Capital

	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	No.	No.	No.	No.	No.
Equity Shares					
Authorised					
‘A’ ordinary shares of £1 each	99,999	99,999	99,999	99,999	99,999
‘C’ ordinary shares of £1 each	600,000	600,000	600,000	600,000	600,000
‘D’ ordinary shares of £1 each	200,000	200,000	200,000	200,000	200,000
Allotted, issued and fully paid					
‘A’ ordinary shares of £1 each	50,001	50,001	50,001	50,001	50,001
‘C’ ordinary shares of £1 each	534,511	539,501	539,501	539,501	539,501
‘D’ ordinary shares of £1 each	97,358	97,358	97,358	97,358	97,358
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£’000	£’000	£’000	£’000	£’000
Authorised					
‘A’ ordinary shares of £1 each	100	100	100	100	100
‘C’ ordinary shares of £1 each	600	600	600	600	600
‘D’ ordinary shares of £1 each	200	200	200	200	200
	900	900	900	900	900
Allotted, issued and fully paid					
‘A’ ordinary shares of £1 each	50	50	50	50	50
‘C’ ordinary shares of £1 each	535	540	540	540	540
‘D’ ordinary shares of £1 each	97	97	97	97	97
	682	687	687	687	687

During 2003 17,875 C ordinary shares (“COS”) were redeemed at a price of £4.00 each, and 97,358 D ordinary shares were issued for £2,000,000 leading to a share premium of £1.9m less costs of £0.3m. During 2004 4,990 C ordinary shares were issued at a price of £6.70 each leading to a share premium of £28,000.

19. Share Capital (continued)

	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
Non equity shares	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Authorised					
'B' ordinary shares of £1 each	1	1	1	1	1
Redeemable 'A' shares of £0.40 each	105,000	105,000	105,000	105,000	105,000
Share capital allotted, called up and fully paid					
'B' ordinary shares of £1 each	1	1	1	1	1
Redeemable 'A' shares of £0.40 each	44,584	54,199	54,150	54,199	47,864
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Authorised					
'B' ordinary shares of £1 each	–	–	–	–	–
Redeemable 'A' shares of £0.40 each	42	42	42	42	42
	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Share capital allotted, called up and fully paid					
'B' ordinary shares of £1 each	–	–	–	–	–
Redeemable 'A' shares of £0.40 each	18	22	22	22	19
	<u>18</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>19</u>

During 2003, 2,010 Redeemable A shares ("RAS") were redeemed at a price of 40p each.

During 2004 15,166 Redeemable A shares were redeemed at a price of 60p each, 2,610 Redeemable A shares were redeemed at a price of 50p each and 2,941 Redeemable A shares were redeemed at a total price of 50p. During 2005 49 Redeemable A shares were redeemed at a price of £1.00 each. During the period to 30 June 2006 6,188 Redeemable A Shares were redeemed for 40p, 37 Redeemable A Shares were redeemed for £2.70 and 61 Redeemable A Shares were redeemed for £1.35.

Only the 'B' Ordinary Share ("BOS") carries the right to vote at general meetings. Upon and following an event, voting rights will accrue to the holders of COS and RAS.

The holders of 'A' Ordinary Shares ("AOS"), COS and 'D' Ordinary Shares ("DOS") are entitled to receive dividends resolved to be distributed. The DOS are entitled to a dividend each financial year that is determined based upon the profit after tax of Hawkpoint Holdings Limited and after any amount redeemed on the Loan Notes (see note 17).

Neither the BOS nor the RAS carry dividend rights. Upon and following an event only the holders of COS and RAS will be entitled to receive dividends.

Hawkpoint Holdings Limited may redeem RAS at any time at cost.

19. Share Capital (continued)

The priorities on returning capital sums to shareholders are: first to the DOS; second the AOS and COS; third the BOS; fourth the RAS; fifth the surplus will be distributed amongst the AOS, COS and DOS.

The consideration upon a sale or flotation of Hawkpoint Holdings Limited, after repayment of the loan notes, will be paid as follows:

- £10 million of the consideration will be paid to the RAS and COS *pro rata*;
- £50,001 will be used to redeem AOS and BOS. If a redemption cannot be performed due to a lack of any distributable reserves, the purchaser can agree to purchase the AOS and BOS; and
- the remaining value will be allocated *pro rata* across the RAS and COS.

Immediately prior to a sale or flotation of Hawkpoint Holdings Limited occurring each DOS shall automatically be converted into one COS.

20. Employee benefit trust

The Hawkpoint Group has investments in its own shares as a result of shares purchased by the employee benefit trust. The cost of these shares is deducted against retained earnings. The holdings of the trust were as follows:

Number of shares held by the trust

	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	No.	No.	No.	No.	No.
'A' ordinary shares of £1 each	50,001	50,001	50,001	50,001	50,001
Redeemable 'A' ordinary shares of £0.40 each	3,174	4,062	9,362	9,362	3,174
'C' ordinary shares of £1 each	–	33,011	20,469	46,780	37,079
Nominal value	£51,271	£84,637	£74,215	£100,526	£88,350
	31 December 2003	31 December 2004	31 December 2005	30 June 2005 (unaudited)	30 June 2006
	£m	£m	£m	£m	£m
Cost of own shares held	0.1	0.2	0.2	0.4	0.5
Market value of own shares held	0.1	0.9	0.9	1.3	2.7

21. Share-based payments

As part of the Hawkpoint Group's policy to align employees' interests with those of shareholders a significant number of employees have been given the opportunity to subscribe for or acquire shareholdings in Hawkpoint Holdings Limited since February 2002. Conversely when an employee shareholder has left the Hawkpoint Group, Hawkpoint Holdings Limited has as a matter of practice to date exercised an authority under the Articles of Association to acquire the shares back. Acquisition and disposal prices have been based on market valuations at that time which have been determined in accordance with the Articles.

As a result of this practice IFRS 2 "Share based payments" requires the Hawkpoint Group to make a provision against the cost of buying back all employee shareholdings based on the market value at each Balance Sheet date. As a consequence of this the Hawkpoint Group has recorded the following liability within non-current liabilities and the following charge within administration expenses within the Income Statement.

21. Share-based payments (continued)

	Year to			Six months to	
	31 December 2003	31 December 2004	31 December 2005	30 June 2005	30 June 2006
	£m	£m	£m	£m	£m
Non current liability	2.3	3.7	6.5	4.7	13.0
Administration expense	0.2	1.5	2.3	1.0	6.5

No parties had any right to cash at any period end.

The Hawkpoint Group recognises the potential liability over the estimated service life of the employees. This was assumed to be an average period of 8 to 13 years.

Method of Valuation

The valuation was performed at specific points in time by an external professional valuation firm. This was based on a capitalised earnings approach.

	31 December 2003	31 December 2004	31 December 2005	30 June 2005	30 June 2006
				(unaudited)	
Shares held by employees					
– Redeemable A Shares (number)	41,410	50,131	44,788	44,837	44,690
– C Ordinary Shares (number)	529,136	506,490	519,032	492,721	502,422
Shares acquired by employees in period					
– Redeemable A Shares (number)	–	15,166	–	–	–
– Redeemable A Shares (weighted average fair value – £)	–	60p	–	–	–
– C Ordinary Shares (number)	10	45,229	74,792	47,981	9,000
– C Ordinary Shares (weighted average fair value – £)	£6.70	£6.79	£12.67	£8.30	£33.00

Share options

During the period under review, the Hawkpoint Group had two Option Schemes that entitle the holder to purchase shares in Hawkpoint Holdings Limited.

The fair values of options granted since 7 November 2002 and not vested by 1 January 2005 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become entitled to the options. The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Date of grant	Number of shares	Exercise price	Exercise dates	Contractual life
2004 share option plan				
25/03/2004	6,100	£6.70	25/3/2007 to 25/3/2009	3 to 5 years
14/12/2004	1,578	£8.30	14/12/2007 to 14/12/2009	3 to 5 years
2005 share option plan				
14/12/2005	3,073	£33.00	14/12/2008 to 14/12/2010	3 to 5 years

Share options were granted at market value at the date of grant.

21. Share-based payments (continued)

The number and weighted average exercise price of share options is as follows:

	<i>Year ended 31 December 2003</i>	<i>Year ended 31 December 2003</i>	<i>Year ended 31 December 2004</i>	<i>Year ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2005</i>
	<i>Weighted average exercise price</i>	<i>Number of options</i>	<i>Weighted average exercise price</i>	<i>Number of options</i>	<i>Weighted average exercise price</i>	<i>Number of options</i>
Outstanding at the beginning of period	–	–	£0.00	–	£6.97	12,117
Forfeited during the year			£(6.70)	(2,000)	£(6.70)	(2,000)
Granted during the year			£6.93	14,117	£33.00	3,512
Outstanding at the end of the period	–	–	£6.97	12,117	£13.71	13,629
		<i>Six months ended 30 June 2005 (unaudited)</i>	<i>Six months ended 30 June 2005 (unaudited)</i>	<i>Six months ended 30 June 2006</i>	<i>Six months ended 30 June 2006</i>	
		<i>Weighted average exercise price</i>	<i>(unaudited) Number of options</i>	<i>Weighted average exercise price</i>	<i>Number of options</i>	
Outstanding at the beginning of period		£6.97	12,117	£13.71	13,629	
Forfeited during the period		£(6.70)	(1,000)	£(10.96)	(2,878)	
Outstanding at the end of the period		£6.99	11,117	£14.45	10,751	

22. Analysis of net funds

	<i>At 1 January 2003 £m</i>	<i>Cash flow £m</i>	<i>Non-cash items £m</i>	<i>At 31 December 2003 £m</i>
Cash and cash equivalents	5.9	4.0	–	9.9
	5.9	4.0	–	9.9
Loans due within one year	(5.2)	5.3	(2.0)	(1.9)
Loans due after one year	(5.0)	1.4	1.8	(1.8)
After five years	–	(7.7)	–	(7.7)
Total net funds	(4.3)	3.0	(0.2)	(1.5)

22. Analysis of net funds (continued)

	<i>At</i> <i>1 January</i> <i>2004</i> <i>£m</i>	<i>Cash</i> <i>flow</i> <i>£m</i>	<i>Non-cash</i> <i>items</i> <i>£m</i>	<i>At</i> <i>31 December</i> <i>2005</i> <i>£m</i>
Cash and cash equivalents	9.9	9.3	–	19.2
	9.9	9.3	–	19.2
Loans due within one year	(1.9)	1.9	(3.8)	(3.8)
Loans due after one year	(1.8)	–	1.8	–
After five years	(7.7)	–	1.9	(5.8)
Total net funds	<u>(1.5)</u>	<u>11.2</u>	<u>(0.1)</u>	<u>9.6</u>

	<i>At</i> <i>1 January</i> <i>2005</i> <i>£m</i>	<i>Cash</i> <i>flow</i> <i>£m</i>	<i>Non-cash</i> <i>items</i> <i>£m</i>	<i>At</i> <i>31 December</i> <i>2005</i> <i>£m</i>
Cash and cash equivalents	19.2	9.3	–	28.5
	19.2	9.3	–	28.5
Loans due within one year	(3.8)	3.8	(3.5)	(3.5)
Loans due after one year	–	–	(2.5)	(2.5)
After five years	(5.8)	–	5.8	–
Total net funds	<u>9.6</u>	<u>13.1</u>	<u>(0.2)</u>	<u>22.5</u>

	<i>At</i> <i>1 January</i> <i>2005</i> <i>£m</i>	<i>Cash</i> <i>flow</i> <i>(unaudited)</i> <i>£m</i>	<i>Non-cash</i> <i>items</i> <i>(unaudited)</i> <i>£m</i>	<i>At</i> <i>30 June</i> <i>2005</i> <i>(unaudited)</i> <i>£m</i>
Cash and cash equivalents	19.2	(8.0)	–	11.2
	19.2	(8.0)	–	11.2
Loans due within one year	(3.8)	3.8	(3.5)	(3.5)
Loans due after one year	–	–	–	–
After five years	(5.8)	–	3.4	(2.4)
Total net funds	<u>9.6</u>	<u>(4.2)</u>	<u>(0.1)</u>	<u>5.3</u>

	<i>At</i> <i>1 January</i> <i>2006</i> <i>£m</i>	<i>Cash</i> <i>flow</i> <i>£m</i>	<i>Non-cash</i> <i>items</i> <i>£m</i>	<i>At</i> <i>30 June</i> <i>2006</i> <i>£m</i>
Cash and cash equivalents	28.5	(7.6)	–	20.9
	28.5	(7.6)	–	20.9
Loans due within one year	(3.5)	3.6	(2.7)	(2.6)
Loans due after one year	(2.5)	–	2.5	–
After five years	–	–	–	–
Total net funds	<u>22.5</u>	<u>(4.0)</u>	<u>(0.2)</u>	<u>18.3</u>

23. Operating Lease commitments

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>(unaudited)</i> <i>£m</i>	<i>£m</i>
Minimum lease payments under operating leases recognised in income for the year	<u>2.4</u>	<u>2.3</u>	<u>2.3</u>	<u>1.1</u>	<u>1.2</u>

The Hawkpoint Group had outstanding commitments for future minimum lease payments under non-cancellable leases, all of which related to buildings, as follows:

	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>(unaudited)</i> <i>£m</i>	<i>£m</i>
– Within one year	2.4	2.3	2.3	2.3	2.3
– Within two to five years	9.2	7.5	5.2	2.9	2.6
– Over five years	0.6	–	–	–	–
	<u>12.2</u>	<u>9.8</u>	<u>7.5</u>	<u>5.2</u>	<u>4.9</u>

Operating lease payments represent rentals payable by the Hawkpoint Group for certain of its office properties and office fit out.

24. Related party transactions

Key management as defined by IFRS are deemed to be the Board of Directors of Hawkpoint and the Hawkpoint Group Executive Management Committee. Transactions are as follows:

	<i>Year to</i>			<i>Six months to</i>	
	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>	<i>31 December</i> <i>2005</i>	<i>30 June</i> <i>2005</i>	<i>30 June</i> <i>2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>(unaudited)</i> <i>£m</i>	<i>£m</i>
Short-term benefits	<u>2.9</u>	<u>4.8</u>	<u>4.5</u>	<u>0.8</u>	<u>0.7</u>
Share based payments	<u>0.1</u>	<u>0.7</u>	<u>1.2</u>	<u>0.5</u>	<u>3.4</u>
Amounts owed by key management	<u>–</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>

The loans to key management bore interest at a 6 per cent. effective rate. The directors believe that these loans are transacted on an arm's length basis.

25. Principal subsidiary undertakings

At 31 December 2003, 2004 and 2005, the following companies were the Hawkpoint Group's trading subsidiary.

<i>Subsidiary undertakings</i>	<i>Principal activities</i>	<i>% of equity and votes held</i>
Hawkpoint Partners Limited	Corporate finance advice	100
Hydra Associates Limited	Dormant	100
Damascus II Offshore trust	Employee benefit trust	100
Damascus II Onshore trust	Dormant	100

The investment in Hawkpoint 2 Associates Limited was written off in 2003. That company is no longer trading. Damascus II Offshore trust was registered in Jersey. All other companies were registered in England and Wales.

All subsidiaries have the same year end as Hawkpoint Holdings Limited and they have all been included in the Hawkpoint Group consolidation.

26. First-time adoption of International Financial Reporting and Accounting Standards

Following the Hawkpoint Group's adoption of IFRS, the 2003 comparative financial information in these accounts has been restated and represented under IFRS. The date of transition to Adopted IFRSs was 1 January 2003.

The reconciliations below highlight the key impacts on both the profit attributable to equity shareholders and on total equity.

Reconciliation of profit attributable to equity shareholders from UK GAAP to Adopted IFRSs

		<i>Year ended 31 December 2003 £m</i>	<i>Year ended 31 December 2004 £m</i>	<i>Year ended 31 December 2005 £m</i>
Profit/(loss) attributable to equity shareholders in accordance with UK GAAP		(2.2)	3.1	5.0
IFRS 2 (Share based payments)	(a)	(0.2)	(1.5)	(2.3)
IAS 12 (Taxation)	(b)	0.1	(0.1)	–
IAS 17 (Leases)	(c)	0.1	0.1	0.1
IAS 19 (Employee benefits)	(d)	–	(0.1)	–
IAS 38 (Intangible assets)	(f)	0.4	0.4	0.4
Profit/(loss) attributable to equity shareholders in accordance with Adopted IFRSs		<u>(1.8)</u>	<u>1.9</u>	<u>3.2</u>

Reconciliation of total equity from UK GAAP to Adopted IFRSs

		<i>31 December 2002 £m</i>	<i>31 December 2003 £m</i>	<i>31 December 2004 £m</i>	<i>31 December 2005 £m</i>
Total equity in accordance with UK GAAP		5.4	2.8	5.9	10.6
IFRS 2 (Share based payments)	(a)	(2.2)	(2.3)	(3.7)	(6.5)
IAS 12 (Taxation)	(b)	0.3	0.4	0.3	0.3
IAS 17 (Leases)	(c)	(0.7)	(0.6)	(0.5)	(0.4)
IAS 19 (Employee benefits)	(d)	(0.1)	(0.1)	(0.2)	(0.2)
IAS 32 (Financial instruments)	(e)	(2.0)	–	–	–
IAS 38 (Intangible assets)	(f)	–	0.4	0.8	1.2
IAS27 (Consolidation of employee benefit trust)	(g)	–	–	–	0.5
Total equity in accordance with Adopted IFRSs		<u>0.7</u>	<u>0.6</u>	<u>2.6</u>	<u>5.5</u>

26. First-time adoption of International Financial Reporting and Accounting Standards (continued)

The principal IFRS adjustments were as follows:

(a) *IFRS 2 Share based payments*

The Hawkpoint Group applied IFRS 2 “Share based payments” to cash settled equity transactions and share transactions. Under IFRS the Hawkpoint Group must provide for future payments which may be made in acquiring shares from employees leaving the Hawkpoint Group’s employment because they have as a matter of practice in the past done so. The fair value of the rights is measured based on a valuation model, taking into account the terms and conditions upon which the instruments were granted. The liability is re-measured at each balance sheet date and at settlement date and any changes in fair value recognised in profit or loss spread equally over the vesting period.

Under previous UK GAAP provision was not made for the acquisition of these shares because the Hawkpoint Group did not have an obligation to purchase them.

(b) *IAS 12 Income Taxes*

IAS 12 (Income taxes) requires deferred tax to be provided on all temporary differences rather than timing differences which are considered under UK GAAP. Included within this is the deferred tax impact of IAS 17 and IAS 19 which are discussed below.

(c) *IAS 17 Leases*

The Hawkpoint Group and Hawkpoint Holdings Limited applied IAS 17 to lease incentives received from landlords.

Under IFRS lease incentives received and paid are apportioned over the length of the lease. Under UK GAAP, the lease incentives had been apportioned over the period to the first rent review.

(d) *IAS 19 Employee Benefits*

Under UK GAAP, in line with common practice, the Hawkpoint Group and Hawkpoint Holdings Limited did not account for holiday accruals unless legally obliged to make cash settlement. IAS 19 explicitly requires appropriate provision to be made for the cost of holiday entitlements not taken at the balance sheet date.

(e) *IAS 32 Financial Instruments: Disclosure and Presentation*

Under UK GAAP the non-equity minority interest in relation to ‘A’ non-cumulative redeemable preference shares issued by the subsidiary Hawkpoint were shown within Minority Interests. Under IFRSs the shares are treated as debt and disclosed within non current liabilities. Dividends paid on these instruments is shown within financial expenses within the income statement under IFRSs.

(f) *Intangible Assets*

Under UK GAAP, goodwill was amortised over a period not exceeding 15 years. Adoption of IFRS has resulted in the Hawkpoint Group ceasing annual goodwill amortisation and testing only for impairment annually at the cash-generating unit level.

(g) *Other*

Under the IFRSs the Hawkpoint Group is consolidating the Employee Benefit trusts. The trusts purchases of shares in Hawkpoint Holdings Limited are debited directly to equity and subsequent profits or losses recorded when the shares are sold to employees are recognised directly in equity. Both are recorded within retained earnings.

The classifications of current and non-current “interest-bearing loans and borrowings” includes: loan notes previously classified within “Creditors: amounts falling due within one year” and “Creditors: amounts falling due after more than one year” respectively.

(h) *Cash flow statement*

The material adjustments to the cash flow statement are principally presentational with cash flows now classified under the three main categories of operating activities, investing activities and financing activities. Additionally, the definition of cash and cash equivalents is wider with liquid resources now being included in both the opening and closing balances and the cash flows.

PART XII

PRO FORMA FINANCIAL INFORMATION

Deloitte.

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

The Board of Directors
on behalf of Collins Stewart plc
9th Floor
88 Wood Street
London EC2V 7QR

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

31 October 2006

Dear Sirs,

Collins Stewart 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 adopted by the Company in preparing the financial statements for the period ended 30 June 2006. 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 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

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PRO FORMA NET ASSETS STATEMENT

The unaudited combined 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 (the “pro forma financial information”) has been prepared to show the effect of the Demerger, and the certain other matters which are dependent on the Demerger, and the Acquisition of Hawkpoint on the net assets of the Company as if they had occurred on 30 June 2006. Due to its nature, the unaudited pro forma statement of net assets addresses a hypothetical situation and, therefore, does not represent the Company’s actual financial position or results. The pro forma statement of net assets takes no account of any trading activity or other transactions since 30 June 2006.

	<i>Adjustments</i>			<i>Proforma Net Assets on Demerger Unaudited £m</i>	<i>Adjustments</i>		<i>Proforma Net Assets of the Enlarged Group Unaudited £m</i>
	<i>Collins Stewart plc Note 1 £m</i>	<i>Collins Stewart Group Note 2 £m</i>	<i>Demerger Adjustments Unaudited Note 3 £m</i>		<i>Hawkpoint Acquisition Adjustments Note 4 £m</i>	<i>Note 5 £m</i>	
Non current assets							
Goodwill	–	32.6	–	32.6	4.8	133.3	170.7
Other intangible assets	–	0.3	–	0.3	–	–	0.3
Land, buildings, furniture, fixtures and equipment	–	1.9	–	1.9	0.2	–	2.1
Other financial assets	–	1.7	–	1.7	–	–	1.7
Deferred tax assets	–	5.1	–	5.1	0.3	–	5.4
	–	41.6	–	41.6	5.3	133.3	180.2
Current assets							
Trade and other receivables	–	2,228.5	(0.9)	2,227.6	8.0	–	2,235.6
Trading investments	–	26.0	–	26.0	–	–	26.0
Cash and cash equivalents	–	84.1	(25.3)	58.8	20.9	(14.6)	65.1
	–	2,338.6	(26.2)	2,312.4	28.9	(14.6)	2,326.7
Total assets	–	2,380.2	(26.2)	2,354.0	34.2	118.7	2,506.9
Current liabilities							
Trade and other payables	–	(2,227.5)	10.9	(2,216.6)	(12.1)	–	(2,228.7)
Financial liabilities	–	(4.5)	–	(4.5)	–	–	(4.5)
Interest bearing loans and borrowings	–	(5.9)	1.5	(4.4)	(2.6)	2.6	(4.4)
Tax liabilities	–	(13.1)	–	(13.1)	(2.4)	–	(15.5)
	–	(2,251.0)	12.4	(2,238.6)	(17.1)	2.6	(2,253.1)
Non current liabilities							
Trade and other payables	–	–	–	–	(13.2)	–	(13.2)
Interest bearing loans and borrowings	–	(11.3)	11.3	–	–	–	–
	–	(11.3)	11.3	–	(13.2)	–	(13.2)
Total liabilities	–	(2,262.3)	23.7	(2,238.6)	(30.3)	2.6	(2,266.3)
Net assets	–	117.9	(2.5)	115.4	3.9	121.3	240.6
Minority interest	–	(0.8)	–	(0.8)	–	–	(0.8)
Total shareholders’ equity	–	117.1	(2.5)	114.6	3.9	121.3	239.8

Notes to the unaudited pro forma net assets

1. The figures for Collins Stewart 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 X of this document. At incorporation, the Company had 2 ordinary shares subscribed and fully paid to the value of £0.02.
2. The figures for the Collins Stewart Group have been extracted without material adjustment from the Accountant's Report on the Group, as set out in Part IX of this document.
3. The adjustments represent the following:
 - (a) Prior to the Demerger, the Collins Stewart Group will have repaid in full, the outstanding inter-company balance owing to Collins Stewart Tullett plc. As at 30 June 2006, this was a net £10.0 million comprising intercompany debtors of £0.9 million and intercompany creditors of £10.9 million.
 - (b) Prior to the Demerger, the Collins Stewart Group will have repaid in full, the subordinated loans from Collins Stewart Tullett plc. As at 30 June 2006, these amounted to £12.8 million.
 - (c) The estimated cost to the Collins Stewart Group of its share of the Demerger transaction costs is £2.5 million. This amount has been deducted from the pro forma net assets above.
4. The figures for Hawkpoint have been extracted, without material adjustment, from the Accountant's Report on the Hawkpoint Group set out in Part XI of this document.
5. The adjustments represent the following:
 - (a) The consideration used to calculate goodwill comprises cash payable on completion of £40 million and a notional value for the equity issuable which has been estimated by taking the closing price for a Collins Stewart Tullett Share on 27 October 2006, being the latest practicable date before the publication of this document. The share price was then apportioned notionally between Collins Stewart and Tullett Prebon on the basis of the 2006 first half earnings used in the calculation of earnings per share, contributed by the respective businesses. No adjustment has been made in respect of surplus cash which will be paid to Hawkpoint Shareholders after the year end.
 - (b) The Acquisition will be part funded by cash consideration of £40 million. Prior to the Demerger and subject to the material conditions relating to the Acquisition having first 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.
 - (c) The estimated costs of the Acquisition are £2.0 million.
 - (d) Hawkpoint's borrowings of £2.6 million will be discharged upon Completion.
 - (e) No adjustment has been made to take account of fair values on Acquisition. In particular, the provision for share based payment charges of £13 million (which will not be required post Completion, and release of which will give rise to an increase in Hawkpoint's net assets) has not been released.

Had Collins Stewart plc existed since 1 January 2005, the impact of the Demerger on its earnings would have reflected the earnings set out in the Accountant's Report on the Collins Stewart Group in Part IX, adjusted for a one-off item reflecting transaction costs of £2.5 million.

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 together with details of options proposed to be granted under the Collins Stewart Long Term Incentive Plan are 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) *The Collins Stewart Long Term Incentive Plan (the LTIP)*

(i) General

Collins Stewart 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 (iv) 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 Initial Options will only be capable of vesting in full if the Company achieves an average return on capital employed over a three year period of at least 25 per cent. per annum. Thereafter, vesting of the Initial Options will depend on the Company's total shareholder return performance when compared to the total shareholder return performance of the constituents of the FTSE All Share General Financial Sector. For the Initial Options, 10 per cent. of the Ordinary Shares subject to them will vest for median performance. All Initial Options will vest in full for upper quartile performance with straight line vesting for performance between the median and upper quartile.

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. The Initial Options will be exercisable in respect of one half of the Ordinary Shares subject to them in respect of which they vest at the end of the performance period and the remainder of those Ordinary Shares on the first anniversary of that date.

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 and up 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
Other than the Initial Options in any year any participant will not receive an award in excess of three times 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 Collins Stewart 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 dividend *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 Collins Stewart 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 Collins Stewart Share Savings Plan (the SSP)*

(i) General

Collins Stewart 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 Collins Stewart 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

Collins Stewart 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 Collins Stewart 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**
Collins Stewart 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. Collins Stewart 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**
Collins Stewart 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**
Collins Stewart 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 by 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**
Collins Stewart 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, Collins Stewart 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 issued share capital of Collins Stewart plc from time to time may be issued or issuable under the SSP and any other employees' share scheme(s) adopted by Collins Stewart plc. Ordinary Shares subject to awards that have lapsed or been surrendered are excluded when calculating this limit.

(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 Collins Stewart 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 The Company 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 5807587 and the name Collins Stewart Securities plc. On 23 May 2006, Collins Stewart Securities plc changed its name to Collins Stewart Group plc. On 20 October 2006, Collins Stewart Group plc changed its name to Collins Stewart plc. It became entitled to do business and borrow, pursuant to section 117 of the Companies Act, on 26 June 2006.
- 1.2 The registered office and head office of Collins Stewart plc is at 9th Floor, 88 Wood Street, London EC2V 7QR (telephone +44 (0) 207 523 8000). Collins Stewart plc is domiciled in the United Kingdom.

2. Activity

- 2.1 Collins Stewart 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 Collins Stewart 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 IX of this document.

3. Share capital

- 3.1 On incorporation, the authorised share capital of Collins Stewart 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 Collins Stewart 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 Collins Stewart plc:
- (a) 25,000 redeemable deferred shares of £1 each were issued to each of the Initial Share Owners;
 - (b) by ordinary resolution of the Company dated 23 June 2006, the authorised share capital of the Company was increased from £50,000.02 to £427,099,175 by the creation of 42,704,917,498 additional ordinary shares of 1 pence each;
 - (c) 149 ordinary shares of 1 pence each were issued to each of the Initial Share Owners;
 - (d) by ordinary resolution of the Company dated 23 June 2006, every 150 ordinary shares of 1 pence each were consolidated into one ordinary share of 150 pence each; and
 - (e) by ordinary resolution of the Company dated 30 October 2006, the authorised share capital of the Company was increased from £427,099,175 to £479,710,508 by the creation of 35,074,222 additional ordinary shares of 150 pence each.
- 3.4 Accordingly the authorised, issued and fully paid share capital of Collins Stewart plc as at the date of publication of this document is as follows:

	<i>Authorised Number</i>	<i>Amount (£)</i>	<i>Issued Number</i>	<i>Amount (£)</i>
Ordinary shares of 150 pence each	319,773,672	479,710,508	2	3
Redeemable deferred shares of £1 each	50,000	50,000	50,000	50,000

- 3.5 By various resolutions of Collins Stewart plc proposed and passed at an ordinary general meeting of Collins Stewart plc on 30 October 2006, it was resolved that conditional upon the Demerger becoming effective:

- (a) Collins Stewart plc's share capital be reduced by reducing the nominal value of each issued and unissued Ordinary Share by 125 pence from 150 pence to 25 pence;
- (b) the directors be authorised pursuant to Article 6 of the Collins Stewart Group Articles to allot securities up to the maximum aggregate value of:
 - (i) £319,500,000 pursuant to the Demerger; and
 - (ii) one of the following (as applicable):
 - (A) if the Acquisition Agreement becomes unconditional (other than in respect of the condition relating to the Admission of the New Ordinary Shares) either: (1) £20,617,696, if the Collins Stewart Group Reduction of Capital becomes effective; or (2) £123,706,180 if the Collins Stewart Group Reduction of Capital does not become effective; or
 - (B) if the Acquisition Agreement has not become unconditional (other than in respect of the condition relating to the Admission of the New Ordinary Shares) either: (1) £17,694,844, if the Collins Stewart Group Reduction of Capital becomes effective; or (2) £106,169,069 if the Collins Stewart Group Reduction of Capital does not become effective,

each authority to expire at the conclusion of the next annual general meeting of Collins Stewart plc and all previous authorities under section 80 of the Companies Act in respect of the Collins Stewart Group Articles shall cease to have effect;

- (c) the directors be empowered pursuant to Article 7 of the Collins Stewart Group Articles to allot equity securities for cash as though section 89 of the Companies Act did not apply, up to a maximum aggregate value of:
 - (i) if the Acquisition Agreement becomes unconditional (other than in respect of the condition relating to the Admission of the New Ordinary Shares) either: (1) £3,092,654 if the Collins Stewart Group Reduction of Capital becomes effective; (2) £18,555,927 if the Collins Stewart Group Reduction of Capital does not become effective; or
 - (ii) if the Acquisition Agreement has not become unconditional (other than in respect of the condition relating to the Admission of the New Ordinary Shares) either: (1) £2,654,226 if the Collins Stewart Group Reduction of Capital becomes effective, or (2) £15,925,360 if the Collins Stewart Group Reduction of Capital does not become effective,

such authority to expire at the conclusion of the next annual general meeting of Collins Stewart plc and all previous authorities under section 95 of the Companies Act in respect of the Collins Stewart Group Articles shall cease to have effect; and

- (d) Collins Stewart plc be authorised to make market purchases of its Ordinary Shares subject to the maximum number of (a) 21,233,813 or (b) 24,741,236 if completion of the Acquisition Agreement has taken place, a minimum price of the nominal value of such shares and a maximum price of not more than 105 per cent. of the middle market quotations for an Ordinary Share derived from the Daily Official List of the UK Listing Authority for the five business days immediately preceding the day on which the share is purchased, such authority to expire at the conclusion of the next annual general meeting of Collins Stewart plc and all previous authorities under section 166 of the Companies Act in respect of the Collins Stewart Group Articles shall cease to have effect.

3.6 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, Collins Stewart 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 Collins Stewart plc which is not the subject of the disapplication referred to in paragraph 3.5 above.

- 3.7 Collins Stewart 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 Collins Stewart 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. Additional ordinary shares were issued to each of Alnery Incorporations No. 1 Limited and Alnery Incorporations No. 2 Limited and all such ordinary shares consolidated in each case as described in paragraph 3.3 above). As a result, each of Alnery Incorporations No. 1 Limited and Alnery Incorporations No. 2 Limited held one Ordinary Share. These ordinary shares have been transferred to the Initial Share Owners. In addition, 25,000 £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 and Ordinary Shares have been issued pursuant to the Demerger, the ordinary shares held by the Initial Share Owners will be gifted back to Collins Stewart plc, or Collins Stewart plc will repurchase them, and such ordinary shares will be cancelled and the 50,000 redeemable deferred shares, which will be fully paid at the time of redemption, will be redeemed.
- 3.8 Under the Scheme, New CST plc will issue New CST 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 New CST Share

Then, under the Demerger, Collins Stewart plc will issue Ordinary Shares, credited as fully paid, to the New CST Share Owners at the Demerger Record Time on the following basis:

For one New CST Share One Ordinary Share

- 3.9 Accordingly, the proposed authorised, issued and fully paid share capital of Collins Stewart plc as it will be following the Demerger Effective Time and after the Collins Stewart Group Reduction of Capital comes into effect, but before the gift back, or repurchase, and cancellation of the ordinary shares held by the Initial Share Owners and the redemption of the 50,000 redeemable deferred shares referred to in paragraph 3.7 of this Part XIV and before completion of the Acquisition, is as follows:

	<i>Authorised Number</i>	<i>Amount (£)</i>	<i>Issued Number</i>	<i>Amount (£)</i>
Ordinary Shares of 25 pence each	319,773,672	79,943,418	212,338,143	53,084,535.75
Redeemable shares of £1 each	50,000	50,000	50,000	50,000

The table set out above assumes no issues of shares by Collins Stewart Tullett plc, New CST plc or Collins Stewart plc after 27 October 2006 (being the latest practicable date prior to the publication of this document) other than in connection with the Scheme and the Demerger.

- 3.10 Furthermore the proposed authorised, issued and fully paid share capital of Collins Stewart plc as it will be following, (a) the Demerger Effective Time, (b) the Collins Stewart Group Reduction of Capital coming into effect, (c) the gift back, or repurchase, and cancellation of the ordinary shares held by the Initial Share Owners and the redemption of the 50,000 redeemable deferred shares referred to in paragraph 3.7 of this Part XIV and (d) completion of the Acquisition, is as follows:

	<i>Authorised Number</i>	<i>Amount (£)</i>	<i>Issued Number</i>	<i>Amount (£)</i>
Ordinary Shares of 25 pence each	319,773,668	79,943,417	247,412,360	61,853,090

The table set out above assumes no issues of shares by Collins Stewart Tullett plc, New CST plc or Collins Stewart plc after 27 October 2006 (being the latest practicable date prior to the publication of this document) other than in connection with the Scheme, the Demerger and the Acquisition.

- 3.11 Rights attaching to the Ordinary Shares are summarised in paragraph 4.2(a) of this Part XIV below.
- 3.12 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.

- 3.13 Other than the potential issue of loan notes under the loan note alternative pursuant to the Acquisition (as further described in Part VI of this document), no share or loan capital of Collins Stewart plc is under option or agreed, conditionally or unconditionally, to be put under option. At the date of this document, Collins Stewart 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.
- 3.14 At the date of this document, Collins Stewart plc has no subsidiaries and, accordingly there has been no material issue of share or loan capital by any subsidiary undertaking of Collins Stewart plc for cash or other consideration.
- 3.15 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.
- 3.16 No commissions, brokerages, discounts or other special terms have been granted in respect of any share capital of Collins Stewart plc.
- 3.17 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.
- 3.18 The current 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 Collins Stewart Group Memorandum provides that its principal objects are, amongst others, to carry on business as a holding and investment company. The objects of Collins Stewart plc are set out in full in Clause 4 of the Collins Stewart Group Memorandum which is available for inspection as described in paragraph 20 below.

4.2 *Articles of association*

The Collins Stewart Group Articles adopted on 23 June 2006 include provisions to the effect set out below. A copy of the Collins Stewart Group Articles is available for inspection as described in paragraph 20 below.

(a) *Rights attaching to Ordinary Shares*

(i) Voting rights of Collins Stewart Group 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) Collins Stewart 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 Collins Stewart plc and may also pay any dividend payable at a fixed rate at intervals settled by the board whenever the financial position of Collins Stewart 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 Collins Stewart plc or any other person to bear any costs involved.
- (D) No dividend or other moneys payable by Collins Stewart plc on or in respect of any share shall bear interest as against Collins Stewart 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 Collins Stewart plc on account of calls or otherwise in relation to shares of Collins Stewart plc.
- (F) With the authority of an ordinary resolution of Collins Stewart 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 Collins Stewart 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 Collins Stewart plc.

(iv) Return of capital

The liquidator may, with the sanction of an extraordinary resolution of Collins Stewart plc and any other sanction required by statute (A) divide among the members *in specie* the whole or any part of the assets of Collins Stewart 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 Collins Stewart plc (A) resolve to capitalise any sum standing to the credit of any reserve account of Collins Stewart 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 Collins Stewart 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 Collins Stewart 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 Collins Stewart Group 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. Collins Stewart 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 Collins Stewart 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*

Collins Stewart 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.

Collins Stewart 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*

Collins Stewart 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 Collins Stewart 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 Collins Stewart 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, Collins Stewart 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 Collins Stewart Group Articles in relation to uncertificated shares which is inconsistent with any applicable statutory provision shall not apply. Collins Stewart 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 Collins Stewart 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 Collins Stewart 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, Collins Stewart 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 Collins Stewart plc, be less than 2 nor more than 15 in number.
- (ii) A director need not be a member of Collins Stewart 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 Collins Stewart 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 Collins Stewart 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 Collins Stewart 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 Collins Stewart 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 Collins Stewart plc or in the employment or service of Collins Stewart plc or of any company which is or was a subsidiary of or associated with Collins Stewart plc or of the predecessors in business of Collins Stewart 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 Collins Stewart plc, either with regard to his tenure of any office or position in the management, administration or conduct of the business of Collins Stewart 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 Collins Stewart plc (other than the office of auditor of Collins Stewart plc) in conjunction with his office as director and he (or his firm) may also act in a professional capacity for Collins Stewart 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 Collins Stewart 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 Collins Stewart plc or any other company in which Collins Stewart 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 Collins Stewart plc or any company in which Collins Stewart 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 Collins Stewart plc or otherwise in or through Collins Stewart 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, Collins Stewart plc or any of its subsidiary undertakings; or a debt or obligation of Collins Stewart 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 Collins Stewart 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 Collins Stewart 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 Collins Stewart plc may be indemnified out of the assets of Collins Stewart 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 Collins Stewart 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 Collins Stewart plc or of any third party. The Board shall restrict the borrowings of Collins Stewart plc and exercise all voting and other rights or powers of control exercisable by Collins Stewart 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 Collins Stewart plc in general meeting, exceed the greater of £300 million and an amount equal to three times the adjusted total equity (as defined in the Collins Stewart Group Articles) or any higher limit fixed by ordinary resolution of Collins Stewart 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 Collins Stewart 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 Collins Stewart 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 Collins Stewart 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 Collins Stewart 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 Collins Stewart plc; or (B) if the default shares in which any one person is interested or appears to Collins Stewart 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 Collins Stewart 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 Collins Stewart plc

5.1 The Directors of Collins Stewart plc are set out in Part IV of this document.

5.2 In addition to their directorships of Collins Stewart plc, the Directors of Collins Stewart 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:

<i>Name</i>	<i>Position</i>	<i>Company/Partnership</i>	<i>Position still held (Y/N)</i>
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		
New CST plc	Y		

<i>Name</i>	<i>Position</i>	<i>Company/Partnership</i>	<i>Position still held (Y/N)</i>
Joel Plasco	Chief	Makedirect Limited	Y
	Executive	Spark Speedclear Director Limited	N
		JDP Consulting Services Limited	N
		European Media Investors Limited	Y
		Prebon (Financial Futures) Limited	N
		M.W.Marshall (Foreign Exchange) Limited	N
		Prebon Yamane International Limited	N
		L.C.F. Limited	N
		Prebon Group Limited	N
		M.W.Marshall (International) Limited	N
		Prebon Services Limited	N
		Marshalls 106 Limited	N
		Tullett Prebon Administration Limited	N
		M.W.Marshall (Sterling Deposits) Limited	N
		M.W.Marshall (London) Limited	N
		Onlymatch Leasing Limited	N
		Prebon Securities (UK) Limited	N
		M.W.Marshall (Services) Limited	N
		Prebon Investments Limited	N
		FPG Holdings Limited	N
		M.W.Marshall (Capital Markets) Holdings Limited	N
		Fulton Prebon Group Limited	N
		M.W.Marshall (Overseas) Limited	N
		Fulton Prebon Administration Limited	N
		M.W.Marshall (Deposits) Limited	N
		M.W.Marshall (U.K.) Limited	N
		M.W.Marshall (Capital Markets) Limited	N
		Collins Stewart Holdings Limited	Y
		Patriot Limited	N
		Prebon Learning Limited	N
		Grandsire Limited	Y
		Tullett Prebon Limited	N
		Prebon Limited	N
		EO Plc	N
		Equity Growth Research Limited	N
		Spark Investors Limited	N
		Newmedia Spark Secretaries Limited	N
		Internet Indirect Limited	N
		Newmedia Spark plc	N
		Newmedia Spark Directors Limited	N
		Tullett Prebon (UK) Limited	N
		Collins Stewart (CI) Holdings Limited	Y
		Collins Stewart Europe Limited	Y
		Collins Stewart Quest Limited	Y
		Colstew Nominees Limited	Y
		Gilsin Nominees Limited	Y
		Cost Nominees Limited	Y
		Collins Hitchcock Stewart Whitaker Limited	Y
		SCOL Nominees Limited	Y

<i>Name</i>	<i>Position</i>	<i>Company/Partnership</i>	<i>Position still held (Y/N)</i>
Diana Dyer Bartlett	Finance Director	Plassey Limited	Y
		Trafalgar Limited	Y
		Imphal Limited	Y
		Waterloo Limited	Y
		Ketton House Limited	Y
		Mayfield Lavender Limited	N
		Industrial Diseases Compensation Limited	N
		Collins Stewart Europe Limited	Y
		Collins Stewart Quest Limited	Y
		Colstew Nominees Limited	Y
		Gilsin Nominees Limited	Y
		Cost Nominees Limited	Y
		Paul Baines	Executive Director
Hawkpoint Partners Limited	Y		
Hawkpoint Holdings Limited	Y		
Hawkpoint Trustees Limited	Y		
Hydra Associates Limited	Y		
Keith Hamill	Deputy Chairman	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	Y
		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		

<i>Name</i>	<i>Position</i>	<i>Company/Partnership</i>	<i>Position still held (Y/N)</i>
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

5.3 None of the Directors of Collins Stewart 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 company.

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 Collins Stewart plc

6.1 The interests (all of which are beneficial unless otherwise stated), of the Directors of Collins Stewart 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: (a) the Scheme and Demerger become effective; and (b) the Acquisition is completed, the Directors of Collins Stewart plc will have the following interests in Ordinary Shares by virtue of the effect of the Scheme and Demerger on their existing holdings of Collins Stewart Tullett Shares and the effect of the allotment and issue of the New Ordinary Shares pursuant to the Acquisition:

<i>Director</i>	<i>Number of Collins Stewart Tullett Shares</i>	<i>Percentage of Collins Stewart Tullett Shares</i>	<i>Number of Ordinary Shares following the Demerger</i>	<i>Percentage of Ordinary Shares following the Demerger</i>	<i>Number of Ordinary Shares following Completion</i>	<i>Percentage of Ordinary Shares following Completion</i>
Terry Smith	8,805,779	4.147	8,805,779	4.147	8,805,779	3.559
Joel Plasco	–	–	–	–	–	–
Diana Dyer Bartlett	14,479	0.007	14,479	0.007	14,479	0.006
Keith Hamill	58,299	0.027	58,299	0.027	58,299	0.024
Paul Baines	–	–	–	–	2,420,639	0.978
Richard Kilsby	–	–	–	–	–	–

The above table does not reflect the extent to which any Directors of Collins Stewart plc 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, New CST plc or Collins Stewart plc after 27 October 2006 (being the latest practicable date prior to the publication of this document) other than in connection with the Scheme, the Demerger or the Acquisition.

- 6.2 The interests of the Directors together represent approximately 4.18 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), will represent approximately 4.18 per cent. of the issued share capital of Collins Stewart plc on the Scheme and Demerger becoming effective and will represent approximately 4.57 per cent. of the issued share capital of Collins Stewart plc after the Scheme and Demerger have become effective and the New Ordinary Shares have been issued pursuant to the Acquisition.
- 6.3 As at 27 October 2006 (the latest practicable date before the publication of this document) the following Directors held the following interests in Collins Stewart Tullett Shares under the Collins Stewart Tullett Share Plans:

	<i>Options</i>	<i>Earliest exercise date</i>	<i>Expiry date</i>	<i>Exercise price</i>
Collins Stewart Tullett plc				
Unapproved Share Option Scheme				
Joel Plasco	442,538	18.10.07	17.10.14	402p
	50,000	1.11.07	31.10.14	1p
Collins Stewart Tullett plc				
Company Share Option Plan				
Diana Dyer Bartlett	24,602	05.04.04	04.04.11	288.5p
	12,500	31.03.04	23.04.11	1p
	50,000	30.09.05	07.11.11	1p
	75,000	28.04.06	27.04.13	1p
	40,000	22.04.07	21.04.14	449p
	50,000	19.01.08	18.01.15	1p
Joel Plasco	7,462	18.10.07	17.10.14	402p

- 6.4 The interests disclosed in this paragraph 6 include 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 Collins Stewart plc and their private interests and/or their duties to third parties.

7. Significant shareholdings

- 7.1 Insofar as is known to Collins Stewart plc as at 27 October 2006 (the latest practicable date prior to the publication of this document), the following persons will, on the Demerger becoming effective and (except where indicated otherwise) on the completion of the Acquisition, directly or indirectly, have an interest in Collins Stewart 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)):

<i>Name</i>	<i>No. of Ordinary Shares after Demerger</i>	<i>Percentage of issued share capital after Demerger</i>	<i>No of Ordinary Shares after Completion</i>	<i>Percentage of issued share capital after Completion</i>
Toscafund Limited	29,469,754	13.9%	29,469,754	11.9%
Legal & General Group plc	16,807,565	7.9%	16,807,565	6.8%
Lazard Asset Management LLC	15,651,887	7.4%	15,651,887	6.3%
Barclays plc	12,494,274	5.9%	12,494,274	5.0%
Teachers Insurance and Annuity Association of America College Retirement Equities Fund	11,486,691	5.4%	11,486,691	4.6%
Terry Smith	8,805,779	4.1%	8,805,779	3.6%
Morgan Stanley Securities	8,521,317	4.0%	8,521,317	3.4%
Aviva plc	8,510,624	4.0%	8,510,624	3.4%
Deutsche Bank AG	6,511,783	3.1%	6,511,783	2.6%

The disclosed interests of all the above refer to the respective combined holdings of those persons and to entities' interests associated with them.

The above table assumes no issues of shares by Collins Stewart Tullett plc, New CST plc or Collins Stewart plc after 27 October 2006 (being the latest practicable date prior to the publication of this document) other than in connection with the Scheme, the Demerger or the Acquisition.

- 7.2 Save as disclosed in paragraph 7.1, the Directors of Collins Stewart plc are not aware of any interest (within the meaning of Part VI of the Companies Act) which will represent an interest in Collins Stewart plc's share capital or voting rights which is notifiable under the Companies Act following the Demerger becoming effective and Admission occurring or following completion of the Acquisition and Admission of the New Ordinary Shares.
- 7.3 So far as Collins Stewart plc is aware, no person or persons, directly or indirectly, jointly or severally, controls Collins Stewart Tullett plc and on the Demerger becoming effective, no person or persons, directly or indirectly, jointly or severally, will exercise or could exercise control over Collins Stewart 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.

In 2005 £5.75 million cash facilities 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 Collins Stewart 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 will enter into a service contract with Collins Stewart 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 £200,000 and Terry Smith may be paid a discretionary bonus. Collins Stewart 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). Terry Smith will also enter into a service contract with New CST plc, conditional on the Demerger becoming effective. Terry Smith's service contract provides that, as Chairman, he will mainly be responsible for the oversight of management and supporting management with strategy development and key client relationships. The contract anticipates that he may devote up to 30 per cent. of his time to Collins Stewart plc.

Joel Plasco will enter into a service contract with Collins Stewart plc, conditional on the Demerger becoming effective. The contract will provide for employment for an indefinite period, subject to early termination on six months' notice by either Collins Stewart plc or the director concerned. The annual basic salary will be £250,000 and Joel Plasco may be paid a discretionary bonus. Collins Stewart 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).

Diana Dyer Bartlett will enter into a service contract with Collins Stewart plc, conditional on the Demerger becoming effective. The contract will provide for employment for an indefinite period, subject to early termination on six months' notice by either Collins Stewart plc or the director concerned. The annual basic salary will be £200,000 and Diana Dyer Bartlett may be paid a discretionary bonus. Collins Stewart 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).

Paul Baines entered into a service contract with Hawkpoint Partners Limited, a subsidiary of Hawkpoint Holdings Limited, on 2 October 2000. The contract provides for a basic annual salary of £237,000 plus a discretionary bonus and may be terminated on 3 months notice in writing by either party. Paul Baines has agreed to enter into a deed of amendment which will extend the notice period to six months, will incorporate certain protective covenants and pursuant to which Hawkpoint Partners Limited will be entitled to terminate the service contract by paying, in lieu of notice period, salary and a sum to compensate for the loss of other contractual benefits (excluding bonuses).

The non-executive Directors will enter into letters of appointment with Collins Stewart plc, conditional on the Demerger becoming effective.

- 9.2 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:

<i>Director</i>	<i>Notice Period</i>
Terry Smith	12 months
Joel Plasco	6 months
Diana Dyer Bartlett	6 months
Paul Baines	6 months
Non-executive Directors	12 months

- 9.3 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.

	<i>Salaries and Fees</i>		<i>Benefits</i>		<i>Bonuses</i>		<i>Total</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Executive directors								
Terry Smith	237	650	2	1	2,868	2,925	3,107	3,576
Non-executive directors								
Keith Hamill	100	115	–	–	–	–	100	115
Richard Kilsby ⁽¹⁾	–	19	–	–	–	–	–	19

Notes:

(1) Richard Kilsby was appointed to the board of Collins Stewart Tullett plc on 3 June 2005.

- 9.4 For the financial year ended 31 December 2005, the aggregate remuneration paid and benefits in kind granted to the Directors by the Collins Stewart Tullett Group was £4,759,000 and no amounts were set aside by Group to provide pension, retirement or similar benefits to the Directors.
- 9.5 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 which will be the significant subsidiary undertakings of Collins Stewart plc following the Demerger Effective Time. Unless otherwise stated, each of the following subsidiary undertakings will be wholly owned, either by Collins Stewart plc or by one of its subsidiaries:

<i>Name</i>	<i>Incorporated in</i>	<i>Principal activities</i>	<i>Issued ordinary shares, all voting</i>
Collins Stewart Europe Limited	England and Wales	Stockbroking	100%
Collins Stewart (CI) Holdings Limited	Guernsey	Holding company	100%
Collins Stewart (CI) Limited	Guernsey	Stockbroking	100%
Collins Stewart Portfolio Management Limited (formerly Collins Stewart Asset Management Limited)	Guernsey	Investment fund management	100%
Collins Stewart Fund Management Limited	Guernsey	Investment fund management	100%
Collins Stewart (Offshore) Limited	Jersey	Stockbroking and asset management	100%
Collins Stewart Property Fund Management Limited	England and Wales	Property management	83.25%
Collins Stewart Inc.	USA	Stockbroking	100%

11. Property, plant and equipment

The following are the Group's material leased properties:

<i>Location</i>	<i>Area</i>	<i>Agreements</i>	<i>Details</i>
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.
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 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 30 November 2010. The annual rent is \$141,553.20 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.
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.

Collins Stewart 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 and Demerger 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 the 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 or other recipient of this document 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 Collins Stewart Group 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. Collins Stewart Group 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, Collins Stewart plc will not be required to withhold tax at source from dividend payments it makes.

(a) *Individuals*

An individual Collins Stewart Group Share Owner who is resident in the UK for tax purposes and who receives a dividend from Collins Stewart 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 Collins Stewart Group Share Owner resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from Collins Stewart plc. Such corporate Collins Stewart Group Share Owners will not be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by Collins Stewart plc.

(c) *Non-residents*

Collins Stewart Group 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 Collins Stewart 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 Collins Stewart plc.

13.3 Capital Gains

A disposal of Ordinary Shares by a Collins Stewart Group 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 Collins Stewart Group 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 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 Collins Stewart 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 Collins Stewart Group Share Owner, so inheritance tax may be chargeable on the death of such Collins Stewart Group 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, 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 Collins Stewart plc's earnings and profits as determined under US federal income tax principles. To the extent that a distribution exceeds Collins Stewart 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 capital gain. US Holders should not expect Collins Stewart 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 Collins Stewart 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. Collins Stewart 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 Collins Stewart plc should be eligible for the reduced income tax rate. The amount of dividend income, if any, paid by Collins Stewart 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.

Collins Stewart plc believes that it is not a PFIC and that Collins Stewart plc will not become a PFIC after the Demerger becomes effective. However, because this is a factual determination made at the end of the taxable year, there can be no assurance that Collins Stewart plc will not become a PFIC for any future taxable year.

If Collins Stewart 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 Collins Stewart plc and from any gain realised from a sale or other disposition of Ordinary Shares (regardless of whether Collins Stewart plc continues to be a PFIC). In addition, corporations classified as PFICs are not qualified corporations (as set out 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 Collins Stewart 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

15.1 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 Collins Stewart 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 (other than contracts entered into in the ordinary course of business) entered into by any member of the Group which contain 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:

15.2 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 representations and warranties by the Sellers, including the existence, power and authority of the Seller, and the absence of any required consents and encumbrances on the shares.

15.3 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 a sponsor) for the purposes of the circular to shareholders of Collins Stewart Tullett plc 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 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.

15.4 The Acquisition Agreement and related tax deed each as more particularly described in Part VI of this document.

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", "dollars" or "\$" are to the lawful currency of the United States of America. The Group prepares its financial statements in pounds sterling.

17. Litigation

Neither Collins Stewart 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 Collins Stewart 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 Collins Stewart 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 PricewaterhouseCoopers 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.
- 18.3 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 Collins Stewart plc in connection with the Demerger and the listing of Collins Stewart plc are estimated to amount to approximately £2.5 million. Given the inter relationship between the Demerger and the listing of Collins Stewart plc, it is not practicable to separate costs attributable solely to the Demerger or to the listing of Collins Stewart 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.

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 Collins Stewart plc's registered office at 9th Floor, 88 Wood Street, London EC2V 7QR and the office of Allen & Overy LLP, One Bishops Square, London E1 6AO:

- (a) the memorandum and articles of association of Collins Stewart plc;
- (b) the Accountant's Report on the Collins Stewart Group contained in Part IX of this document;
- (c) the Accountant's Report on the Company contained in Part X of this document;
- (d) the Accountant's Report on the Pro Forma Financial Information contained in Part XII of this document;
- (e) the Accountant's Report on the Hawkpoint Group contained in Part XI of this document;
- (f) copies of the rules of the New Share Plans;
- (g) the Directors' service agreements and draft letters of appointment referred to under "Directors' service agreements and emoluments" in this Part XIV;
- (h) 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;
- (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 Scheme Circular; and
- (l) this document.

Dated 31 October 2006

PART XV

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

Acquisition	the proposed acquisition of the entire issued share capital of Hawkpoint Holdings Limited
Acquisition Agreement	the sale and purchase agreement between Collins Stewart Europe Limited and the Hawkpoint Shareholders relating to the Acquisition dated 27 October 2006, more particularly described in Part VI of this document
Admission	admission of the Ordinary Shares or the New Ordinary Shares, as the case may be, 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 Investments Market of the London Stock Exchange
AIPO™	Accelerated Initial Public Offering
the Board	the directors of Collins Stewart 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 Group
Collins Stewart Europe Limited or CSEL	Collins Stewart Europe Limited, a private limited company incorporated in England and Wales with registered number 1774003
Collins Stewart Group or 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 Articles	the articles of association of Collins Stewart plc
Collins Stewart Group Memorandum	the memorandum of association of Collins Stewart plc
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 Share Owner	a holder of Ordinary Shares
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 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 or the Company	Collins Stewart plc, a public limited company incorporated in England and Wales with registered number 5807587
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	<ul style="list-style-type: none"> (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 in the capital of Collins Stewart Tullett plc of 25p each
Combined Code	the Combined Code on Corporate Governance dated July 2003 appended to the Listing Rules
Companies Act	the Companies Act 1985, as amended
Completion	completion of the Acquisition in accordance with the terms of the Acquisition Agreement
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 1985 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
Demerger	the proposed demerger of Collins Stewart Europe Limited to create the Group and the New CST 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 a.m. (London Time) on 19 December 2006
Demerger 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
Demerger Record Time	6.00 a.m. (London time) on the day on which the New CST Reduction of Capital becomes effective
Directors	the directors and proposed directors of Collins Stewart plc set out in Part IV of this document, except where otherwise indicated
Disclosure Rules	the disclosure rules of the FSA
Enlarged Group	the Group as enlarged by the Acquisition
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 or 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
Hawkpoint	the corporate 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

Hawkpoint Shareholders	Mezzanine Management Limited acting as investment manager on behalf of certain funds, Law Debenture Trust Corporation as trustee of the Hawkpoint employee benefit trust and certain employees and directors of Hawkpoint Group
Hawkpoint Warrantors	certain of the Hawkpoint Shareholders who have provided warranties under the Acquisition Agreement
HMRC	Her Majesty's Revenue and Customs
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 Options	the options proposed to be granted to certain directors and senior managers of the Company as referred to in paragraph 4 of Part IV of this document
Initial Share Owners	two partners of Allen & Overy LLP, the Company's legal advisers
Insinger	Insinger de Beaufort (International) Limited
IPO	Initial Public Offering
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 Group	means, before the Demerger Effective Time, the Collins Stewart Tullett Group excluding the Group and, following the Demerger Effective Time, means New CST plc and its subsidiaries and subsidiaries as from the Demerger Effective Time and, where the context requires, its associated undertakings
New CST plc	New CST plc, a public limited company incorporated in England and Wales with registered number 5807599
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 New CST Shares
New CST 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
New Ordinary Shares	the 35,074,221 new Ordinary Shares to be issued pursuant to the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
New Share Plans	the Collins Stewart Long Term Incentive Plan and the Collins Stewart 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	(a) prior to the Collins Stewart Group Reduction of Capital becoming effective, 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 plc to be allotted and issued pursuant to the Demerger or, if relevant, the Acquisition; and (b) following the Collins Stewart Group Reduction of Capital becoming effective, the ordinary shares of 25 pence each in Collins Stewart plc
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
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 New CST 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, New CST 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 Prebon	the inter-dealer broking business and other activities of the New CST 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 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

