Date: 18 March 2005
On behalf of: Collins Stewart Tullett plc ("Collins Stewart Tullett")
Embargoed until: 0700hrs

COLLINS STEWART TULLETT PLC

UNAUDITED PRELIMINARY RESULTS - for the year ended 31 December 2004

Highlights

Collins Stewart Tullett, the financial services group, today announced its preliminary results for the year ended 31 December 2004. The highlights of the results are:

- Turnover: £582.4m (2003: £473.9m).
- Operating profit before goodwill amortisation and operating exceptional items: £90.1m (2003: £75.3m). Operating profit: £22m (2003: £61.5m) after deducting operating exceptional items of £48.5m.
- Profit before tax: £21.7m (2003: £66.9m).
- Basic EPS before goodwill amortisation and exceptional items: 32.5p, up 17%. Basic EPS: 3.6p (2003: 22.2p).
- Recommended final dividend: 5.75p, making a total dividend of 8.5p, up 10% (2003: 7.75p).
- Strengthened and deepened IDB business with acquisition of Prebon on 13 October 2004.

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

"Operating profits before goodwill and operating exceptional items, at £90.1m, were marginally ahead of the prior year on a comparable basis. This was a good achievement, given the weak trading conditions in the corporate bond markets, the scale of corporate broking fees in the prior year and a deterioration in the US dollar.

The coming year will be challenging as the integration of Prebon is completed. Early indications, however, are that the process is going well and that the enlarged business will be capable of generating substantially better margins and good returns. We will also look to develop our stockbroking business if suitable situations arise."

- Ends -

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Further information on Collins Stewart Tullett plc:

Further information on the Group and its activities is available on the Group's websites: www.cstplc.com, www.tullib.com, www.prebon.com and www.collins-stewart.com.

chairman's statement

The Group achieved satisfactory results, in market conditions which were more challenging than in the previous year. At the same time the strategic development of the business continued with the acquisition of Tullett Liberty in early 2003 being followed by the acquisition of Prebon in October 2004 for £132m. This has created the world's second largest inter-dealer broker and the integration of these two businesses will generate significant value.

Operating profits before goodwill and operating exceptional items, at £90.1m, were marginally ahead of the prior year on a comparable basis. This was a good achievement, given the weak trading conditions in the corporate bond markets, the scale of corporate broking fees in the prior year and a deterioration in the US dollar. Earnings per share before goodwill and exceptional items were up 17% to 32.5p per share.

The Board is recommending an increased final dividend of 5.75p (2003: 5.25p) payable to shareholders on the register on 20 May 2005, subject to the approval of shareholders at the AGM to be held on 2 June 2005. This brings the total dividend to 8.5p per share for the year, an increase of 10%. The increase reflects the Company's performance in 2004 and the encouraging trading outlook.

Following the expansion of the Company a new organisational structure has been developed. Louis Scotto has been promoted to be Chief Executive of the IDB business, from his previous position as Chief Operating Officer of Tullett Liberty. Shane Le Prevost has also been appointed Chief Executive of the Collins Stewart stockbroking businesses, from his previous position as Managing Director of Collins Stewart, Channel Islands. Both Lou and Shane have considerable experience in these sectors. Each of the Divisions now has an Executive Committee which helps oversee and develop their global activities and includes the senior executives working in these businesses. In addition, Stephen Jack has been appointed as Group Finance Director from his previous role as Finance Director of Tullett Liberty.

The year saw several changes to the Company's Board. Helen Smith retired after a long and successful career as our Finance Director. Bruce Collins and Rob Lucas also retired from the Board. Terry Hitchcock has also notified the Board of his intention to retire at the end of the month, bringing to a close his long association with the Company. Louis Scotto joined the Board in his role as Chief Executive of the IDB businesses. I am also pleased to report that Michael Fallon joined the Board as a Non-executive director in September 2004. We are continuing to work to strengthen the Non-executive team through recruitment.

We reported last year on litigation with a former employee which affected the Company. That employee has since withdrawn his allegations against the Company and the Financial Services Authority decided to take no action as a result of its investigation into these allegations.

The coming year will be challenging as the integration of Prebon is completed. Early indications, however, are that the process is going well and that the enlarged business will be capable of generating substantially better margins and good returns.

Keith Hamill
Chairman

18 March 2005

operating and financial review

OBJECTIVES, STRATEGY AND KEY PERFORMANCE INDICATORS

The Board's principal objective for the Group is to maximise returns to shareholders over the medium to long term with an acceptable level of risk. This includes both fundamental returns generated by the business and the returns delivered through share price appreciation and dividends.

Our strategy is to act as a consolidator in the inter-dealer broker sector, seeking to attain the economies of scale which will deliver superior returns; and to develop the pre-eminent independent equity stockbroking business based in London with a primary focus on mid market corporate finance and independent research.

The Board has established a framework which is designed to facilitate the delivery of its strategy and to monitor the Company's performance against its targets. At a strategic level the Board utilises key performance indicators such as return on average capital employed to assess performance and assist in decision-taking. In addition, the Board monitors total shareholder return, both in an absolute sense and relative to various stockmarket indices.

At an operational level detailed planning and the production of a comprehensive annual budget, regular reforecasts and monthly financial information enable performance to be monitored by executive management of the Group's two businesses and by the Board. Daily performance information is also produced to assist executive management at different levels.

Financial information tabled to the Board compares actual performance against budgets, forecasts and prior year performance and contains both trend analysis and key performance indicators to facilitate interpretation of results. Turnover and operating margin analyses are the most important high level performance indicators. At an operational level more detailed indicators such as employee costs as a percentage of revenues, revenues per broker and broker to support staff ratios are utilised.

OVERVIEW OF 2004

The main development during the year 2004 was the strengthening and deepening of the IDB business through the acquisition of Prebon in October. Unlike the acquisition of Tullett Liberty, which represented a diversification of the Group's revenues, the acquisition of Prebon was intended to gain critical mass in the IDB sector and to improve returns. Prebon was an ideal acquisition target for the Group because of its complementary product range and geographical coverage. The IDB business represented 80% of turnover (2003: 73%) and 58% of operating profit before goodwill and operating exceptional items (2003: 45%). It is expected that the IDB business will account for a larger percentage of Group results in 2005.

The integration exercise, which commenced immediately following the acquisition of Prebon, is a major project for the Group. Although it is early in the process, the benefits were already showing in the Company's performance before the year end and the target is for the enlarged IDB business to generate significantly better returns than either Tullett Liberty or Prebon could have done on their own.

In reorganising the business we have sought to capitalise on the relative strengths of Tullett Liberty and Prebon. By the end of 2004 a clear management structure had been established at Group, regional and product levels, broker redundancies and desk rationalisation had been substantially completed in Europe and North America, and the rationalisation of premises and infrastructure had commenced. In the period between acquisition and the end of the year the Group incurred some £38.5m of reorganisation costs which were included in the profit and loss account as an operating exceptional item and met contractual completion payments of £10.1m which have been included in goodwill. We believe this £48.6m expenditure to date should deliver some £42m per annum of savings compared to the 2004 cost run rates of the two IDB groups. Some 340 people have left the Group over the same period as a result of this exercise. The main focus for 2005 will be on moving to a final structure for our business in Asia and on completing the transition to single technology and support structures.

Prior to the reorganisation programme, Tullett Liberty had already embarked on its own project to improve margins. A new share incentive plan was established at the beginning of 2004 to drive this process. Whilst Tullett Liberty revenues were slightly lower compared to 2003 on an underlying basis, operating returns after share option charges improved from 10.1% to 11.9% due to a strong management focus on costs and performance.

Whilst the majority of revenues and underlying profits in 2004 were produced by the IDB business, the contribution from the stockbroking business was maintained year on year with operating margins remaining above 30%. This gives the Group a strong and diversified earnings base.

IDB Business

The following tables analyse turnover on a product and regional basis. We have historically produced pro forma financial information to enable easier analysis of the impact of an acquisition and the 2003 comparatives below were produced on that basis. However, Prebon had a March year end, and as a result the production of pro forma results for 2004 was not practicable. The 2004 turnover analysed below therefore includes Prebon's trading from the date of its acquisition on 13 October 2004, as well as that of the North American Energy businesses acquired in June, in accordance with UK accounting standards. The 2003 pro forma turnover represents twelve months trading although Tullett Liberty was only acquired by the Group on 10 March 2003.

Turnover		**2004**			**2003**	
	Acquisitions	**Continuing**	**Total**		**Pro forma**	
	£m	**£m**	**£m**	**%**	**£m**	**%**
Fixed Income Securities	6.3	173.2	179.5	39	202.3	47
Interest Rate Derivatives	11.9	101.4	113.3	24	100.6	24
Treasury Products	29.0	69.5	98.5	21	72.6	17
Equities	2.5	39.7	42.2	9	42.4	10
Energy	10.6	10.9	21.5	5	1.6	-
Information Sales	0.8	9.1	9.9	2	7.9	2
	61.1	403.8	464.9	100	427.4	100

Turnover		**2004**			**2003**	
	Acquisitions	**Continuing**	**Total**		**Pro forma**	
	£m	**£m**	**£m**	**%**	**£m**	**%**
Europe	23.8	198.1	221.9	48	194.3	45
North America	25.9	170.1	196.0	42	196.5	46
Asia Pacific	11.4	35.6	47.0	10	36.6	9
	61.1	403.8	464.9	100	427.4	100

Using constant exchange rates and excluding the impact of the Energy businesses acquired in 2003 and 2004, Tullett Liberty pro forma revenues fell by around 3% year on year. Whilst market conditions were volatile and favourable in areas like Foreign Exchange, Credit Derivatives and

Oil, the slowdown in new issuance and refinance activity had an impact on the Fixed Income activities in Europe and North America which represent more than 40% of the Tullett Liberty revenues. By contrast, the bulk of Prebon's revenues come from Treasury Products, particularly Cash and Forward FX, and Interest Rate Derivatives which performed strongly over the last two months of the year. As a result of the Prebon acquisition the IDB business has a more broadly based and better balanced profile going forward.

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

The North American continuing operations reported revenues 5% down on 2003 using constant exchange rates and excluding the impact of the Energy businesses acquired in 2003 and 2004. Although underlying revenues from Treasury Products were up on last year, this was offset by lower figures for Fixed Income Securities and Interest Rate Derivatives as a result of less favourable markets during the second and third quarters and only a limited increase in activity following the presidential elections. Despite the drop in revenues, operating returns from the region improved through effective management of costs and of under performing desks. As in Europe, the Prebon acquisition has enhanced the region's capability in Treasury Products, as well as in all types of derivatives. The New York and Calgary based power and gas broking businesses acquired from our associate, Natsource LLC in June, and now integrated with Prebon's Energy business, also extended our capability in this product area.

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

Revenues from Information Sales, which are mostly in US dollars, were up on 2003 in sterling terms. The inclusion of the Prebon operation develops the scope of this business. Cost control and enhancements to our range of products contributed to a marked improvement in operating profit from this activity.

We have continued our focused investment in technology. The enlarged business will migrate for the most part to Tullett Liberty systems and infrastructure by the end of 2005 which should produce significant reductions in operating costs thereafter.

Stockbroking

Turnover	2004		2003	
	£m	%	£m	%
Smaller Companies	45.1	38.4	64.9	50.8
Larger Companies and QUEST™	25.8	22.0	25.2	19.7
Private Clients	32.0	27.2	27.6	21.6
Investment Trusts	8.9	7.6	6.7	5.2
Fixed Income	5.7	4.8	3.5	2.7
	117.5	100.0	127.9	100.0

Turnover	2004		2003	
	£m	%	£m	%
Market making	13.5	11.5	13.0	10.2
Commissions	47.8	40.7	44.6	34.9
Corporate finance income	42.3	36.0	59.2	46.3
Management fees	13.4	11.4	10.8	8.4
Other	0.5	0.4	0.3	0.2
	117.5	100.0	127.9	100.0

The Collins Stewart stockbroking business achieved a creditable result for the year. Although revenues were down on the previous year, the reduction was all in the Smaller Companies area.

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

The Larger Companies and QUEST™ turnover was up 2% on the previous year. This performance represented a commendable effort in challenging market conditions. Although UK and European equity markets were up between 5% and 10% in 2004, activity levels across those markets remained subdued.

The Private Client business increased funds under management by 9% to £2.5bn. Within this, discretionary funds increased 16% to £1.9bn as part of the continuing drive to develop the discretionary element of the business.

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

The Fixed Income team revenues benefited from the first contribution by the new Convertibles team, who joined in April. Revenues were also generated by a new automated trading service to which the team now acts as retail service provider of preference share prices.

Other

The Company is continuing to pursue its libel claim against the owner of the Financial Times. During the year the claim for special damages was rejected by the court, but the main case is expected to be heard in 2005. We would expect that the FSA's conclusion of its investigation into allegations made by a former employee (who dropped his case for constructive dismissal) without any action being taken will assist the Company in this litigation.

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

FINANCIAL RESULTS

The table below compares the results for the year with those for 2003. The 2004 figures only include the results of the Prebon business from 13 October 2004. The 2003 figures are shown both on a pro forma basis with the Tullett Liberty figures included for the full year and on a statutory basis, with the Tullett Liberty results consolidated only from 10 March 2003.

	2004 £m	**2003 Pro forma (Restated) £m**	**2003 Statutory (Restated) £m**
Turnover			
Continuing operations	521.3	555.3	473.9
Acquisitions	61.1	-	-
	582.4	555.3	473.9
Operating profit before goodwill and operating exceptional items			
Continuing operations	86.2	84.7	75.3
Acquisitions	3.9	-	-
	90.1	84.7	75.3
Operating profit	22.0	69.3	61.5
Profit before tax	21.7	74.7	66.9
Earnings per share:			
Basic	3.6p	22.8p	22.2p
Diluted	3.6p	22.4p	21.8p
Basic before goodwill and exceptional items	32.5p	28.8p	27.8p

Notes:

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

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

Turnover increased by £27.1m in 2004 compared to the 2003 pro forma numbers; acquisitions contributed £61.1m and therefore underlying Group turnover fell by £34.0m with Tullett Liberty revenues some £23.6m down on the previous year. Using constant exchange rates, and excluding the impact of the Energy businesses acquired in 2003 and 2004, the underlying reduction in

Tullett Liberty turnover was £12.4m. UK stockbroking revenues were down some £10.4m year on year.

The Group reported an operating profit of £90.1m before goodwill amortisation and operating exceptional items, an overall improvement of 6% over the prior year pro forma result. Despite the lower turnover from continuing operations compared to the 2003 pro forma, the Group increased its operating profits before goodwill and operating exceptionals from these businesses by £1.5m. Indeed, excluding the additional accounting charges in respect of share options under UITF 38, operating returns increased by £5.9m year on year, an improvement of 7%.

The overall operating margin before goodwill amortisation and exceptional charges at 15.5% was just ahead of the 15.3% pro forma margin for 2003. However, the operating margins from continuing activities at 16.5% indicate a stronger improvement in underlying performance. Tullett Liberty's operating margins improved year on year from 10.1% to 12.6% before option charges and from 10.1% to 11.9%, after option charges. The 6.4% return from acquisitions reflects the higher overhead base of the Prebon business at acquisition and also the fact that the period immediately after the acquisition was one of reorganisation and some inevitable uncertainty for this part of the Group. With the IDB reorganisation process so well advanced by year end we are confident that 2005 margins from the enlarged IDB business before goodwill amortisation and share option costs will exceed those achieved by Tullett Liberty in 2004.

In the Tullett Liberty business average revenues per broker in 2004 were approximately £350,000 (2003: £355,000) and average broker employment costs (excluding share option plan charges) represented 56% of broking revenues (2003: 59%). The average revenue per broker figures for the Prebon group were rather lower than this, and our target is to achieve the Tullett Liberty levels of performance across the enlarged IDB business in 2005. During 2004 the average ratio of brokers to support and management staff within the Tullett Liberty business was just under 2.1:1 (2003: 2.1:1). Our objective is to achieve an improvement in this ratio for the enlarged organisation by the end of 2005.

Following the acquisition of Prebon, the majority of the share options granted earlier in the year lapsed and further options have been granted. The margin targets attaching to the new options have been set for the enlarged IDB business and require margins (before option charges) to increase to 18% before full vesting occurs. These targets will continue to be measured using existing accounting standards despite the introduction of International Financial Reporting Standards during the performance period.

Collins Stewart's operating margin before goodwill amortisation and the operating exceptional item improved from 32.4% to 32.5%, reflecting tight cost control in light of the lower turnover.

Reported basic and diluted earnings per share reflected the £49.4m exceptional items charged to the profit and loss account in respect of the settlement of the FSA's investigation into split capital investment trusts, the costs of reorganising the IDB business and a loss on disposal of associate interests. However, earnings per share before goodwill amortisation and exceptional items rose 17% to 32.5p reflecting the improved performance of the underlying business.

The average return on capital employed during the year measured by dividing reported operating profit before goodwill and operating exceptional items by average shareholders' funds (after adding back cumulative amortised goodwill and the post tax impact of exceptional items) and average long term debt less average cash balances was 20.8% (2003: 23.6%). Total shareholder return was -10% (2003: 44.4%) with the reduction being caused by an 11% fall in the Company's share price.

Exceptional Items

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

In order to present clearly the underlying performance of the IDB business, the one-off costs associated with reorganising the Tullett Liberty and Prebon groups have been separately aggregated and reported as an exceptional item. At the time of the acquisition we estimated that these costs would total approximately £80m by the end of 2005 and that the annualised savings in fixed broker and support costs would be approximately £60m by 2006. By the end of 2004 some £49m of costs had been incurred, the majority of which related to staff redundancies and premises, and future annual savings of £42m are expected to accrue from the exercise completed to date. Some £10m of the reorganisation costs incurred in the period relate to contractual completion payments which were anticipated in the £80m but because of their form and timing have been reported as a component of goodwill in the financial statements. The exceptional restructuring costs shown in the profit and loss statement are therefore £38.5m. We are on course to complete the reorganisation and realise the consequential savings by the end of 2005.

Taxation

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

Dividends

The Board is proposing a final dividend per share for 2004 of 5.75p. The final dividend, if approved, is payable on 9 June 2005 to shareholders on the register on 20 May 2005. This brings the total ordinary dividend per share to 8.5p, an increase of 10%. The ordinary shares allotted in October to finance the acquisition of Prebon did not receive an interim dividend.

The dividend cover on basic earnings before goodwill and exceptional items was 3.6 (2003: 3.4). The increase in dividend reflects both the Company's strong underlying performance in 2004, good progress with the reorganisation plan and the positive trading outlook for 2005.

The total dividend expense in 2004 of £17.2m is lower than that in 2003 (£18.0m) because the vendors of Tullett Liberty were entitled to the 2002 final dividend (amounting to £3.7m) which was treated as an interim dividend in respect of 2003 because the relevant shares were allotted after the 2002 year end. Shares allotted in October 2004 to finance the acquisition of Prebon did not attract an interim dividend.

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

Acquisitions and Disposals

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

In June 2004 the Company completed the acquisition of Natsource LLC's energy broking businesses in New York and Calgary. The consideration for the deal was US$ 6.1m in cash and the goodwill arising on the acquisition, amounting to £2.8m, of which £2.3m was written off in 2004, with the balance in respect of the Canadian businesses being amortised over 10 years. At the same time the Group sold its 32% direct investment in NTEL Holdings back to Natsource LLC. In November the Company sold its 20% interest in Totan Capital Markets to its associate partners for a consideration of £7m. The book losses arising on the disposal of the interests in Totan Capital Markets and NTEL Holdings amounted to £0.9m.

Receipts from and Returns to Members

During the year the Company issued 21.2m shares pursuant to the acquisition of Prebon with 5.5m shares being issued to the vendors of the business and 15.7m placed in the market. A further 1.5m shares were allotted to satisfy the exercise of share options and deferred consideration owed to the holders of Tullett Liberty preference shares. The total cash raised through share issues net of costs amounted to £58.1m.

There were no returns to members, other than dividends in either 2003 or 2004.

Financing and Treasury

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

The acquisition of Prebon was financed by the issue of £76.1m shares and from cash resources. The subsequent reorganisation project is also being financed from cash resources. The Group continues to maintain substantial net liquid resources throughout the trading entities to meet its settlement requirements. At the year end the Group had net funds of £54.8m (2003: £183.5m) and net cash of £125.9m (2003: £176.8m).

There is a strong focus on maintaining liquidity and the tenor of deposits is limited to six months. Regular cash forecasts are carried out to ensure that funds are available to meet business development needs as well as corporate requirements.

Profits of the Group's overseas subsidiaries are translated at average exchange rates. During 2004, based on management's view that the US dollar was likely to remain weak against sterling throughout the year, the Group entered into a number of FX option contracts to reduce the impact of this development on our results. This strategy realised a gain of £1.0m during the year. In addition some 60% of 2004 US dollar revenues and 30% of euro revenues which arose in Tullett Liberty entities reporting in sterling were protected by forward transactions. The benefit of these transactions to the profit and loss account was approximately £0.5m. Similar structures have been used to protect US dollar profits and revenues against sustained US dollar weakness in 2005. In addition some £64m of the Eurobond has been swapped into US dollars to provide a hedge for the Company's net investments in its North American and Hong Kong subsidiaries.

The Company has hedged some 90% of the cost of acquiring shares to satisfy option exercises under the equity incentive scheme established in January 2004 for Tullett Liberty senior management.

Regulatory Capital

The amount of goodwill arising on the acquisition of Prebon required the Company to issue equity in order to maintain a level of Tier 1 capital sufficient to recognise fully its subordinated notes as regulatory capital. Notwithstanding the reorganisation costs and the exceptional items which arose subsequent to the acquisition, all the Group's regulated entities were appropriately capitalised and the Group had an excess of financial resources over its Financial Resource Requirement of more than £50m at the year end.

We continue to monitor developments in, and liaise proactively with the FSA with regard to, the regulatory capital framework which governs our business, in particular the EU Capital Requirements Directive which is currently expected to come into effect in 2007.

International Financial Reporting Standards ('IFRS')

From 1 January 2005 the Group will be adopting IFRS in full for its consolidated financial reports including relevant comparative information.

The Company has conducted a detailed review of the implications of the introduction of IFRS for the Group's consolidated accounts. The International Accounting Standards that will have the most significant effect on the Group's reported results are those in relation to goodwill, share-based payments, financial instruments and pensions.

The unaudited known and quantified impact on the 2004 accounts in relation to these items is set out below:

	Income Statement After Tax £m	**Statement of Recognised Income and Expense £m**	**Reserves £m**	**Net Assets £m**
Share-based payments	1.6	-	(1.6)	-
Goodwill	17.9	-	-	17.9
Financial instruments	(2.1)	2.2	-	0.1
Defined benefit pension plan	(1.0)	(6.8)	4.6	(3.2)
Other identified IFRS items	1.0	-	0.4	1.4
Estimated tax effect of above adjustments	(0.7)	1.9	(1.4)	(0.2)
Final dividend	-	-	11.9	11.9
Total increase/ (decrease)	16.7	(2.7)	13.9	27.9

During the year the Group recognised a charge for share based payments (option awards) under UITF 38: Accounting for ESOP Trusts. In future the calculation of this charge will be made in accordance with IFRS 2: Share based Payments.

Amortisation of goodwill ceases under IFRS. We have identified the Group's cash generating units and carried out impairment tests as required by IAS 36: Impairment of Assets, and determined that the carrying value of goodwill in the Group's balance sheet is appropriate.

The Group has entered into a small number of off-balance sheet transactions for financial management purposes and these will be recognised in full in the financial statements for accounting periods commencing after 1 January 2005 on a mark-to-market basis in accordance with IAS 39: Financial Instruments – Recognition and Measurement. Also, some financial instruments held at cost under UK GAAP have been re-measured on a mark-to-market basis.

Whilst the deficit arising from the defined benefit section of the Tullett Liberty Pension Scheme was recognised in full in the Group's balance sheet in accordance with FRS 7: Fair Values in Acquisition Accounting on acquisition of that business, in future, in accordance with IAS 19: Employee Benefits, changes in the actuarial estimates of the net liability of the Scheme will be recognised in the Statement of Recognised Income and Expense (the IFRS equivalent of the Statement of Total Recognised Gains and Losses) with the return on assets, the interest expense on the liability and employee service costs being reported in the Income Statement.

Dividends declared after the balance sheet date accrued in the balance sheet under current UK GAAP will be treated as a non-adjusting post balance sheet event under IAS10: Events after the Balance Sheet Date and thus the final dividend declared for the year to 31 December 2004 will not be accrued in an IFRS balance sheet as at that date.

In addition to the above, under IFRS, it will no longer be possible for the Group to follow the convention whereby matched principal transactions are included in the balance sheet on settlement date. In future these will need to be recorded on a trade date basis, which will cause the Group's gross current assets and current liabilities to increase at 31 December 2004 by £68bn and thereafter fluctuate depending on the level of activity just before the period end. This required reporting treatment under IFRS does not change the Group's risk profile as these transactions are subject to a "delivery versus payment" settlement regime and typically involve high quality assets and counterparties.

In overall terms the transition to IFRS is not expected to affect the Group's risk profile, its cashflow or its regulatory capital.

KEY RISKS AFFECTING THE BUSINESS

The key risks which the Group faces in its day to day operations can broadly be categorised as credit, market and operational risk. The governance structure in place to manage risks is described in the Report on Corporate Governance in the annual report. Further information on the specific risks which affect the financial assets and liabilities of the Group is also provided in the annual report.

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

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

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

Market risk: The stockbroking business takes positions in a number of preference shares, convertibles and equities within modest and tightly controlled limits. Aside from these activities, market risk can arise in those instances where one or both counterparties in a matched principal transaction fail to fulfil 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.

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

- improve operational risk awareness and risk transparency in general;
- identify, measure and monitor key operational risks which affect the Group from both internal and external environments;
- identify and manage risks effectively so as to derive commercial benefit by minimising regulatory (and consequently economic) capital requirements thanks to a lower risk profile;
- provide operational risk information to executive management and the Group Risk Committee on the status of operational risk within the Group, and to act as an early warning on risks that could prejudice the future value or viability of the Company;
- 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.

FUTURE DEVELOPMENTS AND OUTLOOK

In January 2005 the Company acquired the Cash Equities broking business of Burlington Capital Markets Inc. in the US which should complement and enhance our existing IDB business in the region. At the end of February we also acquired the minority shareholdings in the Tullett Liberty entities in Singapore from our long-standing local associates.

Since the year end the IDB business has been subject to further aggressive recruitment tactics of competitors in the Far East, with the poaching by BGC Partners of over 50 staff from the Prebon Singapore office. We are again forced to resort to the courts to protect our business and are pursuing claims against both the individuals involved and BGC. We have also taken this opportunity to accelerate the reorganisation of our businesses in both Hong Kong and Singapore by commencing the integration of the Prebon and Tullett Liberty offices in those locations.

The main operational focus for 2005 will be on completing the reorganisation of our IDB business. We will maintain management attention on controlling and reducing costs and continue to use equity to incentivise key staff to work towards achieving our aggressive margin targets.

Trading conditions and sentiment continue to improve in the equity markets and interest rate and currency derivative activity levels look promising. Collins Stewart's corporate finance business has a strong order book at this stage in the year.

Although the IDB business now forms the core of the Group's business, we will also look to develop our stockbroking business if suitable situations arise. There are a number of opportunities to develop both of the Group's businesses organically and by acquisition and we intend to explore all such propositions providing they meet our objective of enhancing returns to shareholders. Importantly we have the balance sheet and the capital position to support the Company's future development strategy.

Terry Smith
Chief Executive

18 March 2005

consolidated profit and loss account

for the year ended 31 December 2004

	Notes	2004	2003 (Restated)*
		£m	**£m**
Turnover			
Continuing operations		521.3	473.9
Acquisitions		61.1	-
	2	582.4	473.9
Administrative expenses			
Amortisation of goodwill:			
Continuing operations		(15.8)	(13.8)
Acquisitions		(3.8)	-
		(19.6)	(13.8)
Other expenses:			
Continuing operations		(440.1)	(402.5)
Exceptional items:			
IDB reorganisation costs	3	(38.5)	-
Split capital trust contribution	3	(10.0)	-
Acquisitions		(57.2)	-
		(545.8)	(402.5)
Total administrative expenses		(565.4)	(416.3)
Other operating income – *Continuing operations*		5.0	3.9
Operating profit			
Continuing operations		21.9	61.5
Acquisitions		0.1	-
		22.0	61.5
Net share of operating profits in associates		-	0.5
Exceptional items:			
Loss on disposal of associates		(0.9)	-
Profit on reorganisation of associates		-	4.5
Net interest receivable		0.6	0.4
Profit on ordinary activities before taxation	2	21.7	66.9
Taxation on profit on ordinary activities	4	(14.0)	(27.9)
Profit on ordinary activities after taxation		7.7	39.0
Equity minority interests		(0.7)	(0.6)
Non-equity minority interests		(0.1)	-
Profit for the year attributable to shareholders of Collins Stewart Tullett plc		6.9	38.4
Dividends paid and proposed			
Ordinary dividend on equity shares		(17.2)	(18.0)
Preference dividend on non-equity shares		-	(0.7)
Retained (loss)/ profit for the year		(10.3)	19.7

consolidated profit and loss account

for the year ended 31 December 2004 (continued)

	Notes	2004	2003
			(Restated)*
		£m	£m
Earnings per share			
Basic	5	3.6p	22.2p
Diluted	5	3.6p	21.8p
Basic before amortisation of goodwill and exceptional items	5	32.5p	27.8p
Dividend per share		8.5p	7.75p

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

consolidated statement of total recognised gains and losses

for the year ended 31 December 2004

	2004	2003
		(Restated)
	£m	£m
Profit for the year attributable to shareholders of Collins Stewart Tullett plc	6.9	38.4
Foreign currency translation differences:		
Subsidiaries	(0.4)	(2.8)
Associates	-	(0.1)
Total recognised gains and losses for the year	6.5	35.5
Prior year adjustment*	1.3	
Total recognised gains and losses since the last annual report and financial statements	7.8	

*The statement of total recognised gains and losses for the year ended 31 December 2003 has been restated for the adoption of UITF 38: Accounting for ESOP Trusts.

consolidated balance sheet
as at 31 December 2004

	Notes	2004	2003
			(Restated)*
		£m	**£m**
Fixed assets			
Intangible assets	6	403.9	282.2
Tangible assets		31.3	25.6
Associates		1.9	8.0
Other fixed asset investments		3.5	1.7
		440.6	317.5
Current assets			
Debtors		431.5	445.8
Investments		136.6	54.6
Cash at bank and in hand	10	139.9	209.9
		708.0	710.3
Creditors: amounts falling due within one year		(489.6)	(555.6)
Net current assets		218.4	154.7
Total assets less current liabilities		659.0	472.2
Creditors: amounts falling due after more than one year		(176.7)	(71.8)
Provisions for liabilities and charges		(11.8)	(4.6)
Net assets		470.5	395.8
Capital and reserves			
Called up share capital	7	53.0	47.3
Share premium account	7	249.7	195.9
Merger reserve	7	121.5	100.4
Profit and loss account	7	40.8	44.6
Shareholders' funds - equity		465.0	388.2
Minority interests - equity		5.5	7.6
		470.5	395.8

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

consolidated statement of cash flows

for the year ended 31 December 2004

	Notes	2004 £m	2003 £m
Net cash (outflow)/ inflow from operating activities	8	(36.7)	130.2
Dividends from associates		0.3	0.1
Returns on investments and servicing of finance:			
Interest received		13.0	4.0
Interest paid		(6.2)	(3.3)
Interest paid on loans acquired with subsidiary undertakings	6	(6.5)	-
Interest element of finance lease rental payments		(0.2)	(0.2)
Preference dividends paid		-	(3.3)
		0.1	(2.8)
Taxation:			
Corporation tax paid		(21.9)	(11.7)
Overseas tax paid		(18.5)	(15.8)
		(40.4)	(27.5)
Capital expenditure and financial investments:			
Purchase of tangible fixed assets		(5.9)	(7.4)
Proceeds from sale of tangible fixed assets		0.4	0.1
Proceeds from sale of fixed asset investments		-	0.1
		(5.5)	(7.2)
Acquisitions and disposals:			
Purchase of subsidiary undertakings and operations		(64.8)	(134.4)
Net cash acquired with subsidiary undertakings		5.9	33.0
Investment in associate		-	(7.7)
Disposal of associates		7.0	16.7
		(51.9)	(92.4)
Equity dividends paid		(14.9)	(13.1)
Net cash outflow before management of liquid resources and financing		(149.0)	(12.7)
Management of liquid resources	10	(6.7)	2.4
Financing:			
Issue of ordinary share capital		59.5	148.6
Share issue costs		(1.4)	(2.6)
Redemption of preference shares		-	(44.6)
Issue of debt		149.5	51.1
Repayment of debt	6	(99.5)	(21.1)
Debt issue costs		(0.9)	(0.8)
Capital element of finance lease rental payments		(0.9)	(0.9)
		106.3	129.7
(Decrease)/ increase in cash	9	(49.4)	119.4

notes

1. Basis of Preparation

The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 31 December 2004 or 31 December 2003. The financial information for the year ended 31 December 2003 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on these accounts; their report was unqualified and did not contain a statement under s237(2) or (3) Companies Act 1985. The statutory accounts for the year ended 31 December 2004 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The preliminary announcement has been prepared using the same accounting policies as those applied in the accounts for the year ended 31 December 2003 other than as set out below.

Accounting for share options: The Company has adopted the accounting treatment set out in UITF 38: Accounting for ESOP Trusts. Previously the policy was to include equity shares held by the Group's employee share ownership trusts ("ESOTs") at cost in current assets until the shares left the trust. When options were granted over such shares, the difference between the market value at the date the option was granted and the exercise price was charged as a remuneration cost to the profit and loss account over the performance period attaching to the option. The increase in market value of such shares over the cost to the trust was at the same time credited to the profit and loss account as other operating income. In accordance with UITF 38, equity shares held by ESOTs are now deducted in arriving at shareholders' funds. The only entries now made to the profit and loss account relate to remuneration expense associated with granting the options (which is recredited to shareholders' funds) and the deferred tax asset arising thereon.

The profit and loss account for 2003 has been restated to exclude £2.5m previously recognised as other operating income. The tax effect of the change in accounting policy required a reduction in the tax charge for 2003 of £0.8m and a cumulative increase in the deferred tax asset of £1.3m.

Swap accounting: The accrued payables and receivables associated with swap contracts are recognised in the profit and loss account over the life of the contract.

2. Segmental Analysis of Turnover and Profit before Tax

Geographical Area and Class of Business

	Europe		North America		Pacific Basin and Australasia		Group	
	2004 £m	2003* £m	2004 £m	2003* £m	2004 £m	2003* £m	2004 £m	2003* £m
Turnover								
Continuing:								
Stockbroking	110.0	120.1	7.5	7.8	-	-	117.5	127.9
IDB	198.1	156.8	170.1	158.6	35.6	30.6	403.8	346.0
Acquisitions - IDB	23.8	-	25.9	-	11.4	-	61.1	-
	331.9	276.9	203.5	166.4	47.0	30.6	582.4	473.9
Operating profit before goodwill and operating exceptionals								
Continuing:								
Stockbroking	35.9	38.9	2.3	2.6	-	-	38.2	41.5
IDB	18.6	5.7	25.3	22.9	4.1	5.2	48.0	33.8
Acquisitions – IDB	1.5	-	1.9	-	0.5	-	3.9	-
	56.0	44.6	29.5	25.5	4.6	5.2	90.1	75.3
Operating exceptional items – *Continuing*								
Stockbroking	(10.0)	-	-	-	-	-	(10.0)	-
IDB	(30.7)	-	(7.2)	-	(0.6)	-	(38.5)	-
	(40.7)	-	(7.2)	-	(0.6)	-	(48.5)	-
Operating profit/ (loss) before goodwill								
Continuing:								
Stockbroking	25.9	38.9	2.3	2.6	-	-	28.2	41.5
IDB	(12.1)	5.7	18.1	22.9	3.5	5.2	9.5	33.8
Acquisitions – IDB	1.5	-	1.9	-	0.5	-	3.9	-
	15.3	44.6	22.3	25.5	4.0	5.2	41.6	75.3
Amortisation of Goodwill								
Continuing:								
Stockbroking							(6.5)	(6.6)
IDB							(9.3)	(7.2)
Acquisitions – IDB							(3.8)	-
							(19.6)	(13.8)
Operating profit							22.0	61.5
Net share of associates' operating profit							-	0.5
Exceptional items:								
Disposals							(0.9)	-
Profit on reorganisation of an associate							-	4.5
Finance charges (net)							0.6	0.4
Profit on ordinary activities before taxation							21.7	66.9

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

3. Operating Exceptional Items

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

Because desks have been moved between the Tullett Liberty and Prebon businesses, the analysis of IDB reorganisation costs between continuing businesses and acquisitions is not meaningful.

4. Taxation on Profit on Ordinary Activities

	2004	2003 (Restated)
	£m	£m
Current tax:		
UK corporation tax	20.5	20.4
Double tax relief	(10.2)	(3.7)
	10.3	16.7
Overseas tax	16.6	12.2
Share of associates' tax	0.5	0.7
Prior year UK Corporation tax under/ (over) provided	0.9	(0.1)
Prior year overseas tax (over)/ under provided	(6.5)	0.1
	21.8	29.6
Deferred tax:		
Reversal of timing differences	(7.8)	(0.9)
Prior year adjustment in respect of UITF 38	-	(0.8)
	14.0	27.9

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK of 30% as explained below:

	2004	2003 (Restated)
	£m	£m
Profit on ordinary activities before tax	21.7	66.9
Tax on profit on ordinary activities at standard rate of 30%	6.5	20.1
Factors affecting charge for the year:		
Disallowable expenditure	6.8	3.0
Goodwill amortisation (non-deductible)	6.1	4.2
Unrelieved losses	2.5	0.4
Other timing differences	3.7	(0.2)
Different tax rates on overseas earnings	1.7	2.2
Adjustment in respect of prior years	(5.5)	(0.1)
Total current tax	21.8	29.6

5. Earnings per Share

Earnings	**2004**	**2003 (Restated)**
	£m	**£m**
Profit for the period	6.9	38.4
Preference share dividends	-	(0.7)
Earnings for the purposes of the basic and diluted earnings per share	6.9	37.7
Amortisation of goodwill (including associates)	20.1	14.0
Split capital trust contribution (net of tax)	7.0	-
IDB reorganisation costs (net of tax)	26.8	-
Loss/ (profit) on disposal/ reorganisation of associates	0.9	(4.5)
Earnings for the purposes of basic earnings per share before goodwill amortisation and exceptional items	61.7	47.2

Weighted average shares	**2004**	**2003**
	No. (m)	**No. (m)**
Number of ordinary shares at start of year	184.2	101.8
Shares acquired by the ESOTs	-	(0.3)
ESOT allocations	0.2	0.1
Share option exercises	0.9	0.3
Share issues	4.7	68.1
Basic earnings per share denominator	190.0	170.0
Issuable on exercise of options	2.9	2.1
Contingently issuable shares	-	0.9
Diluted earnings per share denominator	192.9	173.0

6. Intangible Fixed Assets

	£m
Cost	
At 1 January 2004	312.0
Revision to existing goodwill	(0.2)
Additions	141.5
At 31 December 2004	453.3
Amortisation	
At 1 January 2004	29.8
Charge for the year	19.6
At 31 December 2004	49.4
Net book value	
At 31 December 2003	282.2
At 31 December 2004	403.9

Acquisitions and Disposals during the Year

FPG Holdings (“Prebon”)

On 13 October 2004, the Company acquired FPG Holdings, the holding company of the Prebon inter-dealer broker business. The consideration was £77.8m including expenses of £5.7m as set out below. The goodwill arising of £138.7m is being amortised over 20 years.

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

	Book value on acquisition £m	Fair value adjustments £m	Provisional fair value £m
Tangible fixed assets and associates	10.0	2.7	12.7
Debtors	70.3	3.3	73.6
Cash and short term deposits	21.0	-	21.0
Creditors falling due in less than one year	(104.7)	(49.8)	(154.5)
Creditors falling due in more than one year	(38.4)	32.1	(6.3)
Provisions for liabilities and charges	(6.4)	(0.1)	(6.5)
Minority interests	(0.9)	-	(0.9)
	(49.1)	(11.8)	(60.9)
Goodwill arising			138.7
Purchase consideration			77.8
Purchase consideration comprised:			
Cash			49.6
Issue of shares			22.5
Costs of acquisition			5.7
			77.8

The book values of assets and liabilities have been taken from the consolidated management accounts of FPG Holdings at the date of acquisition. The Group has repaid £48.1m of loans assumed on acquisition of the Prebon business and accrued interest thereon of £6.5m following completion.

In June the Company completed the acquisition of Natsource LLC's Energy broking businesses in New York and Calgary. The consideration was US$ 6.1m in cash and the goodwill arising on the acquisition amounted to £2.8m. At the same time the Group sold its 32% direct investment in NTEL Holdings back to Natsource LLC.

In November the Company sold its 20% interest in Totan Capital Markets to its associate partners for a consideration of £7m. The book losses arising on the disposal of the interests in Totan Capital Markets and NTEL Holdings amounted to £0.9m.

7. Group Share Capital and Reserves

	Share capital account £m	Share premium account £m	Merger reserve £m	Profit and loss account £m	Total £m
Reported balance brought forward	47.3	195.9	100.4	43.3	386.9
Adjustment in respect of UITF 38	-	-	-	1.3	1.3
Restated balance brought forward	47.3	195.9	100.4	44.6	388.2
Retained loss for the year	-	-	-	(10.3)	(10.3)
Credit arising from share option plans	-	-	-	6.9	6.9
Issue of ordinary shares	5.7	55.2	21.1	-	82.0
Costs of share issue	-	(1.4)	-	-	(1.4)
Foreign currency translation	-	-	-	(0.4)	(0.4)
Balance at 31 December 2004	53.0	249.7	121.5	40.8	465.0

The increase in the merger reserve (under s.131 of the Companies Act 1985) arose on the issue of new shares by the Company in order to finance the acquisition of FPG Holdings Limited.

8. Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

	2004 £m	2003 £m
Group operating profit	22.0	61.5
Expense arising from share option plans	6.9	2.5
Depreciation of tangible fixed assets	10.5	8.2
Amortisation of goodwill	19.6	13.8
Tangible fixed assets written off	0.7	1.0
Doubtful debts and other provisions	0.5	(0.2)
Increase in net investment positions	(20.2)	-
Decrease/ (increase) in debtors	95.7	(143.4)
(Decrease)/ increase in creditors	(169.3)	184.3
(Decrease)/ increase in provisions for liabilities and charges	(1.0)	2.7
Decrease in long term creditors	(2.1)	(0.2)
Net cash (outflow)/ inflow from operating activities	(36.7)	130.2

9. Reconciliation of Net Cash Flow to Movements in Net Funds

	2004 £m	2003 £m
(Decrease)/increase in cash during the year	(49.4)	119.4
Cash inflow from increase in long term loans	(149.5)	(51.1)
Cash outflow from repayment of loans and loan notes	99.5	21.1
Debt issue costs	0.9	0.8
Cash outflow from lease financing	0.9	0.9
Decrease/ (increase) in current asset investments and term deposits	6.7	(2.4)
Acquired with subsidiary:		
Finance leases	(0.2)	(4.0)
Loans due within one year	(48.1)	(9.5)
Current asset investments and term deposits	15.1	70.3
(Decrease)/increase in net funds resulting from cash flows	(124.1)	145.5
Amortisation of debt issue costs and discount	(0.3)	(1.0)
Increase in finance leases	(0.6)	-
Currency translation differences	(3.7)	(2.5)
(Decrease)/ increase in net funds	(128.7)	142.0
Net funds at the start of the year	183.5	41.5
Net funds at the end of the year	54.8	183.5

10. Analysis of Net Funds

	At 1 January 2004 £m	Cash flow £m	Acquired with subsidiary* £m	Non - cash items £m	Exchange differences £m	At 31 December 2004 £m
Cash in hand and at bank	180.1	(45.7)			(1.5)	132.9
Client settlement money	11.4	(4.4)	-	-	-	7.0
Overdraft	(14.7)	0.7	-	-		(14.0)
	176.8	(49.4)	-	-	(1.5)	125.9
Loan notes repayable within one year	(1.3)	-	-	-	-	(1.3)
Loans due within one year	(8.3)	55.9	(48.1)	(0.2)	0.7	-
Loans due after one year	(43.2)	(105.0)	-	(0.1)	-	(148.3)
Finance leases	(3.2)	0.9	(0.2)	(0.6)	-	(3.1)
	(56.0)	(48.2)	(48.3)	(0.9)	0.7	(152.7)
Current asset investments:						
Term deposits	31.5	(3.1)	15.1	-	(0.7)	42.8
Securities	31.2	9.8	-	-	(2.2)	38.8
	62.7	6.7	15.1	-	(2.9)	81.6
Total net funds	183.5	(90.9)	(33.2)	(0.9)	(3.7)	54.8

**Excludes cash at bank and overdrafts*

Included within current asset investments on the balance sheet are bull positions in securities of £55.0m (2003: £10.3m), which are not included in the analysis of net funds.

Securities within current asset investments above include amounts held by certain subsidiary undertakings in order to secure clearing facilities.

11. Dividends

The directors recommend payment of a final dividend of 5.75p per ordinary share. Subject to shareholders' approval at the forthcoming Annual General Meeting, the dividend will be paid on 9 June 2005, to ordinary shareholders whose names are on the register on 20 May 2005.

12. Post Balance Sheet Events

Since the year end the Group has acquired the Cash Equities broking business and assets of Burlington Capital Markets Inc. in the US and the minority shareholdings in the Tullett Liberty entities in Singapore from the Company's long-standing local associates.

OTHER INFORMATION

Annual General Meeting

The Annual General Meeting of Collins Stewart Tullett plc will be held at 9th Floor, 88 Wood Street, London EC2V 7QR at 2.30pm on 2 June 2005.