COLLINS STEWART TULLETT PLC

INTERIM RESULTS - for the six months ended 30 June 2005

Highlights

Collins Stewart Tullett today announced its preliminary results for the six months ended 30 June 2005. The highlights of the results, which are reported under IFRS, are:

- Revenue: £410.7m (2004: £274.7m).
- Operating profit before exceptional items: £68.9m (2004: £46.5m). Operating profit: £40.3m (2004: £46.5m) after deducting reorganisation costs of £28.6m.
- Profit before tax (after deducting reorganisation costs): £39.9m (2004: £44.2m).
- Basic EPS before exceptional items: 22.3p, up 47%. Basic EPS: 12.3p (2004: 14.9p).
- Interim dividend: 3p, up 9%.
- Reorganisation of inter dealer broking business substantially completed. Costs to end of June of £77m and annualised savings of £67m achieved.
- Further update on status of discussions with potential offerors not expected before the latter part of October.

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

"The integration of the Prebon and Tullett Liberty businesses was substantially completed by the end of the first half. At 30 June, reorganisation costs of £77m had been incurred and annualised savings of more than £65m had been achieved, which is ahead of the projections at the time of the acquisition of Prebon. Collins Stewart, under its new management team, had a satisfactory first half, producing results better than the comparative period despite mixed market conditions. Trading conditions remain generally satisfactory in all the Company's main markets and the Board has a positive view of the outcome for the year.

On 12 August the Board announced that it had received a number of approaches which may or may not lead to an offer for the Company. Discussions are continuing with the parties involved. Completion of these discussions requires the performance of certain due diligence and liaison with the regulatory authorities. It is not possible to give a definitive timetable for this process. The Board believes that this process should be completed by the latter part of October and does not anticipate making a further statement before then."

- Ends -

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Further information on the Company and its activities is available on the Company's website: www.cstplc.com.

chairman's statement

The first half of 2005 was one of continued progress for the Group. Revenue and profits were in line with the expectations which were set at the time of the Prebon acquisition. Earnings per share before exceptional items rose by 47% to 22.3p and total shareholder return was 14%, compared to the FTSE mid 250 index return of 8% and the Specialty Financials Sector return of 2%. The Board has decided to increase the interim dividend by 9% to 3p per share.

The interim accounts have been prepared using International Financial Reporting Standards for the first time. Changes from UK GAAP for the twelve months to 31 December 2004 and the six months to 30 June 2004 are explained in the notes to the accounts. The overall net effect on net assets is not substantial and the overall net effect on earnings mainly comprises not amortising goodwill, which increased last year's net profit by £17 million.

The changes in accounting standards have a significant effect on the balance sheet. Under the international standards, matched principal trades are reflected in the balance sheet from the day the trade takes place, as opposed to the previous sector convention of accounting for these trades if they were not settled on the settlement date (identifying the outstanding amounts by way of a note to the accounts). As a result £112 billion is now included in the balance sheet as both trade and other receivables and trade and other payables, Whilst these figures are large it is important to note that the change in accounting convention does not mean that there has been any change in the underlying nature of these transactions. The matched principal business of Tullett Prebon predominantly arises in the fixed income markets and virtually all trades are in investment grade securities. The counterparties are overwhelmingly the world's leading banks and investment banks, the vast majority of these trades are settled on the due date and the securities are only delivered against settlement. The risk and actual experience of loss are extremely low.

The integration of the Prebon and Tullett Liberty businesses was substantially completed by the end of the first half. At 30 June, reorganisation costs of £77m had been incurred and annualised savings of more than £65m had been achieved, which is ahead of the projections at the time of the acquisition of Prebon. The business was rebranded in August as Tullett Prebon. Last week it was voted Number One global broker in interest rate derivatives and forward foreign exchange in the annual Risk Magazine client survey, an accolade previously enjoyed by ICAP.

Collins Stewart, under its new management team, had a satisfactory first half, producing results better than the comparative period despite mixed trading conditions.

On 12 August the Board announced that it had received a number of approaches which may or may not lead to an offer for the Company. Discussions are continuing with the parties involved. Completion of these discussions requires the performance of certain due diligence and liaison with the regulatory authorities. It is not possible to give a definitive timetable for this process. The Board believes that this process should be completed by the later part of October and does not anticipate making a further statement before then.

Trading conditions remain generally satisfactory in all the Company's main markets and the Board has a positive view of the outcome for the year.

Keith Hamill
16 September 2005

operating and financial review

Overview of Performance

The following table shows the results for the first half of 2005 together with those for the comparative period in 2004 and the year ended 31 December 2004. The results are presented for the first time in accordance with International Financial Reporting Standards ("IFRS") and the comparative figures have been restated accordingly. The principal IFRS adjustments are detailed below and the Company's full accounting policies, as well as reconciliations of comparative information to the UK GAAP equivalents, are set out in the notes to the interim accounts.

	Six months ended 30 June 2005 (unaudited) £m	**Six months ended 30 June 2004 (unaudited) £m**	**Year ended 31 December 2004 (unaudited) £m**
Revenue	410.7	274.7	582.4
Operating profit			
Before exceptional items	68.9	46.5	87.8
After exceptional items	40.3	46.5	39.3
Profit before tax	39.9	44.2	34.2
Earnings per share			
Basic	12.3p	14.9p	11.0p
Diluted	12.2p	14.6p	10.8p
Basic before exceptional items	22.3p	15.2p	29.5p

The six months to June 2005 is the first reporting period to include Prebon (which was acquired in October 2004) for a full period. To demonstrate the benefits of the acquisition and ensuing integration process, we have compared operating margins and other performance ratios achieved by the integrated inter dealer broker ("IDB") business with those achieved by Tullett Liberty on its own in 2004.

Revenue increased by £136m and operating profit before exceptional items rose by £22.4m compared to the first half of 2004, with almost all the increases attributable to the enlargement of the IDB business. The IDB business accounted for 86% of turnover (2004 first half: 79%) and 71% of operating profit before exceptional items (2004 first half: 62%).

The Group operating margin before exceptional items was 16.8% compared with 16.9% for the first half of 2004, reflecting the increased contribution from the IDB business which has lower margins than the stockbroking business. Basic earnings per share fell to 12.3p per share (2004 first half: 14.9p) as a result of the £28.6m reorganisation costs incurred in the first half of 2005. Basic earning per share before exceptional items rose by 47% to 22.3p. Annualised return on capital was 19.9% and total shareholder return was 14%.

Revenues of the IDB business, which now operates under the Tullett Prebon brand in most jurisdictions, increased by £135.4m primarily as a result of the Prebon acquisition. The business faced mixed conditions in the various markets in which it operates, for example, whilst volatility in foreign exchange and increased activity in the credit derivative and energy markets were favourable to the business, conditions in the cash bond markets were less helpful.

Tullett Prebon’s operating profit before exceptional items was £48.9m, a £20.1m increase over the comparative period. This equates to an operating margin before exceptional items of 13.9% compared with the equivalent margin of 13.3% reported by Tullett Liberty for the first half of 2004. As the margins achieved by the Prebon business prior to acquisition were only around 5-6%, these figures demonstrate the significant progress that has already been made in integrating the two IDB franchises and, in particular, in reducing costs. The reorganisation has been phased and the “double running” costs relating to staff, technology and premises made, or to be made redundant in 2005 and included within the first half figures, totalled £6.5m. Without these costs the underlying operating profit before exceptional items for the Tullett Prebon business would have been £55.4m and the underlying margin 15.7%.

By the end of 2004 the “front office” reorganisation in London and North America was largely complete. The focus of the reorganisation effort for the first half of 2005 has been on Asia Pacific together with the continued rationalisation of IT infrastructure, support functions and premises in all regions. In the first half of 2005 we incurred some £28.6m of reorganisation costs, taking total costs to date for this exercise to £77.2m (including £10.1m payments included in the goodwill which arose on the acquisition of Prebon). This expenditure has achieved some £67m of annual savings compared to the 2004 cost run rates of the two IDB businesses. These reorganisation costs have been separately identified on the face of the Income Statement. As a result of this exercise some 575 people have left the Group since October last year.

Collins Stewart, which has been operating under a new management structure, produced revenues 1% above and operating profits 13% above the equivalent prior period figures. The operating margin was once again over 30% at 34% (2004: 30%) demonstrating the strength of its franchises and a larger balance of fee income than in 2004. The profile of results by business area was very similar to 2004 notwithstanding the absence of any corporate deal of the size of the largest transactions done in 2003 and 2004.

The effective rate of tax for the first half of the year was 35.6% (first half 2004: 38.7%). The rate increases slightly to 35.8% after adding back exceptional items and prior year adjustments. The improvement in the rate over the first half of last year is the result of a larger proportion of profits arising in lower tax jurisdictions in Europe, the partial transfer of our business in North America to New Jersey which has lower tax rates than New York and changes in the Group's corporate structure.

The directors have declared an interim dividend of 3p per share, up 9% on the previous interim period. The increase in dividend reflects the good progress with the reorganisation programme and the Board’s positive outlook for the year. The dividend is payable on 8 December 2005 to shareholders on the register at the close of business on 25 November 2005. Dividend cover is 4.1x, (2004: 5.3x); the lower cover reflects the impact of the exceptional items charged in 2005.

The Tullett Prebon IDB Business

The following tables analyse revenue by product group and region. It should be noted that the full year turnover for 2004 includes Prebon from 13 October and the North American Energy businesses from June.

	Six months ended 30 June 2005		Six months ended 30 June 2004		Year ended 31 December 2004	
	£m	%	£m	%	£m	%
Fixed Income Securities	105.4	30	94.2	44	179.5	39
Interest Rate Derivatives	86.3	25	55.0	25	113.3	24
Treasury Products	91.7	26	36.5	17	98.5	21
Equities	35.4	10	21.5	10	42.2	9
Energy	26.5	8	5.1	2	21.5	5
Information Sales	6.5	1	4.1	2	9.9	2
	351.8	100	216.4	100	464.9	100

	Six months ended 30 June 2005		Six months ended 30 June 2004		Year ended 31 December 2004	
	£m	%	£m	%	£m	%
Europe	163.4	46	103.4	48	221.9	48
North America	149.3	43	93.6	43	196.0	42
Asia Pacific	39.1	11	19.4	9	47.0	10
	351.8	100	216.4	100	464.9	100

The absolute increase in revenues in the first half of 2005 over the equivalent period of 2004 primarily reflects the impact of the Prebon acquisition. Whilst the geographic distribution of revenues is, by and large, unchanged, the IDB business now has a much better balance in terms of product mix. In particular, the business is now stronger in the Treasury Products, Interest Rate Derivatives and Energy areas where revenues are significantly higher year on year. Exchange rate volatility has assisted the performance in all the FX products and movements in the yield curve helped the Cash and Interest Rate Derivatives businesses. The improvement in Fixed Income Securities revenues owed more to Credit Derivatives than Cash products which continued to be affected by low levels of corporate new issuance in Europe and North America as well as some pressure on margins. In Equities, the increase in revenues reflects the acquisition of the business of Burlington Capital Markets Inc. in the US in January 2005. The 2004 Energy broking acquisitions made by Tullett Liberty have now been combined with Prebon’s business to create one of the leading voice broking businesses in this product area.

For the first half of 2005 the annualised average revenues per broker were £351,000 per head (2004: £347,000). This is some 20% higher than that achieved previously by Prebon and reflects redundancies made in both the predecessor businesses focused on the less successful desks. At 30 June the IDB business employed 1,745 broking staff compared to 1,159 twelve months earlier. Broker compensation represented some 57.5% of revenues for the six month period compared with 55.5% for the Tullett Liberty business for the comparable period in 2004. Investment in new teams and the need to respond to competitor activity have adversely impacted this ratio. At 30 June 2005 the ratio of front office to support staff was 2.2:1 which is an improvement over the 2.0:1 average ratio for Tullett Liberty for the first half of 2004 and a result of the enlarged business being supported by a single support infrastructure.

In Europe the Prebon acquisition has enabled us to make further improvements in the profile and performance of the business. In particular, the Treasury Products area is now the largest revenue contributor in the region and the Group’s presence in both Interest Rate Derivatives and Energy has been strengthened. Our enlarged network of offices in continental Europe all performed well. Operating profits before exceptional items from the region increased from £10.3m to £17.3m and operating margins improved from 10.0% to 10.6% compared with the first half of 2004.

North American revenues have increased by £55.7m over the comparable period. Prebon did not have significant securities broking operations and therefore this growth has been in Treasury Products, Interest Rate Derivatives and Energy products. All of these areas produced better profits and returns than Tullett Liberty achieved on a standalone basis in 2004. The Fixed Income Securities markets were no more favourable than the second half of 2004 and there was negligible growth in the former Tullett Liberty businesses in this area. Whilst most product areas were integrated fully by the end of 2004, it was only during the first half of 2005 that the Tullett Liberty and Prebon Interest Rate Derivatives teams were merged and many areas and functions co-located in New Jersey. The former Burlington Cash Equities business generated revenues in line with expectations. Operating profits before reorganisation costs from the region increased from £14.8m to £23.0m and operating margins were slightly down at 15.4% from 15.8%.

The Asia Pacific business was adversely impacted by competitor activity. Some 50 brokers in Singapore were poached by BGC in February, leading us to integrate the Tullett Liberty and Prebon offices in Singapore more quickly than originally planned. More aggressive cost cutting has also been undertaken in the management and support function in both Asia Pacific and elsewhere in order to address the potential operating profit shortfall. We continue to seek appropriate compensation from BGC following their actions in Singapore.

In February we acquired the minority shareholdings in the Tullett Liberty entities in Singapore from our long-standing local associates. In May we commenced trading onshore in Korea through the only Korean company wholly owned by a foreign IDB. We have also completed our review of the Australian businesses and the reorganisation of the Prebon and Tullett Liberty offices will commence shortly.

Overall revenues from the region have grown in line with those of the whole business from £19.4m to £39.1m but rather below our initial expectations for the reasons set out above. Operating profits and margins before exceptional items from the region increased from £3.7m to £8.6m and from 19.1% to 22.0% respectively. The region benefited in the first half from the settlement of litigation with competitors and the second half operating margin will be rather lower.

Information Sales revenues increased as a result of the Prebon acquisition. A new management team was also put in place in this area and is examining new products and markets.

The Collins Stewart Stockbroking Business

The following tables indicate the contributions to revenue made by each of Collins Stewart's businesses and the nature of the income generated:

	Six months ended 30 June 2005		Six months ended 30 June 2004		Year ended 31 December 2004	
	£m	%	£m	%	£m	%
Smaller Companies	21.3	36	22.0	38	45.1	38
Larger Companies and QUEST™	12.3	21	13.7	23	25.8	22
Private Clients	15.9	27	16.4	28	32.0	27
Investment Trusts	6.6	11	3.5	6	8.9	8
Fixed Interest	2.8	5	2.7	5	5.7	5
	58.9	100	58.3	100	117.5	100

	Six months ended 30 June 2005		Six months ended 30 June 2004		Year ended 31 December 2004	
	£m	%	£m	%	£m	%
Market Making	6.0	10	7.2	12	13.5	12
Commissions	23.4	40	25.2	43	47.8	41
Corporate Finance	23.0	39	18.9	33	42.3	36
Management Fees	6.4	11	6.9	12	13.4	11
Other	0.1	-	0.1	-	0.5	-
	58.9	100	58.3	100	117.5	100

In stockbroking, a new management structure has been put in place at Collins Stewart, which is the leading independent stockbroker in the UK. Shane Le Prevost is now chief executive, replacing Terry Smith in the day-to-day management of the firm. The business maintained revenue at the same level as the equivalent prior period with a broadly similar distribution of results to 2004, but operating profits before exceptional items were up 13%.

Smaller Companies advised on 24 transactions (2004 first half: 21), raising £387m of new equity (2004 first half: £398m). This was a satisfactory performance, particularly since there were no AIPO™s in the first half of 2005, whilst June 2004 benefited from the AIPO™ of PD Ports.

Larger Companies and QUEST™'s turnover fell by 10% in the first half as activity levels in the sector continued to exert downward pressure on commissions in the early part of the year. Performance improved during the second quarter and is now running ahead of 2004 revenue levels. We have also opened offices in Milan and Geneva.

Private Clients increased funds under management by 10% in the first six months to £2.75 billion, with discretionary funds comprising £2 billion. Most of this increase occurred in the second quarter, and the corresponding earnings uplift had not filtered through at 30 June.

The Investment Trust division benefited from improved market sentiment following the split capital investment trust settlement with the FSA.

Fixed Interest maintained the revenue levels of 2004 against a background of markedly poorer trading conditions.

There have been no developments concerning Collins Stewart's litigation against the Financial Times. The court case is scheduled for early next year and the Company is prepared for this.

Financial Management

Profits of the Group's overseas operations are translated at average exchange rates. Given the balance of business in North America and Hong Kong the US dollar rate is particularly important. The average US dollar exchange rate used for the first half of 2005 was $1.8711 (first half 2004: $1.8226; full year 2004: $1.8355). Based on management's view that there was a risk of a significant weakness in the US dollar during the course of 2005, a number of FX option contracts were entered into during the second half of 2004 and the first quarter of this year to protect US dollar based revenues and profits. Contracts were also entered into to protect Euro based revenues. During the first half some contracts matured, generating realised gains of £0.8m (2004: £1.0m). Under IFRS these contracts were marked to market based on models driven by a period end spot exchange rate of $1.7928 giving rise to a £1.8m unrealised loss (2004: £0.9m). Notwithstanding this loss these contracts provide continued protection against a future weakening dollar into the first half of 2006.

The £150m Eurobond issue completed in August 2004 significantly increased the Company's gross cash and debt. Interest receivable and payable, now reported in the Income Statement as finance income and finance costs, are consequently higher than the figures for the first half of 2004.

In January 2004 the Company hedged some 90% of the cost of acquiring shares to satisfy option exercises under an equity incentive scheme established for the IDB business. The improvement in the Company's share price in the first half produced a £2.5m mark to market gain (2004: loss of £2.7m) which is included in finance income.

Cash flows from operating activities were subject to over £40m of adverse working capital movements in the first half. The main contributors to this swing were the normal annual bonus payment cycle and short term increases in net trade receivables. We would expect this position to improve in the second half.

International Financial Reporting Standards

With effect from 1 January 2005 the Group is preparing its financial statements in accordance with IFRS. This requires the Group to adopt new accounting policies in a number of areas, restate 2004 results as well as the opening and closing balance sheets for 2004 using these policies, and to make changes to the format of the primary reporting statements.

Probably the most significant change to the interim accounts under IFRS is the balance sheet treatment of settlement balances. Under IFRS the Group can no longer follow the convention whereby IDB matched principal transactions are included in the balance sheet only if they remain unsettled on the due settlement date. Instead, they are now reported in the balance sheet on the date when the transactions are agreed. The change to trade date accounting has increased gross current assets and liabilities by £112bn at 30 June 2005 (£71bn at 31 December 2004). This new treatment does not represent any change in the nature of the underlying transactions or the risk profile of the Group as matched principal trades are subject to a "delivery versus payment" settlement regime and typically involve high quality assets and counterparties. Previously the outstanding balances were reported by way of a note to the accounts.

As a result of the changes in accounting policies it has also been necessary to: change the basis on which share options are charged; mark to market a small number of derivatives transactions entered into for financial risk management purposes; carry out impairment tests on goodwill in place of amortisation; and make a provision for all outstanding holiday pay. As it is necessary to report shares of profits from associated companies net of tax, these are now shown below the taxation line in the Income Statement. A goodwill impairment test was carried out at the last balance sheet date and no adjustment to the Group's results was necessary. The table below reconciles the prior year results before tax previously reported under UK GAAP to those disclosed in the interim accounts included in this announcement.

	Six months ended 30 June 2004		**Twelve months ended 31 December 2004**	
	Operating profit* £m	**Profit before tax £m**	**Operating profit* £m**	**Profit before tax £m**
As previously reported (UK GAAP)	46.9	39.4	90.1	21.7
Reversal of goodwill amortisation	-	7.9	(2.2)	17.4
Pension costs and interest	-	-	(0.1)	(1.0)
Adjustment to share option charges	1.4	1.4	1.5	1.5
Valuation of financial instruments	(0.9)	(3.6)	(1.5)	(4.9)
Holiday pay provision	(0.9)	(0.9)	-	-
Associates	-	-	-	(0.5)
As restated (IFRS)	46.5	44.2	87.8	34.2

* before goodwill amortisation and exceptional items

The notes to the interim accounts include a complete list of the Group's revised accounting policies as well as detailed reconciliations of the opening and closing balance sheets and prior period income statements under UK GAAP and IFRS. The most material adjustments to the consolidated shareholders' funds relate to the adoption of impairment testing of goodwill in place of amortisation over a specific period, and the treatment of each period's dividend as a non-adjusting post balance sheet event.

The Statement of Recognised Income and Expense ("SORIE") contains a number of adjustments that did not feature in the former Statement of Recognised Gains and Losses. As well as the exchange differences arising on translation of the net assets of overseas activities and the offsetting hedge revaluation, the SORIE includes changes in the actuarial assessment of the net deficit on the Group's defined benefit pension schemes and tax associated with the fair value of the various derivative contracts and the charge in respect of share option awards.

In accordance with IFRS, dividends are now no longer shown on the face of the Income Statement, but as a movement in Retained Earnings, disclosed in the note to the accounts, Reconciliation of Movements in Equity. Dividends are now accrued in the period in which they are declared by the Board.

The adoption of IFRS has had no impact on the Group's cash flow, risk profile, funding arrangements or dividend policy and no material impact on the Group's regulatory capital position.

Future Developments and Outlook

The IDB business will complete its reorganisation exercise in the final quarter of 2005. The total cost of the exercise will be close to £85m. The annualised savings from the completed process are expected to reach £70m, some £10m higher than the savings initially targeted when we acquired Prebon. Having substantially completed this exercise, we have been able to concentrate on product development. We have also recruited to enhance our capabilities in certain product areas and locations and begun to address those parts of the business damaged by aggressive recruitment tactics by some of our competitors. We will continue this focused recruitment initiative in the second half. In addition, we will continue to work on the development of electronic trading strategies with a view to having enhanced capabilities in this area next year.

The UK IDB business has been affected by two disruptions since 30 June 2005. Firstly, the London bombings and subsequent bomb scares in the City disrupted trading activity on a number of days in July. At the end of August we then had a fire in the basement of our head office, Cable House. This interrupted trading in some products for a few days and has required the relocation of head office and support staff for several weeks while the office is being repaired. Our disaster recovery programme was called into action in the latter case and assisted in minimising the impact on the Company.

In August eight members of the investment trust team left Collins Stewart. An orderly hand-over of their business has taken place and the firm is seeking to rebuild the team through recruitment.

In August we also agreed in principle to transfer the Sydney based interest rate swap and money markets team of 19 brokers to ICAP. Having reviewed the Tullett Liberty and Prebon operations in Sydney, we concluded that it would not be appropriate to merge these two strong businesses. The transfer of the team (formerly a Prebon business) is expected to be completed in October 2005. The remaining desks of Prebon Sydney will be merged into the Tullett business and will trade as Tullett Prebon Sydney.

We have, today, entered into a sale and purchase agreement to acquire the offshore stockbroking and asset management business of Insinger de Beaufort International. The company has £0.4 billion funds under management and is based in Jersey and the Isle of Man. The acquisition will strengthen and deepen our private client business.

Collins Stewart's corporate finance department has a strong order book for the second half. Furthermore, trading conditions and market sentiment are satisfactory in all the Company's main markets.

Terry Smith
16 September 2005

consolidated income statement

for the six months ended 30 June 2005 (unaudited)

	Notes	Six months ended 30 June 2005 £m	Six months ended 30 June 2004 £m	Year ended 31 December 2004 £m
Revenue	3	410.7	274.7	582.4
Other operating income	4	8.5	2.3	5.0
Administrative expenses				
Exceptional items:				
Reorganisation costs	5	(28.6)	-	(38.5)
Split capital contribution		-	-	(10.0)
Other administrative expenses		(350.3)	(230.5)	(499.6)
Total administrative expenses		(378.9)	(230.5)	(548.1)
Operating profit	3	40.3	46.5	39.3
Gain/(loss) on disposal of financial Assets		0.5	(0.7)	(1.4)
Finance income		11.1	3.7	15.5
Finance costs		(12.0)	(5.3)	(19.2)
Profit before tax		39.9	44.2	34.2
Taxation	6	(14.2)	(17.1)	(13.5)
Profit of consolidated companies		25.7	27.1	20.7
Share of results of associates		0.4	1.0	1.0
Profit for the period		26.1	28.1	21.7
Attributable to:				
Equity holders of the parent		25.7	27.6	20.9
Minority interest		0.4	0.5	0.8
		26.1	28.1	21.7
Earnings per share				
Basic	8	12.3p	14.9p	11.0p
Diluted	8	12.2p	14.6p	10.8p

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

consolidated statement of recognised income and expense

for the six months ended 30 June 2005 (unaudited)

	Six months ended 30 June 2005 £m	Six months ended 30 June 2004 £m	Year ended 31 December 2004 £m
(Losses)/gains on cash flow hedges	(4.3)	-	3.2
Exchange differences on translation of foreign operations	4.5	(1.0)	(3.6)
Actuarial gains/(losses) on defined benefit pension schemes	3.5	-	(5.6)
Taxation on items taken directly to equity	4.4	3.6	1.7
Net income/(expense) recognised directly in equity	8.1	2.6	(4.3)
Profit for the period	26.1	28.1	21.7
Total recognised income and expenses for the period	34.2	30.7	17.4
Attributable to:			
Equity holders of the parent	33.8	30.2	16.6
Minority interest	0.4	0.5	0.8
	34.2	30.7	17.4

consolidated balance sheet

as at 30 June 2005 (unaudited)

	Notes	30 June 2005 £m	30 June 2004 £m	31 December 2004 £m
Non-current assets				
Goodwill		421.2	284.8	421.3
Other intangible assets		3.7	5.2	9.3
Land, buildings, furniture, fixtures and equipment		22.3	18.1	22.0
Interests in associates		1.3	8.4	1.0
Other financial assets		4.6	3.0	4.8
Deferred tax assets		45.8	19.1	37.4
		498.9	338.6	495.8
Current assets				
Trade and other receivables		112,727.7	95,690.6	71,598.4
Trading investments		111.7	107.9	143.1
Cash and cash equivalents		147.0	105.5	139.9
		112,986.4	95,904.0	71,881.4
Total assets		113,485.3	96,242.6	72,377.2
Current liabilities				
Trade and other payables		(112,690.6)	(95,643.9)	(71,609.5)
Financial liabilities		(20.0)	(29.8)	(27.5)
Retirement benefit obligation		(2.0)	(1.5)	(1.5)
Tax liabilities		(37.6)	(31.7)	(23.3)
Interest bearing loans and borrowings		(13.4)	(28.5)	(16.1)
		(112,763.6)	(95,735.4)	(71,677.9)
Net current assets		222.8	168.6	203.5
Non-current liabilities				
Interest bearing loans and borrowings		(153.5)	(40.0)	(151.8)
Retirement benefit obligation		(33.4)	(29.0)	(36.9)
Deferred tax liabilities		(0.5)	(2.0)	-
Long-term provisions		(12.3)	(2.6)	(9.5)
Other long-term payables		(3.2)	(0.4)	(3.1)
Financial liabilities		(1.4)	(2.7)	(3.9)
		(204.3)	(76.7)	(205.2)
Total liabilities		(112,967.9)	(95,812.1)	(71,883.1)
Net assets		517.4	430.5	494.1
Equity				
Share capital	9	53.1	47.6	53.0
Share premium account	9	250.9	198.9	249.7
Share based payment reserve	9	9.5	2.4	6.2
Merger reserve	9	121.5	100.4	121.5
Hedging and translation reserve	9	(0.2)	(1.0)	(0.4)
Retained earnings	9	80.2	77.9	58.6
Total shareholders' equity	9	515.0	426.2	488.6
Minority interest		2.4	4.3	5.5
Total equity		517.4	430.5	494.1

consolidated cash flow statement

for the six months ended 30 June 2005 (unaudited)

	Notes	Six months ended 30 June 2005 £m	Six months ended 30 June 2004 £m	Year ended 31 December 2004 £m
Net cash from/ (used in) operating activities	10	1.5	(64.5)	(90.0)
Investing activities				
Proceeds from disposal/(purchases) of trading investments		20.3	(7.8)	(6.7)
Interest received		4.5	3.5	13.0
Dividends received from associates		-	0.3	0.3
Dividends received from other equity investments		0.3	-	-
Proceeds on disposal of furniture, fixtures and equipment		0.1	-	0.4
Proceeds on disposal of available-for-sale investments		0.6	-	-
Proceeds on disposal of interest in associate		-	-	7.0
Purchase of furniture, fixtures and equipment		(6.3)	(2.5)	(5.9)
Acquisition of subsidiary		(1.2)	(6.1)	(58.9)
Net cash from/(used in) investing activities		18.3	(12.6)	(50.8)
Cash flows from financing activities				
Dividends paid		(12.0)	(9.8)	(14.9)
Issue of ordinary share capital		1.3	3.3	59.5
Share issue costs		-	-	(1.4)
Repayment of borrowings		(1.0)	(4.0)	(99.5)
Issue of debt		-	-	149.5
Debt issue costs		-	-	(0.9)
Repayment of obligations under finance leases		(0.1)	(0.5)	(0.9)
Net cash (used in)/from financing activities		(11.8)	(11.0)	91.4
Net increase/(decrease) in cash and cash equivalents		8.0	(88.1)	(49.4)
Net cash and cash equivalents at the beginning of the period		125.9	176.8	176.8
Effect of foreign exchange rate changes		0.7	(0.6)	(1.5)
Net cash and cash equivalents at end of period		134.6	88.1	125.9
Cash and cash equivalents		147.0	105.5	139.9
Overdrafts		(12.4)	(17.4)	(14.0)
Net cash and cash equivalents		134.6	88.1	125.9

notes to the interim financial report

1. General information

The interim financial information for the six months ended 30 June 2005 has been prepared under International Financial Reporting Standards ("IFRS") subject to exemptions referred to in note 12. The financial information for the year ended 31 December 2004 has been derived from audited UK GAAP information adjusted for the impact of IFRS and is therefore unaudited. The financial information for the period ended 30 June 2004 has been derived from unaudited UK GAAP information adjusted for the impact of IFRS. The interim information, together with the comparative information contained in this report for the year ended 31 December 2004, does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. However, the information has been reviewed by the Company's auditors, Deloitte & Touche LLP, and their report appears at the end of the interim financial report. The UK GAAP statutory accounts for the year ended 31 December 2004 have been reported on by the Company's auditors, Deloitte & Touche LLP, and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

2. Significant accounting policies

Basis of accounting

As the next annual full financial statements will be prepared under IFRS, this interim financial report has been prepared in accordance with IFRS for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 12. As this is the first time the Group has reported under IFRS, a summary of the accounting policies is set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries) made up to the reporting date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the profit or loss in the period of acquisition. The interest of minority shareholders is stated at the minority’s proportion of the fair values of the identifiable assets, liabilities and contingent liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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

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

All significant intercompany transactions and balances between Group entities are eliminated on consolidation.

Investment in associates

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

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

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

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or an associate at the date of acquisition.

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

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

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

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amount and subject to an impairment review at the date of transition.

Revenue recognition

Revenue, which excludes value added tax, includes the profit on buying and selling securities, the profit or loss arising on positions held in securities, commissions, brokerage, fees earned and subscriptions for information sales. Dividends and interest arising on long and short positions in securities form part of revenue, and as they are also reflected in movements in market prices, are not identified separately. Corporate finance fee income is recognised when the outcome of a relevant transaction can be reliably estimated and the fee income reliably measured.

Other interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The rate exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

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

Leasing and hire purchase

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

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

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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 profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

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

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

Retirement benefit costs

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

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

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

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

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 period. 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 periods 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 negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that 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.

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:

Equipment, fixtures, fittings and motor vehicles	10% - 33% pa
Leasehold land and buildings	over the period of the lease
Freehold land	Nil
Freehold buildings	1% pa

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

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

Intangible assets

Purchased software is recognised as an intangible asset at cost when acquired. 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 these conditions are not met, costs are expensed as incurred.

Intangible assets acquired are capitalised at fair value at the date of acquisition. Intangible assets are tested for impairment annually either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable are made on a prospective basis.

Acquired or internally generated software (purchased or developed) is amortised on a straight-line basis over a period of three years. Acquired software licences are amortised over the life of the licence.

Impairment

Annually, 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.

The 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. This rate reflects current market assessments of the time value of money as well as 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 (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, impairment losses relating to goodwill may not be 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.

The derecognition of financial instruments takes place when the Group no longer controls the contractual rights to the financial instrument.

Trade and other receivables

Trade receivables are settled within normal market cycles. Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments in securities

Investments in securities are recognised and derecognised on trade date. Such 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 the profit or loss for the period. Gains or losses on available-for-sale investments are recognised directly as a separate component of equity until the investment is sold, 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 profit or loss for the period.

Investments are classified as held to maturity when they are non-derivatives with fixed or determinable payments and a fixed maturity that the Group has a positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Long-term investments that are intended to be held to maturity, such as bonds, are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in the profit or loss for the period when the investments are derecognised or impaired, as well as through the amortisation process.

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

Inter dealer broker settlement balances

Certain Group companies are involved as principal in the purchase and simultaneous commitment to sell securities between third parties. Such trades are complete only when both sides of the deal are settled, and so the Group is exposed to risk in the event that one side of the transaction remains unmatched. The amounts payable by and due to counterparties in respect of matched principal business are shown gross within trade and other receivables and trade and other payables, respectively.

Securities borrowing

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

Interest bearing loans and borrowings

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

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company 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. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward foreign exchange contracts is calculated by reference to current forward foreign exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

In relation to cash flow hedges used to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement. If the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged firm commitment affects the profit or loss.

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event which it is possible 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.

Client money

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

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, net cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

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 grants share options to certain employees. These are measured at fair value at the date of grant. The fair value so determined is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of the number of shares that will eventually vest.

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

Employee Share Ownership Trusts

Dividends have been waived by the Collins Stewart Tullett plc ESOT but not by the Collins Stewart (CI) Limited ESOT. The dividend income arising on shares which have not yet vested unconditionally pursuant to employee awards is excluded from dividends declared. Such shares are excluded from the denominator in the earnings per share calculation.

3. Business and geographic segments

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

	Inter Dealer Broking			**Stockbroking**			**Group**		
	Six months ended 30 June 2005 £m	**Six months ended 30 June 2004 £m**	**Year ended 31 December 2004 £m**	**Six months ended 30 June 2005 £m**	**Six months ended 30 June 2004 £m**	**Year ended 31 December 2004 £m**	**Six months Ended 30 June 2005 £m**	**Six months ended 30 June 2004 £m**	**Year ended 31 December 2004 £m**
Revenue									
Europe	163.4	103.4	221.9	55.8	54.8	110.0	219.2	158.2	331.9
North America	149.3	93.6	196.0	3.1	3.5	7.5	152.4	97.1	203.5
Asia Pacific	39.1	19.4	47.0	-	-	-	39.1	19.4	47.0
Total Revenue	351.8	216.4	464.9	58.9	58.3	117.5	410.7	274.7	582.4
Operating profit before exceptional items									
Europe	17.3	10.3	20.0	19.5	16.6	35.9	36.8	26.9	55.9
North America	23.0	14.8	27.2	0.5	1.1	0.1	23.5	15.9	27.3
Asia Pacific	8.6	3.7	4.6	-	-	-	8.6	3.7	4.6
	48.9	28.8	51.8	20.0	17.7	36.0	68.9	46.5	87.8
Exceptional items*									
Europe	(17.6)	-	(30.7)	-	-	(10.0)	(17.6)	-	(40.7)
North America	(7.8)	-	(7.2)	-	-	-	(7.8)	-	(7.2)
Asia Pacific	(3.2)	-	(0.6)	-	-	-	(3.2)	-	(0.6)
	(28.6)	-	(38.5)	-	-	(10.0)	(28.6)	-	(48.5)
Operating profit									
Europe	(0.3)	10.3	(10.7)	19.5	16.6	25.9	19.2	26.9	15.2
North America	15.2	14.8	20.0	0.5	1.1	0.1	15.7	15.9	20.1
Asia Pacific	5.4	3.7	4.0	-	-	-	5.4	3.7	4.0
	20.3	28.8	13.3	20.0	17.7	26.0	40.3	46.5	39.3
Gain/(loss) on disposal of financial assets							0.5	(0.7)	(1.4)
Finance income							11.1	3.7	15.5
Finance costs							(12.0)	(5.3)	(19.2)
Profit before tax							39.9	44.2	34.2
Taxation							(14.2)	(17.1)	(13.5)
Profit of consolidated companies							25.7	27.1	20.7
Share of results of associates							0.4	1.0	1.0
Profit for the period							26.1	28.1	21.7

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

4. Other operating income

Other operating income includes compensation payments received from settlements with competitors of £6.5m (2004: nil).

5. Reorganisation costs

Reorganisation costs comprise £28.6m (half year 30 June 2004: nil; year ended 31 December 2004: £38.5 million) associated with the reorganisation of the IDB business following the acquisition of Prebon. This amount includes incremental costs of £4.6m arising from the write down of Prebon information technology systems.

6. Taxation

	Six months ended 30 June 2005 £m	Six months ended 30 June 2004 £m	Year ended 31 December 2004 £m
Current tax:			
UK corporation tax	6.5	13.5	20.5
Double tax relief	(0.3)	(3.0)	(10.2)
	6.2	10.5	10.3
Overseas tax	8.4	9.5	16.6
Prior year UK corporation tax (over)/under provided	(0.1)	(0.3)	0.9
Prior year overseas corporation tax under/(over) provided	0.4	(0.7)	(6.5)
	14.9	19.0	21.3
Deferred tax:			
Current year	1.6	(1.9)	(7.8)
Prior year deferred tax assets under provided	(2.3)	-	-
	14.2	17.1	13.5

7. Dividends

	Six months ended 30 June 2005 £m	Six months ended 30 June 2004 £m	Year ended 31 December 2004 £m
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2004 of 5.75p (2003 5.25p) per share	12.0	9.7	9.7
Interim dividend for the year ended 31 December 2004 of 2.75p per share	-	-	5.2
	12.0	9.7	14.9

The proposed interim dividend for the year ended 31 December 2005 of 3p (per share), £6.3m was approved by the Board on 16 September 2005 and has not been included as a liability as at 30 June 2005.

8. Earnings per share

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

Earnings	**Six months ended 30 June 2005 £m**	**Six months ended 30 June 2004 £m**	**Year ended 31 December 2004 £m**
Earnings for the purposes of the basic And diluted earnings per share	25.7	27.6	20.9
IDB reorganisation costs (net of tax)	21.3	-	26.8
Split capital investment trust contribution (net of tax)	-	-	7.0
(Gain)/loss on disposal of financial assets	(0.5)	0.7	1.4
Earnings for the purposes of the basic earnings per share before exceptional items	46.5	28.3	56.1

Weighted average number of shares	**Six months ended 30 June 2005 No. (m)**	**Six months ended 30 June 2004 No. (m)**	**Year ended 31 December 2004 No. (m)**
Number of ordinary shares at start of year	207.7	185.1	184.2
ESOT allocations	0.2	0.3	0.2
Vested share options	-	0.1	-
Share option exercises	0.2	0.2	0.9
Share issues	-	-	4.7
Basic earnings per share denominator	208.1	185.7	190.0
Issuable on exercise of options	2.8	1.8	2.9
Contingently issuable shares	-	1.2	-
Diluted earnings per share denominator	210.9	188.7	192.9

Earnings per share			
Basic	12.3p	14.9p	11.0p
Diluted	12.2p	14.6p	10.8p
Basic before exceptional items	22.3p	15.2p	29.5p

9. Reconciliation of movements in equity

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

	Share capital £m	Share premium account £m	Merger reserve £m	Share based payment reserve £m	Hedging and translation reserve £m	Retained earnings £m	Total shareholders' Equity £m
Balance at 1 January 2005 under previous GAAP	53.0	249.7	121.5	-	-	40.8	465.0
IFRS adjustments at 1 January 2005	-	-	-	6.2	(0.4)	17.8	23.6
	53.0	249.7	121.5	6.2	(0.4)	58.6	488.6
Retained profit for the period	-	-	-	-	-	25.7	25.7
Dividends paid in the period	-	-	-	-	-	(12.0)	(12.0)
Issue of ordinary shares	0.1	1.2	-	-	-	-	1.3
Losses on cash flow hedges	-	-	-	-	(4.3)	-	(4.3)
Credit arising on share options	-	-	-	3.3	-	-	3.3
Taxation on items taken directly to equity	-	-	-	-	-	4.4	4.4
Foreign currency translation	-	-	-	-	4.5	-	4.5
Actuarial gain on defined benefit pension schemes	-	-	-	-	-	3.5	3.5
Balance at 30 June 2005	53.1	250.9	121.5	9.5	(0.2)	80.2	515.0

10. Reconciliation of operating profit to net cash from/ (used in) operating activities

	Six months ended 30 June 2005 £m	Six months ended 30 June 2004 £m	Year ended 31 December 2004 £m
Operating profit	40.3	46.5	39.3
Adjustments for:			
Loss on derivatives	1.8	0.9	1.5
Expense arising from share option plans	3.3	1.5	5.5
Furniture, fixtures and equipment written off	-	0.1	0.7
Depreciation of furniture, fixtures and equipment	5.7	4.7	8.1
Amortisation of intangible assets	1.5	-	2.4
Write-down of goodwill	-	-	2.2
Loss on disposal of furniture, fixtures and equipment	0.2	-	-
Increase in doubtful debts and other provisions	0.1	0.2	0.5
Increase/(decrease) in provisions for liabilities and charges	2.7	(0.4)	(1.0)
(Decrease)/increase in non-current payables	1.0	0.9	(2.1)
Operating cash flows before movement in working capital	56.6	54.4	57.1
(Increase)/decrease in trade and other receivables	(41,128.3)	(12,165.8)	(8,524.9)
Decrease/(increase) in net investment positions	0.2	(0.4)	(20.2)
Increase/(decrease) in trade and other payables	41,080.7	12,067.6	8,451.3
Cash generated from /(absorbed by) operations	9.2	(44.2)	(36.7)
Income taxes paid	(5.9)	(19.3)	(40.4)
Interest paid	(1.8)	(1.0)	(12.9)
Net cash from/ (used in) operating activities	1.5	(64.5)	(90.0)

11. Post balance sheet events

In August 2005 agreement in principle was reached with ICAP to transfer the Sydney based interest rate swap and money markets team of 19 brokers to ICAP.

On 16 September 2005 the Group entered into a sale and purchase agreement to acquire the stockbroking business of Insinger de Beaufort International based in Jersey and the Isle of Man. The business has £0.4 billion funds under management.

12. Explanation of transition to IFRS

This is the first period that the Group has presented its financial statements under IFRS. The last financial statements under UK GAAP were for the year ended 31 December 2004.

The Group has applied the transitional provisions of IFRS 1 "First time adoption of International Financial Reporting Standards". The date of transition to International Financial Reporting and Accounting Standards was 1 January 2004 and all comparative information in these financial statements has been restated to reflect the Group's adoption of International Financial Reporting and Accounting Standards.

IFRS 1 contains a number of exemptions which companies are permitted to apply. The Group has elected:

- to present comparative information in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement";
- not to restate its financial information for acquisitions occurring before 1 January 2004;
- to deem cumulative translation differences to be zero at 1 January 2004;
- to recognise all actuarial gains and losses on pensions and other post-retirement benefits directly in equity attributable to equity holders of the parent at 1 January 2004;
- to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling denominated assets and liabilities;
- to apply IFRS 2 to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2005.

The following disclosures are required in the period of transition.

Reconciliation of equity at 1 January 2004

The effect of the changes to the Group's accounting policies on the equity of the Group at the date of transition, 1 January 2004 was as follows:

	Notes	31 December 2003 UK GAAP £m	Effect of transition to IFRS £m	1 January 2004 IFRS £m
Non-current assets				
Goodwill	a	282.2	-	282.2
Other intangible assets	b	-	5.3	5.3
Land, buildings, furniture, fixtures and equipment	b	25.6	(5.3)	20.3
Interests in associates	c	8.0	0.4	8.4
Other financial assets	d	1.7	1.3	3.0
Deferred tax assets	e	8.5	6.2	14.7
		326.0	7.9	333.9
Current assets				
Trade and other receivables	f	437.3	73,837.0	74,274.3
Trading investments	g	54.6	1.4	56.0
Cash and cash equivalents		209.9	-	209.9
		701.8	73,838.4	74,540.2
Total assets		1,027.8	73,846.3	74,874.1
Current liabilities				
Trade and other payables	f	(490.4)	(73,837.0)	(74,327.4)
Financial liabilities	h	(2.8)	-	(2.8)
Retirement benefit obligation	i	-	(2.0)	(2.0)
Tax liabilities		(27.5)	-	(27.5)
Interest bearing loans and borrowings	j	(25.2)	-	(25.2)
Short-term provisions	k	(9.7)	9.7	-
		(555.6)	(73,829.3)	(74,384.9)
Non-current liabilities				
Interest bearing loans and borrowings	j	(45.5)	-	(45.5)
Retirement benefit obligation	i	-	(28.5)	(28.5)
Deferred tax liabilities		(2.0)	-	(2.0)
Long-term provisions		(2.6)	-	(2.6)
Other long-term payables	i	(26.3)	24.4	(1.9)
		(76.4)	(4.1)	(80.5)
Total liabilities		(632.0)	(73,833.4)	(74,465.4)
Net assets		395.8	12.9	408.7
Equity				
Share capital		47.3	-	47.3
Share premium account		195.9	-	195.9
Share based payment reserve	m	-	0.9	0.9
Merger reserve		100.4	-	100.4
Retained earnings	o	44.6	12.0	56.6
Total shareholders' equity		388.2	12.9	401.1
Minority interest		7.6	-	7.6
Total equity		395.8	12.9	408.7

Reconciliation of equity at 30 June 2004

The effect of the changes to the Group's accounting policies on the equity of the Group at the date of the last interim financial statements presented under previous GAAP, 30 June 2004, was as follows:

	Notes	30 June 2004 UK GAAP £m	Effect of transition to IFRS £m	1 July 2004 IFRS £m
Non-current assets				
Goodwill	a	276.9	7.9	284.8
Other intangible assets	b	-	5.2	5.2
Land, buildings, furniture, fixtures and equipment	b	23.3	(5.2)	18.1
Interests in associates	c	6.6	1.8	8.4
Other financial assets	d	1.7	1.3	3.0
Deferred tax assets	e	9.1	10.0	19.1
		317.6	21.0	338.6
Current assets				
Trade and other receivables	f	907.0	94,783.6	95,690.6
Trading investments	g	107.4	0.5	107.9
Cash and cash equivalents		105.5	-	105.5
		1,119.9	94,784.1	95,904.0
Total assets		1,437.5	94,805.1	96,242.6
Current liabilities				
Trade and other payables	f	(859.3)	(94,784.6)	(95,643.9)
Financial liabilities	h	(29.8)	-	(29.8)
Retirement benefit obligation	i	-	(1.5)	(1.5)
Tax liabilities		(31.7)	-	(31.7)
Interest bearing loans and borrowings	j	(28.5)	-	(28.5)
Short-term provisions	k	(5.1)	5.1	-
		(954.4)	(94,781.0)	(95,735.4)
Non-current liabilities				
Interest bearing loans and borrowings	j	(40.0)	-	(40.0)
Retirement benefit obligation	i	-	(29.0)	(29.0)
Deferred tax liabilities		(2.0)	-	(2.0)
Long-term provisions		(2.6)	-	(2.6)
Other long-term payables	i	(24.8)	24.4	(0.4)
Financial liabilities	l	-	(2.7)	(2.7)
		(69.4)	(7.3)	(76.7)
Total liabilities		(1,023.8)	(94,788.3)	(95,812.1)
Net assets		413.7	16.8	430.5
Equity				
Share capital		47.6	-	47.6
Share premium account		198.9	-	198.9
Share based payment reserve	m	-	2.4	2.4
Merger reserve		100.4	-	100.4
Hedging and translation reserve	n	-	(1.0)	(1.0)
Retained earnings	o	62.5	15.4	77.9
Total shareholders' equity		409.4	16.8	426.2
Minority interest		4.3	-	4.3
Total equity		413.7	16.8	430.5

Reconciliation of equity at 31 December 2004

The effect of the changes to the Group's accounting policies on the equity of the Group at the date of the last annual financial statements presented under previous GAAP, 31 December 2004, was as follows:

	Notes	31 December 2004 UK GAAP £m	Effect of transition to IFRS £m	1 January 2005 IFRS £m
Non-current assets				
Goodwill	a	403.9	17.4	421.3
Other intangible assets	b	-	9.3	9.3
Land, buildings, furniture, fixtures and equipment	b	31.3	(9.3)	22.0
Interests in associates	c	1.9	(0.9)	1.0
Other financial assets	d	3.5	1.3	4.8
Deferred tax assets	e	29.4	8.0	37.4
		470.0	25.8	495.8
Current assets				
Trade and other receivables	f	402.1	71,196.3	71,598.4
Trading investments	g	136.6	6.5	143.1
Cash and cash equivalents		139.9	-	139.9
		678.6	71,202.8	71,881.4
Total assets		1,148.6	71,228.6	72,377.2
Current liabilities				
Trade and other payables	f	(410.9)	(71,198.6)	(71,609.5)
Financial liabilities	h	(27.4)	(0.1)	(27.5)
Retirement benefit obligation	i	-	(1.5)	(1.5)
Tax liabilities		(23.3)	-	(23.3)
Interest bearing loans and borrowings	j	(16.1)	-	(16.1)
Short-term provisions	k	(11.9)	11.9	-
		(489.6)	(71,188.3)	(71,677.9)
Non-current liabilities				
Interest bearing loans and borrowings	j	(150.6)	(1.2)	(151.8)
Retirement benefit obligation	i	-	(36.9)	(36.9)
Long-term provisions	c	(11.8)	2.3	(9.5)
Other long-term payables	i	(26.1)	23.0	(3.1)
Financial liabilities	l	-	(3.9)	(3.9)
		(188.5)	(16.7)	(205.2)
Total liabilities		(678.1)	(71,205.0)	(71,883.1)
Net assets		470.5	23.6	494.1
Equity				
Share capital		53.0	-	53.0
Share premium account		249.7	-	249.7
Share based payment reserve	m	-	6.2	6.2
Merger reserve		121.5	-	121.5
Hedging and translation reserve	n	-	(0.4)	(0.4)
Retained earnings	o	40.8	17.8	58.6
Total shareholders' equity		465.0	23.6	488.6
Minority interest		5.5	-	5.5
Total equity		470.5	23.6	494.1

Notes to the reconciliation of equity due to IFRS

a Under UK GAAP Goodwill was amortised over a period not exceeding 20 years. Adoption of IFRS has resulted in the Group ceasing annual goodwill amortisation and testing for impairment annually at the cash-generating unit level.

b On transition to IFRS the Group has recognised “Other Intangible Assets” in relation to purchased software, software licences and internally developed software. The effect of this was to reclassify balances previously held in “Land, buildings, furniture, fixtures and equipment” and balances held in “Accumulated depreciation: Land, buildings, furniture, fixtures and equipment”.

c UK GAAP always required losses from an associate to be deducted from the associate’s carrying value. However, IFRS requires that an interest in an associate cannot fall below zero unless there is a demonstrable commitment to the associate to make good the investors’ share of the losses (which would be recognised as a provision). On transition this has therefore, resulted in an adjustment to “Interests in associates” and a corresponding adjustment to “Retained earnings”.

d Under UK GAAP financial assets, now classified as “available-for-sale”, 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”.

e Under IFRS the deferred tax asset which was previously netted against the defined benefit pension liability has been reclassified to “Deferred tax assets”. This balance is also adjusted by the tax effects of the other relevant IFRS adjustments on transition.

f Under IFRS it is no longer possible for the Group to follow the convention whereby matched principal transactions are offset in the balance sheet until settlement date. These have now been grossed-up and included in “Trade and other receivables” and “Trade and other payables”.

g Under IFRS “Current asset investments” such as securities and deposits to secure clearing facilities, have been reclassified as “Trading investments”. Previously unrecognised gains on financial instruments have also been included within “Trading Investments”.

h Under IFRS “Securities – short positions” which were previously included within “Creditors: amounts falling due within one year” have been reclassified as “Financial liabilities”.

i Under UK GAAP the pension deficit and its related deferred tax asset were recognised on the acquisition of Tullett Liberty and included net in “Other long-term payables”. The choice has been taken to recognise all actuarial gains or losses through the SORIE. On transition to IFRS, the deferred tax asset in relation to the defined benefit pension scheme was reclassified to “Deferred tax assets” (see point (e) above) and the pension deficit has been reclassified from “Other long-term payables” to “Retirement benefit obligation” in current and non-current liabilities.

j The classifications of current and non-current “Interest-bearing loans and borrowings” includes: obligations under finance leases, overdrafts, subordinated loans and loan notes previously classified within "Creditors: amounts falling due within one year" and "Creditors: amounts falling due after more than one year", respectively.

k Dividends declared after the balance sheet date accrued in the balance sheet under current UK GAAP will be treated as a non-adjusting post balance sheet event under IFRS. Therefore, the dividend accrued "Short-term provisions" which was previously included within "Creditors: amounts falling due within one year" has been removed and retained earnings have been adjusted accordingly.

l Non-current "Financial liabilities" include derivative financial instruments used to hedge market risk on the required future purchase of shares to satisfy the share option scheme grants and represent the mark to market loss on the equity swap.

m Under IFRS 2 the charge to retained earnings for options granted post 7 November 2002, which had not vested as at 1 January 2005 have been reclassified within "Share based payment reserve".

n IFRS requires the separate recognition of a cumulative foreign currency translation reserve in relation to the translation of investments in foreign operations. On transition to IFRS as at 1 January 2004, this reserve was reset to nil. All translation gains and losses have been reclassified from "Profit and Loss".

o The following illustrates the adjustments to retained earnings:

	1 January 2004 £m	**30 June 2004 £m**	**31 December 2004 £m**
Interests in associates (note c)	0.4	1.8	1.4
Other financial asset revaluation (note d)	1.3	1.3	1.3
Trading investment gain (note g)	1.4	0.4	0.4
Recognition of movement in retirement benefit obligation (note i)	4.6	4.6	4.5
Dividends declared post balance sheet date (note k)	9.7	5.1	11.9
Financial liabilities (note l)	-	(2.7)	(3.9)
Share-based payments (share option charge) (note m)	(0.9)	(2.5)	(6.2)
Amortisation of goodwill	-	7.9	17.4
Pension costs and interest	-	-	(1.0)
Holiday pay provision	-	(0.9)	-
Transfer to hedging and translation reserve	-	1.0	0.4
Actuarial losses on defined benefit schemes	-	-	(5.6)
Tax effect of the above	(4.5)	(0.6)	(2.8)
	12.0	15.4	17.8

Reconciliation of profit for the six months ended 30 June 2004

The changes in the accounting policies had the following effect on the profit reported for the period ended 30 June 2004:

	Notes	Six months to 30 June 2004 UK GAAP £m	Effect of transition to IFRS £m	Six months to 30 June 2004 IFRS £m
Revenue		274.7	-	274.7
Administrative expenses	i	(238.0)	7.5	(230.5)
Other operating income		2.3	-	2.3
Net interest receivable	ii	1.1	(1.1)	-
Finance income	ii	-	3.7	3.7
Finance costs	ii	-	(5.3)	(5.3)
Loss on sale of business		(0.7)	-	(0.7)
Profit before tax		39.4	4.8	44.2
Tax expense	iii	(17.7)	0.6	(17.1)
Profit after tax		21.7	5.4	27.1
Share of results of associates	iv	-	1.0	1.0
Net profit		21.7	6.4	28.1
Attributable to minority interests		(0.5)	-	(0.5)
Profit for the period attributable to shareholders		21.2	6.4	27.6

Reconciliation of profit for the year ended 31 December 2004

The changes in the accounting policies had the following effect on the profit reported for the year ended 31 December 2004:

	Notes	Year to 31 December 2004 UK GAAP £m	Effect of transition to IFRS £m	Year to 31 December 2004 IFRS £m
Revenue		582.4	-	582.4
Administrative expenses	i	(565.4)	17.3	(548.1)
Other operating income		5.0	-	5.0
Net interest receivable	ii	0.6	(0.6)	-
Finance income	ii	-	15.5	15.5
Finance costs	ii	-	(19.2)	(19.2)
Loss on sale of business		(0.9)	(0.5)	(1.4)
Profit before tax		21.7	12.5	34.2
Tax expense	iii	(14.0)	0.5	(13.5)
Profit after tax		7.7	13.0	20.7
Share of results of associates	iv	-	1.0	1.0
Net profit		7.7	14.0	21.7
Attributable to minority interests		(0.8)	-	(0.8)
Profit for the period attributable to shareholders		6.9	14.0	20.9

Notes to the reconciliation of profit due to IFRS

i Adjustments to administrative expenses for IFRS are as follows:

- Reversal of amortisation of goodwill, resulting in a credit to the Income Statement.
- Difference arising on the calculation of share option charges under UITF 38 (UK GAAP) and IFRS 2 resulting in a credit to the Income Statement.
- Employee leave accrual being a charge to the Income Statement in the six months to 30 June 2004 relating to leave not yet taken at the half year, but which would have been fully taken by the year ended 31 December 2004.
- Change in accounting for hedges being a charge to the Income Statement.

ii IFRS requires that financial instruments that give rise to a financial asset or financial liability be recognised in the financial statements where they can be identified and reliably measured. The Group entered into a number of transactions during 2004 that require recognition under IFRS but not under UK GAAP. Items that have been included under Finance income and Finance costs are as follows:

- Unrecognised losses on the equity swap (Finance costs).
- Unrecognised gains on interest rate swaps (Finance income).
- Interest expense reclassified as Finance costs.
- Interest receivable reclassified Finance income.
- Interest costs on defined benefit pension plan liabilities (Finance costs).
- Expected return on defined benefit pension plan assets (Finance income).

iii The tax expense reflects the net tax effect of the Income Statement adjustments outlined above.

iv The share of results of associates is reported net of tax. The increase relates to the equity share of losses which are not required to be taken up under IFRS (also refer to note (c) above) and the removal of goodwill amortisation which does not arise under the IFRS impairment test.

Explanations of material adjustments to the cash flow statement for 2004

There have been no material adjustments to the cash flow statement for the six months ended 30 June 2004 or the year to 31 December 2004 resulting from transition to IFRS. However, the presentation of the Consolidated Cash Flow Statement has changed, whereby cash flows are classified as operating, investing or financing.

independent review report to collins stewart tullett plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2005 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

International Financial Reporting Standards

As disclosed in note 2, the next annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Deloitte & Touche LLP
Chartered Accountants
London
16 September 2005

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.