

# **Interim Results 2005**

**September 2005**

# Overview

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- ❑ Results prepared in accordance with IFRS
- ❑ First results for Tullett Prebon business
- ❑ 86% (2004: 79%) of revenue and 71% (2004: 62%) of operating profits from IDB
- ❑ Improved returns from IDB business – operating margin 13.9% (2004: 13.3%)
- ❑ Integration process substantially complete
- ❑ Improved returns from stockbroking business
- ❑ Operating profits up 48% and EPS up 47% (before exceptionals)
- ❑ Interim dividend up by 9%
- ❑ Still in discussions over potential approaches

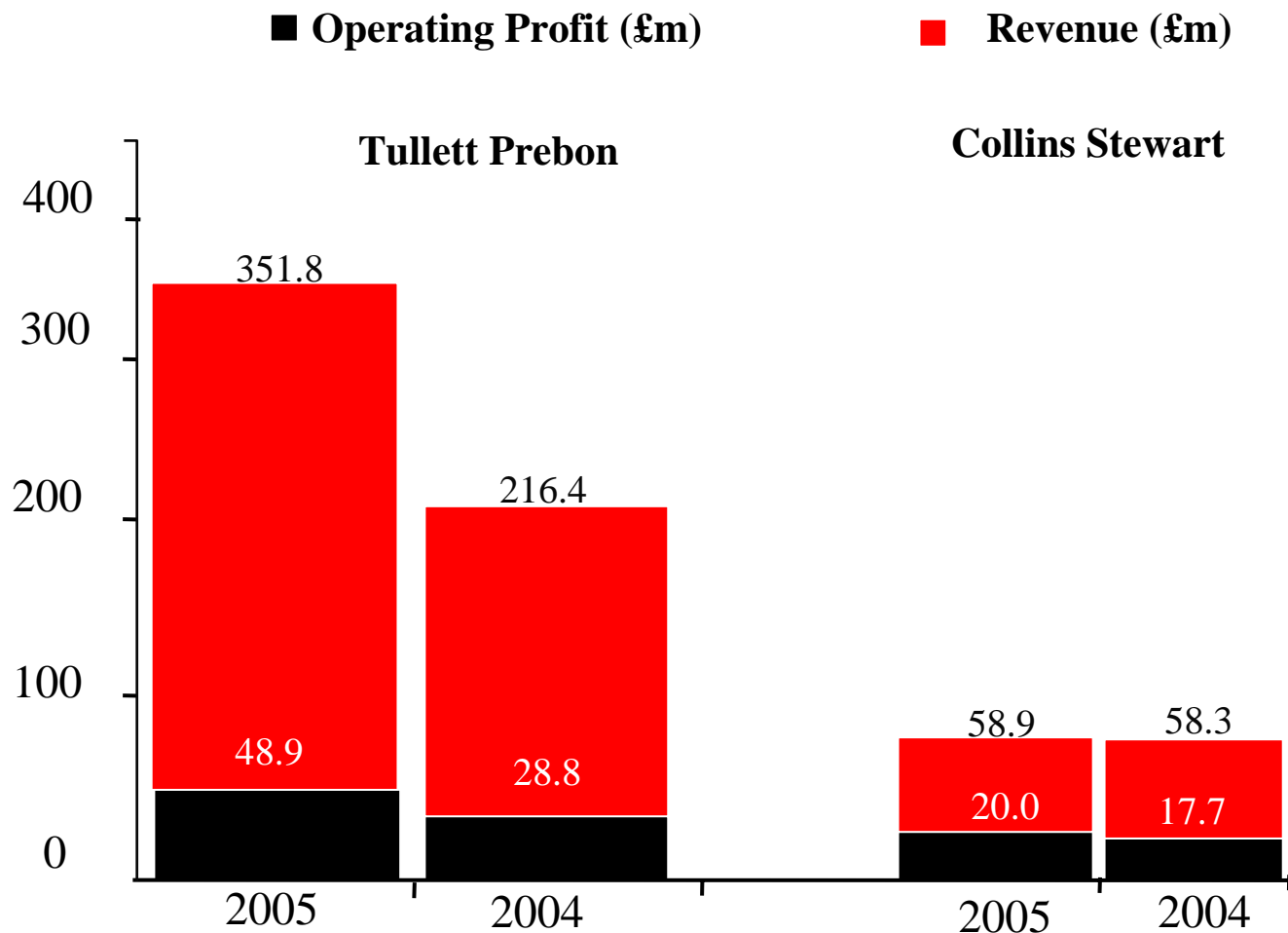
# Collins Stewart Tullett Results

	H1 2005 £m	H1 2004 £m	Full Year 2004 £m
Revenue	<u>410.7</u>	<u>274.7</u>	<u>582.4</u>
Operating profit before exceptional items	68.9	46.5	87.8
Exceptional items	(28.6)	-	(48.5)
Profit before taxation	39.9	44.2	34.2
Profit attributable to ordinary shareholders	25.7	27.6	20.9
EPS before exceptionals	22.4p	15.2p	29.5p
Dividend per share (declared but not accrued)	3.0p	2.75p	8.5p

*Notes: 2004 figures include Prebon results from 13 October 2004*

*All figures reported in accordance with IFRS*

# Collins Stewart Tullett Results



Note: Operating Profit shown before exceptional items

# Group Performance Measures

	<b>H1 2005 £m</b>	<b>H1 2004 £m</b>	<b>Full Year 2004 £m</b>
Group operating margin (Note 1)	16.8%	16.9%	15.1%
Return on capital employed (Notes 2, 3)	23.0%	25.0%	19.9%
Total shareholder return	14.6%	-3.5%	-10.0%

*Note 1: Before exceptional items*

*Note 2: Capital includes cumulative reorganisation costs (net of tax) and net cash*

*Note 3: Half year figures have been annualised where appropriate*

**Tullett Prebon**

# Overview

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- ❑ Consolidation of strong position within IDB sector
- ❑ Revenues increased by £135.4m to £351.8m and operating profits by £20.1m to £48.9m
- ❑ Operating margins up from 13.3% (Tullett Liberty only) to 13.9% (15.7% excluding double running costs)
- ❑ European and North American franchises strengthened especially in Treasury Products, Interest Rate Derivatives and Energy
- ❑ Asia Pacific adversely impacted by competitor activity
- ❑ Integration process substantially complete
- ❑ Reorganisation savings of £67m pa achieved to date at cumulative cost of £77m

# Tullett Prebon Performance

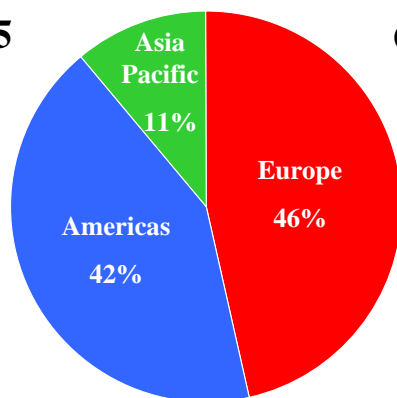
	H1 2005 £m	H1 2004 £m	Full Year 2004 £m
Revenue	<u>351.8</u>	<u>216.4</u>	<u>464.9</u>
Operating profit before:			
- exceptional items	48.9	28.8	51.8
- <i>exceptional items &amp; double running costs</i>	55.4	-	-
Operating margin before			
- exceptional items	13.9%	13.3%	11.1%
- <i>exceptional items &amp; double running costs</i>	15.7%	-	-

# Revenue and Operating Profits by Region

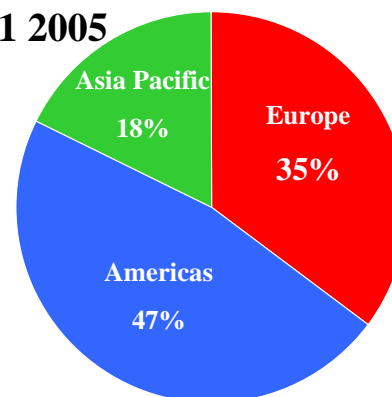
	Revenue		Operating Profit		Operating Margin	
	H1	H1	H1	H1	H1	H1
	2005	2004	2005	2004	2005	2004
	£m	£m	£m	£m		
Europe	163.4	103.4	17.3	10.3	10.6%	10.0%
North America	149.3	93.6	23.0	14.8	15.4%	15.8%
Asia Pacific	39.1	19.4	8.6	3.7	22.0%	19.1%
	<u>351.8</u>	<u>216.4</u>	<u>48.9</u>	<u>28.8</u>	<u>13.9%</u>	<u>13.3%</u>

Note: Operating Profit is before exceptional items

Revenues – H1 2005



Operating Profit – H1 2005



# Revenue by Product Group

	Revenue		Distribution of Revenue	
	H1 2005 £m	H1 2004 £m	H1 2005	H1 2004
Fixed Income Securities	105.4	94.2	30%	44%
Interest Rate Derivatives	86.3	55.0	25%	25%
Treasury Products	91.7	36.5	26%	17%
Equities	35.4	21.5	10%	10%
Energy	26.5	5.1	8%	2%
Information Sales	6.5	4.1	1%	2%
Total	<u>351.8</u>	<u>216.4</u>	<u>100%</u>	<u>100%</u>

# Reorganisation Programme

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- ❑ Front office reorganisation completed in Europe and North America
- ❑ Hong Kong and Singapore offices integrated and Sydney in progress
- ❑ Technology and other support costs reduced
- ❑ Rationalisation of technology and premises largely completed
- ❑ On schedule to deliver planned savings by end 2005
- ❑ Double running costs of £6.5m in the first half

# Reorganisation Savings and Costs

	Savings £m	Headcount Reductions	Costs £m
Original plan	<u>60.0</u>	<u>c.500</u>	<u>80.0</u>
Achieved:			
- end 2004	42.0	340	48.6*
- first half 2005	25.0	235	28.6
By 30 June 2005	<u><u>67.0</u></u>	<u><u>575</u></u>	<u><u>77.2</u></u>
Outlook	<u>70+</u>		<u>C.85</u>

\* Includes £10.1m reported within goodwill in 2004 financial statements

# Performance Measures - IDB

	H1 2005	H1 2004
Broker headcount (period end)	1,745	1,159
Average revenues per broker (annualised)	£351k	£347k
Broker employment costs : broking revenue	57.5%	55.5%
Ratio Broker : Support Staff (period end)	2.2 : 1	2.0 : 1
Operating margin before exceptionals	13.9%	13.3%

*Note: Broker employment costs figures for H1 2004 and 2005 exclude share option charges*

# Comparison with Sector

	Revenue £m	Operating Profit £m	Operating Margin %
ICAP	416.9	92.7	22.2%
Collins Stewart Tullett	410.7	68.9	16.8%
Tullett Prebon	351.8	48.9	13.9%
Tradition	203.8	N/A	N/A
GFI	139.3	24.6	17.7%
eSpeed	39.3	2.4	6.1%

*Note: All figures for 6 months to 30 June 2005 except ICAP figures which are 6 months to 31 March 2005 (under IFRS)  
Operating profits are shown before exceptional items*

# Comparison of Voicebroking Performance with ICAP

	Tullett Prebon H1 2005 £m	ICAP H2 2004/5* £m
Derivatives & Money Broking	178.0	172.4
Securities Broking	140.8	160.2
Energy Broking	26.5	27.2
Voice Broking Revenues	<u>345.3</u>	<u>359.8</u>

\* ICAP figures based on IFRS transition report and the 6 months to 31 March 2005

# Global Broker Rankings

Short IRS	
USD	1
EUR	2
JPY	2
CAD	1
AUD	1
CHF	=1
Scandi	1
GBP	2

IRS 2-10yr	
USD	1
EUR	2
CAD	=1
AUD	1
CHF	3
Scandi	1
GBP	2

IRS 10yr+	
USD	2
EUR	2
CAD	1
AUD	1
CHF	=3
Scandi	3
GBP	=3

OIS	
USD	1
EUR	2
JPY	=2
AUD	1
CHF	=1
GBP	2

FRA	
USD	1
EUR	1
JPY	1
AUD	1
CHF	1
Scandi	1
GBP	2

IRO Caps & Floors	
USD	2
EUR	=3
CHF	=3
GBP	2

IRO Swaptions	
USD	3
Scandi	2
GBP	=3

IRO Exotics	
Vol Variance Swaps	3
Binary Digitals	3
CMS USD	=2
Bermudan American EUR	2
Bermudan American USD	2
Quantos	3

Inflation	
USD	2
EUR	1
GBP	1

FX Options	
USD/EUR	2
Scandi	2
EUR/JPY	=1

Forward FX	
Euro	=1
Yen	=1
Cable	2
Swiss	1
Canada	1
Aussie	1
Scandi	1
Euro Sterling	=1
Euro Yen	1

Credit Default	
Investment Grade US	=2
Investment Grade Euro	3
Sovereigns	=2
Asia	3
High Yield - Asia	=3
LatAm	=2

Structured Credit	
Tradable Credit Index	3
Mezzanine	3
Caps - Junior & Senior	=2
Equity Default Swaps	2
CDS Options	3

OTC Single Stocks US	
Financial Institutional	=2

OTC Single Stocks Europe	
Financials	1
Auto	2

Exotic Equity Products	
Barrier	3
OTC Basket	3

Repo	
USD	=3
EUR	=2
JPY	1

Basis Swaps	
USD/EUR	=2
USD/JPY	3
USD/CAD	=1
USD/AUD	1
USD/CHF	2
USD/GBP	=2
Scandi	2
EUR/GBP	=1

Source: Risk Magazine – September 2005

**Collins Stewart**

# Overview

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- ❑ New Management team
- ❑ Revenue steady without reliance on big deals
- ❑ Operating profit up by £2.3m to £20m
- ❑ Returns once again over 30%

# Collins Stewart Results

	H1 2005 £m	H1 2004 £m	Full Year 2004 £m
<b>Revenue</b>	<u>58.9</u>	<u>58.3</u>	<u>117.5</u>
Operating profit before exceptional items	20.0	17.7	36.0
Exceptional items			(10.0)
Operating margin (see Note)	34.0%	30.4%	30.6%

# Breakdown of Revenue by Area

	H1 2005 £m	H1 2004 £m	Full Year 2004 £m
<b>Revenue</b>			
Smaller Companies	21.3	22.0	45.1
Larger Companies and QUEST™	12.3	13.7	25.8
Private Clients	15.9	16.4	32.0
Investment Trusts	6.6	3.5	8.9
Fixed Income	2.8	2.7	5.7
	<u>58.9</u>	<u>58.3</u>	<u>117.5</u>

# Stockbroking

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- ❑ **Smaller Companies**
  - Raised £0.4bn new equity (2004 : £0.4bn) from 24 (2004 : 21) transactions
  - No AIPO <sup>TM</sup>s in first half
  
- ❑ **Larger Companies and QUEST<sup>TM</sup>**
  - Revenue down 10% on 2004 with depressed activity and commissions levels
  
- ❑ **Private Clients**
  - Funds under management increased by 10% to £2.75bn
  - Discretionary funds stand at £2.2bn
  
- ❑ **Investment Trusts**
  - Increased market sentiment and activity
  - Some staff departures at end of half
  
- ❑ **Fixed Income**
  - Generally poorer trading conditions

**Collins Stewart Tullett**

# Balance Sheet

	June 2005 £m	December 2004 £m
Goodwill and intangibles	424.9	430.6
Other non-current assets	74.0	65.2
Net funds (cash & cash equivalents less debt)	41.5	54.8
Net creditors	(23.0)	(56.5)
<b>Net assets</b>	<b>517.4</b>	<b>494.1</b>
Share capital & share premium	304.0	302.7
Other reserves	131.0	127.3
Retained earnings (incl. minority interests)	82.4	64.1
<b>Shareholders funds</b>	<b>517.4</b>	<b>494.1</b>

# Analysis of Net Funds

	June 2005 £m	December 2004 £m
<b>Net cash</b>	<b>134.6</b>	<b>125.9</b>
Loans due within 1 year	(0.3)	(1.3)
Loans due after 1 year	(151.3)	(148.3)
Finance lease/hire purchase	<u>(2.9)</u>	<u>(3.1)</u>
	<b>(154.5)</b>	<b>(152.7)</b>
Current asset investments	61.4	81.6
<b>Net funds</b>	<u><u><b>41.5</b></u></u>	<u><u><b>54.8</b></u></u>

# Cashflow

	H1 2005 £m	H1 2004 £m	Full Year 2004 £m
Profit from operations	40.3	46.5	37.9
Non cash items	16.3	7.9	18.0
Decrease/(Increase) in positions (net)	0.2	(0.4)	(20.2)
Working capital	(46.7)	(96.4)	(76.6)
Taxation	(5.9)	(19.3)	(40.4)
Capital expenditure	(6.3)	(2.5)	(5.5)
Acquisition (net)* and disposals	(0.6)	(6.1)	(85.1)
Dividends	(12.0)	(9.8)	(14.9)
Net equity finance	1.4	3.3	58.1
<b>Change in net funds</b>	<b>(13.3)</b>	<b>(76.8)</b>	<b>(128.7)</b>

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

# Taxation

	H1 2005 £m	H1 2004 £m	Full Year 2004 £m
Profit before tax	39.9	44.2	34.2
Add back: exceptional items	<u>28.6</u>	<u>-</u>	<u>48.5</u>
Profit before tax and exceptional items	<u>68.5</u>	<u>44.2</u>	<u>82.7</u>
Tax charge	14.2	17.1	13.5
Add back: tax on exceptional items	<u>8.3</u>	<u>-</u>	<u>14.7</u>
Tax charge excluding exceptionals	<u>22.5</u>	<u>17.1</u>	<u>28.2</u>
Effective rate of tax	35.6%	38.7%	39.5%
Effective rate of tax (excl. exceptionals and PYAs)	35.8%	-	38.6%

# IFRS Key Impacts

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- ❑ Recognition of matched principal business on balance sheet at trade date
- ❑ New valuation basis for share options
- ❑ Impairment reviews for goodwill
- ❑ Recognition of financial instruments on fair value basis
- ❑ Recognition of actuarial gains and losses on DB pension schemes
- ❑ Dividends accrued as declared

# IFRS – Restatement of Prior Year Figures in Income Statement

	H1 2004		Full Year 2004	
	Operating profit* £m	Profit before tax £m	Operating profit* £m	Profit before tax £m
As reported under UK GAAP	46.9	39.4	90.1	21.7
Goodwill	-	7.9	(2.2)	17.4
Share option charges	1.4	1.4	1.5	1.5
Pension costs & interest			(0.1)	(1.0)
Valuation of financial instruments	(0.9)	(3.6)	(1.5)	(4.9)
Holiday pay provision	(0.9)	(0.9)	-	-
Associates	-	-	-	(0.5)
As reported under IFRS	<u>46.5</u>	<u>44.2</u>	<u>87.8</u>	<u>34.2</u>

\* Before goodwill amortisation and exceptional items

# Update on legal issues

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- ❑ Holt
- ❑ Financial Times defamation case
- ❑ Proceedings against BGC in Singapore

# **Interim Results 2005**

**September 2005**

# *Appendix*

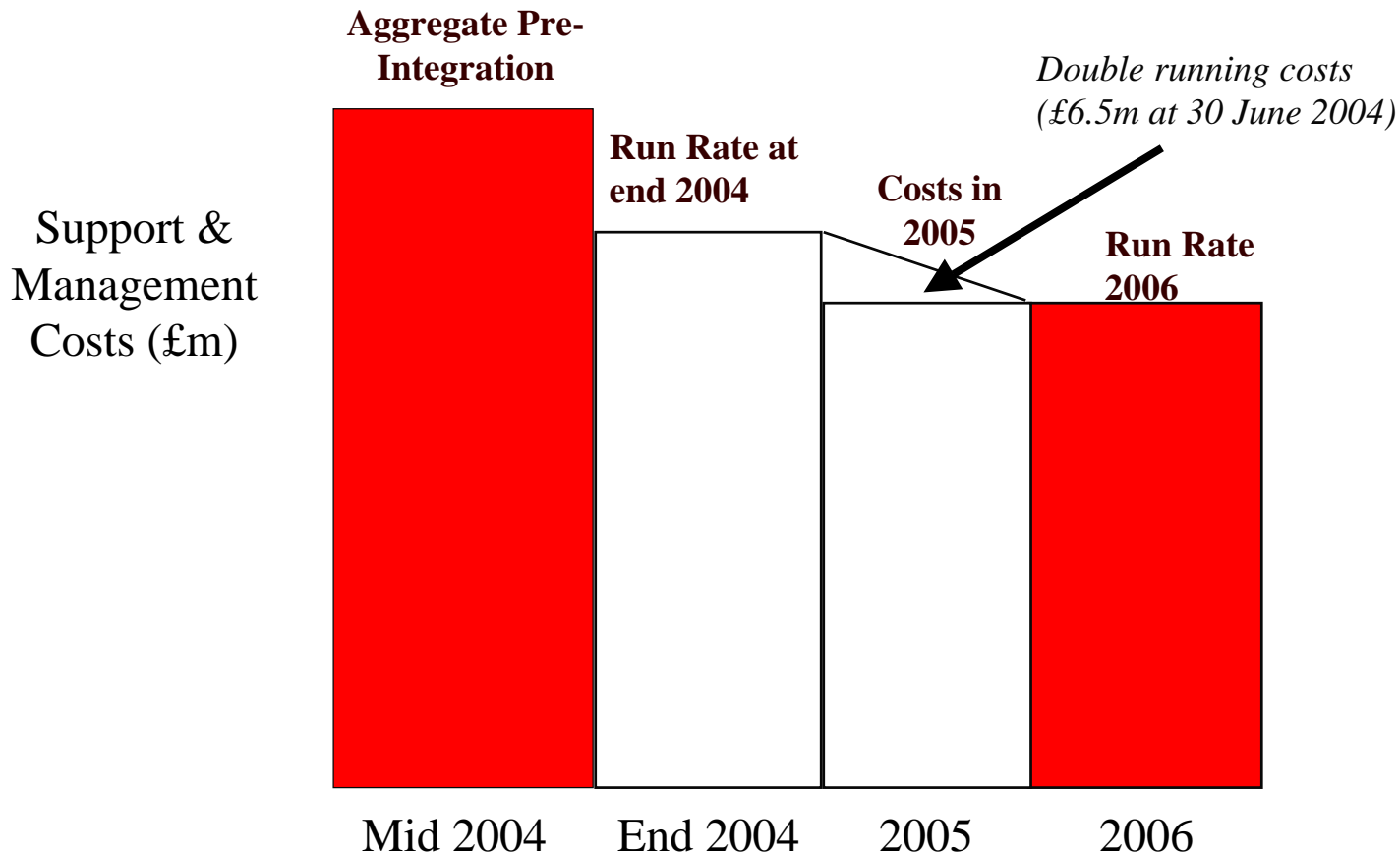
# Major Shareholders as at 1<sup>st</sup> September 2005

Fund Manager / Investor		Holding	(%)
1.	Toscafund Ltd *	21,198,836	9.98
2.	Legal & General Investment Management	12,666,085	5.96
3.	Director & Related Holdings	11,329,370	5.33
4.	UBS Global Asset Management	10,115,709	4.76
5.	Lazard Asset Management	9,597,220	4.51
6.	Morley Fund Management	7,746,814	3.64
7.	Scottish Widows Investment Partnership	6,989,367	3.29
8.	M & G Investment Management	6,546,531	3.08
9.	Barclays Global Investors	5,525,515	2.60
10.	Ballie Gifford & Co	4,811,999	2.26
11.	CST Employee Share Option Plan	4,616,758	2.17
12.	Dresdner Bank Investment Mgmt	4,581,124	2.15
13.	Threadneedle Investment Management	4,409,824	2.07
14.	Collins Stewart	3,269,944	1.53
15.	Ziff Brothers Investments LLC	3,116,217	1.46
16.	Goldman Sachs	2,856,196	1.34
17.	HSBC Asset Management	2,788,460	1.31
18.	Gartmore Investment Management	2,727,348	1.28
19.	Britannic Asset Management	2,701,236	1.27
20.	Bluecrest Capital Management	2,585,000	1.21
<b>Total</b>		<b>130,179,553</b>	<b>61.2</b>

Source: Capita Registrars

\*Toscafund subsequently increased to 29,469,754 (13.9%)

# Support and Management Costs – Run Rate



# Breakdown of Revenue by Activity

	H1 2005 £m	H1 2004 £m	Full Year 2004 £m
<b>Revenue</b>			
Market Making	6.0	7.2	13.5
Commissions	23.4	25.2	47.8
Corporate Finance Income	23.0	18.9	42.3
Management Fees	6.4	6.9	13.4
Other	0.1	0.1	0.5
	<u>58.9</u>	<u>58.3</u>	<u>117.5</u>

# Comparison Data

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- ❑ Tradition, GFI and eSpeed have 31 December year ends. Information has been extracted from their 2005 interim announcements
- ❑ ICAP has a 31 March year end. Information has been taken from ICAP's IFRS transition report
- ❑ Revenue excludes JVs
- ❑ Operating profits are reported before amortisation of goodwill, exceptional items and interest income/expense where these can be separately identified
- ❑ Operating margin = operating profit/revenue
- ❑ Currencies have been converted to GBP using the following rates [£1:CHF2.2605] and £1:US\$1.8753

# **Interim Results 2005**

**September 2005**