

# Charles Stanley

GROUP PLC

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15 November 2001

## RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001 AND ACQUISITION OF TORRIE & CO.

- Turnover £27.0 million against £34.9 million to 30 September 2000
- Pre-tax profit £4.2 million against £7.2 million to 30 September 2000
- Earnings per share 7.01p against 11.77p to 30 September 2000
- Net assets up 8% in the latest six months at £39.4 million
- Dividend up 33% at 1.00p

We are pleased to announce that profit before tax for the half year ended 30 September 2001 totalled £4.2 million, slightly above our estimate of £4 million set out in our October trading statement. Turnover, at £27.0 million, was 23% down compared with the half year ended 30 September 2000.

### Results for the six months ended 30 September 2001

From the beginning of the latest period, business levels across the Group have remained below those of the equivalent period last year, reflecting the general downturn in the global economy. All divisions of the Group have performed well. Commission income has fallen back while fee income has remained steady.

We consider that we are in a good position to withstand market conditions of the kind that we are now experiencing. We are able to control our costs in a manner that allows us to trade profitably, and we have continued to build up our balance sheet.

The stockbroking industry is however suffering considerable pressure, both because of the financial downturn and because of an increasing regulatory workload with the imminent coming into force of the Financial Services and Markets Act 2000. We anticipate that this will lead to further consolidation within the industry. Our trading record and strong balance sheet mean that we are well placed to make strategic acquisitions. We have a solid track record of successful integration of such businesses, and in addition to today's announcements we believe that further opportunities may become available.

### Dividend

The Group has declared an interim dividend of 1.00p per share net of tax, an increase of 33% compared with the dividend of 0.75p net per share declared in respect of the first half year of 2000/2001. This reflects our intention to continue to narrow the gap between the interim and the final dividends. The latest dividend will be paid on 21 December 2001 to shareholders registered on 23 November 2001.

## Acquisitions

We are delighted to announce that we have today reached an agreement with the partners of Torrie & Co for the acquisition of their stockbroking business for a maximum consideration of £7.75 million.

Torrie & Co was established as a stockbroking partnership nearly 100 years ago and operates today from offices in George Street, Edinburgh. In recent years, Torrie has established alongside its traditional advisory and discretionary business, a highly rated on-line broker trading under the brand name "FasTrade". This division will be merged with our XEST brand in early 2002, and the combined businesses trading under the brand of "FasTrade" will create one of the largest on-line brokers in the UK. The new division will primarily operate from Edinburgh.

In the year to April 2001, Torrie & Co reported turnover of £5.2 million after external sharing of commission, and profits before tax of £0.5 million prior to partnership drawings. Funds under management total £340 million.

The initial consideration payable for the business of Torrie & Co will be £4.7 million, with further payments of up to £2.75 million (and a potential clawback of up to £750,000) depending on the performance of certain areas of the business. We will also be acquiring certain assets valued at £300,000, giving a potential maximum consideration of £7.75 million. Of the initial consideration, £3.5 million will be satisfied in cash from our own resources and £1.5 million by way of the issue of convertible unsecured redeemable loan notes. The loan notes will be convertible into fully paid Charles Stanley ordinary shares at any time from six months and a day after they are issued up to the fifth anniversary of their date of issue. The conversion rate will be calculated by reference to the average of the closing mid market price of Charles Stanley ordinary shares over the period commencing five dealing days before the date of this announcement and ending four dealing days after such date, subject to a minimum conversion price of 200p. The loan notes will carry a coupon of 3 per cent per annum.

The deferred consideration (if any) is payable in cash in two tranches, 24 months and 36 months respectively after the completion date, based on the achievement of certain performance targets. Any amount to be clawed back from the initial purchase price will be determined twelve months after completion.

This acquisition is part of our ongoing expansion plans for Charles Stanley & Co. We are very pleased to be opening our first branch in Scotland. It will remain under the management of the present partners, who will be seeking opportunities to grow the branch and to expand elsewhere.

We are also delighted to announce that on 17 December 2001 we will open a new branch in Tunbridge Wells.

## Outlook

It is always difficult to predict the short-term outlook in this industry, and never more so than in present uncertain market conditions. Looking further ahead, though, we believe that the business trend of the Group is upwards. We are trading profitably and are well placed to take advantage of any upturn.

Sir David Howard, Bt.  
CHAIRMAN

## Consolidated Profit and Loss Account

Six months ended 30 September 2001

	<i>Notes</i>	<i>Half-year to 30.9.01 £'000</i>	<i>Half-year to 30.9.00 £'000</i>	<i>Year to 31.3.01 £'000</i>
TURNOVER	2	<b>26,964</b>	34,863	70,443
Operating expenses		<b>(23,550)</b>	(28,229)	(56,153)
OPERATING PROFIT		<b>3,414</b>	6,634	14,290
Interest receivable		<b>885</b>	740	1,565
Interest payable	3	<b>(52)</b>	(186)	(384)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<b>4,247</b>	7,188	15,471
Tax on profit on ordinary activities	4	<b>(1,295)</b>	(2,300)	(4,447)
PROFIT FOR THE PERIOD		<b>2,952</b>	4,888	11,024
Dividends	5	<b>(421)</b>	(316)	(1,686)
PROFIT RETAINED FOR THE PERIOD		<b>2,531</b>	4,572	9,338
EARNINGS PER SHARE	6	<b>7.01p</b>	11.77p	26.55p
EARNINGS PER SHARE – DILUTED	6	<b>7.01p</b>	11.77p	26.19p

There were no differences between the results on a historical cost basis and those reflected above.

### Statement of Total Recognised Gains and Losses

Profit for the period	2,952	4,888	11,024
Unrealised gains on investments	486	3,283	2,954
Total recognised gains and losses relating to the period	3,438	8,171	13,978

## Consolidated Balance Sheet

30 September 2001

	<i>Notes</i>	<b>30.9.01</b> <b>£'000</b>	<i>30.9.00</i> <i>£'000</i>	<i>31.3.01</i> <i>£'000</i>
<b>FIXED ASSETS</b>				
Intangible – Goodwill		<b>2,353</b>	1,755	2,533
Tangible		<b>6,429</b>	5,612	6,814
Investments		<b>4,025</b>	3,980	3,667
		<b>12,807</b>	11,347	13,014
<b>CURRENT ASSETS</b>				
Debtors		<b>145,734</b>	300,915	173,914
Listed investments		<b>109</b>	910	624
Cash at bank and in hand		<b>31,880</b>	25,823	31,489
		<b>177,723</b>	327,648	206,027
CREDITORS amounts falling due within one year		<b>(150,278)</b>	(305,073)	(181,160)
<b>NET CURRENT ASSETS</b>		<b>27,445</b>	22,575	24,867
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>40,252</b>	33,922	37,881
<b>CREDITORS: amounts falling due after more than one year</b>				
Minority Interests		<b>(44)</b>	(44)	(44)
		<b>(756)</b>	(1,879)	(1,402)
<b>NET ASSETS</b>		<b>39,452</b>	31,999	36,435
<b>CAPITAL AND RESERVES</b>				
Called up share capital	7	<b>10,537</b>	10,537	10,537
Revaluation reserve		<b>3,555</b>	3,398	3,069
Profit and loss account		<b>25,360</b>	18,064	22,829
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<b>39,452</b>	31,999	36,435

**Consolidated Cash Flow Statement**  
Six months ended 30 September 2001

	<i>Notes</i>	<i>Half-year to 30.9.01 £'000</i>	<i>Half-year to 30.09.00 £'000</i>	<i>Year to 31.3.01 £'000</i>
Cash flow from operating activities	8	<b>3,620</b>	5,854	17,691
Returns on investments and servicing of finance		<b>780</b>	554	1,224
Taxation		<b>(1,086)</b>	(2,623)	(5,847)
Capital expenditure and financial investment		<b>(730)</b>	(1,499)	(3,018)
Acquisitions		-	-	(663)
Equity dividends paid		<b>(1,370)</b>	(1,114)	(1,431)
<b>Cash inflow before financing</b>		<b>1,214</b>	1,172	7,956
<b>Financing</b>				
Issue of ordinary share capital		-	288	288
Decrease in debt		<b>(823)</b>	(720)	(1,838)
		<b>(823)</b>	(432)	(1,550)
<b>Increase in cash in the period</b>		<b>391</b>	740	6,406
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>				
Increase in cash in the period		<b>391</b>	740	6,406
Cash outflow from change in debt and lease financing		<b>823</b>	720	1,838
		<b>1,214</b>	1,460	8,244
New finance leases		<b>(7)</b>	(632)	(1,245)
<b>Movement in net funds in the period</b>		<b>1,207</b>	828	6,999
Net funds at start of period		<b>28,536</b>	21,537	21,537
<b>Net funds at close of period</b>		<b>29,743</b>	22,365	28,536

## Notes to the Financial Statements

### 1 BASIS OF PREPARATION

The interim results have been prepared on a basis consistent with the accounting policies set out on pages 18 and 19 of Charles Stanley Group PLC's Annual Report and Financial Statements for the year ended 31 March 2001. The unaudited interim financial statements should therefore be read in conjunction with the 2001 annual report and financial statements.

The financial information as set out in this report is unaudited and does not comprise statutory accounts for the purposes of Section 240 of the Companies Act 1985. The Auditors have carried out a review and their report is set out below.

The comparative figures for the year ended 31 March 2001 have been taken from, but do not constitute, the Company's statutory financial statements for that financial year. Those financial statements have been reported on by the Company's auditors and delivered to the Registrar of Companies. Their report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

A copy of this statement is being forwarded to all shareholders and will be available for members of the public at the Company's registered office, 25 Luke Street, London EC2A 4AR.

### 2 TURNOVER

	<b>30 Sep 2001 £'000</b>	<i>30 Sep 2000 £'000</i>	<i>31 Mar 2001 £'000</i>
Commission	<b>19,396</b>	27,257	53,901
Investment management fees	<b>6,693</b>	6,495	13,696
Corporate finance fees	<b>875</b>	1,111	2,846
	<b>26,964</b>	34,863	70,443

### 3 INTEREST PAYABLE

On bank loans and overdrafts	<b>20</b>	171	314
Finance lease interest	<b>32</b>	15	70
	<b>52</b>	186	384

### 4 TAX ON PROFIT ON ORDINARY ACTIVITIES

Current period:

Based on the profit for the period:

UK corporation tax at 30%	<b>1,295</b>	2,300	4,515
Prior periods:			
Corporation tax	-	-	(68)
	<b>1,295</b>	2,300	4,447

### 5 DIVIDENDS

Proposed interim of 1.00p per share (2001: 0.75p)	<b>421</b>	316	316
Final of 3.25p per share	-	-	1,370
	<b>421</b>	316	1,686

## Notes to the Financial Statements (continued)

### 6 EARNINGS PER SHARE

The calculation of earnings per share and diluted earnings per share is based on the profit for the period of £2,952,000 (2000: £4,888,000; 2001: £11,024,000). For the basic earnings per share the weighted average number of actual shares of 42,110,148 in issue (2000 and 2001: 41,525,134) is used. For the diluted earnings per share the weighted average number of actual and potential shares of 42,110,148 (2000: 41,525,134; 2001: 42,086,953) is used.

### 7 CALLED UP SHARE CAPITAL

	<b>30 Sep 2001 £'000</b>	30 Sep 2000 £'000	31 Mar 2001 £'000
Authorised:			
80,000,000 ordinary shares of 25p each	<b>20,000</b>	20,000	20,000
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Allotted and fully paid:			
42,149,378 ordinary shares of 25p each	<b>10,537</b>	10,537	10,537
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On 30 September 2001 the following options have been granted and remain outstanding in respect of ordinary shares of 25p in the company under the company's Save As You Earn Scheme

	No of shares	Option price
Grant dated 11 July 2001	1,146,549	£2.87
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Options are exercisable during the six months commencing 1 September 2006.

### 8 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating profit	<b>3,414</b>	6,634	14,290
Provision made against fixed asset investment	<b>76</b>	-	-
Depreciation charges	<b>1,204</b>	727	1,647
Goodwill amortised	<b>180</b>	135	270
Profit on sale of fixed asset investments	<b>(30)</b>	(23)	(29)
Decrease in debtors	<b>28,695</b>	148,302	275,591
Decrease in creditors	<b>(29,919)</b>	(149,921)	(274,078)
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Net cash inflow from operating activities	<b>3,620</b>	5,854	17,691
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## Independent Review Report to Charles Stanley Group PLC

We have been instructed by the Company to review the financial information set out above which comprises the profit and loss account, balance sheet, cash flow statement, statement of recognised gains and losses and the related notes. 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.

### 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 should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### Review work performed

We conducted our review in accordance with 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 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 United Kingdom Auditing Standards 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 modification that should be made to the financial information as presented for the six months ended 30 September 2001.

SAFFERY CHAMPNESS  
*Chartered Accountants*  
London

15 November 2001

### Financial Calendar

15 November 2001	Results announced
21 November 2001	Ex-dividend date for interim dividend
23 November 2001	Record date for interim dividend
21 December 2001	Interim dividend paid
June 2002	Final results announced

### FOR FURTHER INFORMATION PLEASE CONTACT

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