

# Charles Stanley

GROUP PLC

REGISTERED OFFICE: 25 LUKE STREET LONDON EC2A 4AR  
Tel: 020 7739 8200 Fax: 020 7739 7798

10 November 2004

## CHARLES STANLEY GROUP PLC RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

Charles Stanley, a major independent stockbroker, announces its interim results for the six months ended 30 September 2004.

### Highlights:

- Profit before tax and goodwill amortisation £4.1 million (2003: £3.0 million)
- Profit before tax £3.2 million (2003: £2.4 million)
- Turnover increased by 13.9% to £34.3 million (2003: £30.1 million)
- Adjusted Earnings per share 6.84p (2003: 4.59p)
- Dividend 1.10p (2003: 1.00p)
- Acquisition of Tozer Wingate

**Sir David Howard, Chairman, commented:** "Although trading conditions over the summer period were subdued, I am pleased to say that there are now signs of increased activity in the market, but there is no let-up in the range of uncertainties to discourage investors. Nevertheless it looks as if UK interest rates may be approaching their upper limit in the current cycle, and this, coupled with the continuing strength of much of the commercial sector may be causing investors to take a noticeably more optimistic view of the market."

Your company has performed well in the rather flat conditions of the first half-year. As we enter the second half the tone is more buoyant. If things continue in this vein then I would take a cautiously optimistic view for the year as a whole."

### For further information please contact:

**Charles Stanley Group PLC**  
Sir David Howard, Chairman  
Peter A Hurst, Finance Director  
Phone: 020 7739 8200  
Fax: 020 7953 2948

**Bridgewell Securities Ltd**  
Ben Money-Coutts  
Director  
Phone 020 7003 3124

**Tavistock Communications**  
Jeremy Carey, Chairman  
John West, Director  
Phone: 020 7920 3150

## **Chairman's Statement**

### **Results**

I am pleased to announce that for the six months ended 30 September 2004 profit before tax and goodwill amortisation has increased by 36% from £3.03 million to £4.13 million. Turnover for the period has risen by 14% from £30.15 million to £34.33 million. Profit before tax but after goodwill amortisation and the sale of investments was 33% higher at £3.24 million (2003: £2.44 million).

This result includes a special dividend of £438,000 which we received on our holding of 750,000 London Stock Exchange shares. As a result of capital restructuring by the London Stock Exchange this holding has been reduced to 642,857 shares, and the reduction in the value of this investment is reflected in our balance sheet.

During the period, also, we were pleased to secure a satisfactory sub-letting of our office in George Street, Edinburgh and we have written off the entire cost of the sub-letting, £444,000, in these accounts.

As I have indicated in previous statements we do not feel it appropriate to make any provision in relation to our advice on Split Capital Investment Trusts, nor for any additional resources required in relation to complaints.

### **Dividend**

In view of these results we propose an increase in the interim dividend from 1.0p to 1.1p net per share which will be paid on 15 December 2004 to shareholders registered on 19 November 2004.

### **Review of operations**

As noted in the opening paragraph revenues for the period totalled £34.33 million. Our income derives from two principal sources, commission income from stock exchange trading on behalf of our clients, and fee income from investment management, corporate finance and personal financial services. In the last six months the level of our stock exchange trades, and the commission income which they generated, was only marginally higher than in the equivalent period of last year, up 2% to £21.28 million (2003: £20.81 million). Our fee income, on the other hand, was 40% higher, at £13.05 million (2003: £9.34 million). This reflects the success of our strategy of moving our revenue increasingly towards fee based income, which now represents 38% of total revenue (first half of 2003-04: 31%).

In recent years I have been able to refer to the recognition we have achieved for our stockbroking services. We are proud to announce that we have received the Investors Chronicle Award for the Best Dealing-Only Stockbroker 2004. We were also nominated by readers of the Investors Chronicle as Runner-Up for the Award of Best Advisory Stockbroker.

Our Corporate Finance division has enjoyed another good half-year, building on the considerable achievements of last year. The team completed a range of transactions and fund raisings. The second half has got off to a promising start. We now act for 44 corporate clients with fees earned by the division rising by 31% from £1.64 million to £2.15 million.

Elsewhere, too, the business continues to move forward. Funds under management, for example, now total £6.9 billion. This figure includes our PEPs and ISAs, which are now worth close to £1 billion of clients' funds. The Self Invested Pension Plans which we administer through our EBS division have just passed the landmark figure of 1,000. We act as investment manager or broker to a substantially larger number of SIPPs, and we are about to launch our Alpha SIPP, combining administration and management in a single, attractive, simplified product. These exciting developments underpin the continuing growth and progress of Charles Stanley.

## **Acquisitions**

A key element of our strategy is to grow the business by acquisition. This time last year, and again in June this year, in my statements to shareholders I referred to a series of acquisitions which we have completed during the past 18 months. This process has continued during recent months. On 3 August we purchased the business of Tozer Wingate, a benefit consultancy business based in Plymouth, and as previously announced, we continue to be in talks with Sutherlands Group Ltd.

## **Outlook**

Although trading conditions over the summer were subdued, I am pleased to say that there are now signs of increased activity in the market, but there is no let-up in the range of uncertainties to discourage investors: the colossal US trade deficit; the weakness of the eurozone economy; the escalation of the war in Iraq; and worries about the direction of the domestic economy. Nevertheless it looks as if UK interest rates may be approaching their upper limit in the current cycle, and this, coupled with the continuing strength of much of the commercial sector may be causing investors to take a noticeably more optimistic view of the market.

Your company has performed well in the rather flat conditions of the first half-year. As we enter the second half the tone is more buoyant. If things continue in this vein then I would take a cautiously optimistic view for the year as a whole.

**Sir David Howard Bt.**

**Chairman**

**10 November 2004**

## Consolidated Profit and Loss Account

Six months ended 30 September 2004

	Notes	<b>Unaudited Half-year to 30.9.04 £'000</b>	<i>Unaudited Half-year to 30.9.03 £'000</i>	<i>Audited Year to 31.3.04 £'000</i>
TURNOVER	2			
Continuing operations		<b>34,244</b>	29,963	66,218
Acquisitions		<b>88</b>	186	1,946
		<b>34,332</b>	30,149	68,164
Operating expenses		<b>(32,212)</b>	(28,224)	(62,701)
<b>OPERATING PROFIT/(LOSS)</b>	3			
<i>Continuing operations</i>		<b>2,109</b>	1,951	5,145
<i>Acquisitions</i>		<b>11</b>	(26)	318
		<b>2,120</b>	1,925	5,463
(Loss)/profit on sale of investments – continuing operations		<b>(3)</b>	32	74
		<b>2,117</b>	1,957	5,537
Income from fixed asset investments	4	<b>438</b>	-	-
Interest receivable		<b>709</b>	512	1,100
Interest payable	5	<b>(21)</b>	(31)	(55)
<i>Profit on ordinary activities before goodwill amortisation and profit on sale of investments</i>		<b>4,135</b>	3,033	8,102
<i>Goodwill amortisation</i>		<b>(889)</b>	(627)	(1,594)
		<b>3,246</b>	2,406	6,508
<i>(Loss)/profit on sale of investments</i>		<b>(3)</b>	32	74
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>3,243</b>	2,438	6,582
Tax on profit on ordinary activities	6	<b>(1,250)</b>	(1,130)	(2,773)
<b>PROFIT FOR THE PERIOD</b>		<b>1,993</b>	1,308	3,809
Dividends	7	<b>(463)</b>	(421)	(2,002)
<b>TRANSFER TO RESERVES</b>		<b>1,530</b>	887	1,807

## Earnings per Share

	<i>Notes</i>	<b>Unaudited Half-year to 30.9.04</b>	<i>Unaudited Half-year to 30.9.03</i>	<i>Audited Year to 31.3.04</i>
<b>Based on Profit for the period</b>				
Basic	8	<b>4.73p</b>	3.10p	9.04p
Diluted	8	<b>4.53p</b>	2.97p	8.64p
<b>Excluding goodwill amortisation</b>				
Basic	8	<b>6.84p</b>	4.59p	12.82p
Diluted	8	<b>6.55p</b>	4.39p	12.26p

## Statement of Total Recognised Gains and Losses

	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit for the period	<b>1,993</b>	1,308	3,809
Unrealised (losses)/gains on investments	<b>(535)</b>	472	579
Total recognised gains and losses relating to the period	<b>1,458</b>	1,780	4,388

## Note of Historical Cost Profits and Losses

	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Reported profit on ordinary activities before taxation	<b>3,243</b>	2,438	6,582
Realisation of investment revaluation gains of previous periods	<b>1</b>	4	(9)
Historical cost profit on ordinary activities before taxation	<b>3,244</b>	2,442	6,573
Historical cost profit for the period retained after taxation and dividends	<b>1,531</b>	891	1,798

## Consolidated Balance Sheet

30 September 2004

	<i>Notes</i>	<b>Unaudited 30.9.04 £'000</b>	<i>Unaudited 30.9.03 £'000</i>	<i>Audited 31.3.04 £'000</i>
<b>FIXED ASSETS</b>				
Intangible – Goodwill		<b>12,946</b>	10,979	11,846
Tangible		<b>6,068</b>	5,328	5,493
Investments		<b>3,110</b>	3,255	3,670
		<b>22,124</b>	19,562	21,009
<b>CURRENT ASSETS</b>				
Debtors		<b>160,424</b>	208,814	171,489
Listed investments		<b>1,409</b>	419	908
Cash at bank and in hand		<b>32,495</b>	28,666	33,993
		<b>194,328</b>	237,899	206,390
CREDITORS amounts falling due within one year		<b>(172,058)</b>	(216,826)	(185,165)
<b>NET CURRENT ASSETS</b>		<b>22,270</b>	21,073	21,225
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>44,394</b>	40,635	42,234
CREDITORS: amounts falling due after more than one year		<b>(2,583)</b>	(1,046)	(1,418)
Minority Interests		<b>(244)</b>	(44)	(244)
<b>NET ASSETS</b>		<b>41,567</b>	39,545	40,572
<b>CAPITAL AND RESERVES</b>				
Called up share capital	9	<b>10,537</b>	10,537	10,537
Revaluation reserve		<b>2,140</b>	2,568	2,675
Profit and loss account		<b>28,890</b>	26,440	27,360
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<b>41,567</b>	39,545	40,572

## Consolidated Cash Flow Statement

Six months ended 30 September 2004

	<i>Notes</i>	<i>Unaudited Half-year to 30.9.04 £'000</i>	<i>Unaudited Half-year to 30.09.03 £'000</i>	<i>Audited Year to 31.3.04 £'000</i>
Cash flow from operating activities	10	3,901	5,038	13,814
Returns on investments and servicing of finance		1,126	482	1,045
Taxation		(2,133)	(317)	(930)
Capital expenditure and financial investment		(1,571)	(586)	(1,997)
Acquisitions		(627)	(1,054)	(1,961)
Equity dividends paid		(1,581)	(1,476)	(1,897)
		<b>(885)</b>	2,087	8,074
Management of liquid resources		<b>(501)</b>	(97)	(586)
Financing				
Decrease in debt		<b>(112)</b>	(272)	(443)
<b>(Decrease)/ increase in cash in the period</b>		<b>(1,498)</b>	1,718	7,045
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>				
<b>(Decrease)/ increase in cash in the period</b>		<b>(1,498)</b>	1,718	7,045
Cash used to increase liquid resources		501	97	586
Cash outflow from change in debt and lease financing		112	272	443
		<b>(885)</b>	2,087	8,074
New finance leases		<b>(37)</b>	(571)	(620)
Movement in net funds in the period		<b>(922)</b>	1,516	7,454
Net funds at start of period		<b>34,399</b>	26,945	26,945
Net funds at close of period		<b>33,477</b>	28,461	34,399

## 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 35 and 36 of Charles Stanley Group PLC's Annual Report and Financial Statements for the year ended 31 March 2004. The unaudited interim financial statements should therefore be read in conjunction with the 2004 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 2004 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 2004 £'000</b>	<b>30 Sep 2003 £'000</b>	<b>31 Mar 2004 £'000</b>
Commission	<b>21,278</b>	20,808	46,141
Investment management fees	<b>5,114</b>	3,001	7,714
Administration fees	<b>5,794</b>	4,695	10,602
Corporate finance fees	<b>2,146</b>	1,645	3,707
	<b>34,332</b>	30,149	68,164

### 3 OPERATING PROFIT

Operating profit is stated after charging:

Depreciation on owned assets	<b>950</b>	849	1,887
Depreciation on assets held under finance leases	<b>105</b>	214	338
Goodwill amortisation	<b>889</b>	627	1,594
Auditors' remuneration			
Audit services	<b>47</b>	37	87
Further assurance services	-	10	43
Tax services	<b>25</b>	25	70
Operating lease rentals	<b>583</b>	538	1,028
Sublet of lease – George Street, Edinburgh	<b>444</b>	-	-

### 4 INCOME FROM FIXED ASSET INVESTMENTS

Income consists of a special dividend paid by The London Stock Exchange in August 2004.

## 5 INTEREST PAYABLE

	<b>30 Sep 2004 £'000</b>	<b>30 Sep 2003 £'000</b>	<b>31 Mar 2004 £'000</b>
On bank loans and overdrafts	5	15	34
On other loans	4	-	6
Finance lease interest	12	16	15
	<b>21</b>	<b>31</b>	<b>55</b>

## 6 TAX ON PROFIT ON ORDINARY ACTIVITIES

Current period:			
UK corporation tax at 30%	1,250	987	2,630
Adjustments in respect of previous periods	-	143	143
	<b>1,250</b>	<b>1,130</b>	<b>2,773</b>

## 7 DIVIDENDS

Proposed interim of 1.10p per share (2003: 1.00p)	463	421	421
Final of 3.75p per share	-	-	1,581
	<b>463</b>	<b>421</b>	<b>2,002</b>

## 8 EARNINGS PER SHARE

	<b>No.</b>	<b>No.</b>	<b>No.</b>
Weighted average number of shares in issue in the period	<b>42,149,378</b>	42,149,378	42,149,378
Weighted average number of options outstanding	<b>1,876,797</b>	1,943,500	1,921,125
	<b>44,026,175</b>	<b>44,092,878</b>	<b>44,070,503</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Profit for the period before goodwill	<b>2,882</b>	1,935	5,403
Goodwill amortisation	<b>(889)</b>	(627)	(1,594)
Profit for the period	<b>1,993</b>	1,308	3,809

## 9 CALLED UP SHARE CAPITAL

	<b>30 Sep 2004 £'000</b>	30 Sep 2003 £'000	31 Mar 2004 £'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 2004 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 Exercisable during the six months commencing 1 September 2006	51,023	£2.87
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Grant dated 2 January 2003 Exercisable during the six months commencing 1 February 2008	1,876,797	£0.96
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## 10 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<b>£'000</b>	£'000	£'000
Operating profit	<b>2,120</b>	1,925	5,463
Provision made against fixed asset investments	-	(28)	(61)
Depreciation charges	<b>1,055</b>	1,063	2,225
Goodwill amortised	<b>889</b>	627	1,594
Decrease /(Increase) in debtors	<b>11,065</b>	(29,917)	7,407
(Decrease)/increase in creditors	<b>(11,228)</b>	31,368	(2,699)
Investment acquired in lieu of fees	-	-	(115)
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Net cash inflow from operating activities	<b>3,901</b>	5,038	13,814
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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 2004.

SAFFERY CHAMPNESS  
Chartered Accountants  
London

10 November 2004

### **Financial Calendar**

10 November 2004	Results announced
17 November 2004	Ex-dividend date for interim dividend
19 November 2004	Record date for interim dividend
15 December 2004	Interim dividend paid
June 2005	Final results announced