

Interim Report
2005/2006

Financial Highlights

- **Revenue up by 20% to £41.7 million
(2004: £34.7 million)**
- **Profit before tax up by 32% to £5.4 million
(2004: £4.1 million)**
- **Funds under management up by £1 billion (13%)
to £8.7 billion (31 March 2005: £7.7 billion)**
- **Earnings per share up 31% to 8.78p (2004: 6.68p)**
- **Dividend up by 27% to 1.40p (2004: 1.10p)**
- **Recruitment of new 15 strong investment team
in London**
- **New offices opened in Birmingham and Glasgow**

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Chairman's Statement

I am pleased to announce that the income of the Group for the six months ended 30 September 2005 has increased by 20% from £34.7 million to £41.7 million, and profit before tax for the period has risen by 32% from £4.1 million to £5.4 million. Earnings per share have increased by 31% from 6.68p to 8.78p.

Clients' funds under management stood at £8.7 billion at 30 September 2005, an increase of more than £1 billion (or 13%) in the latest six months (31 March 2005: £7.7 billion), analysed as follows:

	30 Sept 2005 £ billion	31 March 2005 £ billion
Discretionary funds under management In Group's nominee or sponsored membership	1.8	1.4
Advisory portfolio funds under management In Group's nominee or sponsored membership	1.8	1.6
Not held in Group's nominee	0.5	0.5
	2.3	2.1
Total managed funds	4.1	3.5
Advisory dealing funds In Group's nominee or sponsored membership	2.0	1.9
Execution only funds In Group's nominee or sponsored membership	2.6	2.3
Total administered funds	4.6	4.2
Total funds under management and administration	8.7	7.7

During the period we were delighted that a significant team of investment managers joined our London office from Dryden Wealth Management Ltd. We opened a new office in Glasgow on 1 June 2005 with a highly regarded institutional team formerly with Aitken Campbell; and on 1 August 2005 we opened a new office in Birmingham comprising a group of private client stockbrokers previously with Gerrards. All three teams have got off to an excellent start with Charles Stanley.

In the light of these results we propose an increase of 27% in the interim dividend from 1.1p to 1.4p net per share, which will be paid on 14 December 2005 to shareholders registered on 18 November 2005. This increase in the dividend seeks to narrow the gap which has been growing in recent years between our interim and final dividends.

Review of Operations

As in the full year ended 31 March 2005 approximately 62% of our turnover in the latest half-year was derived from Stock Exchange transaction charges and 38% from fees for investment management, corporate finance, investment administration, personal and corporate financial planning, and related services.

In the year to 31 March 2005 the volume of Stock Exchange transactions by private clients, nationally, fell by about 12%, and the latest six months has seen only a modest improvement. Despite a significant rise in all the major market indices during these six months, private client transactions on the London Stock Exchange were just 2.9% higher than in the equivalent half-year ended 30 September 2004.

Charles Stanley has performed in line with the national figure, with a 2.6% increase in private client transactions. But by steadily increasing the average value of transactions, we have been able to translate this into an increase of 21% in transaction income, from £21.28 million (first half of 2004-05) to £25.76 million.

At the same time our fee income advanced across all areas of the Group by 21%, from £13.1 million in the first six months of 2004-05 to £15.8 million.

Within this figure our Financial Planning services increased their turnover by 31% from £1.35 million to £1.77 million. Our Corporate Advisory and Broking Division have enjoyed a good half-year, too, having completed 4 Initial Public Offers and a number of other significant transactions. We now act for 54 corporate clients, up from 44 at the same stage last year, with fees earned by the division rising by 12% from £2.15 million to £2.40 million.

With our new offices in Birmingham and Glasgow Charles Stanley now provides its services to clients from 26 offices around the United Kingdom. Our long-standing acquisition policy continues to focus on businesses which fit neatly into our strategic model, and which can be quickly and efficiently integrated – to ensure the smoothest possible transition for clients and for all those that we welcome to Charles Stanley.

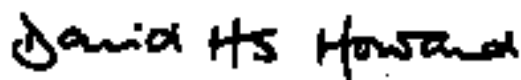
IFRS

Our results are prepared for the first time on the basis of the new International Financial Reporting Standards (IFRS), and comparatives for previous periods have been re-stated on the same basis. The three principal adjustments are that we no longer treat the amortisation of goodwill as an expense, we have to provide for the potential tax liability on the unrealised appreciation in value of our investment assets, and we have to provide for the small shortfall in our defined-benefit pension scheme liability. A detailed analysis of the changes is attached to this statement.

Outlook

When I last reported to you, in June, I talked of the growing uncertainties for economic growth, interest rates, inflation and consumer spending. Five months later the situation looks equally uncertain, yet market indices have continued to perform strongly with company profits still rising, and a spate of take-over activity. Commentators seem to agree that the economy will drift over the next twelve months, but the market is perhaps sending out more positive signals.

Throughout the past two years I have expressed cautious optimism in each of my reports. This has proved justified: we have performed well. On the same basis, looking ahead to the second half of the year, I am once again cautiously optimistic.



Sir David Howard, Bt.

Chairman

8 November 2005

Consolidated Profit and Loss Account

Six months ended 30 September 2005

	Notes	Unaudited Half-year 30 Sept 2005 £'000	Unaudited Half-year 30 Sept 2004 £'000	Unaudited Year 31 March 2005 £'000
Continuing operations				
Revenue	2	41,671	34,727	78,687
Administrative expenses		(37,205)	(31,298)	(69,657)
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Operating profit		4,466	3,429	9,030
Interest payable and similar charges	3	(50)	(21)	(118)
Interest receivable	3	941	709	1,605
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Profit before tax	4	5,357	4,117	10,517
Tax on profit on ordinary activities	6	(1,658)	(1,300)	(3,688)
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Profit for the period from continuing operations		3,699	2,817	6,829
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Profit attributable to minority interest		–	–	9
Profit attributable to equity shareholders		3,699	2,817	6,820
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		3,699	2,817	6,829
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Earnings per Share

	Notes	Unaudited Half-year 30 Sept 2005	Unaudited Half-year 30 Sept 2004	Unaudited Year 31 March 2005
Based on profit for the period				
Basic	7	8.78p	6.68p	16.18p
Diluted	7	8.39p	6.40p	15.47p
Proposed dividends				
Dividend per share	8	1.40p	1.10p	4.15p
		£'000	£'000	£'000
Dividend		590	463	1,750

Statement of Recognised Income and Expense

	£'000	£'000	£'000
Profit for the period	3,699	2,817	6,829
Revaluation of available for sale securities	523	(535)	2,406
Deferred tax on revaluation of available for sale securities	(157)	157	(427)
Retirement benefit scheme actuarial loss	—	—	(311)
Net gains/(losses) not recognised in profit and loss account	366	(378)	1,668
Total recognised income for the period	4,065	2,439	8,497

Consolidated Balance Sheet

At 30 September 2005

	Notes	Unaudited 30 Sept 2005 £'000	Unaudited 30 Sept 2004 £'000	Unaudited 31 March 2005 £'000
Assets				
Non-current assets				
Goodwill	9	15,590	13,835	15,575
Property, plant and equipment	10	5,650	6,068	5,995
Financial assets	11	5,257	3,110	4,787
Retirement benefit asset		—	73	—
		26,497	23,086	26,357
Current assets				
Trade and other receivables	12	359,987	160,424	232,055
Financial assets		1,150	1,409	1,108
Cash and cash equivalents	13	47,111	32,495	44,234
		408,248	194,328	277,397
Liabilities				
Current liabilities				
Financial liabilities	14	(1,013)	(2,682)	(991)
Retirement benefit liability		(111)	—	(111)
Trade and other payables	15	(378,335)	(167,779)	(249,357)
Current tax liabilities		(1,775)	(1,134)	(2,250)
		(381,234)	(171,595)	(252,709)
Net current assets		27,014	22,733	24,688
Non-current liabilities				
Financial liabilities	14	(576)	(199)	(600)
Deferred tax liabilities		(983)	(278)	(831)
Other non-current liabilities		(1,079)	(2,384)	(1,079)
		(2,638)	(2,861)	(2,510)
Net assets		50,873	42,958	48,535
Shareholders' equity				
Ordinary shares	16	10,540	10,537	10,538
Share premium	17	8	—	3
Other reserves	17	3,063	1,498	2,863
Retained earnings	17	37,059	30,679	34,928
Total shareholders' equity	18	50,670	42,714	48,332
Minority interest in equity		203	244	203
Total equity		50,873	42,958	48,535

Consolidated Cash Flow Statement

Six months ended 30 September 2005

	Notes	Unaudited Half-year 30 Sept 2005 £'000	Unaudited Half-year 30 Sept 2004 £'000	Unaudited Year 31 March 2005 £'000
Cash flow from operating activities				
Cash generated from operations	19	6,586	3,901	18,258
Interest received		941	709	1,605
Interest paid		(50)	(21)	(118)
Tax paid		(2,133)	(2,133)	(3,489)
Net cash from operating activities		5,344	2,456	16,256
Cash flows from investing activities				
Acquisition of subsidiaries		(15)	(627)	(2,802)
Proceeds from sale of property, plant and equipment		49	13	408
Purchase of property, plant and equipment		(743)	(1,606)	(2,922)
Proceeds from available for sale investments		328	80	1,415
Purchase of available for sale investments		(259)	(559)	(298)
Dividends received		48	438	438
Net cash used in investing activities		(592)	(2,261)	(3,761)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		7	—	4
Cash outflow from change in debt and lease financing		(132)	(112)	(214)
Dividends paid to shareholders		(1,750)	(1,581)	(2,044)
Net cash used in financing activities		(1,875)	(1,693)	(2,254)
Net increase/(decrease) in cash and cash equivalents		2,877	(1,498)	10,241
Cash and cash equivalents at start of period		44,234	33,993	33,993
Cash and cash equivalents at end of period		47,111	32,495	44,234

Notes to the Financial Statements

General information

The interim financial information for the six months ended 30 September 2005 has been prepared under International Financial Reporting Standards ("IFRS") subject to exemptions referred to below and in accordance with IAS 34.

Explanation of transition to IFRS

This is the first period for which the Group has presented its financial statements under IFRS. The last financial statements under UK GAAP were for the year ended 31 March 2005.

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 April 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:

- not to restate its financial information for acquisitions occurring before 1 April 2004;
- to deem cumulative translation differences to be zero at 1 April 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 April 2004;
- To apply IFRS 2 to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2005.

The financial information for the year ended 31 March 2005 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 September 2004 has been derived from audited UK GAAP information adjusted for the impact of IFRS, and is therefore unaudited also. The impact of the transition from UK GAAP to IFRS at 1 April 2004, 30 September 2004 and 31 March 2005 is contained in the reconciliations of equity that are shown as note 20 of these interim statements.

The interim information, together with the comparative information contained in this report for the year ended 31 March 2005, 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, and their report appears at the end of the interim financial report. The UK GAAP statutory accounts for the year ended 31 March 2005 have been reported on by the Company's auditors, 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.

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.

1 Accounting policies

European Union ('EU') law requires that the next annual consolidated financial statements of the Company, for the year ending 31 March 2006, be prepared in accordance with IFRS adopted for use in the EU. As the next annual 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 20. As this is the first time the Group has reported under IFRS, a summary of the accounting policies is set out below, and should be read in conjunction with the financial statements.

Basis of consolidation

The consolidated financial statements combine the financial statements of Charles Stanley Group PLC and all its subsidiaries, drawn up to 30 September 2005. For the purposes of these accounts, uniform accounting policies have been followed by the Group. All significant intercompany transactions and balances between Group entities are eliminated on consolidation.

Revenue

Revenue comprises stockbroking commission, investment management fees, corporate finance fees, the profit on buying and selling securities, and the profit or loss arising on positions held in securities.

Dividends are credited to the profit and loss account in the year in which they are receivable and are shown exclusive of tax credits. Stockbroking commission and fees are stated gross but exclude value added tax.

Foreign currencies

Foreign currencies have been translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Intangible assets

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 at the date of acquisition.

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

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

Impairment

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 on an annual basis. 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.

1 Accounting policies (continued)

Impairment (continued)

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 the 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.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at cost less accumulated depreciation and any provisions for impairment.

Freehold land is not depreciated. Other tangible fixed assets are depreciated on a straight-line basis at rates sufficient to write off the cost less estimated residual values of individual assets over their estimated useful lives. The depreciation periods of the principal categories of assets are as follows:

Freehold buildings and leasehold properties	up to 50 years
Office equipment and motor vehicles	3 to 10 years

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account using the annuity method. Depreciation on the relevant assets is charged to the profit and loss account. All other leases are "operating leases", and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Investments

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 and 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.

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.

Retirement benefit costs

The cost of providing benefits under defined benefit plans are determined using the projected unit credit method, with actuarial valuations being carried out on an annual basis.

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. The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and 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

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

1 Accounting policies (continued)

Taxation (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at 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. 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 from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the tax profit nor the accounting profit.

The carrying amounts of deferred tax assets are 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.

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.

2 Revenue

	30 Sept 2005 £'000	30 Sept 2004 £'000	31 March 2005 £'000
Commission	25,761	21,278	48,150
Investment management fees	6,239	5,114	10,556
Administration fees	7,197	5,794	14,024
Corporate finance fees	2,399	2,146	5,158
Other income	75	395	799
	<hr/>	<hr/>	<hr/>
	41,671	34,727	78,687

3 Finance income – net

	30 Sept 2005 £'000	30 Sept 2004 £'000	31 March 2005 £'000
Interest expense:			
Interest payable on bank borrowings	(8)	(5)	(13)
Interest payable on other loans	(32)	(4)	(83)
Interest payable on finance leases	(10)	(12)	(22)
Interest and similar charges payable	(50)	(21)	(118)
Interest income	941	709	1,605
Finance income – net	891	688	1,487

4 Profit before tax

The following items have been included in arriving at operating profit:

Depreciation of property, plant and equipment:			
Owned assets	1,105	950	2,108
Assets held under finance leases	17	105	171
Loss/(profit) on disposal of fixed assets	(56)	2	(257)
Other operating lease rentals payable	609	583	1,210
Sublet of lease – George Street, Edinburgh	–	444	444

5 Staff costs

Staff costs for the Group during the period:			
Wages and salaries	12,403	9,452	21,401
Social security costs	1,327	1,005	2,394
Other pension costs	1,139	1,066	2,116
	14,869	11,523	25,911

6 Taxation

Analysis of charge in the period:

Current tax			
Continuing operations	1,663	1,251	3,723
Deferred tax			
Continuing operations	(5)	49	(35)
	1,658	1,300	3,688

7 Earnings per share

	30 Sept 2005 £'000	30 Sept 2004 £'000	31 March 2005 £'000
Earnings attributable to ordinary shareholders	3,699	2,817	6,820
	No. 000	No. 000	No. 000
Weighted average number of shares in issue in the period	42,154	42,149	42,151
Dilution	1,914	1,877	1,932
	44,068	44,026	44,083
Basic earnings per share	8.78p	6.68p	16.18p
Diluted earnings per share	8.39p	6.40p	15.47p

8 Dividends paid

Final paid: 4.15p (2004: 3.75p) per 25p share	1,750	1,581	1,581
Interim paid: 1.10p (2004: 1.00p) per 25p share	—	—	463
	1,750	1,581	2,044

In addition, the Directors are proposing an interim dividend in respect of the six months ended 30 September 2005 of 1.40p per share which will absorb an estimated £590,000 of shareholders' funds. It will be paid on 14 December 2005 to shareholders who are on the register of members on 18 November 2005.

9 Goodwill

Cost			
1 April 2005	19,664	15,935	15,935
Additions	15	1,989	3,729
30 September 2005	19,679	17,924	19,664
Aggregate amortisation			
1 April and 30 September 2005	4,089	4,089	4,089
Net book amount at 30 September 2005	15,590	13,835	15,575

10 Property, plant and equipment

	Freehold premises £'000	Long leasehold premises £'000	Short leasehold premises £'000	Office equipment and motor vehicles £'000	Total £'000
Cost					
1 April 2005	184	1,893	3,394	11,212	16,683
Additions	—	—	240	598	838
Disposals	—	—	—	(121)	(121)
30 September 2005	184	1,893	3,634	11,689	17,400
Depreciation					
1 April 2005	21	1,324	1,446	7,897	10,688
Charge for the period	2	10	225	885	1,122
Disposals	—	—	—	(60)	(60)
30 September 2005	23	1,334	1,671	8,722	11,750
Net book value					
30 September 2005	161	559	1,963	2,967	5,650

11 Financial assets

	Listed investments £'000	Unlisted investments £'000	Total £'000
Fixed asset investments			
1 April 2005			
Cost	394	305	699
Revaluation surplus	2,027	2,061	4,088
Book value	2,421	2,366	4,787
Additions	217	—	217
Disposals	(270)	—	(270)
Revaluation in period	523	—	523
30 September 2005	2,891	2,366	5,257
Cost			
30 September 2005	579	305	884
Revaluation surplus	2,312	2,061	4,373

12 Trade and other receivables

	30 Sept 2005 £'000	30 Sept 2004 £'000	31 March 2005 £'000
Amounts falling due within one year:			
Trade debtors	358,190	158,728	229,897
Other debtors	495	483	630
Prepayments and accrued income	1,302	1,213	1,528
	359,987	160,424	232,055

13 Cash and cash equivalents

Cash at bank and in hand	47,111	32,495	44,234
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14 Financial liabilities

Current:			
3% redeemable loan	157	—	157
4.5% convertible redeemable loan note	469	—	469
4.5% redeemable unsecured loan note	171	—	171
Fixed rate loan notes	—	300	—
Obligations under finance leases	180	228	194
Short position holdings	—	2,154	—
Bank overdraft	36	—	—
	1,013	2,682	991
Non-current:			
4.5% convertible redeemable loan note	468	—	468
Obligations under finance leases	108	199	132
	576	199	600

15 Trade and other payables

	30 Sept 2005 £'000	30 Sept 2004 £'000	31 March 2005 £'000
Trade payables	944,021	673,831	788,643
Less funds held on behalf of clients in protected bank accounts	(572,739)	(511,860)	(548,817)
	371,282	161,971	239,826
Other taxes and social security	594	950	2,100
Other creditors	2,503	2,882	3,121
Accruals	3,956	1,976	4,310
	378,335	167,779	249,357

16 Called up share capital

Authorised:			
80,000,000 ordinary shares of 25p each	20,000	20,000	20,000
Allotted and fully paid:			
42,160,419 ordinary shares of 25p each	10,540	10,537	10,538

On 30 September 2005 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	43,499	£2.87
Exercisable during the six months commencing 1 September 2006		
Grant dated 2 January 2003	1,741,110	£0.96
Exercisable during the six months commencing 1 February 2008		

During the period 6,666 ordinary shares were issued fully paid for cash at 96p each following the exercise of options by a former employee.

17 Reserves

	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000
1 April 2005	3	2,863	34,928
Net profit	—	—	3,699
Dividends paid	—	—	(1,750)
Revaluation	—	523	—
Deferred tax	—	(157)	—
Transfer of realised revaluation surplus	—	(237)	237
Deferred tax	—	71	(71)
Share options – value of employee services	—	—	16
Share options – issue of shares	5	—	—
	8	3,063	37,059

18 Statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2004	10,537	—	1,876	29,428	41,841
Net profit	—	—	—	2,817	2,817
Dividends paid	—	—	—	(1,581)	(1,581)
Revaluation	—	—	(535)	—	(535)
Deferred tax charge	—	—	157	—	157
Share options – value of employee services	—	—	—	15	15
30 September 2004	10,537	—	1,498	30,679	42,714
Net profit	—	—	—	4,012	4,012
Dividends paid	—	—	—	(463)	(463)
Revaluation	—	—	2,941	—	2,941
Deferred tax	—	—	(584)	—	(584)
Transfer realised revaluation surplus	—	—	(992)	992	—
Retirement benefits scheme actuarial loss	—	—	—	(311)	(311)
Share options – value of employee services	—	—	—	19	19
Share options – proceeds of shares issued	1	3	—	—	4
31 March 2005	10,538	3	2,863	34,928	48,332
Net profit	—	—	—	3,699	3,699
Dividends paid	—	—	—	(1,750)	(1,750)
Revaluation	—	—	523	—	523
Deferred tax	—	—	(157)	—	(157)
Transfer realised revaluation surplus	—	—	(237)	237	—
Deferred tax charge	—	—	71	(71)	—
Share options – value of employee services	—	—	—	16	16
Share options – proceeds of shares issued	2	5	—	—	7
30 September 2005	10,540	8	3,063	37,059	50,670

19 Reconciliation of net profit to net cash inflow from operating activities

	30 Sept 2005 £'000	30 Sept 2004 £'000	31 March 2005 £'000
Net profit	5,357	4,117	10,517
Adjustments for:			
Depreciation	1,122	1,055	2,279
Retirement benefit credit	—	—	(49)
Share option cost	12	16	17
Dividend income	(48)	(436)	(436)
Interest income	(941)	(709)	(1,605)
Interest expense	50	21	118
Profit on disposal of property, plant and equipment	(56)	—	(257)
Changes in working capital:			
(Increase)/decrease in debtors	(127,932)	11,065	(60,566)
Increase(decrease) in creditors	129,022	(11,228)	68,240
Net cash inflow from operating activities	6,586	3,901	18,258

20 Reconciliation of net assets and profit under UK GAAP to IFRS

Charles Stanley Group PLC reported under UK GAAP in its previous published financial statements for the year ended 31 March 2005. The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP as at 31 March 2005 to the revised net assets and profit under IFRS as reported in these financial statements. In addition there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this company, being 1 April 2004.

Reconciliation of profit for the period ended 30 September 2004

	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Continuing operations:				
Revenue		34,332	395	34,727
Administrative expenses	(a) (c) (d)	(32,212)	914	(31,298)
Operating profit		2,120	1,309	3,429
Profit on sale of fixed assets		(3)	3	–
Income from fixed asset investments		438	(438)	–
Interest payable and similar charges		(21)	–	(21)
Interest receivable		709	–	709
Profit before tax		3,243	874	4,117
Taxation	(e)	(1,250)	(50)	(1,300)
Profit for the period		1,993	824	2,817

Reconciliation of profit for the period ended 31 March 2005

	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Continuing operations:				
Revenue		78,021	666	78,687
Administrative expenses	(a) (c) (d)	(71,773)	2,116	(69,657)
Operating profit		6,248	2,782	9,030
Profit on sale of fixed assets		257	(257)	–
Income from fixed asset investments		438	(438)	–
Interest payable and similar charges		(118)	–	(118)
Interest receivable		1,605	–	1,605
Profit before tax		8,430	2,087	10,517
Taxation	(e)	(3,723)	35	(3,688)
Profit for the period		4,707	2,122	6,829

Reconciliation of equity at 1 April 2004 (date of transition to IFRS)

	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Assets				
Non-current assets				
Goodwill		11,846	—	11,846
Property, plant and equipment		5,493	—	5,493
Financial assets		3,670	—	3,670
Retirement benefit asset	(d)	—	73	73
		21,009	73	21,082
Current assets				
Trade and other receivables		171,489	—	171,489
Financial assets		908	—	908
Cash and cash equivalents		33,993	—	33,993
		206,390	—	206,390
Liabilities				
Current liabilities				
Financial liabilities		(509)	—	(509)
Trade and other payables	(b)	(182,640)	1,581	(181,059)
Current tax liabilities		(2,016)	—	(2,016)
		(185,165)	1,581	(183,584)
Net current assets		21,225	1,581	22,806
Non-current liabilities				
Financial liabilities		(293)	—	(293)
Deferred tax liabilities	(e)	—	(385)	(385)
Other non-current liabilities		(1,125)	—	(1,125)
		(1,418)	(385)	(1,803)
Net assets		40,816	1,269	42,085
Shareholders' equity				
Ordinary shares		10,537	—	10,537
Other reserves	(e)	2,675	(799)	1,876
Retained earnings	(a to e)	27,360	2,068	29,428
Total shareholders' equity		40,572	1,269	41,841
Minority interest in equity		244	—	244
Total equity		40,816	1,269	42,085

20 Reconciliation of net assets and profit under under UK GAAP to IFRS (continued)

Reconciliation of equity at 30 September 2004

	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Assets				
Non-current assets				
Goodwill	(a)	12,946	889	13,835
Property, plant and equipment		6,068	—	6,068
Financial assets		3,110	—	3,110
Retirement benefit asset	(d)	—	73	73
		22,124	962	23,086
Current assets				
Trade and other receivables		160,424	—	160,424
Financial assets		1,409	—	1,409
Cash and cash equivalents		32,495	—	32,495
		194,328	—	194,328
Liabilities				
Current liabilities				
Financial liabilities		(2,682)	—	(2,682)
Trade and other payables	(b)	(168,242)	463	(167,779)
Current tax liabilities		(1,134)	—	(1,134)
		(172,058)	463	(171,595)
Net current assets		22,270	463	22,733
Non-current liabilities				
Financial liabilities		(199)	—	(199)
Deferred tax liabilities	(e)	—	(278)	(278)
Other non-current liabilities		(2,384)	—	(2,384)
		(2,583)	(278)	(2,861)
Net assets		41,811	1,147	42,958
Shareholders' equity				
Ordinary shares		10,537	—	10,537
Other reserves	(e)	2,140	(642)	1,498
Retained earnings	(a to e)	28,890	1,789	30,679
Total shareholders' equity		41,567	1,147	42,714
Minority interest in equity		244	—	244
Total equity		41,811	1,147	42,958

Reconciliation of equity at 31 March 2005

	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Assets				
Non-current assets				
Goodwill	(a)	13,518	2,057	15,575
Property, plant and equipment		5,995	—	5,995
Financial assets		4,787	—	4,787
		24,300	2,057	26,357
Current assets				
Trade and other receivables		232,055	—	232,055
Financial assets		1,108	—	1,108
Cash and cash equivalents		44,234	—	44,234
		277,397	—	277,397
Liabilities				
Current liabilities				
Financial liabilities		(991)	—	(991)
Retirement benefit liabilities	(d)	—	(111)	(111)
Trade and other payables	(b)	(251,107)	1,750	(249,357)
Current tax liabilities		(2,250)	—	(2,250)
		(254,348)	1,639	(252,709)
Net current assets		23,049	1,639	24,688
Non-current liabilities				
Financial liabilities		(600)	—	(600)
Deferred tax liabilities	(e)	—	(831)	(831)
Other non-current liabilities		(1,079)	—	(1,079)
		(1,679)	(831)	(2,510)
Net assets		45,670	2,865	48,535
Shareholders' equity				
Ordinary shares		10,538	—	10,538
Share premium		3	—	3
Other reserves	(e)	4,089	(1,226)	2,863
Retained earnings	(a to e)	30,837	4,091	34,928
Total shareholders' equity		45,467	2,865	48,332
Minority interest in equity		203	—	203
Total equity		45,670	2,865	48,535

20 Reconciliation of net assets and profit under under UK GAAP to IFRS (continued)

Notes to the reconciliation of equity due to IFRS

The accounting policies that the Directors assume will apply to the preparation of the first annual IFRS financial statements for the year ending 31 March 2006 are shown below. The effects that each of these statements have on the restated comparative information are also shown below. However, the adopted IFRS that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 March 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined only when the annual financial statements are prepared for the year ending 31 March 2006.

(a) IFRS 3 - Business Combinations

In accordance with the transitional provisions of IFRS 1, the Group has chosen to apply IFRS 3 retrospectively from the date of transition. The result of this application is that the value of goodwill arising from previous acquisitions is frozen at the value held on the Group balance sheet as at 1 April 2004, and the reversal of any amortisation charged in the year to 31 March 2005.

This change results in the reversal of £2.1 million previously charged to the income statement under UK GAAP for the year ended 31 March 2005. The value of intangible assets is therefore also increased by £2.1 million for the year ended 31 March 2005.

(b) IAS 10 – Events after Balance Sheet Date

Under this standard, assets and liabilities should be adjusted for subsequent events that existed at the balance sheet date, but not for events that are indicative of conditions that arose subsequent to the balance sheet date. Under UK GAAP proposed dividends at the half year and year end were accrued even though there is no obligation to pay until the dividend is declared. Under IAS 10, entities are not permitted to recognise a liability for dividends declared after the balance sheet date.

The impact of this change is to increase equity at 1 April 2004 by £1.5 million, at 30 September 2004 by £0.5 million and at 31 March 2005 by £1.7 million.

(c) IFRS 2 - Share-based Payment

The Group recognises a charge to the income statement for the fair value of outstanding share options in relation to the Company's Save As You Earn scheme granted to employees after 7 November 2002 and not vested by 1 January 2005. These charges are calculated using a Black-Scholes technique, and are spread over the relevant vesting periods, taking account of actual and expected levels of vesting. Under UK GAAP, there was no charge in the income statement in relation to share option awards.

This change results in a charge of £0.02 million to profit for the year ended 31 March 2005.

(d) IAS 19 - Employee Benefits

The Group recognises the net asset/liability on defined benefit schemes in the balance sheet and takes all service costs to the profit and loss statement.

These changes increase equity at 1 April 2004 by £0.1 million, and reduce equity at 31 March 2005 by £0.1 million. This standard also requires an increase in profit of £0.05 million to be recorded for the year ended 31 March 2005.

(e) IAS 12 - Income Taxes

The Group recognises a deferred tax liability on timing differences, unused capital tax losses, revaluations of investments and on retirement benefit assets/liabilities.

These changes result in the recording of a deferred tax liability of £0.4 million at 1 April 2004, a deferred tax liability of £0.3 million at 30 September 2004 and a deferred tax liability of £0.8 million at 31 March 2005.

Independent Review Report to Charles Stanley Group PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2005 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement 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.

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 1, 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 September 2005.

Saffery Champness
Chartered Accountants
London
8 November 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.

Directors of Charles Stanley Group PLC

Sir David Howard, Bt.

Peter A. Hurst

E. Michael Clark

Michael R. I. Lilwall

Directors of Charles Stanley & Co Limited

Name	Responsibility
Stephen C. King	General Manager
Martina M. Murphy	Financial Control
Philip C. Nathan, M.B.E.	Dealing
J. Andrew Butcher	Client Services
Macgregor Anderson	E-Commerce
Michael J. Pitts	IT
Venetia J. Malpas	Compliance
Gary Teper	Legal Services

together with the Directors of Charles Stanley Group PLC.

Financial Calendar

8 November 2005	Results announced
16 November 2005	Ex-dividend date for interim dividend
18 November 2005	Record date for interim dividend
14 December 2005	Interim dividend paid
June 2006	Final results announced

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