

12 June 2002

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2002

- **Resilient performance in subdued markets**
- **Several strategic acquisitions**
- **Shareholders' funds up from £36.4 million to £40.9 million**
- **Turnover £54.61 million (2000-01: £70.44 million)**
- **Profit before tax £7.71 million (£15.47 million)**
- **Total dividends for the year up 12.5% from 4.0p to 4.5p net**

Against a background of weaker market conditions Charles Stanley Group has recorded a resilient performance. Turnover and profit are below the record levels of the last two years. But because of these conditions we have been able to utilise the strength of our balance sheet to accelerate the acquisition strategy which I outlined in my statement last year. Meanwhile the results for the year ended 31 March 2002 come as no surprise in view of the state of the stock market and the economy.

Turnover for the year ended 31 March 2002 was some 22.5% lower than for the previous year, at £54.61 million compared with £70.44 million in the previous year. Profit before tax was £7.71 million, compared with £15.47 million in 2000-01. These results come after two exceptionally buoyant years in the stock market, and are still the third best figures for turnover and profit that the Company has achieved.

Earnings per share fell from 26.55p to 12.50p. Shareholders' funds have risen from £36.4 million to £40.9 million, and net assets per share rose 12% from 86.4p to 97.0p. The final dividend is increased by 7.7% to 3.5p net per share (2001: 3.25p) making a total of 4.5p net for the year, an increase of 12.5%. At this level the dividend is covered 2.78 times by earnings.

The pre-tax profit includes a realised gain totalling £581,000 on the disposal of 250,000 shares in the London Stock Exchange and 20,000 shares in LIFFE. If account were taken of the full historical gain on the disposal of these holdings, which is £1.39 million (none of which has been previously credited to the profit and loss account of the Company), we would now be declaring a profit before tax of £8.52 million.

The profit figures also make allowance for a charge of £455,000 for amortisation of goodwill on our programme of acquisitions.

We retain 750,000 London Stock Exchange shares.

Acquisitions

In previous stock market downturns the Company has drawn on the strength of its balance sheet, its processing systems and its management structure to build the business by acquisition. Thirty years ago Charles Stanley was simply one of many hundred small UK stockbroking partnerships. We have grown steadily by acquisition, particularly in more adverse market conditions. That pattern has been repeated in recent months.

In November 2001 we were delighted to announce that Torrie & Co, a most prestigious stockbroking partnership based in Edinburgh, had agreed to join us. The acquisition was completed successfully in February 2002. We are particularly pleased to be represented now in the Scottish capital, the sixth largest financial services centre in Europe.

In December we were joined by a highly-regarded team who opened a new branch office for Charles Stanley in Tunbridge Wells. We have also welcomed a number of brokers to our London office.

In April, after the year-end, we announced the acquisition of the stockbroking firm of Robson Cotterell Ltd, old friends and competitors of ours on the south coast, with offices in Bournemouth, Dorchester, Eastbourne and Wimborne.

More recently still, we have been joined by a team of stockbrokers in Brighton and Hove, and we plan to open a new office there shortly. This will bring the total number of offices, including our London Head Office, to 26.

The Charles Stanley Service

All of this is underpinned by the quality of service which we offer.

I mentioned in previous years that we had been awarded the Investors Chronicle prize for "Best Medium Stockbroker" in 1999, and "Best Dealing-Only Stockbroker" in 2000. Our latest prize is the "Shares Magazine UK Equity Awards 2002 – Best Stockbroker's Research/Information Service". This reflects the high quality of output of our research team.

Our acquisition of the business of Torrie & Co brought us a leading internet share-dealing service, conducting similar trading levels to those of our well-established Xest service. The two services have been amalgamated under Torrie's "FasTrade" name, operating primarily out of Edinburgh. The website has been comprehensively redesigned and re-written, to draw on the best features of both services. FasTrade is now one of the larger internet share-trading businesses in the UK.

The revenue from our telephone and internet dealing-only services in 2001-02 was £2.2 million.

Results for the year

Latest official statistics suggest that the UK is in recession, with nil or negative growth in the final quarter of 2001 and the first quarter of 2002. This has been reflected in flat stock market conditions. Consequently our commission income has fallen in the latest year from £53.90 million to £38.41 million, a decline of 28.7%.

We have enjoyed a steady stream of corporate finance work throughout the year. The resulting fee income, at £2.25 million, while 21% lower than the figure of £2.85 million for 2000-2001, has held up well against a subdued background.

The brightest spot has been investment management fees, which, despite market conditions, are marginally higher than last year's figure. This reflects a steady increase in the degree of fee-charging activity that we undertake for clients, a trend that we see continuing. The total fee income for investment management rose from £13.70 million to £13.96 million.

Fee income in the latest year represents 29.7% of total income, compared with 23.5% in 2000-01 and 17.4% in 1999-2000.

Funds under management stand at £6.1 billion, including more than £850 million in PEPs and ISAs.

N2 and market developments

At midnight on 30 November 2001 ("N2") the Financial Services Authority, previously the Securities and Investments Board, acquired its new powers under the Financial Services and Markets Act 2000. This is the biggest change in regulation of financial businesses since Big Bang itself, in 1986.

There have been very extensive changes in the style of regulatory supervision, and to a lesser extent in the rule books themselves. To meet this, we have had to devote substantial management resources to a major exercise in ensuring N2-compliance, and this has taken up much of our time in recent months. But we adopt a pro-active approach to all of this, seeking to offer our clients the best of whatever the rules and systems require of us, and to build on this to enhance our service.

At the same time we keep a close watch on developments in the European Union. Regulation is becoming increasingly EU-based. Your Directors have played an active role in contributing to the debate, both by visiting Brussels and meeting Commissioners, and more particularly through the medium of APCIMS (the Association of Private Client Investment Managers and Stockbrokers), our trade association, in which we are actively involved. APCIMS continues to work very effectively on behalf of the retail investing community in the United Kingdom.

Financing our acquisitions

In previous years I have referred to the need to build our balance sheet. This is for three reasons: the regulatory requirement for a minimum level of capital, which we comfortably exceed; the volatility of our business; and the scope which a strong balance sheet gives us for building by acquisition.

By maintaining a strong balance sheet we have weathered the storms of recent years, investing in the business so as to rebound with strength when market conditions improve again. Each economic downturn has generated a further wave of consolidation in the industry, and our balance sheet strength has enabled us to acquire businesses that complement our emphasis on high quality.

We are very pleased with our latest acquisitions, which we believe will add value to the Company, and to the quality of service that we can offer to our clients.

Dividends

The Directors recommend an increase in the final dividend from 3.25p to 3.5p net per share. Taken together with the increase in the interim dividend from 0.75p to 1.0p net per share this gives a total for the year of 4.50p (2000-2001: 4.00p), an overall increase of 12.5%.

I explained at the half-year that we seek to narrow the difference between the interim and final dividends, and that this was reflected in the rather higher percentage increase at the interim stage.

Our Staff

Once again I offer the thanks of the Directors and our shareholders to our staff for their support and commitment during a difficult year. A significant proportion of our staff have been with us (or with companies that have joined us) for much or indeed all of their working lives. Although we continue to grow, Charles Stanley has managed to retain a sense of working together closely as a team. Our Directors, department heads and managers, our company secretary and all our staff, have enjoyed a productive year, with many changes to cope with, and I am very grateful to them all.

Outlook

In my statement last year I said that we were looking for an improvement in economic conditions in the third or fourth quarters of 2001, but that we were well placed to weather any continuing downturn. We know now that economic conditions deteriorated in the second half of 2001, and there is very little sign of an improvement in the near term. The run of good luck which attended the first four years of this government's economic policies seems to have stalled – coinciding indeed with its re-election in June last year.

Market conditions remain dull but our income so far this year is running roughly in line with the same period last year. Accordingly we think this is likely to be another year of solid achievement rather than of sparkling upturn. There is a continuing upward trend in private wealth creation and in the desire of individuals to manage their own financial assets. And the market is huge. So we are as positive as we have always been about the medium to longer-term outlook. While short term conditions remain subdued we will continue, as last year, to seek further opportunities for expansion, and we are in a strong position to do so.

It is too early, though, to form a clear view of the outcome for 2002-03. I will be better placed to report to you on this at the half-way stage, later in the year.

Sir David Howard

Chairman

FOR FURTHER INFORMATION PLEASE CONTACT

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Associate Director

CHARLES STANLEY GROUP PLC
Consolidated Profit and Loss Account
Year ended 31 March 2002

	<i>Note</i>	<i>£'000</i>	<i>2002 £'000</i>	<i>£'000</i>	<i>2001 £'000</i>
TURNOVER	2				
Continuing operations			53,518		70,443
Acquisitions			1,095		-
			<u>54,613</u>		<u>70,443</u>
Operating expenses			(48,919)		(56,153)
OPERATING PROFIT					
Continuing operations		5,616		14,290	
Acquisitions		78		-	
		<u>5,694</u>		<u>14,290</u>	
Profit on sale of investments – continuing operations			581		-
			<u>6,275</u>		<u>14,290</u>
Interest receivable			1,560		1,565
Interest payable	3		(123)		(384)
			<u>1,437</u>		<u>1,181</u>
Profit on ordinary activities before goodwill amortisation and profit on sale of investments		7,586		15,741	
Goodwill amortisation		(455)		(270)	
		<u>7,131</u>		<u>15,471</u>	
Operating profit and interest before tax					
Profit on sale of investments		581		-	
		<u>7,712</u>		<u>15,471</u>	
PROFIT BEFORE TAX			7,712		15,471
Taxation	4		(2,445)		(4,447)
			<u>5,267</u>		<u>11,024</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS			5,267		11,024
Dividends	5		(1,897)		(1,686)
			<u>3,370</u>		<u>9,338</u>
PROFIT RETAINED FOR THE YEAR			<u>3,370</u>		<u>9,338</u>
EARNINGS PER SHARE					
		Basic	Diluted	Basic	Diluted
Basic	6	12.50p	12.26p	26.55p	26.19p
Excluding goodwill amortisation	6	<u>13.58p</u>	<u>13.32p</u>	<u>27.20p</u>	<u>26.83p</u>
Based on historical cost profit for the year	6	<u>14.42p</u>	<u>14.14p</u>	<u>27.20p</u>	<u>26.83p</u>

Statement of Total Recognised Gains and Losses

	2002	2001
	£'000	£'000
Profit for the year	5,267	11,024
Unrealised gains on investments	1,075	2,954
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	6,342	13,978

Note of Historical Cost Profits and Losses

	2002	2001
	£'000	£'000
Reported profit on ordinary activities before taxation	7,712	15,471
Realisation of investment revaluation gains of previous years	807	-
Historical profit on ordinary activities before taxation	8,519	15,471
Historical cost profit for the year retained after taxation and dividends	4,177	9,338

CHARLES STANLEY GROUP PLC
CONSOLIDATED BALANCE SHEET
31 MARCH 2002

	<i>Notes</i>	2002 £'000	2001 £'000
FIXED ASSETS			
Intangible		7,516	2,533
Tangible		6,212	6,814
Investments		3,987	3,667
		<u>17,715</u>	<u>13,014</u>
CURRENT ASSETS			
Debtors	7	144,120	173,914
Listed Investments		152	624
Cash at bank and in hand		<u>26,148</u>	<u>31,489</u>
		170,420	206,027
CREDITORS: due within one year	8	<u>146,934</u>	<u>181,160</u>
NET CURRENT ASSETS		<u>23,486</u>	<u>24,867</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		41,201	37,881
CREDITORS: due after one year			
Minority Interests	9	277	1,402
		44	44
NET ASSETS		<u>40,880</u>	<u>36,435</u>
CAPITAL AND RESERVES			
Called up share capital	10	10,537	10,537
Revaluation reserve		3,337	3,069
Profit and loss account		27,006	22,829
EQUITY SHAREHOLDERS' FUNDS		<u>40,880</u>	<u>36,435</u>
Net Asset Value per Share		<u>96.99p</u>	<u>86.44p</u>

CHARLES STANLEY GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2002

	Notes	2002 £'000	2001 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	11	4,650	17,691
Returns on investments and servicing of finance		1,380	1,224
Taxation		(3,626)	(5,847)
Capital expenditure and financial investment		(373)	(3,018)
Acquisitions		(4,008)	(663)
Equity dividends paid		<u>(1,791)</u>	<u>(1,431)</u>
Cash (outflow)/inflow before financing		(3,768)	7,956
FINANCING			
Issue of ordinary share capital		-	288
Decrease in debt		<u>(1,573)</u>	<u>(1,838)</u>
(Decrease)/Increase in cash in the period		<u>(5,341)</u>	<u>6,406</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/Increase in cash in the year		(5,341)	6,406
Cash outflow from change in debt and lease financing		<u>1,573</u>	<u>1,838</u>
		(3,768)	8,244
Convertible loan stock		(1500)	-
New finance leases		<u>(46)</u>	<u>(1,245)</u>
Movement in net funds in the year		(5,314)	6,999
Net funds at 1 April		<u>28,536</u>	<u>21,537</u>
Net funds at 31 March		<u>23,222</u>	<u>28,536</u>

CHARLES STANLEY GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

1 BASIS OF PREPARATION

The results are an abridged extract from the financial statements for the year ended 31 March 2002 which have not yet been delivered to the Registrar of Companies. The auditors' report on the full financial statements has yet to be signed.

The 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. These preliminary 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 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. The report was unqualified.

2 TURNOVER

Turnover is derived from stockbroking operations in the United Kingdom analysed as follows:

	2002 £'000	2001 £'000
Commission	38,408	53,901
Investment management fees	13,958	13,696
Corporate finance fees	2,247	2,846
	<u>54,613</u>	<u>70,443</u>

3 INTEREST PAYABLE

On bank loans and overdrafts	59	314
Finance lease interest	64	70
	<u>123</u>	<u>384</u>

4 TAXATION

Current taxation:		
UK corporation tax at 30% (2001: 30%)	2,213	4,515
Adjustment in respect of prior periods	232	(68)
	<u>2,445</u>	<u>4,447</u>

5 DIVIDENDS

Interim paid of 1.00p per share (2001: 0.75p)	421	316
Proposed final of 3.50p per share (2001: 3.25p)	1,476	1,370
	<u>1,897</u>	<u>1,686</u>

The directors have recommended a final dividend of 3.50p per share. This will be paid on 31 July 2002 to shareholders registered on 19 July 2002.

The ordinary shares are expected to be quoted ex dividend on 3 July 2002.

6 EARNINGS PER SHARE

	2002 No.	2001 No.
Basic		
Weighted average number of shares in issue in the year	42,129,763	41,525,134
Diluted		
Weighted average number of options outstanding for the year	828,413	561,819
Diluted weighted average number of shares in issue in the year	<u>42,958,176</u>	<u>42,086,953</u>
	£'000	£'000
Profit for the year before goodwill	5,722	11,294
Goodwill amortisation	(455)	(270)
Profit for the year	<u>5,267</u>	<u>11,024</u>
Realisation of investment revaluation gains of previous years	807	-
Historical cost profit for the year	<u>6,074</u>	<u>11,024</u>

7 DEBTORS

	2002 £'000	2001 £'000
Trade debtors	142,617	172,741
Other debtors	756	238
Prepayments	747	935
	<u>144,120</u>	<u>173,914</u>

8 CREDITORS: amounts due within one year

	2002 £'000	2001 £'000
Trade creditors	137,994	169,797
Bank loans	-	54
Subordinated bank loan	750	1,000
Obligations under finance leases	399	497
Corporation tax	1,125	2,306
Other taxes and social security	1,448	2,286
Other creditors	884	619
Accruals and deferred income	1,358	3,231
Proposed dividend	1,476	1,370
	<u>145,434</u>	<u>181,160</u>
Convertible debt:		
3% Fixed rate convertible redeemable loan notes 2007	1,500	-
	<u>146,934</u>	<u>181,160</u>

9 CREDITORS: amounts due after one year

	2002 £'000	2001 £'000
Subordinated bank loan	-	750
Obligations under finance leases	277	652
	<u>277</u>	<u>1,402</u>

10 CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised:		
80,000,000 ordinary shares of 25p each	20,000	20,000
Allotted and fully paid:		
42,149,378 ordinary shares of 25p each	10,537	10,537

On 31 March 2002 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	1,146,819	£2.87

Options are exercisable during the six months commencing 1 September 2006.

11 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £'000	2001 £'000
Operating profit	5,694	14,290
Provision made against fixed asset investments	9	-
Depreciation charges	2,341	1,647
Goodwill written off	455	270
Loss/(profit) on sale of fixed assets	6	(29)
Decrease in debtors	30,266	275,591
Decrease in creditors	(34,121)	(274,078)
Net cash inflow from operating activities	4,650	17,691

12 REPORT AND ACCOUNTS

copies of the Annual Report and Accounts will be despatched shortly to shareholders. The Annual General Meeting will be held on Wednesday, 24 July 2002.