

10 June 2003

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2003

- **Resilient performance in subdued markets**
- **Several strategic acquisitions**
- **Turnover £51.06 million (2001-02: £54.61 million)**
- **Profit before tax, goodwill amortisation and loss on sale of investments £1.99 million (2001-02: £7.59 million)**
- **Earnings per share excluding goodwill amortisation 3.35p (2001-02: 13.58p)**
- **Total dividends for the year unchanged at 4.5p net**

I am pleased to announce that, despite the worst stock market conditions in recent memory, Charles Stanley has succeeded in maintaining its turnover at close to last year's figure, and has continued to trade profitably.

Turnover for the year ended 31 March 2003 was £51.06 million, some 6.5% lower than the figure of £54.61 million recorded for the previous year. Having maintained our turnover at the half-way stage (at £26.98 million, compared with £26.96 million in the first half of 2001/ 02) the further general decline in stock market trading volumes in the second half of our year denied us the chance of repeating this achievement for the full year.

The profit for the year, before tax, amortisation and investment losses, was £1.99 million, compared with £7.59 million for the year ended 31 March 2002. A higher charge in the latest year for amortising goodwill, arising from recent acquisitions, left us with a figure of profit before tax for the year of £978,000 compared with £7.71 million in the previous year.

Traditionally we have pursued a cautious dividend policy. In past years we have held the dividend well below our earnings per share, knowing the unpredictability of stock market trading volumes to which the company's fortunes are linked. So when conditions are less favourable, as they have been in the latest year, we can demonstrate our confidence in the future by maintaining the dividend. Our recommendation is to pay a final dividend at last year's record level of 3.5p net per share, making a total dividend, once again, of 4.5p net per share. This is covered by our operating cashflow.

Analysis of the results

Our turnover is derived essentially from two sources, commission on Stock Exchange transactions, and fees for our services. Commission, in particular, reflects the fluctuating level of stock market volumes. In the latest year our commission income fell by 11.8%. We track our performance against the total number of UK retail Stock Exchange transactions, as measured by the leading survey company ComPeer Ltd. In the same period this total number of transactions fell by 22.5%. Against such a background we think that this is a satisfactory result.

It is pleasing to be able to report that fee income, the other major component of our turnover, rose yet again in the latest year. At £17.20 million fee income now represents 33.7% of overall turnover, compared with 29.7% (£16.20 million) in the previous year.

An important element of this is the fees from various added-value services which we provide to our large private client base. One example is our cash management service, which holds on deposit more than £400 million of clients' uninvested funds. Another is our ISA and PEP service. This continues to attract significant levels of subscription, and even at this depressed level of stock market indices, we currently administer more than £750 million of clients' ISA and PEP funds.

Further added-value services were introduced during the year, for example even more comprehensive reporting for clients. We have a programme of consistent improvements in the quality and range of services that we provide, and we anticipate that this will lead to a continuing steady increase in fee income to reflect these improvements.

Our on-line service for discretionary and advisory managed clients has proved particularly popular. This allows clients to view their current portfolio valuations and their dealing history at the click of a button.

An excellent year, too, was enjoyed by our internet share-trading services – by FasTrade (our own service) and by our provision of “white-labelling” services for major financial houses – and also by our Gold Dealing execution-only telephone service.

The dearth of corporate finance activity in recent months has been well publicised. But this area of our business has performed creditably, contributing £2.39 million to revenue compared to £2.25 million in the year to 31 March 2002.

In difficult markets our Sales Trading team experienced a particularly successful year.

Our Financial Planning and Employee Benefit Division performed strongly, too. It now contributes nearly £1 million to revenue. This is an area in which we are actively seeking further relevant acquisition opportunities.

Finally, I am pleased to report that, despite a fall in values because of market conditions, the inflow of new money together with acquisitions has lifted the total of clients' funds under management from £6.16 billion to £6.21 billion.

Our strategy

The performance of the group flows directly from the strategy which the directors have consistently adopted over many years. An appreciation of this strategy is therefore important in understanding the latest results.

Charles Stanley is a “full-service” stockbroking company, serving primarily a UK private client base, but with substantial involvement, too, in other stockbroking activity such as corporate finance, institutional trading and personal financial planning. Our policy has been to expand the group evenly on all fronts - organically, by acquisition, and by developing new products and services. We seek to achieve this against the background of unpredictable stock market conditions, and we therefore have to measure our success over the longer term.

In earlier times “boom and bust” seemed to operate in economic cycles of perhaps four or five years, and one could measure the growth of the business from one cycle to the next. This pattern is less predictable now. The long bull market which ran for eight years from September 1992 was succeeded by three years of sharp stock market contraction.

The cycles are longer and the peaks and troughs are more pronounced – the exuberance of the late 1990s having given way to greater uncertainty.

The group has steered its way carefully through this, building its balance sheet in times of high business volumes so as to expand its trading activity when conditions are less favourable. It is not our policy to make severe cuts in the business operation when times are hard, but rather to devote the accumulated resources to building it further. So our strategy, and our resulting performance, have to be viewed against a longer-term perspective.

The latest results of the group reflect this. Income has held up well, thanks partly to recent acquisitions. Expenditure is higher, because these acquisitions bring more personnel, premises and systems costs. Our policy is to integrate acquisitions immediately, closing legacy systems and repositioning the staff. All of this carries additional short-term cost (which we estimate at a non-recurring £750,000 in the latest year) but higher long-term savings.

Yet, despite paying cash for our acquisitions during the latest year, our cash balances (at £26.95 million) – another measure to which we pay great attention - are higher at the year-end than they were at the beginning.

Acquisitions

In June 2002, at the end of the first quarter of the latest year, we completed the acquisition of Robson Cotterell Ltd, the principal competitor to our large and well-established office in Bournemouth. Robson Cotterell, with offices in Bournemouth, Dorchester, Eastbourne and Wimborne, enjoyed a high reputation, and we were delighted to welcome such a powerful addition to our presence on the south coast.

In October 2002 we were joined by a well-regarded group of corporate finance, corporate broking and smaller company research teams, adding considerable strength to our existing presence in these areas. The quality of the new business introduced has been particularly

pleasing, and the Division is performing to budget, with over six transactions and £20 million raised already since the beginning of the current year, 1 April 2003.

Finally, in November 2002 we opened our new office in Brighton and Hove. This has got off to a flying start and with a well-respected team it has enjoyed rapid expansion.

Split Capital Trusts

In view of the media interest in the problems caused by the collapse of a number of split capital investment trusts, and the concern which shareholders may therefore have, I deal in some detail with the impact of this issue on the group.

Split capital investment trust shares performed satisfactorily for many years, as a reliable investment with a reasonably predictable outcome. They played a valuable role, in the spectrum of investment opportunities, for investors with particular financial requirements. At some point a limited number of these trusts embarked on higher risk strategies, leading to their collapse when the value of their share portfolios fell away.

Like other advisers, we recommended split capital investment trust shares to a number of clients, to meet their specific investment requirements. We did not act as corporate broker to, or float, any of these trusts, we were not involved in any marketing arrangements for them, nor did we promote them aggressively. Our role in every case was to act as an independent adviser accountable only to the client, seeking the best investment in the client's particular circumstances. Though our advice in a proportion of cases subsequently proved unsuccessful, and regrettably so, it was, we believe, appropriate in the light of information known at the time.

We have received a total of 95 complaints from clients, which we have carefully investigated. They do not in our view demonstrate any pattern of mis-selling. 40 of these complaints have been referred to the Financial Ombudsman, from whom we have received no rulings.

In the circumstances we do not believe it appropriate to make any provision in relation to our advice on split capital investment trusts, nor for any additional resources required to consider them. These are handled within the normal activity of our internal Compliance team. And if, despite our considered view, this judgement is proved wrong we carry extensive insurance coverage to meet this kind of eventuality.

A world of change

The pace of change in our industry, to which I refer every year, has continued to accelerate. Much of the time of management is absorbed in trying to predict future developments on the widest front – in legislation, in IT and settlement systems, in regulation, and in Directives from Brussels. We try to plan for it all, we play an active role in industry-wide initiatives, and against a constantly-shifting future we seek to gain the best possible benefits for our clients.

We coped well, we think, with the dramatic change-over to the new regulatory system at "N2", on 30 November 2001. The directors and managers of the group play an ever greater role on regulatory, professional and industry boards and committees. The financial services

sector in the UK, as in Europe, continues to evolve at break-neck speed, and Charles Stanley is an active participant.

This, I believe, is one of our strengths, the careful and structured way in which we plan for, and assimilate, this rapid rate of change. Always there is something new, more work to be done, more to plan for. I am biased, of course, but I think our team, throughout the group, is second to none.

Outlook

Any company engaged in financial services expects the occasional poor quarter, and sometimes two. But to experience deteriorating market conditions for three years in a row taxes the memories of all of us.

So it is pleasing to report that we have finally seen a glimmer of improvement. The FTSE-100 Index has recovered a little ground, back above 4000 again (having been well above 6000 not long ago). The economic fundamentals look better, and there is more activity on the corporate front.

Stock market trading volumes, too, have shown signs of recovery. It is early in our financial year, but if this trend continues, and in the absence of any significant further developments, I feel rather more optimistic about the outlook than I did at this time last year.

Sir David Howard
Chairman

FOR FURTHER INFORMATION PLEASE CONTACT

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ANDREW MEIGH
Associate Director

CHARLES STANLEY GROUP PLC
 Consolidated Profit and Loss Account
 Year ended 31 March 2003

	Note	£'000	2003 £'000	£'000	2002 £'000
TURNOVER	2				
Continuing operations			47,553		53,518
Acquisitions			3,511		1,095
			<u>51,064</u>		<u>54,613</u>
Operating expenses		(47,877)		(46,123)	
Depreciation and amortisation		(3,181)		(2,796)	
			<u>(51,058)</u>		<u>(48,919)</u>
OPERATING PROFIT/(LOSS)					
Continuing operations		350		5,616	
Acquisitions		(344)		78	
(Loss)/profit on sale of investments – continuing operations			6		5,694
			<u>(50)</u>		<u>581</u>
Interest receivable			(44)		6,275
Interest payable	4		1,142		1,560
			<u>(120)</u>		<u>(123)</u>
<i>Profit on ordinary activities before goodwill amortisation and (loss)/profit on sale of investments</i>		1,997		7,586	
<i>Goodwill amortisation</i>		(969)		(455)	
<i>Operating profit and interest before tax (Loss)/profit on sale of investments</i>		1,028		7,131	
			<u>(50)</u>		<u>581</u>
PROFIT BEFORE TAX			978		7,712
Taxation	5		<u>(534)</u>		<u>(2,445)</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS			444		5,267
Dividends	6		<u>(1,897)</u>		<u>(1,897)</u>
TRANSFER (FROM)/TO RESERVES			<u>(1,453)</u>		<u>3,370</u>

EARNINGS PER SHARE

	Note	2003		2002	
		Basic	Diluted	Basic	Diluted
Basic	7	<u>1.05p</u>	<u>1.02p</u>	<u>12.50p</u>	<u>12.26p</u>
Excluding goodwill amortisation	7	<u>3.35p</u>	<u>3.25p</u>	<u>13.58p</u>	<u>13.32p</u>
Based on historical cost profit for the year	7	<u>0.99p</u>	<u>0.96p</u>	<u>14.42p</u>	<u>14.14p</u>

Statement of Total Recognised Gains and Losses

	2003 £'000	2002 £'000
Profit for the year	444	5,267
Unrealised (losses)/gains on investments	<u>(1,241)</u>	<u>1,075</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>(797)</u>	<u>6,342</u>

Note of Historical Cost Profits and Losses

	2003 £'000	2002 £'000
Reported profit on ordinary activities before taxation	978	7,712
Realisation of investment revaluation (losses)/gains of previous years	<u>(27)</u>	<u>807</u>
Historical profit on ordinary activities before taxation	951	8,519
Historical cost (loss)/profit for the year retained after taxation and dividends	<u>(1,480)</u>	<u>4,177</u>

CHARLES STANLEY GROUP PLC
 Consolidated Balance Sheet
 31 March 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS			
Intangible		8,191	7,516
Tangible		5,227	6,212
Investments		2,732	3,987
		<u>16,150</u>	<u>17,715</u>
CURRENT ASSETS			
Debtors	8	178,896	144,120
Listed Investments		322	152
Cash at bank and in hand		26,948	26,148
		<u>206,166</u>	<u>170,420</u>
CREDITORS: due within one year	9	(182,931)	(146,934)
NET CURRENT ASSETS		<u>23,235</u>	<u>23,486</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		39,385	41,201
CREDITORS: due after one year	10	(1,155)	(277)
Minority Interests		(44)	(44)
NET ASSETS		<u>38,186</u>	<u>40,880</u>
CAPITAL AND RESERVES			
Called up share capital	11	10,537	10,537
Revaluation reserve		2,096	3,337
Profit and loss account		25,553	27,006
EQUITY SHAREHOLDERS' FUNDS	12	<u>38,186</u>	<u>40,880</u>
Net Asset Value per Share		<u>90.60p</u>	<u>96.99p</u>

CHARLES STANLEY GROUP PLC
 Consolidated Cash Flow Statement
 Year ended 31 March 2003

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	13	6,972	4,650
Returns on investments and servicing of finance		1,027	1,380
Taxation		(1,486)	(3,626)
Capital expenditure and financial investment		(1,278)	(373)
Acquisitions		106	(4,008)
Equity dividends paid		(1,897)	(1,791)
		<hr/>	<hr/>
Cash inflow/(outflow) before financing		3,444	(3,768)
FINANCING			
Decrease in debt		(2,644)	(1,573)
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		800	(5,341)
		<hr/> <hr/>	<hr/> <hr/>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase/(decrease) in cash in the year		800	(5,341)
Cash outflow from change in debt and lease financing		2,644	1,573
		<hr/>	<hr/>
Convertible debt issued		3,444	(3,768)
New finance leases		-	(1,500)
		(43)	(46)
		<hr/>	<hr/>
Movement in net funds in the year		3,401	(5,314)
Net funds at 1 April		23,222	28,536
		<hr/>	<hr/>
Net funds at 31 March		26,623	23,222
		<hr/> <hr/>	<hr/> <hr/>

CHARLES STANLEY GROUP PLC
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED 31 MARCH 2003

1 BASIS OF PREPARATION

The results are an abridged extract from the financial statements for the year ended 31 March 2003 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 19 and 20 of Charles Stanley Group PLC's annual report and financial statements for the year ended 31 March 2002. These preliminary financial statements should therefore be read in conjunction with the 2002 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 2002 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:

	2003 £'000	2002 £'000
Commission	33,862	38,408
Investment management fees	14,817	13,958
Corporate finance fees	2,385	2,247
	<u>51,064</u>	<u>54,613</u>

3 PARTICULARS OF STAFF

The average number of persons employed (including Directors) during the year was 458 (2002: 430).

	2003 £'000	2002 £'000
Staff costs:		
Wages and salaries	15,628	13,829
Social security costs	1,563	1,394
Other pension costs	1,465	1,336
	<u>18,656</u>	<u>16,559</u>

4 INTEREST PAYABLE

On bank loans and overdrafts	35	59
Finance lease interest	38	64
On convertible loans	47	-
	<u>120</u>	<u>123</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
Current taxation:		
UK corporation tax at 30% (2002: 30%)	585	2,213
Adjustment in respect of prior periods	(51)	232
	<hr/>	<hr/>
	534	2,445
	<hr/> <hr/>	<hr/> <hr/>

6 DIVIDENDS

Interim paid of 1.00p per share (2002: 1.00p)	421	421
Proposed final of 3.50p per share (2002: 3.50p)	1,476	1,476
	<hr/>	<hr/>
	1,897	1,897
	<hr/> <hr/>	<hr/> <hr/>

The directors have recommended a final dividend of 3.50p per share. This will be paid on 30 July 2003 to shareholders registered on 11 July 2003. The ordinary shares are expected to be quoted ex dividend on 9 July 2003.

7 EARNINGS PER SHARE

	2003 No.	2002 No.
Basic		
Weighted average number of shares in issue in the year	42,149,378	42,129,763
Diluted		
Weighted average number of options outstanding for the year	1,371,565	828,413
	<hr/>	<hr/>
Diluted weighted average number of shares in issue in the year	43,520,943	42,958,176
	<hr/> <hr/>	<hr/> <hr/>
	£'000	£'000
Profit for the year before goodwill	1,413	5,722
Goodwill amortisation	(969)	(455)
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Profit for the year	444	5,267
Realisation of investment revaluation gains of previous years	(27)	807
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Historical cost profit for the year	417	6,074
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8 DEBTORS

	2003 £'000	2002 £'000
Trade debtors	177,380	142,617
Other debtors	387	756
Prepayments	1,129	747
	<hr/>	<hr/>
	178,896	144,120
	<hr/> <hr/>	<hr/> <hr/>

9 CREDITORS: amounts due within one year

	2003 £'000	2002 £'000
Trade creditors	177,626	137,994
Subordinated bank loan	-	750
Obligations under finance leases	120	399
Corporation tax	173	1,125
Other taxes and social security	1,298	1,448
Other creditors	1,404	884
Accruals and deferred income	834	1,358
Proposed dividend	1,476	1,476
	<hr/>	<hr/>
	182,931	145,434
Convertible debt:		
3% Fixed rate convertible redeemable loan notes 2007	-	1,500
	<hr/>	<hr/>
	182,931	146,934
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10 CREDITORS: amounts due after one year

	2003 £'000	2002 £'000
Obligations under finance leases	205	277
Other creditors	950	-
	<hr/>	<hr/>
	1,155	277
	<hr/> <hr/>	<hr/> <hr/>

11 CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised:		
80,000,000 ordinary shares of 25p each	20,000	20,000
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Allotted and fully paid:		
42,149,378 ordinary shares of 25p each	10,537	10,537
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On 31 March 2003 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	59,768	£2.87
Options are exercisable during the six months commencing 1 September 2006.		
Grant dated 2 January 2003	2,005,358	£0.96
Options are exercisable during the six months commencing 1 February 2008.		

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the year	444	5,267
Other recognised (losses)/gains	(1,241)	1,075
Dividends	(1,897)	(1,897)
Net (decrease)/increase in shareholders' funds	(2,694)	4,445
Opening shareholders' funds	40,880	36,435
Closing shareholders' funds	38,186	40,880

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

	2003 £'000	2002 £'000
Operating profit	6	5,694
Provision made against fixed asset investments	59	9
Depreciation charges	2,212	2,341
Goodwill written off	969	455
Loss on sale of fixed assets	-	6
(Increase)/decrease in debtors	(34,946)	30,266
Increase/(Decrease) in creditors	38,672	(34,121)
Net cash inflow from operating activities	6,972	4,650

14 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, 23 July 2003.