



Collins Stewart plc

2009 Interim Results

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First Half 2009 Highlights

- H1 Operating Profit of £6.1m versus an adjusted loss in H2 2008 of £2.5m
- **Wealth Management** continues to perform resiliently
- **Securities** performed creditably in difficult market conditions.
- **US** restructuring came later and full benefits yet to be felt. Recently recruited some exceptional talent
- **Corporate Broking** profitable. Now working closely with Hawkpoint to build mid-cap client lists
- **Hawkpoint** – conversion of a good-quality pipeline has been difficult but signs of improvement
- Strong Balance sheet and cash position

Revenue *	Six months to		
	30 Jun 2009	31 Dec 2008	30 Jun 2008
£m			
Wealth Management	22.0	23.8	23.2
<i>Securities: UK</i>	<i>27.8</i>	<i>19.4</i>	<i>20.7</i>
<i>Securities: US</i>	<i>25.0</i>	<i>27.2</i>	<i>22.1</i>
Securities	52.8	46.6	42.8
Corporate Broking	8.0	3.4	7.0
Hawkpoint	12.5	17.5	23.5
	95.3	91.3	96.5

* 2008 adjusted for non-recurring items

Summary of Results

£m	2009 H1	2008 H2		2008 H1	
		Statutory	Adjusted*	Statutory	Adjusted*
Revenue	95.3	86.5	91.3	89.2	96.5
Operating profit/(loss)	6.1	(26.2)	(2.5)	7.1	14.4
Profit/(loss) before tax	6.1	(24.8)	(1.1)	9.6	16.9
Basic earnings/(loss) per share	2.3p	(12.6)p	(0.5)p	3.0p	5.2p
Dividend per share	1.3p	1.3p	1.3p	1.3p	1.3p

* Adjusted for non-recurring items

Operating Profit

	Six months to 30 June 2009	6 months to 30 June 2008		
	As Reported	As Reported	Adjustments	Adjusted
£m				
Securities	1.7	1.0	1.3	2.3
Corporate Broking	1.4	(4.0)	6.0	2.0
Wealth Management	5.3	7.6	–	7.6
Hawkpoint	0.7	7.0	–	7.0
Operating profit before share-based payment charges	9.1	11.6	7.3	18.9
Share-based payment charges	(3.0)	(4.5)	–	(4.5)
Operating profit	6.1	7.1	7.3	14.4
Net interest	–	2.5	–	2.5
Profit before tax	6.1	9.6	7.3	16.9
Taxation	(0.6)	(2.4)	(2.1)	(4.5)
Profit after tax	5.5	7.2	5.2	12.4

Balance Sheet

£m	Jun 2009	Dec 2008	Jun 2008
Goodwill	143.8	143.8	153.6
Net trading positions	5.1	10.4	22.4
Deferred tax	2.1	1.1	7.0
Other net assets	26.6	(10.6)	15.4
Tax and other provisions	(4.6)	(6.9)	(4.9)
Net Cash	74.6	106.6	69.0
Net Assets	247.6	244.4	262.5
Usable cash	67.3	92.9	60.3
Client money	3.0	3.2	2.6
Other restricted cash	4.3	10.5	6.1
Total cash per above	74.6	106.6	69.0

Regulatory Capital

£m	June 2009	June 2008
Regulatory Capital Resources before deductions	246.9	261.6
Deductions		
Goodwill	(143.8)	(153.6)
Other intangibles	(0.7)	(1.7)
Material holdings and free deliverables	(1.3)	(3.7)
Total capital after deductions	101.1	102.6
Pillar One Capital Requirements		
Market risk under standardised method	6.4	8.2
Credit risk under simplified method	11.5	17.0
Operational risk under basic indicator approach	29.2	26.7
Total Pillar One requirement	47.1	51.9

Cash Flow

£m	6 months to Jun 2009	6 months to Dec 2008	6 months to Jun 2008
Operating profit/(loss)	6.1	(26.2)	7.1
Client money	0.1	0.6	(47.9)
Net interest	0.2	3.2	1.2
Trading positions	0.3	12.0	5.7
(Repayment)/drawdown of debt	(15.0)	15.0	–
Write-down of intangible assets (non-cash)	–	14.8	–
Acquisitions	–	27.6	–
Tax	(3.1)	(1.9)	(9.7)
Dividends	(3.0)	(3.1)	(12.2)
Treasury shares/ESOT shares	–	(1.3)	(1.0)
Working capital and other *	(32.6)	11.9	(15.8)
(Decrease)/increase in cash	(47.0)	52.6	(72.6)
Opening cash	121.6	69.0	141.6
Closing cash	74.6	121.6	69.0
Loan drawdown	–	(15.0)	–
Net cash	74.6	106.6	69.0

* Principally bonus and debtors

Wealth Management

- Net inflows in 2009 were £182m, increasing AUM to £5bn
- Resilient performance in face of challenging market conditions
- Recurring revenues broadly flat, transactional revenues down due to market volumes
- Increasing industry recognition of Collins Stewart Wealth Management and Fund Management brands:
 - Won Best Discretionary Adviser, Money Marketing Financial Services Awards 2009
- Independent client-focused approach ideally positioned to grow organically
- Acquisitions of both teams and businesses also being considered

Wealth Management Results

£m	June 2009	June 2008
Adjusted Revenue	22.0	23.2
Adjusted Operating Profit pre SBP	5.3	7.6
Adjusted Operating Margin pre SBP	24.1%	32.8%

Assets Under Management

	Jun 2009 £bn	Dec 2008 £bn	Jun 2008 £bn
Discretionary (incl. Funds)	1.5	1.5	1.8
Advisory	1.9	1.8	1.9
Non-advisory	1.6	1.6	1.6
Total	5.0	4.9	5.3

Securities

UK Business

- Commission revenues down in line with the market
- Investment Companies Team ahead of plan
- Strong performance from trading desks
- Fixed Income capability broadened and strengthened

UK

£m	June 2009	June 2008
Adjusted Revenue	27.8	20.7
Adjusted Operating Profit pre SBP	4.5	0.7
Adjusted Operating Margin pre SBP	16.2%	3.4%

US Business

- Lower US \$ revenues offset by exchange rate movements
- With Investment Banking closed, fixed costs fully borne by Securities
- Research and Sales have been strengthened significantly, which will improve the economics of the business

US

£m	June 2009	June 2008
Adjusted Revenue	25.0	22.1
Adjusted Operating (loss)/profit pre SBP	(2.8)	1.6
Adjusted Operating Margin pre SBP	(11.2%)	7.2%

Corporate Broking

- Strong return to profitability in UK
- Partially obscured by US closure costs and overseas businesses
- New team working closely with Hawkpoint to build high quality mid-cap corporate client list
- Notable main market client wins
- Significant transactions included a £100m capital raising for Development Securities

£m	June 2009	June 2008
Adjusted Revenue	8.0	7.0
Adjusted Operating Profit pre SBP	1.4	2.0
Adjusted Operating Margin pre SBP	17.5%	28.6%

Hawkpoint

- Repositioned towards refinancing and restructuring advisory services
- Conversion into completed transactions slow in Jan/Feb due to total inertia in debt markets
- Since then deal flow has been satisfactory given the sharp reduction in conventional M&A
- Secured some large mandates, such as the Icelandic Government mandate and the BPP offer
- Emphasis on securing a steady revenue stream rather than pursuing more speculative mandates

£m	June 2009	June 2008
Adjusted Revenue	12.5	23.5
Adjusted Operating Profit pre SBP	0.7	7.0
Adjusted Operating Margin pre SBP	5.6%	29.8%

Summary

- Market conditions remain tough
- Restructuring has produced a more focused business and a return to profitability
- Outlook remains uncertain and we continue to manage the business cautiously
- Taking opportunities to strengthen our core businesses and reinforce our position as a *leading independent financial advisory group*
- Sound platform from which to take advantage of improved market conditions

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