

COLLINS STEWART PLC

'Collins Stewart' or 'the Group'

Unaudited interim financial report for the six months ended 30 June 2010

Highlights

- Revenue of £96.1m (H1 2009: £95.3m)
- Operating profit before share-based payment charges of £9.8m up 8% (H1 2009: £9.1m)
- Operating profit of £7.3m up 20% (H1 2009: £6.1m)
- In Wealth Management, the acquisitions of Corazon and Andersen Charnley contributed to a 36% growth in AUM since 30 June 2009 to £6.8bn (30 June 2009: £5.0bn)
- Strong balance sheet with £75.0m net cash as at 30 June 2010 (30 June 2009: £74.6m) of which £68.5m (30 June 2009: £67.3m) was usable cash
- Interim dividend maintained at 1.3p

Results Summary

	Six months to 30 June 2010	Six months to 30 June 2009
Revenue	96.1	95.3
Operating profit before share-based payment charges	9.8	9.1
Operating profit	7.3	6.1
Profit before tax	6.5	6.1
Basic EPS	2.2p	2.3p
Diluted EPS	2.2p	2.3p
Dividend	1.3p	1.3p

Mark Brown, Chief Executive of Collins Stewart, commented:

"These interim results reflect a solid performance in difficult markets, particularly by Wealth Management, Hawkpoint and our specialist trading desks, and our US business is turning around. The strategic acquisitions of Corazon and Andersen Charnley represent significant steps in the development of our Wealth Management division."

"The Group has been turned around and is generally making progress in difficult markets. The full benefits of previous investment are still to come through and our strong financial position will enable us to continue to invest as opportunities arise."

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Business review

Results Summary

£m	Six months to 30 June 2010	Six months to 30 June 2009*
Revenue		
Wealth Management	22.6	22.0
Securities	50.3	52.0
Corporate Broking	6.5	8.8
Hawkpoint	16.7	12.5
	96.1	95.3
Operating profit before share-based payment charges		
Wealth Management	4.9†	5.3
Securities	1.0	1.5
Corporate Broking	1.0	1.6
Hawkpoint	2.9	0.7
	9.8	9.1
Share-based payment charges	(2.5)	(3.0)
Operating profit	7.3	6.1
Net interest	(0.8)	-
Profit before tax	6.5	6.1
Taxation	(1.1)	(0.6)
Profit after tax	5.4	5.5
Basic EPS	2.2p	2.3p
Diluted EPS	2.2p	2.3p

* From 1 January 2010, internal allocations in relation to Corporate Broking revenues and costs, some of which were previously reported in Securities, have been changed to reflect more accurately the activities associated with Corporate Broking and the relationship with other divisions. The 2009 comparatives have been restated accordingly.

† After charging acquisition costs of £0.5m (2009: nil)

Overview

Collins Stewart performed solidly in the first half of 2010, although the cautious outlook expressed at the time of the announcement of the 2009 results in March proved to be well-founded. Indeed, equity markets deteriorated further in the second quarter and in May 2010 the UK market suffered its worst performance since the collapse of Lehman Brothers.

Against this background, the resilience provided by its range of businesses, together with the management action taken throughout 2009 and 2010, have ensured that the Group is well-placed to withstand the prolonged difficult conditions. The Group has now been profitable each month since March 2009 and, while revenues of £96.1m for the first six months of 2010 were similar to those of the comparative period in 2009, a changed mix and improved margins resulted in operating profit before share-based payment charges increasing by 8% to £9.8m.

In line with the strategy of developing the Wealth Management division through organic growth and the acquisition of assets, Corazon Capital Group Ltd and Andersen-Charnley Ltd were acquired during the period. These companies increased the division's discretionary assets under management and administration by £0.7bn to £2.5bn and have reinforced its capabilities and strengths in its key territories of the Channel Islands, UK and Geneva. The Wealth Management division performed

steadily during the six months to June and, while it continues to keep other acquisition opportunities under review, the focus for the remainder of the year will be on the successful integration of the new businesses and organic growth in assets.

Ongoing weakness in large-cap equity trading volumes continued to put pressure on the cash equities businesses in the UK and US Securities divisions. In the UK, this was mitigated by resilient performances from the specialist trading desks, particularly the Investment Companies team and the Preference Share desk. In the US, the recruitment of a new International Equities team had a significant impact, while ongoing action to reposition the existing equities business as a research-led platform has also been beneficial. As a result, the US division recorded a marginal profit during the second quarter following a loss of £5.2m in the second half of last year.

Corporate Broking has continued its transformation into a high-quality platform serving mid-cap companies with a number of important client wins, the most recent being Melrose Resources plc, a £350m market-cap oil and gas company. Results for the period were impacted by lower levels of corporate activity across the UK market that inevitably limited transactional revenues, but there is a more encouraging pipeline for the second half of the year. Indeed, since the end of the period Collins Stewart acted as sponsor, joint financial adviser, bookrunner and underwriter for a £100m rights issue by Development Securities plc.

Hawkpoint's range of advisory skills, allied to more favourable market conditions, has allowed it to continue the solid recovery shown in the second half of 2009. A number of new advisory clients have been retained and during the period Hawkpoint advised on a variety of high-profile M&A, debt advisory, equity issuance and restructuring assignments, and it continues to advise the Government of Iceland on the restructuring of its banking sector. With a solid pipeline, Hawkpoint is well-placed to continue this progress into the second half of the year.

The Group continues to generate cash at the operational level and its balance sheet remains strong. Net cash at 30 June 2010 was £75.0m (2009: £74.6m) after increased investment in inventory to support trading activity and funding of the two acquisitions in Wealth Management. Capital resources remain comfortably in excess of regulatory capital requirements.

The Board continues to view the outlook with caution and places a high priority on preservation of the Group's cash resources and so has decided to declare an unchanged interim dividend of 1.3p per share (2009: 1.3p). This will be paid on 25 November 2010 to shareholders on the register at close of business on 5 November 2010.

Divisional review

The Group is currently managed through four operating segments: Wealth Management, Securities, Corporate Broking and Hawkpoint. The divisional review that follows is based on results before share-based payment charges.

Wealth Management

Collins Stewart Wealth Management (CSWM) is a leading independent portfolio manager and stockbroker with a local presence in London, Jersey, Guernsey, Isle of Man and Geneva.

£m	2010	2009
Revenue	22.6	22.0
Operating profit	4.9	5.3
Operating margin	21.7%	24.1%

The highlights of the first half of 2010 were the acquisitions of Corazon Capital Group Ltd in March and Andersen-Charnley Ltd in June. These increased discretionary assets under management and administration (AUM) by £382m and £357m respectively and both operate in areas where CSWM is already established and so add assets and critical mass to its existing operations. Both of these businesses, and their clients, will benefit from the broader investment proposition, excellent back office capabilities and corporate infrastructure offered by CSWM and the integration of both businesses is proceeding well.

£bn	30 June 2010	30 June 2009	Net Inflows	Market Appreciation	Assets Acquired	ROA 2010 H1*	ROA 2009*
Discretionary	2.5	1.5	0.1	0.2	0.7	1.06	1.15
Advisory	2.5	1.9	0.1	0.5	-	0.49	0.59
Non-Advisory	1.8	1.6	-	0.2	-	0.39	0.41
Total	6.8	5.0	0.2	0.9	0.7		

*Annualised Return on Assets (ROA) excludes revenues from trading in assets not under administration and revenues from acquisitions.

Total AUM rose to £6.8bn at 30 June 2010, an increase of 15% since 31 December 2009 and 36% since 30 June 2009. Discretionary AUM increased by 47% to £2.5bn during the first six months of 2010. Organic inflows during the first half were disappointing at £66m and have predominantly been at the lower end of the risk and margin spectrum in cash management and fixed interest solutions, reflecting investors' nervousness towards markets in light of continued volatility and economic uncertainty. Around one seventh of the increase in AUM in the first half of 2010 was attributable to organic growth, with revaluation effects and the impact of the two acquisitions accounting equally for the balance. The focus of the division in the second half will shift back towards organic growth.

Overall, the division again demonstrated its resilience with a modest rise in revenues to £22.6m. Recurring revenues (including management fees) increased by 8% although transaction income fell 3% due to lower trading volumes, while a more consistent interest rate environment meant that revenue opportunities that were present early in 2009 were not repeated in 2010. One-off costs of £0.5m relating to the acquisitions also impacted profits for the period, which fell by £0.4m to £4.9m.

CSWM has a strategic target entitled "10x12" – the achievement of £10bn of assets under management by the end of 2012 through a three-pronged strategy of organic growth, recruitment and acquisitions. Its independent, client-focused approach, as part of a well-capitalised group, leaves the division well-positioned to achieve its aim.

Securities

£m	2010	2009
Revenue		
UK	21.1	27.0
US	29.2	25.0
	50.3	52.0

Operating Profit/(loss)		
UK	3.2	4.3
US	(2.2)	(2.8)
	<hr/>	<hr/>
	1.0	1.5
Operating Margin		
UK	15.2%	15.9%
US	(7.5)%	(11.2)%
	<hr/>	<hr/>
	2.0%	2.9%

Securities revenues of £50.3m were 3% lower than the equivalent period in 2009, with a decline in UK revenues offset in part by increased revenues from the US business. Market conditions have remained difficult, particularly for the core cash equities business.

UK-managed business

Activity on the pan-European large-cap desk was subdued throughout the period as fund managers remained cautious and trading volumes continued at low levels, with the market deteriorating further in the second quarter. This had an inevitable impact on commission income. Despite this general market weakness, there is little sign of capacity being reduced in institutional broking and costs remain stubbornly under pressure, influenced in particular by the activities of some of the big banks which seem to view equity distribution as a “loss-leader”. Perhaps the most perverse manifestation of this behaviour is the current fashion to increase the ratio of fixed to variable remuneration.

The development of the UK Small/Mid-Cap franchise has continued with increased commissions and the attainment of new corporate brokerships that should benefit the business in the longer-term. The weakness in large-cap agency broking was also partially offset by the performance of the specialist trading desks, with the Investment Companies and Preference Share desks in particular performing well despite volatile market conditions.

US-managed business

The restructuring carried out in 2009 and into 2010 has recharged the US business, which is in a much stronger position than at the beginning of 2009. Revenues in the period were 80% higher than in the second half of 2009 and the division achieved marginal profitability in the second quarter. The recruitment of a highly-regarded International Equities team during the period has had a major impact on revenue and profitability, while reorganisation of the core equities business has continued to ensure it is more aligned to the ongoing market fragility.

Corporate Broking

£m	2010	2009
Revenue	6.5	8.8
Operating profit	1.0	1.6
Operating margin	15.4%	18.2%

The Corporate Broking business had a relatively quiet first six months due to lower fund-raising levels in the UK compared with the same period in 2009 and the continuing polarisation of deals to banks with larger balance sheets. The amount of money raised in the UK market in the first six months of 2010 was 58% lower than the equivalent period in 2009 and the number of deals was 24% lower, while just twelve deals accounted for 90% of the funds raised.

Nevertheless, the division has raised £155m for clients in the first half, including fundraisings for HarbourVest Senior Loans Europe, Management Consulting Group, Green Compliance and MedicX

Fund, and a further £100m for Development Securities in July. These transactions continue to show the firm's capacity to place shares and raise substantial funds for clients even in difficult markets. The Investment Companies team in London and the Singapore business, both of which have leading positions in their respective markets, also continue to perform well.

The success of the division's franchise in the long term will depend on its ability to win high-quality retained brokership clients. During the period it won a number of main-market clients, including Hogg Robinson Group plc, Invista Real Estate Investment Management Holdings plc and – since the period end - Melrose Resources plc. Corporate Broking and Hawkpoint continue to work closely together where it is appropriate to do so and the two divisions now have a significant number of joint clients and mandates.

Hawkpoint

£m	2010	2009
Revenue	16.7	12.5
Operating profit	2.9	0.7
Operating margin	17.4%	5.6%

An improved market environment for Hawkpoint saw revenues increase to £16.7m, significantly higher than in the same period last year and ahead of the stronger performance in the second half of 2009. As a result, margins improved and operating profit increased to £2.9m.

Hawkpoint benefited from the wide range of advisory skills that it offers and its ability to do so from a genuinely independent platform. This has led to a number of new retained advisory relationships including, in the quoted sector, Spice plc, Mouchel Group plc, Augean plc and Morgan Sindall Group plc, while an increasing number of clients are seeking to access the distribution capabilities of the Collins Stewart Group.

The partial easing of bank financing liquidity constraints, together with selective availability of capital, particularly from private equity, has increased conventional M&A and associated debt advisory activity. Meanwhile, the current economic environment is providing Hawkpoint with opportunities to deploy its strategic and restructuring advisory skills, often in complex situations. M&A transactions on which Hawkpoint advised during the period included the acquisitions by Teachers' Private Capital of Acorn Care and Education, of Payzone plc by Duke Street and of Liberty plc by Blue Gem. Disposal advice included the sale of Raymarine to FLIR Systems, the sale by STV of Pearl & Dean, the sale of Melorio plc to Pearson plc and the disposal by Covenant Healthcare of various hospitals including the Churchill London Clinic.

Hawkpoint advised the bondholders in Pearl on the restructuring of its £500m Tier One notes and continues to advise the Icelandic Government, most recently in relation to restructuring the country's two largest savings banks. Its debt advisory team advised OMV on raising a €1.5bn revolving credit facility, Advent on financing the acquisition of DFS and Iridium on a \$1.8bn syndicated term loan for the purchase of a new satellite constellation. Hawkpoint was also independent financial adviser to JKK Oil & Gas plc on its £38m placing.

Hawkpoint continues to invest in and develop its presence in Europe. Its French division increased deal flow in the first half advising on sales such as that by Safran of Cinch Connectors to Bel Fuse Inc, by Industries et Finances Partenaires of Caterine Restauration to Compass and by Idex of Utilicom to GDF-Suez. Meanwhile investment of just over £1m will be made in the second half of this year in establishing a new office in Frankfurt that will open shortly to expand local coverage of the German market.

Cash

The Group had net cash balances at 30 June 2010 of £75.0m (2009: £74.6m), of which £6.5m (2009: £7.3m) is not freely available as it is either client cash or held in employee benefit trusts. Net cash utilised in operating activities includes £28.4m to finance inventory whilst other significant cash flows include £6.0m in consideration for acquisitions.

Regulatory Capital

The Group is well-capitalised with capital resources of £95.7m. This compares with its regulatory capital requirements of £57.3m and represents a solvency ratio of 167%.

Going Concern

The Group has a strong balance sheet and the Board believes that the Group is well-placed to manage its business risks successfully. The Group's forecasts and projections, taking account of possible adverse changes in trading performance or stressed market conditions, show that the Group will be able to operate within the level of its current financing arrangements. Accordingly, the Board continues to adopt a going concern basis for the preparation of the financial statements.

Outlook

Diversification in terms of clients (private individuals, companies, investment institutions and public bodies) and geography (Europe, US and Asia) has helped the resilience of the business but only because we are also focused on what we understand and do well. Independent thinking and advice underpins all our activities and the premium placed on true independence is greater now than it has ever been. For this reason, financial turmoil is ultimately more of an opportunity than a threat for the Collins Stewart Group. The acquisitions in Wealth Management, which is a strategic priority for growth given the quality of returns in the business, are an example of this.

Working together, Hawkpoint and Collins Stewart have a unique opportunity to build a corporate broking franchise in the UK and Hawkpoint itself is ideally placed for an era of corporate restructuring and consolidation. The US Securities business is also turning around, but institutional broking will be a tough business for the foreseeable future unless equity market conditions improve or capacity is taken out of the industry.

At our full year results in March we said that we continue to view the external environment with caution on the basis that many of the structural issues were simply pushed back rather than addressed by governments in 2009. The last few months have shown that perspective to be well-founded and it continues to be appropriate in our view. Nevertheless, the Group has been turned around and is generally making progress in difficult markets. The full benefits of previous investment are still to come through and our strong financial position will enable us to continue to invest as opportunities arise.

INDEPENDENT REVIEW REPORT TO COLLINS STEWART PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 10. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditors
London, United Kingdom
29 July 2010

Condensed consolidated income statement

Six months ended 30 June 2010

	Notes	Six months to 30 June 2010 Unaudited £m	Six months to 30 June 2009 Unaudited £m	Year ended 31 December 2009 Audited £m
Revenue before share of loss of associate		96.1	95.5	186.6
Share of loss of associate		-	(0.2)	(0.2)
Revenue	3	96.1	95.3	186.4
Administrative expenses		(88.8)	(89.2)	(167.9)
Operating profit	3	7.3	6.1	18.5
Finance income		0.6	0.6	1.3
Finance costs		(1.4)	(0.6)	(1.4)
		(0.8)	-	(0.1)
Profit before tax		6.5	6.1	18.4
Taxation	4	(1.1)	(0.6)	(5.0)
Profit after tax		5.4	5.5	13.4
Earnings per share				
Basic	6	2.2p	2.3p	5.5p
Diluted	6	2.2p	2.3p	5.4p

All of the Group's revenue and operating profit were derived from continuing operations.

Condensed consolidated statement of comprehensive income

Six months ended 30 June 2010

	Six months to 30 June 2010 Unaudited £m	Six months to 30 June 2009 Unaudited £m	Year ended 31 December 2009 Audited £m
Profit for the period	5.4	5.5	13.4
Fair value loss on available-for-sale financial assets (net of tax)	(0.3)	(0.2)	(0.1)
Foreign exchange translation	1.7	(2.2)	(1.7)
Taxation on other items taken directly to equity	(0.4)	-	-
Total comprehensive income for the period	6.4	3.1	11.6

Condensed consolidated statement of changes in equity

Six months ended 30 June 2010

	Share Capital £m	Share Premium £m	Merger Reserve £m	Reverse acquisition Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2009	61.9	-	70.9	(275.0)	386.6	244.4
Profit for the period	-	-	-	-	5.5	5.5
Loss on available-for-sale assets	-	-	-	-	(0.2)	(0.2)
Foreign exchange translation	-	-	-	-	(2.2)	(2.2)
Total comprehensive income for the period	-	-	-	-	3.1	3.1
Dividends paid in the period	-	-	-	-	(3.0)	(3.0)
Credit arising on share options	-	-	-	-	3.0	3.0
Share issue	0.1	0.1	-	-	(0.1)	0.1
Balance at 30 June 2009	62.0	0.1	70.9	(275.0)	389.6	247.6
Balance at 1 January 2009	61.9	-	70.9	(275.0)	386.6	244.4
Profit for the year	-	-	-	-	13.4	13.4
Loss on available-for-sale assets	-	-	-	-	(0.1)	(0.1)
Foreign exchange translation	-	-	-	-	(1.7)	(1.7)
Total comprehensive income for the year	-	-	-	-	11.6	11.6
Dividends paid in the year	-	-	-	-	(6.1)	(6.1)
Credit arising on share options	-	-	-	-	3.4	3.4
Share issue	0.1	0.1	-	-	(0.1)	0.1
Balance at 31 December 2009	62.0	0.1	70.9	(275.0)	395.4	253.4
Balance at 1 January 2010	62.0	0.1	70.9	(275.0)	395.4	253.4
Profit for the period	-	-	-	-	5.4	5.4
Loss on available-for-sale assets	-	-	-	-	(0.3)	(0.3)
Taxation on other items taken directly to equity	-	-	-	-	(0.4)	(0.4)
Foreign exchange translation	-	-	-	-	1.7	1.7
Total comprehensive income for the period	-	-	-	-	6.4	6.4
Dividends paid in the period	-	-	-	-	(3.2)	(3.2)
Purchase of Treasury shares	-	-	-	-	(0.2)	(0.2)
Purchase of own shares by ESOT	-	-	-	-	(4.0)	(4.0)
Deferred consideration	-	-	-	-	4.5	4.5
Credit arising on share options	-	-	-	-	2.5	2.5
Settlement of share options	-	-	-	-	(0.7)	(0.7)
Balance at 30 June 2010	62.0	0.1	70.9	(275.0)	400.7	258.7

Condensed consolidated balance sheet

as at 30 June 2010

	Notes	30 June 2010 Unaudited £m	30 June 2009 Unaudited £m	31 December 2009 Audited £m
Non-current assets				
Goodwill		158.5	143.8	143.8
Other intangible assets		0.7	0.7	0.7
Property, plant and equipment		5.3	5.0	4.9
Other financial assets		2.5	2.7	2.8
Investment in associates		0.5	0.9	0.4
Deferred tax assets		0.7	2.1	0.2
		168.2	155.2	152.8
Current assets				
Trade and other receivables		572.3	548.4	315.7
Current tax assets		0.6	4.2	1.0
Trading investments		83.0	28.3	32.8
Cash and cash equivalents		75.1	90.1	123.4
		731.0	671.0	472.9
Total assets	3	899.2	826.2	625.7
Current liabilities				
Trade and other payables		(589.4)	(535.3)	(335.9)
Current tax liabilities		(3.0)	(1.7)	(3.3)
Other financial liabilities		(44.5)	(23.2)	(22.9)
Interest-bearing loans and borrowings		(0.1)	(15.5)	(10.2)
Provisions		-	(0.5)	-
		(637.0)	(576.2)	(372.3)
Net current assets		94.0	94.8	100.6
Total assets less current liabilities		262.2	250.0	253.4
Non-current liabilities				
Deferred consideration		(3.5)	-	-
Provisions		-	(2.4)	-
		(3.5)	(2.4)	-
Total liabilities		(640.5)	(578.6)	(372.3)
Net assets		258.7	247.6	253.4
Equity				
Share capital		62.0	62.0	62.0
Share premium		0.1	0.1	0.1
Merger reserve		70.9	70.9	70.9
Reverse acquisition reserve		(275.0)	(275.0)	(275.0)
Retained earnings		400.7	389.6	395.4
Total equity		258.7	247.6	253.4

Condensed consolidated cash flow statement

Six months ended 30 June 2010

	Notes	Six months to 30 June 2010 Unaudited £m	Six months to 30 June 2009 Unaudited £m	Year ended 31 December 2009 Audited £m
Net cash (used in)/from operating activities	10	(25.6)	(27.5)	14.0
Investing activities				
Interest received		0.7	0.9	1.4
Purchase of intangible fixed assets		(0.2)	(0.1)	(0.3)
Purchase of property, plant and equipment	7	(0.7)	(0.2)	(0.7)
Acquisition of subsidiaries (net of cash acquired)	8	(6.0)	-	-
Net cash (used in)/from investing activities		(6.2)	0.6	0.4
Financing activities				
Dividends paid		(3.2)	(3.0)	(6.1)
Repayment of loan facility		-	(15.0)	(15.0)
Purchase of own shares		(4.0)	-	-
Exercise of share options		(0.7)	-	-
Share issue		-	0.1	-
Purchase of Treasury shares		(0.2)	-	-
Net cash used in financing activities		(8.1)	(17.9)	(21.1)
Net decrease in cash and cash equivalents		(39.9)	(44.8)	(6.7)
Net cash and cash equivalents at the beginning of the period		113.2	121.6	121.6
Effect of foreign exchange rate movements		1.7	(2.2)	(1.7)
Net cash and cash equivalents at the end of the period		75.0	74.6	113.2
Cash and cash equivalents		75.1	90.1	123.4
Overdrafts		(0.1)	(15.5)	(10.2)
Net cash and cash equivalents		75.0	74.6	113.2

Notes to the condensed financial statements for the period ended 30 June 2010

1. Basis of preparation and accounting policies

The interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and in accordance with International Accounting Standard (“IAS”) 34 – “Interim Financial Reporting”, as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Group’s financial statements for the year ended 31 December 2009, except as set out below.

The Interim Report is unaudited and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. However, the information has been reviewed by the company’s auditors, Deloitte LLP, and their report appears above.

The financial information for the year ended 31 December 2009 contained within this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of those statutory accounts has been reported on by Deloitte LLP and delivered to the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

Changes in accounting policy

In the current financial period, the Group has adopted International Financial Reporting Standard 3 “Business Combinations” (revised 2008) and International Accounting Standard 27 “Consolidated and Separate Financial Statements” (revised 2008). These standards require that, for acquisitions in annual reporting periods commencing on or after 1 July 2009;

- acquisition costs, such as legal fees, which do not represent consideration payable to vendors, be included in operating expenses as incurred. Previously such amounts would have formed part of Goodwill, and
- any changes to the cost of an acquisition, including contingent consideration accounted for as a liability under IAS 32 “Financial Instruments: Presentation”, which result from events after the date of acquisition are required to be recognised in profit or loss. Previously such changes resulted in an adjustment to Goodwill.

The financial impact in these Interim Financial Statements has been to expense acquisition costs to operating expenses as set out in Note 8.

2. Related party transactions

Related party transactions are described in the 2009 Annual Report and Accounts in note 32 to the consolidated financial statements. There have been no material changes in the nature or value of related party transactions in the six months ended 30 June 2010.

3. Business segments

In 2009, the Group adopted IFRS 8 which requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and assess their performance.

The Group is currently managed through four operating segments; Wealth Management, Securities, Corporate Broking and Hawkpoint. From 1 January 2010, internal allocations in relation to Corporate Broking revenues and costs, some of which were previously reported in Securities, have been changed to reflect more accurately the activities associated with Corporate Broking and the relationship with other divisions. The 2009 comparatives have been restated accordingly.

**Six months ended 30 June 2010 -
unaudited**

	Wealth Management £m	Securities £m	Corporate Broking £m	Hawkpoint £m	Total £m
Revenue	22.6	50.3	6.5	16.7	96.1
Operating profit before share-based payment charges	4.9	1.0	1.0	2.9	9.8
Share-based payment charges	(1.3)	(0.5)	(0.1)	(0.6)	(2.5)
Operating profit	3.6	0.5	0.9	2.3	7.3
Finance income					0.6
Finance costs					(1.4)
Profit before tax					6.5
Taxation					(1.1)
Profit after tax					5.4

**Six months ended 30 June 2009 -
unaudited**

	Wealth Management £m	Securities £m	Corporate Broking £m	Hawkpoint £m	Total £m
Revenue	22.0	52.0	8.8	12.5	95.3
Operating profit before share-based payment charges	5.3	1.5	1.6	0.7	9.1
Share-based payment charges	(1.5)	-	(0.1)	(1.4)	(3.0)
Operating profit/(loss)	3.8	1.5	1.5	(0.7)	6.1
Finance income					0.6
Finance costs					(0.6)
Profit before tax					6.1
Taxation					(0.6)
Profit after tax					5.5

**Twelve months ended 31 December 2009
- audited**

	Wealth Management £m	Securities £m	Corporate Broking £m	Hawkpoint £m	Total £m
Revenue	43.7	97.2	17.2	28.3	186.4
Operating profit before share-based payment charges	10.1	3.0	4.1	4.7	21.9
Share-based payment charges	(2.4)	1.2	-	(2.2)	(3.4)
Operating profit	7.7	4.2	4.1	2.5	18.5
Finance income					1.3
Finance costs					(1.4)
Profit before tax					18.4
Taxation					(5.0)
Profit after tax					13.4

All revenue and operating profit is derived from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies which are described in the Group's latest annual financial statements. Segmental results represent the operating profit earned by each segment before net interest and taxation. This is the measure reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segmental performance.

Segmental assets	30 June 2010 Unaudited £m	30 June 2009 Unaudited £m	31 December 2009 Audited £m
Wealth Management	80.3	51.4	43.0
Securities	610.0	539.9	329.6
Corporate Broking	3.8	5.7	1.1
Hawkpoint	123.7	126.6	121.6
Total segmental assets	817.8	723.6	495.3
Unallocated assets	81.4	102.6	130.4
Consolidated total assets	899.2	826.2	625.7

For the purposes of monitoring segmental performance and allocation of resources between segments, the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments, with the exception of available for sale assets, current and deferred tax assets, cash and cash equivalents and accrued interest.

4. Taxation

	Six months to 30 June 2010 Unaudited £m	Six months to 30 June 2009 Unaudited £m	Year ended 31 December 2009 Audited £m
Current tax:			
UK corporation tax	1.5	0.9	2.7
Double tax relief	(0.1)	(0.1)	(0.2)
	1.4	0.8	2.5
Overseas tax	0.4	0.3	0.7
Prior period UK tax (over)/underprovided	(0.2)	0.6	0.7
Prior period overseas tax underprovided	-	-	0.2
	1.6	1.7	4.1
Deferred tax:			
Current period	(0.5)	0.5	0.9
Prior period adjustment	-	(1.6)	-
	1.1	0.6	5.0

5. Dividends

In the period to 30 June 2010 a £3.2m final dividend, equivalent to 1.3p per share, was paid in respect of 2009. The Board, on 29 July 2010, declared an interim dividend of £3.2m, equivalent to 1.3p per share, which has not been included as a liability as at 30 June 2010.

6. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

Earnings	Six months to 30 June 2010 Unaudited £m	Six months to 30 June 2009 Unaudited £m	Year ended 31 December 2009 Audited £m
Earnings for the purposes of basic and diluted earnings per shares	5.4	5.5	13.4
Weighted average number of shares	Six months to 30 June 2010 Unaudited No. (m)	Six months to 30 June 2009 Unaudited No. (m)	Year ended 31 December 2009 Audited No. (m)
Weighted average number of shares in the period	242.0	240.1	242.0
Issuable on exercise of options	8.3	4.1	7.2
Diluted earnings per share denominator	250.3	244.2	249.2
Basic earnings per share	2.2p	2.3p	5.5p
Diluted earnings per share	2.2p	2.3p	5.4p

7. Property, plant and equipment

During the period the Group spent £0.7m on office and computer equipment.

8. Acquisitions

On 17 March 2010, the Group acquired 100% of the share capital of Corazon Capital Group Limited ("Corazon"), an independent, Guernsey-based investment manager.

On 16 June 2010, the Group acquired 100% of the share capital of Andersen-Charnley Limited ("ACL"), an independent private client wealth manager offering both discretionary portfolio management and independent financial advice.

Corazon	Book value £m	Fair value adjustments £m	Preliminary fair values £m
Net assets acquired			
Property, plant and equipment	0.1	-	0.1
Trade and other receivables	0.2	-	0.2
Prepayments and accrued income	0.1	-	0.1
Cash and cash equivalents	0.3	-	0.3
Trade and other payables	(0.4)	(0.5)	(0.9)
	0.3	(0.5)	(0.2)
Goodwill			5.5
			5.3
Satisfied by			
Cash consideration paid			0.5
Outstanding cash payment for net assets			0.3
Deferred consideration			4.5
			5.3
Net cash used for acquisition			
Cash consideration			0.5
Cash acquired			(0.3)
Net cash spent on acquisition			0.2

Andersen Charnley	Book value £m	Fair value adjustments £m	Preliminary fair values £m
Net assets acquired			
Trade and other receivables	0.7	-	0.7
Prepayments and accrued income	0.5	-	0.5
Cash and cash equivalents	0.7	-	0.7
Trade and other payables	(1.1)	-	(1.1)
	0.8	-	0.8
Goodwill			9.2
			10.0
Satisfied by			
Cash consideration paid			5.0
Market-purchased equity			1.5
Deferred consideration			3.5
			10.0
Net cash used for acquisition			
Cash consideration			6.5
Cash acquired			(0.7)
Net cash spent on acquisition			5.8

As permitted under IFRS 3 (2008) "Business Combinations", the fair value attributed to identifiable assets and goodwill for both acquisitions is preliminary. Further analysis will be undertaken during the remainder of 2010 to establish final fair values, and the possible existence and valuation of any intangible assets other than goodwill.

The preliminary values of goodwill arising from the Corazon and ACL acquisitions are £5.5m and £9.2m respectively. These are attributable to the expected synergies and growth opportunities these acquisitions are expected to bring to the combined group.

Corazon contributed £0.5m and £nil of revenue and operating profit respectively in the financial period. ACL contributed £0.2m and £nil of revenue and operating profit respectively during the financial period. If both acquisitions had been completed on the first day of the financial period, Group revenue and operating profit would have been £2.7m higher and £0.5m lower respectively.

Both acquisitions have been accounted for under the purchase method of accounting. Acquisition costs of £0.1m and £0.4m have been charged to the profit and loss account for the period for Corazon and ACL respectively.

Deferred consideration in respect of the acquisition of Corazon is payable based on its performance during the twelve months post acquisition. The estimated fair value of such deferred consideration, which may range between £3.0m and £6.0m, is £4.5m. The consideration will be satisfied by the issue of a defined number of Collins Stewart plc ordinary shares in three annual instalments commencing twelve months from the date of acquisition. The value of the shares to be issued has been determined as the average of the closing market prices on the 30 days prior to the date of acquisition. The deferred consideration has been accounted for in equity as required by IAS 32 "Financial Instruments: Presentation".

Deferred consideration in respect of the acquisition of ACL is payable based on its performance during the twenty-four months post acquisition. The estimated fair value of such deferred consideration, which may be up to £5.5m, is £3.5m. The consideration will be determined after 12 months and 24 months from the date of acquisition and will be satisfied in cash and the issue or transfer of Collins Stewart plc ordinary shares. The value of the shares to be issued is based on the average of the closing market prices on the 10 days prior to the date of issue or transfer. The deferred consideration has been accounted for as a liability as required by IAS 32 "Financial Instruments: Presentation".

9. Contingent Liabilities

As disclosed in the 2009 Annual Report and Accounts, a Group company is the subject of litigation in respect of a claim by a client. The Group continues to believe that the basis of this claim is without foundation and will mount a robust defence. After taking legal advice, the Directors remain of the opinion that there will be no significant financial impact other than the legal costs involved, which were provided for in 2008.

10. Notes to the cash flow statement

	Six months to 30 June 2010 Unaudited £m	Six months to 30 June 2009 Unaudited £m	Year ended 31 December 2009 Audited £m
Operating profit	7.3	6.1	18.5
Adjust for:			
Expense arising from share option plans	2.5	3.0	3.4
Decrease in the carrying value of associates	-	0.7	1.2
Depreciation of property, plant and equipment	0.5	0.6	1.2
Amortisation of intangible assets	0.2	0.1	0.2
Decrease in provisions for liabilities and charges	-	(0.2)	(3.1)
Operating cash flows before movement in working capital	10.5	10.3	21.4
Increase in trade and other receivables	(255.3)	(391.9)	(159.1)
(Increase)/Decrease in net long and short positions	(28.4)	5.3	0.5
Increase in trade and other payables	251.0	352.6	153.1
Cash (used in)/from operations	(22.2)	(23.7)	15.9
Income tax paid	(2.1)	(3.1)	(0.5)
Interest paid	(1.3)	(0.7)	(1.4)
Net cash flows (used in)/from operating activities	(25.6)	(27.5)	14.0

Principal risks and uncertainties

Information on the principal risks and uncertainties facing the Group are set out on pages 26 and 27 of its latest Annual Report and Accounts that are available on www.collinsstewart.com. These comprise credit, liquidity, market, operational, strategic and reputational risk and continue to be the key risks affecting the business. Risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year are discussed in the Outlook section of the Business Review above.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge, this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

By order of the board
J Cotter
Finance Director
29 July 2010