

COLLINS STEWART PLC

Unaudited interim financial report for the six months ended 30 June 2009

Highlights

- Reported revenues of £95.3m in line with H1 2008
- Revenue in Q2 2009 was 27% higher than Q1 2009
- Underlying non-bonus costs 10% lower in H1 2009 than H2 2008
- Operating profit of £6.1m in H1 2009, compared to an adjusted loss of £2.5m in H2 2008
- Strong balance sheet with £74.6m net cash as at 30 June 2009 (2008: £69.0m) of which £67.3m (2008: £60.3m) was useable cash
- Interim dividend maintained at 1.3p

Results Summary

	Six months to	6 months to 30 June 2008		
	30 June 2009	As Reported	Non recurring items	Before non recurring items
	As Reported			
Revenue	95.3	89.2	7.3	96.5
Operating profit	6.1	7.1	7.3	14.4
Profit before tax	6.1	9.6	7.3	16.9
Basic EPS	2.3p	3.0p	2.2p	5.2p
Diluted EPS	2.3p	2.9p	2.2p	5.1p
Dividend	1.3p	1.3p	-	1.3p

Terry Smith, Chairman of Collins Stewart plc, today said:

“Action taken late last year to refocus Collins Stewart on its core strengths and reduce its cost base has had a positive impact in the first half of 2009. The outlook remains uncertain and we will continue to take a cautious approach to managing the business with an emphasis on financial strength.”

Mark Brown, Chief Executive of Collins Stewart, commented:

“The decision taken towards the end of last year to focus on our core franchises, whilst reducing costs, is bearing fruit. With a strong balance sheet and cash position we have adapted our business model to perform robustly in current difficult markets, and to provide a sound platform from which to take advantage of improved market conditions in the future. We are taking advantage of opportunities arising from market dislocation to strengthen our core businesses and reinforce our position as a leading independent financial advisory group.”

Enquiries:

Catherine Green,
Director of Marketing and Communications, Collins Stewart plc
+44 (0) 207 523 8051
+44 (0)7786 912289

Charlotte Kirkham,
M:Communications
+44 (0) 207 153 1531
+44 (0) 7989 528421

Further information on the Company and its activities is available on the Company’s website:
www.collinsstewart.com

Business review

Results Summary

£m	Six months to 30 June 2009	6 months to 30 June 2008		
	As Reported	As Reported	Adjustments	Adjusted
Revenue				
Securities	52.8	41.5	1.3	42.8
Corporate Broking	8.0	1.0	6.0	7.0
Wealth Management	22.0	23.2	-	23.2
Hawkpoint	12.5	23.5	-	23.5
	95.3	89.2	7.3	96.5
Operating profit before share-based payment charges				
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
	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
Basic EPS	2.3p	3.0p	2.2p	5.2p
Diluted EPS	2.3p	2.9p	2.2p	5.1p

Overview

The difficult trading environment that prevailed throughout 2008, particularly in the second half, continued in the first six months of 2009. Reported revenues for the six months to 30 June 2009 of £95.3m were similar to adjusted revenues for the corresponding period in 2008, but this partly reflects the impact of favourable US dollar exchange rate movements and new business activities. Allowing for these factors, underlying revenues in the first half of 2009 fell by almost 17% compared with the first half of 2008 but were broadly in line with the second half. However, the picture improved somewhat in the second quarter of 2009 with revenues 27% higher than in the first quarter.

In response to the deterioration in market conditions in 2008 and previous over-expansion, management action has been focused on reducing costs and conserving cash. On the same underlying basis as above, non-bonus costs were approximately 12% lower in the first half of 2009 than in the second half of 2008, resulting in an operating profit for the period of £6.1m, in contrast to an adjusted loss of £2.5m. The comparison with the second half of 2008 represents a more meaningful measure of the progress made by the Company since the appointment of Mark Brown as Chief Executive in October than the comparison with adjusted operating profit of £14.4m in the first half of 2008.

Half-yearly profit comparisons are distorted by the profile of the bonus accrual. In spite of deteriorating markets, it has been necessary due to competitive pressures over the retention and recruitment of staff to maintain overall bonus levels in the first half of 2009 (as in the second half of 2008) above those previously anticipated. Because of these pressures, the profile of the bonus accruals in 2008 was that 40% of the bonuses for the year were accrued in the first half and 60% in the second half. The bonus accruals in the second half of

2008 included around £6m of deferred bonuses, the payment of which is conditional upon the financial performance of the business in 2009. It is anticipated that bonus accruals in 2009 will be more evenly distributed between the two half-year periods.

The table below shows half-yearly adjusted revenues by division.

	Adjusted Revenue - six months to		
	30 Jun 2009	31 Dec 2008	30 Jun 2008
£m			
Securities	52.8	46.6	42.8
Corporate Broking	8.0	3.4	7.0
Wealth Management	22.0	23.8	23.2
Hawkpoint	12.5	17.5	23.5
	<u>95.3</u>	<u>91.3</u>	<u>96.5</u>

Trading volumes in large-cap equities have been weak during 2009 and this put pressure on secondary commissions for both our UK and US Securities businesses. In the UK, this has been mitigated by strong performances from market-making activities and from the new Investment Companies team that joined in September 2008. We continue to develop the business in complementary areas and, shortly after the period end, a fixed income credit trading team and a convertible bond sales and trading team were recruited to work alongside the successful Preference Share and PIBS desk.

Following the closure of the US corporate finance department in January, the US division is now primarily focused on its core business of research-driven equity sales and trading. The sales desk has been considerably strengthened and, shortly after the period end, a number of high-profile analysts from major Wall Street firms were recruited. An experienced specialist has also been recruited to develop the US division's fixed-income capability. The restructuring of the US business came a little later than elsewhere and the full benefits will not be seen until the second half of the year.

Corporate Broking benefited from actions taken to reduce the cost base and refocus the division as a long-term, relationship-driven corporate broking business. A number of notable main-market client wins have already been achieved and a particular highlight during the period was the £100m placing in June for Development Securities plc, doubling its market capitalisation and demonstrating the firm's considerable placing power.

In the Wealth Management Division, net inflows across all services in the first six months of 2009 were £182m, with total assets under management and administration rising to £5.0bn at 30 June 2009. Following the events of the last two years, the division's independent client-focused approach has put it at a clear competitive advantage to many private banks, operating as part of large integrated groups, whose product-led model has become discredited. It is also now receiving some reward from previous initiatives, such as building an intermediary sales team and opening an office in Geneva.

As highlighted at the time of the full-year results in March and the Interim Management Statement in May, Hawkpoint experienced a slow start to the year, although activity increased as the period progressed and some liquidity returned to the financial markets. In March, Hawkpoint was appointed by the Government of Iceland to advise it on the restructuring of the country's banking system, and in June it advised BPP plc on the £303m recommended offer for the company by Apollo Global.

The Group continues to generate cash and its balance sheet remains strong. Net cash at 30 June 2009 was £74.6m (2008: £69.0m) of which £67.3m (2008: £60.3m) was useable by the Group. The balance sheet at 30 June 2009 included a number of significant debtors that were converted into cash shortly after the period end, with the result that net cash at 31 July had increased to £87.2m. The Board continues to focus on the control of costs and preservation of its cash resources and has decided to declare an unchanged interim dividend of 1.3p per share (2008: 1.3p) that will be paid on 26 November 2009 to shareholders on the register at close of business on 6 November 2009.

Divisional review

On 1 January 2009, the equity distribution and research functions within the Corporate Broking division were transferred to the Securities division. In the divisional analysis that follows, the 2008 comparatives have been restated accordingly. The analysis is based on results before share-based payment charges and after adjusting for non-recurring items in 2008.

Securities

Securities provides a complete research, sales and execution service in European and US stocks to over 400 institutional clients across Europe and North America.

£m	2009	2008
Revenue		
UK	27.8	20.7
US	25.0	22.1
	<hr/>	<hr/>
	52.8	42.8
Operating Profit/(loss)		
UK	4.5	0.7
US	(2.8)	1.6
	<hr/>	<hr/>
	1.7	2.3
Operating Margin		
UK	16.2%	3.4%
US	(11.2%)	7.2%
	<hr/>	<hr/>
	3.2%	5.4%

Securities revenue increased to £52.8m (2008: £42.8m). This was attributable to the addition of the Investment Companies team and favourable exchange rates, particularly the US dollar, offset by declines in large-cap commissions in both the UK and US businesses. Operating profit fell to £1.7m (2008: £2.3m), with higher profits in the UK offset by losses in the US.

UK-managed business

The secondary trading desks maintained market share during 2009 but saw revenues come under pressure as volumes and commissions declined. According to London Stock Exchange statistics, trading volumes in the UK market were 46% lower in the first half of 2009 than in the same period of 2008. However, continued market volatility created good conditions for the market-making desks, with the Preference Share desk performing particularly well. As previously stated, the Investment Companies team also made an encouraging start.

US-managed business

Following the closure of the corporate finance department early in the year the US division is now primarily focused on secondary trading of domestic and international equities, ADRs and derivatives. In support of this strategy the business has been successful in recruiting a number of highly-regarded industry sales and research professionals. Financial performance suffered in the first half as the Securities side of the business is now required to bear all the division's overhead costs and there were also some write-downs on prior-year investments and restructuring costs. Revenues, in US dollar terms, were lower in the first half of 2009 than in the first half of 2008.

Corporate Broking

£m	2009	2008
Revenue	8.0	7.0
Operating profit	1.4	2.0
Operating margin	17.5%	28.6%

The Corporate Broking business, now based predominantly in the UK following the closure of the US corporate finance department, was extensively restructured towards the end of 2008 and performed well in 2009 despite the overall reduction in mid and small-cap equity fund raisings. As the results for the first six months of 2009 include costs relating to the now-closed US department, as well as the Asia Pacific and Irish businesses that were broadly breakeven in the period, this improvement in performance is somewhat obscured.

Comparison with the performance in the second half of 2008 makes clear the progress that has been made; revenue of £8.0m and operating profit of £1.4m in contrast to revenue of £3.4m and an adjusted operating loss of £5.0m. An extensive staff overhaul at the end of 2008, necessary both to develop the business and reduce costs, has had a positive impact and the new team is focused on developing a high-quality, mid-cap corporate broking business. In this respect Corporate Broking and Hawkpoint are working more closely together and the two divisions now have a significant number of joint clients and mandates.

The division raised £139m for clients in 2009 (2008: £112m), including the second-largest secondary offering on AIM. In June, it successfully conducted a £100m placing for Development Securities plc, doubling that company's market capitalisation. These transactions demonstrate the firm's power to place shares and raise substantial funds for quality clients even in difficult markets. The continued success of the division's franchise will depend on its ability to win high-quality retained broking clients and it has already gained a number of main-market clients, notably Mears Group plc and Yule Catto plc. This refocusing of the business on clients further up the market capitalisation spectrum has resulted in the planned reduction in the number of smaller AIM clients.

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	2009	2008
Revenue	22.0	23.2
Operating profit	5.3	7.6
Operating margin	24.1%	32.8%

Net inflows in assets under management were £182m during the first six months of 2009, with total assets under management and administration rising to £5.0bn at 30 June.

	30 June 2009	31 Dec 2008	Net inflows
	(£bn)	(£bn)	(£m)
Discretionary (incl Funds)	1.5	1.5	32
Advisory	1.9	1.8	118
Non-Advisory	1.6	1.6	32
Total	5.0	4.9	182

Following the events of the last 2 years, the division's independent client-focused approach has put it at a clear competitive advantage to many private banks, operating as part of large integrated groups, whose product-led model has become discredited. The division is also now receiving some benefit from previous initiatives, including building an intermediary sales team, opening an office in Geneva and transferring its funds to UCITS structures.

Revenues fell 5% mainly as a result of lower transaction volumes although recurring revenues (including management fees) increased from 46% to 48% of total revenues. This produced an underlying fall in profits of 10%.

CSWM's independent client-focused approach, as part of a well-capitalised group, leaves it ideally positioned to grow assets organically. The division also continues to pursue opportunities to supplement this growth by the recruitment of experienced investment professionals and through bolt-on acquisitions.

Hawkpoint

£m	2009	2008
Revenue	12.5	23.5
Operating profit	0.7	7.0
Operating margin	5.6%	29.8%

Hawkpoint started the year slowly, as many of the transactions on which it was advising suffered from particularly marked inertia in the debt markets. This position began to ease from March onwards as some liquidity returned to the financial markets and transaction price expectations were reset. Revenue for the six months ended 30 June 2009 was £12.5m resulting in an operating profit of £0.7m.

Much of Hawkpoint's revenue arose from advisory work in the fields of refinancing or restructuring, together with distressed M&A resulting from this. This reflected considerable effort by Hawkpoint to deploy its capable debt and restructuring advisory teams as effectively as possible.

In March, Hawkpoint was retained by the Government of Iceland to advise on compensation due to Iceland's three previous principal banks for the extraction of their domestic businesses to form three new banks and on the €1.5 billion recapitalisation of these banks. Other mandates to refinance or restructure companies included advising a major European bank in relation to a €3.6bn refinancing, Davenham plc on refinancing £215m of facilities, Saint George Participations on a rescue equity injection for DTZ plc and Carpathian plc on refinancing certain of its CEE debt. Other significant advisory mandates included advising BPP plc on the £303m recommended offer by Apollo Global; Global Radio on the disposal of certain Midlands radio assets; Chesnara plc on the acquisition of Moderna Försäkringar Liv in Sweden and the All England Lawn Tennis Club on its recent £60m debenture issue.

Cash

The net cash balance at 30 June 2009 was £74.6m (2008: £69.0m), inclusive of £7.3m (2008: £8.7m) which is not freely useable as it is either client cash or held in employee benefit trusts. Net cash utilised in operating activities during the period was £27.5m (2008: £84.6m) and includes payment of the majority of the 2008 annual bonuses. Other outflows during the period include the repayment of the £15.0m draw-down of the committed banking facility and £3.0m in respect of the final 2008 dividend.

Regulatory Capital

The Group is well-capitalised with regulatory capital resources of £101.1m. The Group's Pillar One capital requirements amounted to £47.1m as at 30 June 2009.

Going Concern

The Group has a strong balance sheet with net cash of £74.6m (2008: £69.0m). The Board believes that the Group is well placed to manage its business risks successfully and the Group's forecasts and projections, taking account of possible adverse changes in trading performance, show that the Group should 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

The actions taken towards the end of 2008 and early in 2009 to refocus the Company on its core strengths and reduce its cost base have had a positive impact in the first half of 2009. Although there is some indication that market conditions are starting to improve, the outlook remains uncertain. Against this background, we continue to manage the business cautiously with an emphasis on financial strength.

Our balance sheet, the diversity of our businesses and the strength of our core franchises provide resilience in the face of the current uncertainty and a sound platform for growth as conditions improve. In a separate announcement today, we have detailed a number of senior hires across Securities, Corporate Broking and Hawkpoint, demonstrating how we are taking advantage of opportunities arising from market dislocation to strengthen our core businesses and reinforce our position as a leading independent financial advisory group.

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 2009, which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, 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 2009 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
11 August 2009

Condensed consolidated income statement

Six months ended 30 June 2009

		Six months to 30 June 2009	Six months to 30 June 2008	Year ended 31 December 2008
	Notes	Unaudited £m	Unaudited £m	Audited £m
Revenue before share of profit of associates		95.5	89.2	176.1
Share of loss of associates		(0.2)	-	(0.4)
Revenue	3	95.3	89.2	175.7
Administrative expenses		(89.2)	(82.1)	(194.8)
Operating profit/(loss)	3	6.1	7.1	(19.1)
Finance income		0.6	2.9	4.9
Finance costs		(0.6)	(0.4)	(1.0)
		-	2.5	3.9
Profit/(loss) before tax		6.1	9.6	(15.2)
Taxation	4	(0.6)	(2.4)	(7.7)
Profit/(loss) after tax attributable to equity holders of the parent		5.5	7.2	(22.9)
Earnings per share				
Basic	6	2.3p	3.0p	(9.6)p
Diluted	6	2.3p	2.9p	(9.4)p

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 2009

	Six months to 30 June 2009	Six months to 30 June 2008	Year ended 31 December 2008
	Unaudited	Unaudited	Audited
	£m	£m	£m
Profit/(loss) for the period	5.5	7.2	(22.9)
Fair value (loss)/gain on non-current available-for-sale financial assets, net of tax	(0.2)	0.3	0.8
Foreign exchange translation	(2.2)	(0.1)	11.6
Taxation on other items taken directly to equity	-	(0.3)	(0.8)
Total comprehensive income for the period attributable to equity holders of the parent	3.1	7.1	(11.3)

Condensed consolidated statement of changes in equity
Six months ended 30 June 2009

	Share Capital £m	Share Premium £m	Merger Reserve £m	Reverse acquisition Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2008	61.9	-	70.9	(275.0)	407.5	265.3
Profit for the period	-	-	-	-	7.2	7.2
Gain on available-for-sale assets	-	-	-	-	0.3	0.3
Taxation on items taken directly to equity	-	-	-	-	(0.3)	(0.3)
Foreign exchange translation	-	-	-	-	(0.1)	(0.1)
Dividends paid in the period	-	-	-	-	(12.2)	(12.2)
Credit arising on share options	-	-	-	-	4.5	4.5
Purchase of Treasury shares	-	-	-	-	(1.0)	(1.0)
Settlement of share options	-	-	-	-	(0.3)	(0.3)
Other items taken directly to equity	-	-	-	-	(0.9)	(0.9)
Balance at 30 June 2008	61.9	-	70.9	(275.0)	404.7	262.5
Balance at 1 January 2008	61.9	-	70.9	(275.0)	407.5	265.3
Loss for the year	-	-	-	-	(22.9)	(22.9)
Gain on available-for-sale assets	-	-	-	-	0.8	0.8
Taxation on items taken directly to equity	-	-	-	-	(0.8)	(0.8)
Foreign exchange translation	-	-	-	-	11.6	11.6
Dividends paid in the year	-	-	-	-	(15.3)	(15.3)
Credit arising on share options	-	-	-	-	7.4	7.4
Purchase of Treasury shares	-	-	-	-	(1.0)	(1.0)
Purchase of own shares	-	-	-	-	(1.5)	(1.5)
Sale of own shares	-	-	-	-	0.2	0.2
Other items taken directly to equity	-	-	-	-	0.6	0.6
Balance at 31 December 2008	61.9	-	70.9	(275.0)	386.6	244.4
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)
Dividends paid in the period	-	-	-	-	(3.0)	(3.0)
Foreign exchange translation	-	-	-	-	(2.2)	(2.2)
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

Condensed consolidated balance sheet
as at 30 June 2009

		30 June 2009	30 June 2008	31 December 2008
	Notes	Unaudited £m	Unaudited £m	Audited £m
Non-current assets				
Goodwill		143.8	153.6	143.8
Other intangible assets		0.7	1.7	0.6
Property, plant and equipment	7	5.0	5.1	5.4
Other financial assets		2.7	2.4	2.9
Investment in associates		0.9	1.8	1.6
Deferred tax assets		2.1	7.0	1.1
		155.2	171.6	155.4
Current assets				
Trade and other receivables		548.4	1,412.1	156.7
Current tax assets		4.2	1.0	4.9
Trading investments		28.3	26.2	28.6
Cash and cash equivalents		90.1	76.8	133.9
		671.0	1,516.1	324.1
Total assets		826.2	1,687.7	479.5
Current liabilities				
Trade and other payables		(535.3)	(1,408.7)	(182.7)
Current tax liabilities		(1.7)	(2.0)	(3.8)
Other financial liabilities		(23.2)	(3.8)	(18.2)
Interest-bearing loans and borrowings	8	(15.5)	(7.8)	(27.3)
Provisions		(0.5)	(0.5)	(0.7)
		(576.2)	(1,422.8)	(232.7)
Net current assets		94.8	93.3	91.4
Total assets less current liabilities		250.0	264.9	246.8
Non-current liabilities				
Provisions		(2.4)	(2.4)	(2.4)
		(2.4)	(2.4)	(2.4)
Total liabilities		(578.6)	(1,425.2)	(235.1)
Net assets		247.6	262.5	244.4
Equity				
Share capital		62.0	61.9	61.9
Share premium		0.1	-	-
Merger reserve		70.9	70.9	70.9
Reverse acquisition reserve		(275.0)	(275.0)	(275.0)
Retained earnings		389.6	404.7	386.6
Equity attributable to equity holders of the parent		247.6	262.5	244.4

Condensed consolidated cash flow statement
Six month ended 30 June 2009

	Six months to 30 June 2009	Six months to 30 June 2008	Year ended 31 December 2008
	Unaudited £m	Unaudited £m	Audited £m
Notes			
Net cash used in operating activities	10	(27.5)	(54.5)
Investing activities			
Interest received	0.9	1.5	5.4
Purchase of intangible fixed assets	(0.1)	-	(0.3)
Purchase of property, plant and equipment	(0.2)	(0.3)	(1.6)
Acquisition of subsidiary (net of cash acquired)	-	27.6	27.6
Net cash from investing activities	0.6	28.8	31.1
Financing activities			
Dividends paid	(3.0)	(12.2)	(15.3)
(Repayment)/drawdown of loan facility	(15.0)	-	15.0
Repayment of subordinated loan	-	(1.5)	(1.5)
Repayment of loan notes	-	(0.8)	(0.8)
Purchase of own shares	-	(1.5)	(1.5)
Share issue	0.1	-	-
Sale of own shares	-	0.2	0.2
Purchase of Treasury shares	-	(1.0)	(1.0)
Net cash used in financing activities	(17.9)	(16.8)	(4.9)
Net decrease in cash and cash equivalents	(44.8)	(72.6)	(28.3)
Net cash and cash equivalents at the beginning of the period	121.6	141.6	141.6
Effect of foreign exchange rate movements	(2.2)	-	8.3
Net cash and cash equivalents at the end of the period/year	74.6	69.0	121.6
Cash and cash equivalents	90.1	76.8	133.9
Overdrafts	(15.5)	(7.8)	(12.3)
Net cash and cash equivalents	74.6	69.0	121.6

Notes to the condensed financial statements for the period ended 30 June 2009

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”. 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 2008, except as stated 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 2008 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 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 year, the Group has adopted International Financial Reporting Standard 8 “Operating Segments” and International Accounting Standard 1 “Presentation of Financial Statements” (September 2007).

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (IAS 14 “Segment Reporting”) required the Group to identify two sets of segments (business and geographical) using a risks and rewards approach, with the Group’s system of internal financial reporting to key management personnel serving only as the starting point for identification of such segments. As a result, the segmental information required by IAS 34, which is included in note 3 below, is presented in accordance with IFRS 8. With the exception of additional disclosure on segmental assets, this has not led to any changes to the number, or composition, of reportable segments.

IAS 1 (September 2007) requires the presentation of a statement in changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

2. Related party transactions

Related party transactions are described in the 2008 annual report and accounts in note 35 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 2009.

3. Business segments

The Group is currently managed through four operating divisions, Securities, Corporate Broking, Wealth Management and Hawkpoint, which are separately identified in the segmental information below. On 1 January 2009 the equity distribution and research functions within Corporate Broking were transferred to Securities and the 2008 comparatives have been restated accordingly.

All revenue and operating profit is derived from external customers.

3. Business segments continued

Six months ended 30 June 2009 - unaudited

	Securities	Corporate Broking	Wealth Management	Hawkpoint	Total
	£m	£m	£m	£m	£m
Revenue	52.8	8.0	22.0	12.5	95.3
Operating profit/(loss) before share-based payment charges	1.7	1.4	5.3	0.7	9.1
Share-based payment charges	-	(0.1)	(1.5)	(1.4)	(3.0)
Operating profit/(loss)	1.7	1.3	3.8	(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

Six months ended 30 June 2008 - unaudited

	Securities	Corporate Broking	Wealth Management	Hawkpoint	Total
	£m	£m	£m	£m	£m
Revenue	41.5	1.0	23.2	23.5	89.2
Operating profit/(loss) before share-based payment charges	1.0	(4.0)	7.6	7.0	11.6
Share-based payment charges	(1.0)	(0.2)	(1.9)	(1.4)	(4.5)
Operating profit/(loss)	-	(4.2)	5.7	5.6	7.1
Finance income					2.9
Finance costs					(0.4)
Profit before tax					9.6
Taxation					(2.4)
Profit after tax					7.2

Twelve months ended 31 December 2008 - audited

	Securities	Corporate Broking	Wealth Management	Hawkpoint	Total
	£m	£m	£m	£m	£m
Revenue	85.9	1.8	47.0	41.0	175.7
Operating profit/(loss) before share-based payment charges	(20.1)	(12.1)	13.5	7.0	(11.7)
Share-based payment charges	(1.7)	(0.3)	(3.0)	(2.4)	(7.4)
Operating profit/(loss)	(21.8)	(12.4)	10.5	4.6	(19.1)
Finance income					4.9
Finance costs					(1.0)
Loss before tax					(15.2)
Taxation					(7.7)
Loss after tax					(22.9)

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 2009	30 June 2008	31 December 2008
	Unaudited	Unaudited	Audited
	£m	£m	£m
Securities	539.9	1,387.5	151.4
Corporate Broking	5.7	8.7	4.9
Wealth Management	51.4	71.9	55.7
Hawkpoint	126.6	127.3	122.1
Total segment assets	723.6	1,595.4	334.1
Unallocated assets	102.6	92.3	145.4
Consolidated total assets	826.2	1,687.7	479.5

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 2009 Unaudited £m	Six months to 30 June 2008 Unaudited £m	Year ended 31 December 2008 Audited £m
Current tax:			
UK corporation tax	0.9	1.2	(0.4)
Double tax relief	(0.1)	(0.1)	(1.5)
	0.8	1.1	(1.9)
Overseas tax	0.3	1.0	2.4
Prior period UK tax under/(over)-provided	0.6	(0.6)	(0.9)
Prior period overseas tax over-provided	-	(0.1)	(0.1)
	1.7	1.4	(0.5)
Deferred tax:			
Current period	0.5	0.7	8.2
Prior period adjustment	(1.6)	0.3	-
	0.6	2.4	7.7

5. Dividends

In the period to 30 June 2009 a £3.0m final dividend, equivalent to 1.3p per share, was paid in respect of 2008. The Board, on 11 August 2009, 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 2009.

6. Earnings per share

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

	Six months to 30 June 2009 Unaudited £m	Six months to 30 June 2008 Unaudited £m	Year ended 31 December 2008 Audited £m
Earnings			
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	5.5	7.2	(22.9)
Weighted average number of shares	No. (m)	No. (m)	No. (m)
Weighted average number of shares in the period	240.1	239.6	240.0
Issuable on exercise of options	4.1	5.9	3.1
Diluted earnings per share denominator	244.2	245.5	243.1
Basic earnings/(loss) per share	2.3p	3.0p	(9.6)p
Diluted earnings/(loss) per share	2.3p	2.9p	(9.4)p

The calculation of basic earnings per share before non-recurring items is shown below.

Adjusted earnings	Six months to 30 June 2009 Unaudited £m	Six months to 30 June 2008 Unaudited £m	Year ended 31 December 2008 Audited £m
Earnings/(loss) for the purposes of basic earnings/(loss) per share as shown above	5.5	7.2	(22.9)
Adjustments (net of tax)	-	5.2	34.3
Adjusted earnings	5.5	12.4	11.4
Adjusted basic EPS	2.3p	5.2p	4.7p

7. Property, plant and equipment

During the period the Group spent £0.2m on office and computer equipment.

8. Borrowings

During March, the Group repaid the £15.0m it had drawn against its £35.0m three year committed loan facility during the second half of 2008, and the facility remains undrawn as at the date of the signing of this report.

Overdrafts, which are used to fund short-term trading requirements, stood at £15.5m at 30 June 2009, against £12.3m and £7.8m at 31 December 2008 and 30 June 2008 respectively.

9. Contingent Liabilities

As disclosed in the 2008 Report and Accounts, a Group company is the subject of litigation in respect of a claim by a client. The Group believes 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, for which provision was made in the 2008 accounts.

10. Notes to the cash flow statement

	Six months to 30 June 2009 Unaudited £m	Six months to 30 June 2008 Unaudited £m	Year ended 31 December 2008 Audited £m
Operating profit/(loss)	6.1	7.1	(19.1)
Adjustments for:			
Expense arising from share option plans	3.0	4.5	7.4
Decrease in the carrying value of associates	0.7	0.5	0.9
Depreciation of property, plant and equipment	0.6	0.7	1.2
Amortisation of intangible assets	0.1	0.1	0.5
Impairment of goodwill	-	-	13.3
Impairment of other intangible assets	-	-	1.5
(Decrease)/Increase in provisions for liabilities and charges	(0.2)	(0.1)	0.1
Operating cash flows before movement in working capital	10.3	12.8	5.8
(Increase)/decrease in trade and other receivables	(391.9)	(919.8)	333.7
Decrease in net long and short positions	5.3	5.7	17.7
Increase/(decrease) in trade and other payables	352.6	826.7	(399.1)
Cash used in operations	(23.7)	(74.6)	(41.9)
Income tax paid	(3.1)	(9.7)	(11.6)
Interest paid	(0.7)	(0.3)	(1.0)
Net cash flows from operating activities	(27.5)	(84.6)	(54.5)

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 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
11 August 2009