

COLLINS STEWART PLC

Unaudited interim financial report for the six months ended 30 June 2008

Highlights

	Six months to June 2008	Six months to June 2007
	£m	£m
Adjusted revenue	96.5	129.3
Non-recurring items*	(7.3)	-
Revenue	<u>89.2</u>	<u>129.3</u>
Operating profit before non-recurring items	14.4	40.5
Non-recurring items*	(7.3)	-
Operating profit	<u>7.1</u>	<u>40.5</u>
Profit before tax	9.6	52.0
Basic EPS before non-recurring and exceptional items**	5.2p	12.4p
Basic EPS	3.0p	15.7p
Dividend	1.3p	2.5p

*Non-recurring items primarily represent the non-cash write-down of investments made in previous periods.

**Details of this calculation are shown in note 6 to the condensed financial statements

Commenting on the results, Terry Smith, Chairman of Collins Stewart plc, said:

“Market conditions are obviously challenging and have adversely affected the Capital Markets division. However, Collins Stewart has three other businesses in Hawkpoint, Securities and Wealth Management which are still operating profitably, as well as a strong net cash position.”

Joel Plasco, Chief Executive said:

“Whilst focusing on cash generation and control of costs, we have been able to seize opportunities to further strengthen and improve the balance of the business.”

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

Chairman and Chief Executive's Statement

Introduction

This statement forms the Interim Management Report for the half year ended 30 June 2008.

Overview

The conditions in the financial markets in which we operate have continued to be challenging in 2008. Collins Stewart is however a well-balanced business and that has provided some resilience to these market pressures during the six months to 30 June 2008. Adjusted operating profit for the period was £18.9m (6 months to 30th June 2007: £43.0m) as detailed in the results summary below.

Our Securities business in the UK performed well in the light of the difficult trading conditions, while in the US it achieved promising growth that was particularly encouraging. Hawkpoint's revenues held up well during the period benefiting from its European presence and a steady flow of mid-tier M&A advisory work together with an increase in debt and restructuring advice. Wealth Management performed solidly in an increasingly competitive environment. Capital Markets in the UK and the US generated very low revenues in a market where very few new equity issues took place.

Our previously stated dividend policy is that over time the annual dividend is normally expected to be covered approximately three times by earnings and that the interim dividend will normally be approximately one-third of the total dividend for the year. Although there is an unusual level of uncertainty over earnings for the remainder of the year, the Board has decided to declare an interim dividend of 1.3p per share (2007: 2.5p) which will be paid on 27 November 2008 to shareholders on the register at close of business on 7 November 2008.

Our balance sheet remains strong, with net useable cash of £60.3m at 30 June 2008.

Results Summary

	6 mths to 30		June 2008		Adjusted	6 mths to	12 mths to
	As Reported	Non recurring items	Before non-recurring items	Share based payment charge		30 Jun 07*	31 Dec 07*
Revenue							
Securities	40.6	1.3	41.9	-	41.9	40.1	80.1
Capital Markets	1.9	6.0	7.9	-	7.9	33.4	46.2
Wealth Management	23.2	-	23.2	-	23.2	26.0	48.8
Hawkpoint	23.5	-	23.5	-	23.5	29.8	58.8
	89.2	7.3	96.5	-	96.5	129.3	233.9
Operating profit before exceptional items							
Securities	6.3	1.3	7.6	0.8	8.4	9.5	14.8
Capital Markets	(10.5)	6.0	(4.5)	0.4	(4.1)	15.8	21.7
Wealth Management	5.7	-	5.7	1.9	7.6	6.7	11.8
Hawkpoint	5.6	-	5.6	1.4	7.0	8.5	16.4
	7.1	7.3	14.4	4.5	18.9	40.5	64.7
Exceptional items	-	-	-	-	-	7.9	7.4
Operating profit	7.1	7.3	14.4	4.5	18.9	48.4	72.1

*Operating profit before exceptional items is struck after £2.5m & £5.1m of share based payment charge in the six months to 30th June 2007 and twelve months to 31st December 2007 respectively.

The following divisional analysis is based on revenue and operating profit before non-recurring items but after share based payment charges.

Securities

Securities provides a complete research and execution service to our clients in over 300 UK large and small cap, pan European, Asia Pacific and American stocks through offices in London, New York, Dublin, Paris and Geneva.

£m	2008	2007
Revenue	41.9	40.1
Operating profit	7.6	9.5
Operating margin	18.1%	23.7%

Revenue overall is broadly in line with that of the first half of 2007 as growth in the US following the acquisition of C.E. Unterberg Towbin (“CEUT”) last year compensated for a decline in European broking commissions outside of the UK and reduced market making revenues. Margins have fallen as the US is a developing business and the market making desks were adversely affected by the prevailing poor market conditions. There was considerable investment undertaken in Securities in the first half as described in the Business Development section below.

UK-managed business

The UK business maintained margins at 31.8% in spite of the extremely challenging market conditions. Within UK secondary trading, revenue was broadly maintained at the levels reported in the first half of 2007. The market making desks were not able to match last year’s performance due to poor liquidity and falling markets but were generally successful in reducing our exposure to the markets in the first half of 2008.

US-managed business

The US business, which was considerably strengthened by the acquisition of CEUT in July 2007, operated from a single site for the first time throughout the first half of 2008 to generate revenue of £22.1m. Operating profit however declined from £1.8m to £1.3m principally as a result of recruitment and salary costs associated with enhancing the research capabilities of the business, with high calibre recruits within the energy, media and biotechnology sectors.

Capital Markets

Capital Markets comprises Collins Stewart’s equity distribution and corporate broking activities within the UK, Asia Pacific and the US.

£m	2008	2007
Revenue	7.9	33.4
Operating (loss)/profit	(4.5)	15.8
Operating margin	(57.0)%	47.3%

Market conditions were difficult throughout the period with funds raised on AIM down 75% on the first half of 2007. The UK team advised on 16 transactions and successfully participated in two new AIM admissions and a significant secondary placing of shares for Playtech (£112m –Software). Other revenue generated came from client retainers and equity advice. The division has been strengthened by the recruitment of high calibre individuals within the sales, research, corporate broking and corporate finance areas.

The difficult conditions experienced in the UK were mirrored in the US where overall revenue was £0.9m (2007: nil). The US is determined to build a strong capital markets business and continued to invest in the recruitment of quality corporate finance and research professionals.

Wealth Management

Collins Stewart Wealth Management is one of the leading Channel Islands stockbrokers and portfolio managers employing over 200 people in Jersey, Guernsey, Isle of Man and London.

£m	2008	2007
Revenue	23.2	26.0
Operating profit	5.7	6.7
Operating margin	24.6%	25.8%

Both revenue and operating profits fell due to reduced private client trading activity and performance fees and as Collins Stewart Property Fund Management was sold in the second half of 2007. Profits also fell due to an increase in marketing and advertising that has significantly raised the profile of Collins Stewart as an important player within the wealth management sector.

A key objective of the business is to grow discretionary assets under management and throughout the first half there was considerable investment made in staff, client service and in the Collins Stewart Wealth Management brand. The fall in markets resulted in an overall decrease in total discretionary assets under management and administration to £3.7bn at 30th June 2008 (31st December 2007: £4.2bn).

The first half saw the opening of a new Collins Stewart Wealth Management office in Geneva, building on existing Group infrastructure in the region, and the launch of an in-house ISA and Probate service.

The funds business, Collins Stewart Fund Management, launched a new UK equity focus fund in the first half and undertook a significant overhaul of our range of multi-asset, multi-manager funds which will be re-launched in the second half.

Hawkpoint

£m	2008	2007
Revenue	23.5	29.8
Operating profit	5.6	8.5
Operating margin	23.8%	28.5%

Hawkpoint succeeded in maintaining a satisfactory advisory deal flow of completed transactions in spite of the tougher market conditions. Its revenue of £23.5m compares with revenue of £29.8m achieved in the corresponding period in 2007, which had been a record year. In total Hawkpoint advised on some 15 transactions, which included the disposals of Kurt Geiger and of Integrated Dental Holdings and the acquisition by Sanlam of a controlling interest in Principal Investment Management.

Hawkpoint benefited particularly from its broader European reach. In France, Hawkpoint advised on the two largest disposals in the private equity market in the first half of this year, namely the sales of both Cegelec and of a substantial interest in Converteam. In Germany it advised Corsair in respect of the public offer for HCI Capital and on the sale of Schreck Mieves to Balfour Beatty. It also advised Carrefour on the disposal of their Swiss hypermarkets to Coop and Areva T&D on its acquisition of Nokian Capacitors in Finland.

Its expanded debt advisory team has been active both in providing financing advice to debtors and as part of Hawkpoint's overall transaction advisory capability. The restructuring advisory team has also been active.

Hawkpoint has also taken advantage of the difficult market conditions to recruit, including the establishment of a six man team in the field of Energy and Power.

Cash

The net cash balance at 30 June 2008 was £69.0m inclusive of £8.7m that is not freely useable as it is either client cash or held in employee benefit trusts. The net cash utilised in operating activities during the period was £84.4m (2007: £0.8m) largely due to a £47.9m reduction in client money held, the payment of the 2007 annual bonuses and a £26.6m apparent working capital outflow that is a technical adjustment due to the discharging of International Securities Trading Corporation plc's ("ISTC") net liabilities, which was paid for entirely by cash acquired with the new subsidiary. The cash balance also decreased in the period due to the repayment of £0.8m of loan notes, £1.5m of subordinated debt acquired as part of the CEUT acquisition in July 2007, and the payment of the £12.2m final 2007 dividend.

Business development

During the period, we continued to develop the business by broadening the range of products that we offer and by extending our presence in major financial centres. In February, we opened an office in Singapore and shortly afterwards became one of the founder sponsors on the Catalist market operated by the Singapore Stock Exchange. In March, we expanded our operations in Ireland through the acquisition of ISTC, the Dublin-based provider of bank capital, and through the establishment of a new corporate finance business, Collins Stewart Frontier. In June, we recruited a highly experienced team of 12 investment professionals specialising in Investment Companies and Funds who will commence operations for us in September. This is a good example of how we have been able to recruit high-calibre personnel to the firm that are attracted by our growth strategy. Indeed we have recruited over 50 senior client-facing employees in the first half that has strengthened our franchise in all our businesses. The Securities business in particular in both the UK and the US was able to attract analysts that are very well respected in their sector. Total headcount at 30 June stands at 755 up 30 during the first half.

Outlook

We are confident that we can continue to grow market share in our Securities business in both the UK and the US through continuing investment in quality research, both fundamental and through our proprietary analytical research tool, Quest™. The success of our recent investor conference hosted in the US, which was very well attended by high quality institutions and corporate clients, demonstrates clearly the significant advances that this business has made over the past 12 months. Similarly our continued investment in Hawkpoint, where we have added an Oil & Gas team and strengthened the debt advisory and restructuring units, is now bearing fruit and the business is also seeing promising growth in France and Germany. The Wealth Management division is being hindered by the fall in markets but recent investment in sales and marketing has raised awareness of the business and we are confident that we can grow funds under management. Undoubtedly our Capital Markets businesses in the UK and the US face the toughest challenge, as currently there is little investor appetite for new issues. There is however clearly no shortage of companies wishing to raise capital and investors are prepared to support good companies conducting secondary issuances or operating in favoured sectors such as resources, funds or gaming. In response our Capital Markets business has developed its strength in these areas, as exemplified by the recent recruitment of the Investment Companies team and additional analyst support.

Overall we expect the difficult market conditions experienced in the first half to continue at least into 2009 but believe that Collins Stewart is well positioned to meet the challenges that the market conditions present thanks to its strong balance sheet, good range of businesses and geographical spread. We will continue to search for good opportunities that may present themselves as a direct consequence of the difficult market conditions.

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 2008 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 12. 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 & Ireland) 2410 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 2008 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 & Touche LLP

Chartered Accountants and Registered Auditor
12 August 2008
London, UK

Condensed consolidated income statement

Six months ended 30 June 2008

		Six months to 30 June 2008	Six months to 30 June 2007	Year ended 31 December 2007
	Notes	Unaudited £m	Unaudited £m	Audited £m
Revenue before share of profit of associates		89.2	129.3	232.8
Share of profit of associates		-	-	1.1
Revenue	3	89.2	129.3	233.9
Other operating items - exceptional	3	-	7.9	7.4
Administrative expenses		(82.1)	(88.8)	(169.2)
Operating profit	3	7.1	48.4	72.1
Finance income		2.9	4.0	7.9
Finance costs		(0.4)	(0.4)	(1.0)
		2.5	3.6	6.9
Profit before tax		9.6	52.0	79.0
Taxation	4	(2.4)	(14.2)	(22.6)
Profit after tax		7.2	37.8	56.4
Attributable to :				
Equity holders of the parent		7.2	37.7	56.3
Minority interests		-	0.1	0.1
		7.2	37.8	56.4
Earnings per share				
Basic	6	3.0p	15.7p	23.4p
Diluted	6	2.9p	15.1p	22.5p

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

Condensed consolidated statement of recognised income and expense
Six months ended 30 June 2008

	Six months to 30 June 2008 Unaudited £m	Six months to 30 June 2007 Unaudited £m	Year ended 31 December 2007 Audited £m
Fair value gain on non-current available-for-sale financial assets, net of tax	0.3	-	0.4
Foreign exchange translation	(0.1)	(0.1)	-
Taxation on other items taken directly to equity	(0.3)	(0.3)	(0.8)
Net income recognised directly in equity	(0.1)	(0.4)	(0.4)
Profit for the period/year	7.2	37.8	56.4
Total recognised income and expenses for the period/year	7.1	37.4	56.0
Attributable to :			
Equity holders of the parent	7.1	37.3	55.9
Minority interests	-	0.1	0.1
	7.1	37.4	56.0

Condensed consolidated balance sheet
as at 30 June 2008

		30 June 2008	30 June 2007	31 December 2007
	Notes	Unaudited £m	Unaudited £m	Audited £m
Non-current assets				
Goodwill		153.6	145.0	153.6
Other intangible assets		1.7	0.5	1.8
Property, plant and equipment	7	5.1	4.9	5.5
Other financial assets		2.4	1.7	2.0
Investment in associates		1.8	0.5	2.3
Deferred tax assets		7.0	4.5	8.5
		171.6	157.1	173.7
Current assets				
Trade and other receivables		1,413.1	619.1	491.0
Trading investments		26.2	40.9	34.1
Cash and cash equivalents		76.8	123.2	158.8
		1,516.1	783.2	683.9
Total assets		1,687.7	940.3	857.6
Current liabilities				
Trade and other payables		(1,408.7)	(634.8)	(551.5)
Other financial liabilities		(3.8)	(8.9)	(6.0)
Interest-bearing loans and borrowings	8	(7.8)	(25.2)	(18.0)
Tax liabilities		(2.0)	(15.1)	(12.3)
Provisions		(0.5)	-	(0.1)
		(1,422.8)	(684.0)	(587.9)
Net current assets		93.3	99.2	96.0
Total assets less current liabilities		264.9	256.3	269.7
Non-current liabilities				
Interest-bearing loans and borrowings	8	-	-	(1.5)
Provisions		(2.4)	(2.4)	(2.9)
		(2.4)	(2.4)	(4.4)
Total liabilities		(1,425.2)	(686.4)	(592.3)
Net assets		262.5	253.9	265.3
Equity				
Share capital	10	61.9	61.9	61.9
Merger reserve	10	70.9	70.9	70.9
Reverse acquisition reserve	10	(275.0)	(275.0)	(275.0)
Retained earnings	10	404.7	395.3	407.5
Equity attributable to equity holders of the parent		262.5	253.1	265.3
Minority interests		-	0.8	-
Total equity		262.5	253.9	265.3

Condensed consolidated cash flow statement
Six month ended 30 June 2008

	Notes	Six months to 30 June 2008 Unaudited £m	Six months to 30 June 2007 Unaudited £m	Year ended 31 December 2007 Audited £m
Net cash (used in)/from operating activities	11	(84.4)	(0.8)	62.9
Investing activities				
Interest received		1.5	2.4	6.0
Purchase of intangible fixed assets		-	(0.1)	(0.3)
Purchase of property, plant and equipment		(0.3)	(0.4)	(1.0)
Disposal of subsidiary		-	-	0.2
Disposal of available-for-sale financial assets		-	2.9	2.9
Acquisition of subsidiaries and minority interest (net of cash acquired)		27.6	(17.4)	(31.6)
Net cash from investing activities		28.8	(12.6)	(23.8)
Financing activities				
Dividends paid		(12.2)	(10.5)	(16.6)
Drawdown of loan facility		-	10.5	10.5
Repayment of loan facility		-	-	(10.5)
Repayment of subordinated loan		(1.5)	-	-
Issue of loan notes		-	2.6	2.6
Repayment of loan notes		(0.8)	(6.8)	(9.1)
Settlement of share options		(0.6)	-	(0.4)
Purchase of own shares		(1.1)	(1.4)	(4.4)
Sale of own shares		0.2	-	2.7
Purchase of Treasury shares		(1.0)	-	(3.4)
Net cash used in financing activities		(17.0)	(5.6)	(28.6)
Net (decrease) / increase in cash and cash equivalents		(72.6)	(19.0)	10.5
Net cash and cash equivalents at beginning of the period/year		141.6	130.9	130.9
Effect of foreign exchange rate movements		-	(0.3)	0.2
Net cash and cash equivalents at the end of the period/year		69.0	111.6	141.6
Cash and cash equivalents		76.8	123.2	158.8
Overdrafts		(7.8)	(11.6)	(17.2)
Net cash and cash equivalents		69.0	111.6	141.6

Notes to the condensed financial statements for the period ended 30 June 2008

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 2007.

The Interim Report is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. However, the information has been reviewed by the company’s auditors, Deloitte & Touche LLP, and their report is included within this interim financial report.

The financial information for the year ended 31 December 2007 contained within this Interim Report does not constitute statutory accounts as defined in Section 240 of the companies Act 1985. A copy of those statutory accounts has been reported on by Deloitte & Touche 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 237(2) or (3) of the companies Act 1985.

2. Related party transactions

Related party transactions are described in the 2007 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 2008.

3. Business segments

The Group is currently managed through four operating divisions, Securities, Capital Markets, Wealth Management and Hawkpoint, which are separately identified in the segmental information below.

Six months ended 30 June 2008 - unaudited

	Securities	Capital Markets	Wealth Management	Hawkpoint	Total
	£m	£m	£m	£m	£m
Revenue					
EU	18.5	1.0	5.3	23.5	48.3
North America	22.1	0.9	-	-	23.0
Channel Isles	-	-	17.9	-	17.9
Total revenue	40.6	1.9	23.2	23.5	89.2
Operating profit before exceptional items					
EU	5.0	(8.6)	0.8	5.6	2.8
North America	1.3	(1.9)	-	-	(0.6)
Channel Isles	-	-	4.9	-	4.9
	6.3	(10.5)	5.7	5.6	7.1
Exceptional items					-
Operating profit					7.1
Finance income					2.9
Finance costs					(0.4)
Profit before tax					9.6
Taxation					(2.4)
Profit after tax					7.2

3. Business segments continued

Six months ended 30 June 2007 - unaudited

	Securities	Capital Markets	Wealth Management	Hawkpoint	Total
	£m	£m	£m	£m	£m
Revenue					
EU	24.2	33.4	5.7	29.8	93.1
North America	15.9	-	-	-	15.9
Channel Isles	-	-	20.3	-	20.3
Total revenue	40.1	33.4	26.0	29.8	129.3
Operating profit before exceptional items					
EU	7.7	15.8	1.2	8.5	33.2
North America	1.8	-	-	-	1.8
Channel Isles	-	-	5.5	-	5.5
	9.5	15.8	6.7	8.5	40.5
Exceptional items					7.9
Operating profit					48.4
Finance income					4.0
Finance costs					(0.4)
Profit before tax					52.0
Taxation					(14.2)
Profit after tax					37.8

Twelve months ended 31 December 2007 - audited

	Securities	Capital Markets	Wealth Management	Hawkpoint	Total
	£m	£m	£m	£m	£m
Revenue					
EU	42.2	46.2	10.6	58.8	157.8
North America	37.9	-	-	-	37.9
Channel Isles	-	-	38.2	-	38.2
Total revenue	80.1	46.2	48.8	58.8	233.9
Operating profit before exceptional items					
EU	12.2	21.7	2.0	16.4	52.3
North America	2.6	-	-	-	2.6
Channel Isles	-	-	9.8	-	9.8
	14.8	21.7	11.8	16.4	64.7
Exceptional items					7.4
Operating profit					72.1
Finance income					7.9
Finance costs					(1.0)
Profit before tax					79.0
Taxation					(22.6)
Profit after tax					56.4

4. Tax

	Six months to 30 June 2008 Unaudited £m	Six months to 30 June 2007 Unaudited £m	Year ended 31 December 2007 Audited £m
Current tax:			
UK corporation tax	1.2	12.1	18.1
Double tax relief	(0.1)	(0.2)	(2.0)
	1.1	11.9	16.1
Overseas tax	1.0	3.2	6.2
Prior year adjustment	(0.7)	(0.7)	(0.4)
	1.4	14.4	21.9
Deferred tax:			
Current year/period	0.7	(0.2)	0.7
Prior year adjustment	0.3	-	-
	2.4	14.2	22.6

5. Dividends

In the period to 30 June 2008 a £12.2m dividend was paid, equivalent to 5p per share. The Board, on 12 August 2008, 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 2008.

6. Earnings per share

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

	Six months to 30 June 2008 Unaudited £m	Six months to 30 June 2007 Unaudited £m	Year ended 31 December 2007 Audited £m
Earnings			
Earnings for the purposes of basic earnings per share before exceptional items	7.2	29.8	48.7
Exceptional items (net of tax)	-	7.9	7.6
Earnings for the purposes of basic and diluted earnings per share	7.2	37.7	56.3
	Six months to 30 June 2008 Unaudited No. (m)	Six months to 30 June 2007 Unaudited No. (m)	Year ended 31 December 2007 Audited No. (m)
Weighted average number of shares			
Number of ordinary shares at start of period/year	239.6	239.4	240.5
Share issues	-	-	-
Basic earnings per share denominator	239.6	239.4	240.5
Issuable on exercise of options	5.9	10.9	9.4
Diluted earnings per share denominator	245.5	250.3	249.9
Basic earnings per share	3.0p	15.7p	23.4p
Diluted earnings per share	2.9p	15.1p	22.5p

6. Earnings per share (continued)

The earnings for the calculation of basic earnings per share before non-recurring and exceptional items are shown below.

Earnings before non-recurring and exceptional items	Six months to 30 June 2008 Unaudited £m	Six months to 30 June 2007 Unaudited £m	Year ended 31 December 2007 Audited £m
Earnings for the purposes of basic earnings per share before exceptional items as shown above	7.2	29.8	48.7
Adjust for the impact of non-recurring items (net of tax)	5.2	-	2.3
Earnings before non-recurring and exceptional items	12.4	29.8	51.0
Basic EPS before non-recurring and exceptional items	5.2	12.4	21.2

7. Property, plant and equipment

During the period the Group spent £0.3m on office and computer equipment.

8. Borrowings

During the period, the Group increased its existing £25.0m three year committed loan facility by £10.0m to £35.0m. Drawdowns bear interest at market rates. The facility was undrawn during the entire six months to 30 June 2008.

The Group also repaid the \$3m (£1.5m) subordinated loan acquired as part of the acquisition of C. E. Unterberg Towbin in 2007. On 30 June 2008, Hawkpoint loan note holders exercised their rights to redeem £0.8m of the loan notes issued as deferred consideration in respect of the acquisition of Hawkpoint in 2006.

Overdrafts, which are used to fund short-term trading requirements, declined from £17.2m at 31st December 2007 to £7.8m at 30th June 2008.

9. Acquisitions

	Book value	Preliminary fair value adjustments	Fair value
	£m	£m	£m
Net assets acquired			
Prepayments and accrued income	0.1	-	0.1
Trade and other receivables	2.6	-	2.6
Cash and cash equivalents	27.6	-	27.6
Trade and other payables	(28.7)	-	(28.7)
Accruals and deferred income	(1.6)	-	(1.6)
	-	-	-
Goodwill			-
Total consideration			-
Satisfied by			
Cash			-
Acquisition costs			-
			-
Net cash used for acquisition			
Cash consideration			-
Cash and cash equivalents acquired			(27.6)
Net cash spent/(received) on acquisition	-	-	(27.6)

On 22 February 2008, the Company entered into a conditional investment with International Securities Trading Corporation plc (“ISTC”), in examinership, a Dublin-based investor in bank capital. The High Court of Ireland subsequently approved the Examiner’s scheme of arrangement on 11 March and the transaction completed on 13 March. Under the agreement, the Company acquired the entire issued share capital of ISTC for a nominal sum and subsequently subscribed for €5m of additional ordinary and redeemable preference shares.

ISTC contributed £1.1m and £0.7m to the Group’s revenue and operating profit respectively in the period from acquisition to 30 June 2008.

10. Reconciliation of movements in equity

	Share Capital £m	Merger reserve £m	Reverse acquisition reserve £m	Retained earnings £m	Total shareholders' equity £m
Balance at 1 January 2007	61.9	70.9	(275.0)	380.1	237.9
Profit for the period	-	-	-	37.7	37.7
Dividends paid in the period	-	-	-	(10.5)	(10.5)
Credit arising on share options	-	-	-	2.5	2.5
Items taken directly to equity	-	-	-	(14.1)	(14.1)
Taxation on amounts taken to equity	-	-	-	(0.3)	(0.3)
Foreign currency translation	-	-	-	(0.1)	(0.1)
Balance at 30 June 2007	61.9	70.9	(275.0)	395.3	253.1
Balance at 1 January 2007	61.9	70.9	(275.0)	380.1	237.9
Profit for the year	-	-	-	56.3	56.3
Dividends paid in the year	-	-	-	(16.6)	(16.6)
Purchase of Treasury shares	-	-	-	(3.4)	(3.4)
Credit arising on share options	-	-	-	5.1	5.1
Gain or loss on available-for-sale financial assets	-	-	-	0.4	0.4
Gain or loss on available-for-sale financial assets previously recognised in equity and transferred to profit	-	-	-	(8.0)	(8.0)
Other items taken directly to equity	-	-	-	(5.5)	(5.5)
Settlement of share options	-	-	-	(0.4)	(0.4)
Taxation on other amounts taken to equity	-	-	-	(0.8)	(0.8)
Foreign exchange translation	-	-	-	0.3	0.3
Balance at 31 December 2007	61.9	70.9	(275.0)	407.5	265.3
Balance at 1 January 2008	61.9	70.9	(275.0)	407.5	265.3
Profit for the period	-	-	-	7.2	7.2
Dividends paid in the period	-	-	-	(12.2)	(12.2)
Purchase of Treasury shares	-	-	-	(1.0)	(1.0)
Credit arising on share options	-	-	-	4.5	4.5
Gain or loss on available-for-sale financial assets	-	-	-	0.3	0.3
Other items taken directly to equity	-	-	-	(0.9)	(0.9)
Settlement of share options	-	-	-	(0.3)	(0.3)
Taxation on other amounts taken to equity	-	-	-	(0.3)	(0.3)
Foreign exchange translation	-	-	-	(0.1)	(0.1)
Balance at 30 June 2008	61.9	70.9	(275.0)	404.7	262.5

11. Notes to the cash flow statement

	Six months to 30 June 2008 Unaudited £m	Six months to 30 June 2007 Unaudited £m	Year ended 31 December 2007 Audited £m
Operating profit	7.1	48.4	72.1
Adjustments for:			
Expense arising from share option plans	4.5	2.5	5.1
Decrease/(increase) in the carrying value of associates	0.5	-	(1.0)
Profit arising on the disposal of available for sale assets	-	(7.9)	(7.9)
Profit arising on the disposal of subsidiary	-	-	(0.1)
Depreciation of property, plant and equipment	0.7	0.7	1.3
Amortisation of intangible assets	0.1	0.1	0.3
Impairment of goodwill	-	0.4	0.4
(Decrease)/Increase in provisions for liabilities and charges	(0.1)	(0.5)	0.1
Operating cash flows before movement in working capital	12.8	43.7	70.3
Increase in trade and other receivables	(922.6)	(258.4)	(129.0)
Settlement of net liabilities acquired with subsidiary	(26.6)	-	-
Decrease/(increase) in net long and short positions	5.7	(19.0)	(14.3)
Increase in trade and other payables	856.3	243.4	157.3
Cash generated from operations	(74.4)	9.7	84.3
Income tax paid	(9.7)	(10.1)	(20.4)
Interest paid	(0.3)	(0.4)	(1.0)
Net cash flows from operating activities	(84.4)	(0.8)	62.9

12. Events after the balance sheet date

On 6 August 2008, the Board of Collins Stewart plc announced that it had received a preliminary approach from a third party which it is considering. This approach is at a very early stage and there can be no certainty that it will lead to an offer being made for the Company.

Principal risks and uncertainty

Information on the principal risks and uncertainties facing the Group are included in our latest annual report and accounts on www.collinsstewart.com. 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 Chairman and Chief Executive's Statement.

Directors' Responsibility Statement

The directors confirm that 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 4.2.7 and DTR 4.2.8.

By order of the board