

9 June 2005

CHARLES STANLEY GROUP PLC RESULTS FOR THE YEAR ENDED 31 MARCH 2005

Charles Stanley, a major independent stockbroker, announces its preliminary results for the year ended 31 March 2005.

Highlights:

- Turnover up 14% to £78.0 million (2004: £68.2 million)
- Profit before tax, amortisation and gain on fixed assets up 26% to £ 10.2 million (2004: £8.1 million)
- Profit before tax up 27% to £8.4 million (2004: £6.6 million)
- Funds under management up £1 billion to £7.7 billion (2004: £6.7 billion)
- Earnings per share (excl. amortisation) up 25% to 16.03p (2004: 12.82p)
- Final dividend 4.15p (2004: 3.75p)
- Acquisitions of Tozer Wingate and Sutherlands Group Limited completed

Sir David Howard, Chairman, commented: "During the year we have pressed forward actively with our strategy of building the company, both by the introduction of new services and by making carefully-chosen acquisitions. Against the background of indifferent market conditions we believe that our results for the latest year demonstrate the success of this strategy.

"The fundamentals of the company are sound, and our increasing reliance on fee-based income makes us less dependant on the unpredictable volatility of Stock Exchange trading volumes. The business is continuing to grow, and unless economic conditions deteriorate I look forward to the year ahead with a degree of optimism."

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Chairman's Statement

I am pleased to announce that the Group's income for the year ended 31 March 2005 rose by 14% to reach a new record of £78.0 million (2004: £68.2 million). Although external fees and charges have continued to rise we have exercised tight management over those costs that lie within our control. In consequence, profit before tax, amortisation and investment gains – our operating profit - rose 26% from £8.1 million to £10.2 million. Profit before tax, but after amortisation and investment gains, was £8.4 million (2004: £6.6 million).

Against a background of reduced UK stock exchange retail trading volumes we continued to build our market share and to increase our average income per transaction. By doing so we have achieved a small increase in total commission income compared with the figure last year. However the significant uplift in our overall revenue came from fee income, which continued to grow – by 36% in the latest year. Fee income across the Group now represents a healthy 38% of our total income, reflecting our long-term policy of increasing the proportion of our revenues derived from this form of income. For the year ended 31 March 2000, by way of comparison, the percentage of fee income to total revenue was only 17%, less than half what we now have achieved.

The investment funds which we manage for clients, or for which we provide fee-charging administrative services, rose during the year to £7.7 billion from £6.7 billion (2004).

Net assets at the year-end rose to £45.5 million (2004: £40.6 million), and our cash balances were also higher at £44.2 million (2004: 34.0 million).

During the year we have pressed forward actively with our strategy of building the company, both by the introduction of new services and by making carefully-chosen acquisitions. Against the background of indifferent market conditions we believe that our results for the latest year demonstrate the success of this strategy.

In view of these results we propose increasing the final dividend to 4.15p (2004: 3.75p). Taken together with the increase in the interim dividend paid last December the total dividend for the year will thus have risen by 10.5% to 5.25p (2004: 4.75p). The dividend will be paid on 29 July 2005 to shareholders registered on 8 July 2005.

Over the past ten years the compound rate of increase in the dividend has averaged 24% per annum.

Our Strategy

The latest year has seen a further dramatic stage in the process of consolidation amongst private client stockbroking companies. By contrast Charles Stanley has developed, over the years, by steadily building its market share both organically and by a process of small but complementary acquisitions. We place considerable emphasis on the skill and resources that we need to select and execute these acquisitions.

With careful planning of improvements to the quality of our service, launches of new products and services, and efficiently executed integration of acquisitions - and above all by paying close attention to the needs of our clients - Charles Stanley has built its position within the small group of large traditional stockbroking companies.

We operate in one of the most heavily regulated industries in the UK, but regulatory costs and pressures have been only part of the story in this process of consolidation. Though our traditions of skill, experience and personal care for the client remain embedded in our culture, the way in which larger traditional stockbroking firms are organised has undergone radical re-structuring. In previous Chairman's Statements I have referred repeatedly to this process of almost continuous change in our industry. Companies that have managed this process successfully – and which continue to do so – are better placed for the future.

Review of the Year

The total number of transactions by private clients on the London Stock Exchange fell by 12% in the year ended 31 March 2005 compared with the previous year. Charles Stanley, by contrast, experienced a reduction of about 4% in its private client transactions, and as a consequence our market share of private client business rose from 5.45% to 5.92%. This outperformance reflects our policy of steady acquisition, as well as organic growth. Over the same period we saw a significant increase in the volume of our institutional transactions. The combined effect was to lift our commission income to £47.9 million (2004: £46.1 million).

While we were able to maintain the level of commission income, our fee income grew significantly. From a figure of £22.0 million for 2004, itself a sharp increase on the year before, our fee income rose by a further 36% to £30.0 million. Thus while commission income remains the principal influence on our revenue the proportion arising from less volatile fee-based business continues to grow.

Average costs continue to rise: a proportion is represented by external fees and charges, such as trading and settlement fees, which are unavoidable. But so too is the rise in costs incurred by our programme of continuous improvements in our services to clients. Margins therefore remain under pressure. The profit of £10.2 million, before tax, amortisation and the sale of fixed assets represents a margin of 13% of turnover, compared with 12% for 2004 – still below our target margin level of 15%, but a result which we view as very satisfactory.

In my statement last year I referred to our review which had led to a restructuring of our fee-based investment management service. More precise categorisation of our clients, in line with their investment objectives and requirements, and a more carefully tailored service to meet these requirements, has led to a more focussed charging structure for ongoing investment management. I paid tribute last year to the directors and staff who led and implemented this extensive re-structuring. We have continued to develop this during the past twelve months, with conspicuous success, and to the satisfaction of our clients. Again my thanks are due to all concerned in this exercise.

Our investment management fee income during the year rose to £10.6 million (2004: £7.7 million).

Every year I say a special word about the success of our PEPs and ISAs. Clients' funds which we hold in PEPs and ISAs now comfortably exceed £1 billion. Even though the 10% income tax credit on dividends is no longer reclaimable within PEPs and ISAs, these remain an attractive and efficient medium for investment by many private individuals.

Corporate Finance and Corporate Broking

Our corporate advisory and broking division has enjoyed another excellent year, building considerably on the achievements of last year. A further six corporate clients have been added since the half year, taking our retained client base to 50 companies.

During the year, the team advised on 10 transactions valued at £150 million and, in addition, raised a further £95 million on behalf of clients. Corporate finance fees increased 38%, rising to £5.1 million (2004: £3.7 million).

The institutional broking side also had a good year, with revenues of £8.4 million (2004: £7.6 million).

Pensions, Personal and Corporate Financial Planning

The enlarged Pensions, Personal and Corporate Financial Planning Division enjoyed another very successful year, generating revenue of £3.2 million (2004: £1.9 million). EBS, the specialist SIPP and SSAS provider acquired in July 2003 completed its first full year of trading within the Group. As many commentators have observed the count down to "A" Day will bring significant changes and opportunities in the SIPP market which we believe we will be able to take full advantage of.

I would particularly like to draw shareholders' attention to the launch of our new Self-Invested Pension Plan, the Alpha SIPP. This brings together our capabilities both as a Revenue & Customs-recognised SIPP administrator and as an investment manager. The Alpha SIPP is competitively priced and has been designed to make pension self-investment as simple as possible. We share the widely-held view that SIPPs will play an increasingly important role for individuals planning their financial future.

Acquisitions

In my statement for the half-year to 30 September 2004 I referred to the acquisition of Tozer Wingate, in August last year. This is a benefit consultancy business located close to our significant stockbroking business in Plymouth. Our personal and corporate financial planning business has been steadily expanding in recent years, with a number of complementary acquisitions, both in London and in conjunction with some of our larger branch offices, and Tozer Wingate fits neatly into this pattern.

I also mentioned that we were in talks with Sutherlands Group Ltd and we subsequently completed this acquisition in November 2004. Sutherlands, based in London and Edinburgh has a considerable reputation for its research and dealing in bonds. This is an area which we believe can be expanded within our range of services to both our institutional and private client base.

We announced in February this year that we had entered into non-binding heads of agreement with Rowan Dartington Limited. These talks continue.

We are very pleased to have been joined since the year end by two senior investment managers who will significantly enhance our core discretionary fund management business. We continue to seek out senior talented individuals to build up this aspect of our business, within the attractive cultural environment that we offer at Charles Stanley.

Split Capital Investment Trusts

The long-running saga of split capital investment trusts has moved a little nearer resolution during the year, with the welcome announcement of a compensation fund for investors in certain of these investment trusts. This is funded by a number of firms who played some role in designing, managing or marketing them.

We are not one of the firms that are funding the compensation scheme and we remain of the view that no provision is required.

The Charles Stanley team

This has been another very busy year for all of us at Charles Stanley, and it is pleasing to be rewarded for this with a record income figure. This has been achieved in difficult market conditions, and against a background of a blizzard of directives and new regulations. Many of us in the firm participate in a range of industry activity – in trade associations and working parties, often in close collaboration with our regulators. We have won further awards during the year for the quality of our service. To achieve these results relies so much not just on the skill and experience of our team at Charles Stanley, but on the commitment and dedication of everyone within the team. So, as in previous years, I should like to offer warmest thanks to everyone who has contributed so much to our success.

Outlook

Prospects for the current financial year are difficult to assess, with continuing concerns over the economy both at home and in the developed world. There are predictions of rising inflation, conflicting with reports of a downturn in consumer spending. There are mixed messages on the future direction of interest rates, and whether or not growth is slowing. And there is the added uncertainty of political upheaval and economic slowdown in the European Union following the results of the referendums in the Netherlands and France.

There are always uncertainties at this early stage of our year, when I report to shareholders, but this year perhaps more than ever. However the fundamentals of the company are sound and our increasing reliance on fee-based income makes us less dependant on the unpredictable volatility of Stock Exchange trading volumes. The business is continuing to grow, and unless economic conditions deteriorate I look forward to the year ahead with a degree of optimism.

CHARLES STANLEY GROUP PLC
Consolidated Profit and Loss Account
Year ended 31 March 2005

| | <i>Note</i> | <i>£'000</i> | <i>2005 £'000</i> | <i>£'000</i> | <i>2004 £'000</i> |
|--|-------------|----------------|-----------------------|----------------|-----------------------|
| TURNOVER | 2 | | | | |
| Continuing operations | | | 76,987 | | 66,218 |
| Acquisitions | | | <u>1,034</u> | | <u>1,946</u> |
| | | | 78,021 | | 68,164 |
| Operating expenses | | (67,437) | | (58,882) | |
| Depreciation and amortisation | | <u>(4,336)</u> | | <u>(3,819)</u> | |
| | | | <u>(71,773)</u> | | <u>(62,701)</u> |
| OPERATING PROFIT/(LOSS) | 4 | | | | |
| Continuing operations | | 6,365 | | 5,145 | |
| Acquisitions | | <u>(117)</u> | | <u>318</u> | |
| | | | 6,248 | | 5,463 |
| Profit on sale of fixed assets – continuing operations | | | <u>257</u> | | <u>74</u> |
| | | | 6,505 | | 5,537 |
| Income from fixed asset investment | | | 438 | | - |
| Interest receivable | | | 1,605 | | 1,100 |
| Interest payable | 5 | | (118) | | (55) |
| <i>Profit on ordinary activities before goodwill amortisation and profit on sale of fixed assets</i> | | | | | |
| | | 10,230 | | 8,102 | |
| <i>Goodwill amortisation</i> | | <u>(2,057)</u> | | <u>(1,594)</u> | |
| <i>Operating profit and interest before tax</i> | | 8,173 | | 6,508 | |
| <i>Profit on sale of fixed assets</i> | | 257 | | 74 | |
| PROFIT BEFORE TAX | | | 8,430 | | 6,582 |
| Taxation | 6 | | <u>(3,723)</u> | | <u>(2,773)</u> |
| | | | 4,707 | | 3,809 |
| Minority interests | | | <u>(9)</u> | | <u>-</u> |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS | | | 4,698 | | 3,809 |
| Dividends | 7 | | <u>(2,213)</u> | | <u>(2,002)</u> |
| TRANSFER TO RESERVES | | | <u>2,485</u> | | <u>1,807</u> |

Earnings Per Share

| | | 2005 | | 2004 | |
|--|---|---------------|---------------|---------------|---------------|
| | | Basic | Diluted | Basic | Diluted |
| Based on profit for the year | 8 | <u>11.15p</u> | <u>10.66p</u> | <u>9.04p</u> | <u>8.64p</u> |
| Excluding goodwill amortisation | 8 | <u>16.03p</u> | <u>15.32p</u> | <u>12.82p</u> | <u>12.26p</u> |
| Based on historical cost profit for the year | 8 | <u>13.68p</u> | <u>13.08p</u> | <u>9.02p</u> | <u>8.62p</u> |

Statement of Total Recognised Gains and Losses

| | 2005 £'000 | 2004 £'000 |
|---|-----------------------------|-----------------------------|
| Profit for the year | 4,698 | 3,809 |
| Unrealised gains on investments | <u>2,406</u> | <u>579</u> |
| TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR | 7,104 | 4,388 |

Note of Historical Cost Profits and Losses

| | 2005 £'000 | 2004 £'000 |
|---|-----------------------------|-----------------------------|
| Reported profit on ordinary activities before taxation | 8,430 | 6,582 |
| Realisation of investment revaluation profit/(loss) of previous years | <u>1,070</u> | <u>(9)</u> |
| Historical cost profit on ordinary activities before taxation | <u>9,500</u> | <u>6,573</u> |
| Historical cost profit for the year retained after taxation, minority interests and dividends | <u>3,555</u> | <u>1,798</u> |

CHARLES STANLEY GROUP PLC
Consolidated Balance Sheet
31 March 2005

| | <i>Notes</i> | 2005 £'000 | 2004 £'000 |
|--|--------------|-----------------------------|-----------------------------|
| FIXED ASSETS | | | |
| Intangible | | 13,518 | 11,846 |
| Tangible | | 5,995 | 5,493 |
| Investments | 9 | <u>4,787</u> | <u>3,670</u> |
| | | <u>24,300</u> | <u>21,009</u> |
| CURRENT ASSETS | | | |
| Debtors | 10 | 232,055 | 171,489 |
| Listed Investments | | 1,108 | 908 |
| Cash at bank and in hand | | <u>44,234</u> | <u>33,993</u> |
| | | 277,397 | 206,390 |
| CREDITORS: due within one year | 11 | <u>(254,348)</u> | <u>(185,165)</u> |
| NET CURRENT ASSETS | | <u>23,049</u> | <u>21,225</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | 47,349 | 42,234 |
| CREDITORS: due after one year | 12 | (1,679) | (1,418) |
| Minority Interests | | <u>(203)</u> | <u>(244)</u> |
| NET ASSETS | | <u>45,467</u> | <u>40,572</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 10,538 | 10,537 |
| Share premium account | | 3 | - |
| Revaluation reserve | | 4,089 | 2,675 |
| Profit and loss account | | <u>30,837</u> | <u>27,360</u> |
| EQUITY SHAREHOLDERS' FUNDS | 14 | <u>45,467</u> | <u>40,572</u> |
| Net Asset Value per Share | | <u>107.87p</u> | <u>96.26p</u> |

CHARLES STANLEY GROUP PLC
Consolidated Cash Flow Statement
Year ended 31 March 2005

| | <i>Notes</i> | 2005 £'000 | 2004 £'000 |
|---|--------------|-----------------------------|-----------------------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 15 | 18,258 | 13,814 |
| Returns on investments and servicing of finance | | 1,925 | 1,045 |
| Taxation | | (3,489) | (930) |
| Capital expenditure and financial investment | | (1,197) | (1,997) |
| Acquisitions | | (2,802) | (1,961) |
| Equity dividends paid | | (2,044) | (1,897) |
| | | <hr/> | <hr/> |
| | | 10,651 | 8,074 |
| Management of liquid resources | | (200) | (586) |
| FINANCING | | | |
| Decrease in debt | | (214) | (443) |
| Issue of share capital | | 4 | - |
| | | <hr/> | <hr/> |
| Increase in cash in the year | | 10,241 | 7,045 |
| | | <hr/> | <hr/> |
| RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS | | | |
| Increase in cash in the year | | 10,241 | 7,045 |
| Cash used to increase liquid resources | | 200 | 586 |
| Cash outflow from change in debt and lease financing | | 214 | 443 |
| | | <hr/> | <hr/> |
| New finance leases | | 10,655 (38) | 8,074 (620) |
| Movement in net funds in the year | | 10,617 | 7,454 |
| Net funds at 1 April | | 34,399 | 26,945 |
| | | <hr/> | <hr/> |
| Net funds at 31 March | | 45,016 | 34,399 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CHARLES STANLEY GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2005

1 BASIS OF PREPARATION

The results are an abridged extract from the financial statements for the year ended 31 March 2005, which have not yet been delivered to the Registrar of Companies. The auditors' report on the full financial statements has yet to be signed.

The results have been prepared on a basis consistent with the accounting policies set out on pages 35 and 36 of Charles Stanley Group PLC's annual report and financial statements for the year ended 31 March 2004. These preliminary financial statements should therefore be read in conjunction with the 2004 annual report and financial statements.

The financial information as set out in this report is unaudited and does not comprise statutory accounts for the purposes of Section 240 of the Companies Act 1985.

The comparative figures for the year ended 31 March 2004 have been taken from, but do not constitute, the Company's statutory financial statements for that financial year. Those financial statements have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report was unqualified.

2 TURNOVER

Turnover is derived from stockbroking operations in the United Kingdom analysed as follows:

| | 2005 | | 2004 | |
|----------------------------|----------------------------------|---------------------|----------------------------------|---------------------|
| | <i>Continuing Operations</i> | <i>Acquisitions</i> | <i>Continuing Operations</i> | <i>Acquisitions</i> |
| | £'000 | £'000 | £'000 | £'000 |
| Commission | 47,249 | 721 | 45,195 | 946 |
| Investment management fees | 10,556 | - | 7,714 | - |
| Administration charges | 14,024 | 313 | 9,602 | 1,000 |
| Corporate finance fees | 5,158 | - | 3,707 | - |
| | <u>76,987</u> | <u>1,034</u> | <u>66,218</u> | <u>1,946</u> |

3 PARTICULARS OF STAFF

The average number of persons employed (including Directors) during the year was 485 (2004: 459).

| | 2005 | 2004 |
|-----------------------|---------------|---------------|
| | £'000 | £'000 |
| Staff costs: | | |
| Wages and salaries | 21,401 | 17,978 |
| Social security costs | 2,394 | 1,965 |
| Other pension costs | 2,116 | 1,872 |
| | <u>25,911</u> | <u>21,815</u> |

4 OPERATING PROFIT/(LOSS)

Operating profit is stated after charging:

| | | |
|---|-------|-------|
| Depreciation on owned assets | 2,108 | 1,887 |
| Depreciation on assets held under finance leases | 171 | 338 |
| Goodwill amortisation | 2,057 | 1,594 |
| Auditors' remuneration | | |
| Audit services | 101 | 87 |
| Further assurance services (including "due diligence" work) | 27 | 43 |
| Tax services | 36 | 70 |
| Operating lease rentals | 1,210 | 1,028 |
| Cost of moving the Edinburgh office | 444 | - |

5 INTEREST PAYABLE

| | 2005 £'000 | 2004 £'000 |
|------------------------------|-----------------------------|-----------------------------|
| On bank loans and overdrafts | 13 | 34 |
| Finance lease interest | 22 | 15 |
| On convertible loans | 83 | 6 |
| | <hr/> 118 | <hr/> 55 |
| | <hr/> <hr/> | <hr/> <hr/> |

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

| | | |
|--|-------------|-------------|
| Current taxation: | | |
| UK corporation tax at 30% (2004: 30%) | 3,777 | 2,630 |
| Adjustment in respect of prior periods | (54) | 143 |
| | <hr/> 3,723 | <hr/> 2,773 |
| | <hr/> <hr/> | <hr/> <hr/> |

7 DIVIDENDS

| | | |
|---|-------------|-------------|
| Interim paid of 1.10p per share (2004: 1.00p) | 463 | 421 |
| Proposed final of 4.15p per share (2004: 3.75p) | 1,750 | 1,581 |
| | <hr/> 2,213 | <hr/> 2,002 |
| | <hr/> <hr/> | <hr/> <hr/> |

The directors have recommended a final dividend of 4.15p per share. This will be paid on 29 July 2005 to shareholders registered on 8 July 2005. The ordinary shares are expected to be quoted ex dividend on 6 July 2005.

8 EARNINGS PER SHARE

| | 2005 No. | 2004 No. |
|--|---------------------------|---------------------------|
| Basic | | |
| Weighted average number of shares in issue in the year | 42,151,469 | 42,149,378 |
| Diluted | | |
| Weighted average number of options outstanding for the year | 1,801,985 | 1,921,125 |
| Convertible loan stock | 129,438 | - |
| | <hr/> 44,082,892 | <hr/> 44,070,503 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | £'000 | £'000 |
| Profit for the year before goodwill | 6,755 | 5,403 |
| Goodwill amortisation | (2,057) | (1,594) |
| | <hr/> 4,698 | <hr/> 3,809 |
| Profit for the year | 4,698 | 3,809 |
| Realisation of investment revaluation losses of previous years | 1,070 | (9) |
| | <hr/> 5,768 | <hr/> 3,800 |
| | <hr/> <hr/> | <hr/> <hr/> |

9 FIXED ASSET INVESTMENTS

| | <i>Listed investments £'000</i> | <i>Unlisted investments £'000</i> | <i>Total £'000</i> |
|---------------------|---|---|------------------------|
| 1 April 2004 | | | |
| Cost | 696 | 305 | 1,001 |
| Revaluation surplus | 2,669 | - | 2,669 |
| Book value | 3,365 | 305 | 3,670 |
| Additions | 98 | - | 98 |
| Disposals | (1,387) | - | (1,387) |
| Revaluation in year | 345 | 2,061 | 2,406 |
| 31 March 2005 | 2,421 | 2,366 | 4,787 |
| Cost | 394 | 305 | 699 |
| Revaluation | 2,027 | 2,061 | 4,088 |

Listed investments include shares in the London Stock Exchange. During the year 242,857 shares were sold for £1.2 million leaving 400,000 shares as at 31 March 2005.

Unlisted investments include the Group's holding of 6,030 shares in Euroclear plc. Following the takeover of Crest by Euroclear plc the Directors valued this holding at £2.2 million as at 31 March 2005. This valuation reflects the Group's share of net assets discounted for marketability.

10 DEBTORS

| | <i>2005 £'000</i> | <i>2004 £'000</i> |
|---------------|-----------------------|-----------------------|
| Trade debtors | 229,897 | 170,037 |
| Other debtors | 630 | 332 |
| Prepayments | 1,528 | 1,120 |
| | 232,055 | 171,489 |

11 CREDITORS: amounts due within one year

| | <i>2005 £'000</i> | <i>2004 £'000</i> |
|----------------------------------|-----------------------|-----------------------|
| Trade creditors | 239,826 | 173,879 |
| Redeemable loan notes | 797 | 300 |
| Obligations under finance leases | 194 | 209 |
| Corporation tax | 2,250 | 2,016 |
| Other taxes and social security | 2,100 | 1,680 |
| Other creditors | 3,121 | 2,727 |
| Accruals and deferred income | 4,310 | 2,773 |
| Proposed dividend | 1,750 | 1,581 |
| | 254,348 | 185,165 |

12 CREDITORS: amounts due after one year

| | <i>2005 £'000</i> | <i>2004 £'000</i> |
|----------------------------------|-----------------------|-----------------------|
| Redeemable loan notes | 468 | - |
| Obligations under finance leases | 132 | 293 |
| Other creditors | 1,079 | 1,125 |
| | 1,679 | 1,418 |

13 CALLED UP SHARE CAPITAL

| | 2005 £'000 | 2004 £'000 |
|---|-----------------------------|-----------------------------|
| Authorised: 80,000,000 ordinary shares of 25p each | 20,000 | 20,000 |
| Allotted and fully paid: 42,153,753 (2004: 42,149,378) ordinary shares of 25p each | 10,538 | 10,537 |

On 31 March 2005 the following options have been granted and remain outstanding in respect of ordinary shares of 25p in the Company under the Company's Save As You Earn Scheme.

| | No. of shares | Option price |
|--|--------------------------|-------------------------|
| Grant dated 11 July 2001 | 51,023 | £2.87 |
| Options are exercisable during the six months commencing 1 September 2006. | | |
| Grant dated 2 January 2003 | 1,801,985 | £0.96 |

Options are exercisable during the six months commencing 1 February 2008.

During the year 4,375 ordinary shares were issued fully paid for cash at 96p each following the exercise of options by a former employee.

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2005 £'000 | 2004 £'000 |
|-------------------------------------|-----------------------------|-----------------------------|
| Profit for the year | 4,698 | 3,809 |
| Other recognised gains | 2,406 | 579 |
| Dividends | (2,213) | (2,002) |
| Issue of share capital | 4 | - |
| Net increase in shareholders' funds | 4,895 | 2,386 |
| Opening shareholders' funds | 40,572 | 38,186 |
| Closing shareholders' funds | 45,467 | 40,572 |

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

| | 2005 £'000 | 2004 £'000 |
|---|-----------------------------|-----------------------------|
| Operating profit | 6,248 | 5,463 |
| Amounts written off investments | - | (61) |
| Depreciation charges | 2,279 | 2,225 |
| Goodwill amortisation | 2,057 | 1,594 |
| Investment acquired in lieu of fees | - | (115) |
| (Increase)/decrease in debtors | (60,566) | 7,407 |
| Increase/(decrease) in creditors | 68,240 | (2,699) |
| Net cash inflow from operating activities | 18,258 | 13,814 |

16 PENSION COSTS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds.

The group also operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group, in cash and equity investments. This scheme is closed to new entrants. The following table summarises the impact that full implementation of Financial Reporting Standard 17 – Retirement Benefits would have on net assets.

| | 2005 £'000 | 2004 £'000 |
|--|-----------------------------|-----------------------------|
| Assets | 13,982 | 12,695 |
| Liabilities | <u>(14,140)</u> | <u>(12,591)</u> |
| Net pension (liability)/asset | (158) | 104 |
| Net assets excluding pension (liability)/asset | <u>45,467</u> | <u>40,572</u> |
| Net assets including pension (liability)/asset | <u>45,309</u> | <u>40,676</u> |

17 REPORT AND ACCOUNTS

Copies of the Annual Report and Accounts will be despatched shortly to shareholders. The Annual General Meeting will be held on 20 July 2005.

FUNDS UNDER MANAGEMENT AND ADMINISTRATION

| | 2005 £ billion | 2004 £ billion |
|--|---------------------------------|---------------------------------|
| Discretionary funds under management | | |
| In Group's nominee or sponsored member | <u>1.4</u> | <u>1.2</u> |
| Advisory portfolio funds under management | | |
| In Group's nominee or sponsored member | 1.6 | 1.4 |
| Not held in Group's nominee | <u>0.5</u> | <u>0.5</u> |
| | <u>2.1</u> | <u>1.9</u> |
| Total managed funds | <u>3.5</u> | <u>3.1</u> |
| Advisory dealing funds | | |
| In Group's nominee or sponsored member | 1.9 | 1.5 |
| Execution only funds | | |
| In Group's nominee or sponsored member | <u>2.3</u> | <u>2.1</u> |
| Total administered funds | <u>4.2</u> | <u>3.6</u> |
| Total funds under management and administration | <u>7.7</u> | <u>6.7</u> |