

ANNUAL REPORT AND ACCOUNTS 2010

CUSTOM BUILT SERVICE

MADE FOR YOU

At Charles Stanley we have a different approach to investment services. Rather than slotting you into someone else's financial model, we custom build a service around you.



Companies in the Charles Stanley group provide investment services covering:

- Discretionary and Advisory portfolio management
- Advisory and Execution-only share dealing
- Charity services
- Financial Planning
- Corporate and Employee Wealth Management
- Funds Management
- Wealth Management
- Court of Protection and damages awards
- Inheritance Tax Portfolios
- Probate services
- Traded Options, CFDs, ETFs
- Corporate Finance
- Institutional Dealing

Like the craftsmen who produce these custom-made items, we pride ourselves on providing a range of investment services, each different for every individual.

For a brochure or to discuss our services in more detail, please contact us.

020 7149 6437

33 offices across the UK.

www.charles-stanley.co.uk

CHARLES STANLEY

We would like to thank the following companies for allowing us to use images of their products in our literature: Albion (Saddlemakers), Mark Bailey (Guitars), Pendenis (Superyachts), Spencer Hart (Tailoring), Stevenson Brokers (Rocking Horses), Swaine Adeny (Briefcases), Trevor James (Saxophones).

FINANCIAL HIGHLIGHTS

Revenue for the year £115.0 million
(2009: £101.8 million) 13% increase

Reported profit before tax £10.3 million
(2009: £9.2 million) 12% increase

Adjusted profit before tax £13.7 million
(2009: £12.5 million) 10% increase

Funds under management and administration
£12.8 billion (2009: £9.0 billion)

Private client income up 14% to £96.1 million
(2009: £84.5 million)

Reported earnings per share 15.44p
(2009: 14.65p)

Adjusted earnings per share 21.18p
(2009: 20.00p)

Total dividend increased to 9.45p up 8%
(2009: 8.75p)

Joined by Matterley Asset Management
– strengthening our fund management capability

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CHAIRMAN'S STATEMENT

Charles Stanley Group is pleased to report that revenue for the year ended 31 March 2010 has risen by 13.0% to a new record of £115.0 million (2009: £101.8 million), while the profit before tax has risen by 12.0% to £10.3 million (2009: £9.2 million). The adjusted profit before tax, which excludes the effect of investment disposals, amortisation and certain one-off costs, was 9.6% higher at £13.7 million (2009: £12.5 million). We view this as a good set of results against a turbulent economic and political background, demonstrating once again the resilience of the Group.

Client funds managed or administered by Charles Stanley Group have risen to £12.8 billion at 31 March 2010, an increase of 42.2% compared with the total of £9.0 billion at 31 March 2009. Within this figure the funds under discretionary management have risen from £2.7 billion to £3.9 billion, an increase of 44.4%. This is in line with the increase in the FTSE 100 Share Index which rose by 44.7% in the period, and is well ahead of the rise of 28.3% in our principal benchmark, the APCIMS Balanced Portfolio Index. Our clients' discretionary funds now represent 61.9% of the funds for which we provide investment management (at £6.3 billion) compared with 58.7% (of a total of £4.6 billion) at 31 March 2009.

As reported in the interim statement in November last year, we were joined in August by Matterley Asset Management, a small specialised fund management boutique. We are building on this opportunity to develop a more focussed fund management activity for the Group, and Matterley has made an excellent start.

The Group has traditionally placed particular emphasis on maintaining strong cash balances, and never more so than in challenging economic conditions. Even though we fund our programme of expansion from our own resources the figure for our cash balances at 31 March was £36.6 million compared to £36.0 million at 31 March 2009.

In the light of these results we propose increasing the total dividend for the year by paying a final dividend of 2.25p net per share. Taken together with the first interim dividend of 2.2p and the

second interim dividend of 5.0p this will make a total dividend for the year of 9.45p, an increase of 8.0% on last year's total dividend of 8.75p. The dividend will be paid on 5 August 2010 to shareholders registered on 18 June 2010. Once again we are also offering shareholders the opportunity to choose to receive part or all of their dividends in the form of shares rather than in cash.

Charles Stanley Group provides a comprehensive range of investment, wealth management and financial planning services to retail, institutional and corporate clients. A detailed report is set out in the following Business Review and Operating and Financial Review.

This improvement has been achieved despite two adverse factors of some significance. First, with interest rates at continuing very low levels there is a direct impact on a business which traditionally holds substantial cash balances, both on its own account and on behalf of clients. This had an adverse impact of £4.4 million at the pre-tax level over the previous year.

The second is the cost of the Financial Services Compensation Service levy which we are required to pay to compensate victims of loss caused by the collapse or misbehaviour of other, completely unrelated firms. Historically stock exchange firms provided unlimited guarantees for the clients of other stock exchange firms who suffered loss if a firm failed – happily a very rare occurrence. Now we are required to compensate the victims of failed companies which offer a very different service to ours. This has taken some £686,000 off our pre-tax profit this year, and sadly I see no end to this continuing, inappropriate and disproportionate levy on companies in our sector of the financial services world.

THE QUALITY OF OUR SERVICE

Charles Stanley relies on the unstinting efforts of its skilled and dedicated brokers and staff. I am delighted to welcome all those who have joined us during the year, and on behalf of shareholders I offer my thanks to everyone in the Group for their hard work in producing another set of good results.

CHAIRMAN'S STATEMENT

OUTLOOK

In my report to shareholders last year I pointed to the increasing signs of recovery, though it was too early to tell if these were a short-lived bounce or the beginning of a cyclical upturn. My optimism has proved to be justified, but the very wide swings in the market, on every piece of news, show that conditions remain very sensitive and unpredictable.

At home we can only glimpse the medium-term outlook for the UK economy, which could stall again in the event of policy errors. The coalition offers firm government, with a large enough majority in Parliament to drive through significant changes. But at this early stage the details remain unclear. Abroad we are witnessing growing turmoil in the currency markets, and disagreement, too, over the scope for global solutions to the current problems.

The outlook for regulation looks equally uncertain. We await with some concern the outcome of the debate about the future of the FSA.

Sadly there are too many examples of the threat of stifling over-regulation which could cause severe damage to Britain's financial services industry. The latest proposal from HM Treasury, "Establishing Resolution Arrangements for Investment Banks",

requires all financial firms to conduct detailed and expensive due-diligence style self-examination, and maintain this continuously in force, so as to provide for their orderly wind-down in the event of failure. This imposes a disproportionate cost on every financial firm, the overwhelming majority of which are well-run, solvent businesses that pose negligible systemic risk.

So, while there are many indications that the worst of the financial crisis is over, there is still a difficult and winding path ahead. But Charles Stanley continues to demonstrate its resilience. It may be too early to predict a sustained recovery at this stage, but looking towards the medium term, perhaps beyond the year we have just started, I am rather more confident about the outlook than I have been in the past couple of years.

Sir David Howard
Chairman

8 June 2010

BUSINESS REVIEW

OBJECTIVE

Our objective is to build Charles Stanley over the longer term and thereby maximise the return to shareholders, while paying proper regard to the interests of all our stakeholders and to the surrounding community.

STRATEGY

We seek to achieve this through a combination of both organic growth and carefully selected acquisitions which either reinforce the Group's existing business lines or diversify into complementary activities. Allied to that we have a long standing focus and proven levels of customer satisfaction that are the bedrock for the future development of the business. We have a commitment to building bespoke and exceptionally responsive investment services for clients and ensuring that our services are efficient, innovative and of outstanding quality.

RESOURCES

The Group sees its people as one of its key resources. We take pride in being able to attract and retain the highest calibre of staff. As such our levels of staff turnover are amongst the lowest in the sector. Allied to that is the Group's conservative approach to cash management which has allowed it to cope with the recent downturn and subsequent recovery.

REVIEW OF BUSINESS

The Group is organised into three operating divisions: Private Clients, Financial Services and Charles Stanley Securities.

PRIVATE CLIENTS

Total funds under management and administration are shown below:

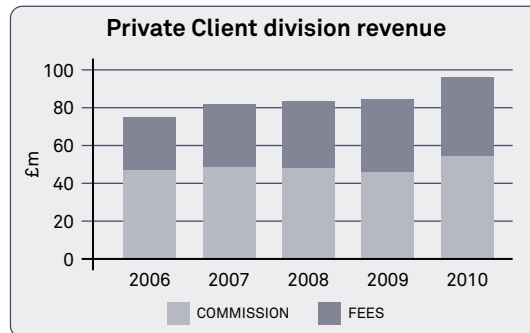
	2010 £ billion	2009 £ billion
Discretionary funds under management		
In Group's nominee or Euroclear UK and Ireland ("EUI") personal membership	3.9	2.7
Advisory managed funds		
In Group's nominee or EUI personal membership	2.2	1.7
Not held in Group's nominee	0.2	0.2
	2.4	1.9
Total managed funds	6.3	4.6
Advisory dealing funds		
In Group's nominee or EUI personal membership	2.8	2.0
Execution only funds		
In Group's nominee or EUI personal membership	3.7	2.4
Total administered funds	6.5	4.4
Total funds under management and administration	12.8	9.0

BUSINESS REVIEW

The Private Client division provides specialist services for charities and trusts as well as individual clients.

The division has demonstrated the strength of the core retail business. Total income has risen by 13.7% to £96.1 million from £84.5 million, and on a like for like basis income has risen by 10.0%. Income comprises commission on trades on behalf of clients, investment management fees for the division's discretionary and advisory managed clients, and administration fees.

The Group has seen a 42.2% increase in the value of its funds under management from March 2009, compared with an increase in the FTSE 100 of 44.7% and the APCIMS Balanced Portfolio Index of 28.3%. The Group continues to attract discretionary funds, and we are pleased to see such funds are 30.5% of total funds under management and administration.

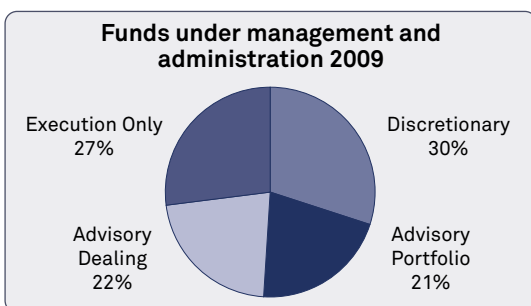
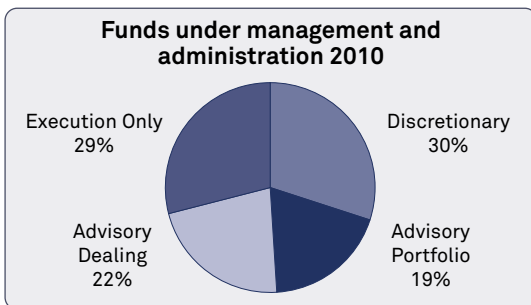


The Private Client ratio of commission to fee income is 57.0% to 43.0% compared with 54.4% and 45.6% respectively for 2009.

The division has consolidated and focussed on embedding prior year acquisitions into the Group. We have secured significant levels of new business from third party sources and, post year end, announced the opening of a new branch in Cirencester. This will bolster our presence in the West of England.

Market conditions have improved dramatically since March 2009 although with considerable volatility. There is, however, a degree of uncertainty over the sustainability of the recovery, and the impact of public spending cuts, rising interest rates and an end to quantitative easing remains to be seen. Nevertheless the division continues to look for suitably priced acquisitions whilst being vigilant to the wider economic and regulatory environment.

Michael Clark
 Director of Private Client Stockbroking
 Peter Hurst
 Finance Director



Transaction levels have risen by 19.0% from 2009 leading to commission income of £54.8 million compared with £46.0 million in 2009.

The division's fee income has been resilient in light of the changed world of near-zero base rates. Total fee income rose 7.5% to £41.4 million from £38.5 million, and within that, investment management fees increased by 31.2% to £22.7 million from £17.3 million in 2009. This overall increase has been achieved despite the loss of significant levels of interest turn income due to low base rates.

BUSINESS REVIEW

FINANCIAL SERVICES

The division includes EBS Management Plc ("EBS"), a SIPP administration services provider, Garrison Investment Analysis ("Garrison"), a discount financial intermediary, Griffiths & Armour (Financial Services) Ltd ("Griffiths & Armour"), an employee benefits provider together with the existing Charles Stanley financial planning and wealth management areas.

Total income has risen by 28.8% during 2010 although the like for like basis increase is 2.2%. Income within the division is shown below:

	2010 £m	2009 £m
EBS	1.8	1.7
Garrison	1.6	1.7
Griffiths & Armour	2.8	1.1
Financial Planning	2.3	2.1
Total	8.5	6.6

EBS

EBS has had a good year with revenues growing from £1.7 million to £1.8 million with margins of around 20%. At the year end we administered 2608 SIPPs (March 2009: 2293) and 366 SSASs (March 2009: 363). The revenue profile alluded to in last year's statement remains with more fixed revenues versus time costed income. During the year several new third party administration agreements were progressed and we are confident of accelerated growth occurring in the business.

Garrison

Garrison Investment Analysis has had a slight dip in revenues over the year to £1.6 million (March 2009: £1.7 million), though due to reduced costs profits were much in-line with last year. Assets held were relatively steady throughout the year to March 2010 at \$405.0 million (March 2009: \$337.7 million), though the average level of the FTSE which governs the calculation of administration fees by the platform and unit trust groups was some 20% lower than in the year to 31 March 2009. We have re-launched the website and are now beginning to reap the benefits of an increased marketing campaign.

Griffiths & Armour

Griffiths & Armour revenues were £2.8 million for the year to March 2010 versus £1.1 million for the 6 months to March 2009. We have nearly completed the process of amalgamating all of the Group's Benefit Consultancy business within this company and we look forward to offering a uniform employee benefits service across our geographical reach. Margins in the division were depressed due to relatively significant merger and infrastructure costs, but we look forward to an improvement in these going forward.

Financial Planning

The financial planning and wealth management teams have put in a solid performance during the year. The teams have been strengthened by new joiners in the year.

Fund Management

During the year we were joined by Matterley Asset Management in order to strengthen our fund management capability. We are looking to develop a more focussed fund management activity within the Group. The Group currently has 5 funds in-house together with the IHT Portfolio fund and total funds under management were £104.4 million (March 2009: £51.3 million).

	2010 £m	2009 £m
International Growth Portfolio	14.4	7.8
Regular High Income Fund	36.5	26.6
Equity	7.0	4.9
UK & International Growth	26.2	—
Matterley Fund	6.2	—
IHT Portfolio	14.1	12.0
Total funds	104.4	51.3

BUSINESS REVIEW

CHARLES STANLEY SECURITIES

CS Securities, the Group's advisory, broking and corporate finance arm for smaller and mid cap UK listed companies, produced slightly lower revenues for 2010 at £10.4 million versus £10.7 million for 2009. During the year Sutherlands Bond Trading made a good contribution and advisory work also improved with a number of different types of advisory mandate. Secondary equity commission was about 11% lower than in previous years but in recent weeks has shown a marked improvement. The overall contribution from the division was reduced due to a number of personnel changes throughout the year.

Income within the division is shown below:

	2010	2009
	£m	£m
Commission	7.1	8.0
Fees	3.3	2.7
<hr/>		
Total	10.4	10.7

CS Securities now offers a much deeper and broader research capability which we are hopeful will pay dividends in the future.

Since the year end CS Sutherlands has seen a reduction in activity due to the resurgence in equity markets which has led to a corresponding decline for the moment in investors' focus on bonds.

The new year has got off to an encouraging start within the division and we are hopeful that this will continue.

Michael Lilwall
Director

OPERATING AND FINANCIAL REVIEW

This review has been prepared solely to provide additional information to the Group's shareholders to assess the Group's strategies and the potential for those strategies to succeed. It should not be relied on by any other party or for any other purpose.

The review contains several forward-looking statements made by the Directors in good faith based on the information available to them up to the time of their approval of this report. These statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

The Directors have prepared this review in accordance with the Accounting Standards Board Reporting Statement: Operating and Financial Review.

The review has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Charles Stanley Group PLC and its subsidiary undertakings when viewed as a whole.

The review covers the following areas:

- Nature, aim, strategy and objectives of the business;
- Results for the 2010 financial year and financial position;
- Future outlook;
- Risks and uncertainties; and
- Relationships.

Group policies and other information relating to environmental matters, employees and social and community issues are set out in a separate corporate social responsibility report on pages 18 to 21.

NATURE, AIM, STRATEGY AND OBJECTIVES OF THE BUSINESS

Charles Stanley Group PLC has four trading companies, Charles Stanley & Co. Ltd ("Charles Stanley"), EBS Management Plc ("EBS") Garrison Investment Analysis Ltd ("Garrison") and Griffiths & Armour (Financial Services) Ltd. Charles Stanley provides full service stockbroking, financial planning and benefit consultancy and small and mid-cap advisory and institutional broking. EBS provides specialist pensions administration services. Garrison markets unit trusts, open-ended investment company units and packaged financial products to private clients, both directly and in wrappers such as ISAs and pensions. Griffiths & Armour (Financial Services) Ltd is an employee benefits provider. All four companies are regulated by the Financial Services Authority. The Group has 33 offices around the United Kingdom, and all revenue is earned in the United Kingdom. These offices are listed on page 98.

Our strategy and objectives are discussed in our business review on pages 6 to 9.

OPERATING AND FINANCIAL REVIEW

We monitor our performance against our financial objectives by using the following key performance indicators:

Indicator	Description	2010	2009	% change
Ratio of adjusted operating profit to revenue	Ratio of operating profit before amortisation and one-off costs as a percentage of income	11.6%	11.0%	5.5%
Ratio of adjusted profit to revenue	Profit before gains or losses on available for sale financial assets, amortisation and one-off costs as a percentage of revenue	11.9%	12.3%	(3.2%)
Adjusted earnings per share	Earnings before gains or losses on available for sale financial assets, amortisation and one-off costs divided by weighted average number of shares in issue during the year	21.18p	20.00p	5.9%
Funds under management and administration	Valuation of client assets at the year end	£12.8 bn	£9.0 bn	42.2%
Discretionary funds under management	Valuation of discretionary client assets at the year end	£3.9 bn	£2.7 bn	44.4%
APCIMS Balanced Portfolio Index	As at period end	2,861	2,230	28.3%
Staff turnover	Ratio of staff leavers to average staff during the year	6%	8%	25.0%
Fees growth	Value of non-commission income for Private Clients	£41.4 m	£38.5 m	7.5%

OPERATING AND FINANCIAL REVIEW

RESULTS FOR 2010 FINANCIAL YEAR AND FINANCIAL POSITION

During 2010 total revenue for the Group grew by 13.0% to £115.0 million from £101.8 million. Reported profit for the year of £10.3 million includes profits on disposal and revaluation of available for sale investments of £0.2 million, amortisation of £1.7 million and one-off costs of £1.9 million (£1.5 million) relating to new investment teams and the Financial Services Compensation Scheme Levy.

	2010 £m	2009 £m	Change £m	%
Revenue	115.0	101.8	13.2	13.0%
Administrative expenses	(105.4)	(93.8)	(11.6)	(12.4%)
Other income	0.1	—	0.1	—
Operating profit	9.7	8.0	1.7	21.3%
Net interest and finance income	0.4	1.3	(0.9)	(69.2%)
Gains and losses on available for sale financial assets	0.2	(0.1)	0.3	
Reported profit	10.3	9.2	1.1	12.0%
<i>Ratio to revenue</i>	9.0%	9.0%		
Add back gains and losses on available for sale financial assets	(0.2)	0.1		
Add back one-off costs for investment teams	1.2	1.5		
Add back Compensation Scheme Levy	0.7	—		
Add back amortisation of customer relationships	1.7	1.7		
Adjusted profit	13.7	12.5	1.2	9.6%
<i>Ratio to revenue</i>	11.9%	12.3%		

Revenue by division for the year is summarised below:

	2010 £m	2009 £m	Change £m	%
Private Clients	96.1	84.5	11.6	13.7%
Financial Services	8.5	6.6	1.9	28.8%
Charles Stanley Securities	10.4	10.7	(0.3)	(2.8%)
Total	115.0	101.8	13.2	13.0%

The Group seeks, over time, to alter the balance between commission and fee income increasingly in favour of fees. In 2009-10 the proportion of fee income (excluding corporate finance fees) to total revenue was 44.6% compared to 45.4% in 2008-09 and 40.9% the previous year. The ratio has decreased in 2010 due to the impact of falling interest rates on revenue as already referred to in the Chairman's Statement.

OPERATING AND FINANCIAL REVIEW

ADMINISTRATIVE EXPENSES

Administrative expenses are summarised below:

	2010	2009	Change	
	£m	£m	£m	%
Staff costs	47.3	42.7	(4.6)	(10.8%)
Depreciation	2.7	2.7	—	0.0%
Amortisation of intangible assets	1.7	1.7	—	0.0%
Other costs	51.8	45.2	(6.6)	(14.6%)
Total before one-off costs	103.5	92.3	(11.2)	(12.1%)
One-off costs relating to new teams	1.2	1.5	0.3	20.0%
Compensation Scheme Levy	0.7	—	(0.7)	—
Total	105.4	93.8	(11.6)	(12.4%)
Allocated to:				
Private Client division	58.1	52.1	(6.0)	(11.5%)
Financial Services	8.5	6.3	(2.2)	(34.9%)
Charles Stanley Securities	10.5	10.0	(0.5)	(5.0%)
Total allocated to divisions and other income	77.1	68.4	(8.7)	(12.7%)
Unallocated	28.3	25.4	(2.9)	(11.4%)
	105.4	93.8	(11.6)	(12.4%)

Total costs have increased by 12.4% from £93.8 million to £105.4 million. Staff costs are analysed in note 7. These have increased by 10.8% to £47.3 million from £42.7 million and represent 44.9% of our total costs (2009: 45.5%). Average employee numbers have risen by 7.4% to 729 from 679.

For management purposes costs are allocated to divisions by direct attribution and this is shown in note 5.

Due to acquisitions and joiners, salary costs of client facing staff have risen and the ratio of the number of times these salaries are covered by revenue has changed.

	2010	2009	Change	
	£m	£m	£m	%
Client facing staff salaries	21.6	18.8	(2.8)	(14.9%)
Total income to salary ratio	5.3	5.4		

Given the increases in revenue, non-salary fixed costs have decreased slightly relative to revenue as follows:

	2010	2009
	£m	£m
Business support costs as % of revenue	16.9%	18.3%
Overhead costs as % of revenue	15.1%	14.4%
Total general fixed costs as % of income	32.0%	32.7%

OPERATING AND FINANCIAL REVIEW

The Group has incurred costs of £1.2 million in respect of new investment teams (2009: £1.5 million) and Compensation Scheme costs of £0.7m. When excluding these one-off costs, total expenses have increased by 12.1% to £103.5 million from £92.3 million.

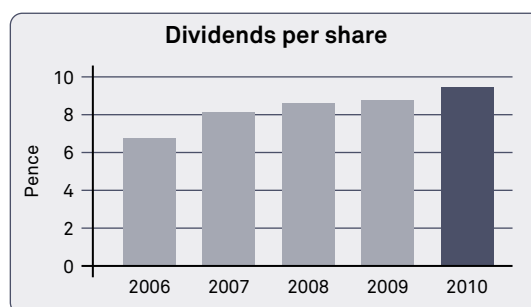
Costs also include depreciation of £2.7 million (2009: £2.7 million) and amortisation of intangible assets of £1.7 million (2009: £1.7 million). Further details are shown in notes 14 and 15. The proportion of our total costs which are fixed decreased slightly to 66% from 67%. The proportion of fixed costs which is covered by fees has therefore increased fractionally to 78% from 77%.

Interest receivable of £0.4 million (2009: £1.4 million) includes interest on bank deposits and interest earned from interest bearing available for sale investments. The Group's cash balances stood at £36.6 million as at 31 March 2010 (2009: £36.0 million). Interest rates have been held by the Bank of England at 0.5% for the year leading to a lower level of interest income.

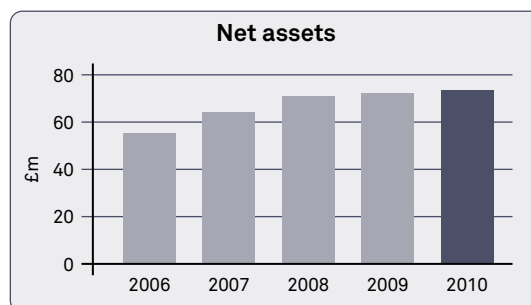
The tax charge of £3.4 million is analysed in note 10. This represents 33.0% of the Group's profit before tax of £10.3 million (2009: 29.3% of £9.2 million). The effective rate is higher than the UK standard rate of 28% due to differences between accounting and taxation treatment of certain items, and the effects of prior year taxation adjustments.

Earnings per share after one-off costs were 15.44p (2009: 14.65p). There was no dilution at 31 March 2010 of earnings. Further details on earnings per share are explained in note 13.

As indicated in the Chairman's Statement the final dividend for the year is recommended to be 2.25p in addition to the interim dividends of 2.2p and 5.0p giving a total dividend for the year of 9.45p. Shareholders will, subject to approval at the Annual General Meeting, be offered a scrip alternative.



At 31 March 2010 the Group had net assets of £73.4 million (2009: £72.2 million) equivalent to £1.67 per share (2009: £1.64 per share).



FUTURE OUTLOOK

The future outlook of the Group is discussed in the Chairman's statement on pages 4 and 5.

OPERATING AND FINANCIAL REVIEW

RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance:

Credit risk

This represents the risk of the loss through default by counterparty. The most significant risk to the Group is either a client or market counterparty failing to settle a trade. Given the wide range of retail clients of the Group it is not considered that a material default by connected counterparties would arise. Other credit risks, such as Free Delivery of stock or cash, are not deemed to be significant as the Group has an effective credit control department to recover any monies or stock owed through default.

The Credit Control department monitors both the collateral requirements of individual client accounts, as well as any debit balances that occur if stock purchases are not settled on due date, or that are due to losses that have been incurred during client trading activity, on a daily basis.

Shares are only delivered free of payment to a client or their agents once settlement has been achieved and there is no outstanding debit balance on the account. In the event of an error, it will again be made immediately apparent the next day when both the debit balances and collateral requirements of clients accounts are monitored.

On occasion delivery of stock to a recognised professional counterparty may take place free of payment via an electronic settlement system, but only on prior confirmation from their custodians that the required funds in settlement will be wired to our appropriate bank account. There have been no instances where this has created an irrecoverable loss.

Exposures for trades that are outstanding beyond the contractual settlement date are monitored on a daily basis.

The Group has a Market Risk Working Group (comprising three CSG directors, Compliance Director, other CSC directors as deemed necessary and the Risk Manager) that reviews exposures to market counterparties and banks on a daily basis. The committee also sets exposure limits to individual market counterparties.

Market risk

This is the risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates. From 1 April 2009 the Group ceased all own account trading and only trades as principal for the purposes of executing client orders. Other principal positions may arise from dealing errors.

All position limits are monitored daily in accordance with policies determined by the Board.

The Group has small currency exposures. We run positions in a variety of currencies, principally the US dollar, to support clients' dealing activities. Policy requires any significant net exposures to be hedged using forward currency contracts as soon as a commitment is made.

The Group does not conduct derivative business on its own account. Client deals have to be transacted by the Group as principal, under the rules of LIFFE, but these are always matching, back to back transactions. In all cases where such transactions place the client or the Group at risk suitable collateral is held. This normally takes the form of a lien over the customer's assets giving a claim on these assets for both existing and future liabilities.

Operational risk

This is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. These are outlined further in the risk matrix.

The Group's risk matrix uses the Basel II framework for Operational Risk and the framework for risk assessment, and management, is monitored by the Group's Risk and Regulatory Review Group. During the year the Group implemented an Enterprise Risk Management system to allow more meaningful monitoring of the Group's operational risks as well as improving management information.

The Group's Risk Management system is reviewed not only through internal procedures but also by use of external auditors, who report on the effectiveness of the Group's risk framework to the Directors of Charles Stanley Group. Whilst the auditors do not conduct a full review of all the internal controls operating in the Group they do report on any significant weaknesses. The auditors report is shown on pages 36 and 37.

OPERATING AND FINANCIAL REVIEW

Liquidity risk

This is the risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

The Group maintains a mixture of cash and cash equivalents that is designed to meet the Group's operational and trading activities. The Group does not use the wholesale markets for any funding and is confident that it has sufficient liquidity for the foreseeable future. At 31 March 2010 the Group had £36.6 million in bank accounts and accordingly a high degree of liquidity.

The Group's liquidity risk is overwhelmingly short term in nature and arises from the settlement of trades within the stockbroking business.

The treasury function operates within strict policies and procedures approved by the Board, which include strict controls on the use of financial instruments in managing the Group's risk. A policy of using a combination of high credit rated banks is used to deposit client money. This was done to guard against the risk of only using one bank.

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items including trade debtors and trade creditors that arise directly from its operations. We review the credit quality of counterparties and we limit aggregate credit exposures accordingly.

The majority of the short term creditors arise from settlement of clients' trading activities, and it is the policy to pay stockbroking creditors on Settlement Day or when the stock is delivered, whichever is later. The policy is also to pay suppliers in accordance with their payment terms.

Business risk

This is defined (in a narrow sense) as the risk that income falls or is volatile relative to the cost base of the Group. It is also defined in a broader sense as exposure to macro economic, geopolitical, industrial, regulatory and other external risks. Regulatory risk is assessed separately below.

Risk is assessed by use of stress and scenario testing performed by the Finance department. The risks are set in the framework of the risk matrix and any capital is allocated on a judgemental basis accordingly.

The major assumptions underpinning this analysis are that the shared income expenses continue to be a variable rather than fixed cost as brokers' income fluctuates directly with that of the Group, though new brokers joining tend to be salaried. It is also assumed that the existing cost controls continue to operate effectively.

The Group operates in a highly competitive market with significant product innovations. It is subject to the threat of competitors launching new products in our markets; however it continues to be responsive to market demand.

Within a wider context, it is assumed that the Group continues to operate primarily within the UK retail stockbroking market and that its attitude to risk mitigation will enable it to continue trading during a recession.

Regulatory risk

The Group operates in a heavily regulated financial services sector. The Group monitors developments in regulation, assesses the impact on the business, and implements any changes that will be required to meet these requirements.

The Group's current level of capital remains well in excess of our regulatory requirements. We play an active role in industry groups which are closely involved in preparing for the Basel II requirements. The Group is not aware of any planned significant regulatory changes although it continues to monitor FSA announcements, particularly for new liquidity risk reporting, potential revisions to the Capital Requirements Directive and implementation of the Retail Distribution Review in 2012, and works closely with relevant trade bodies such as APCIMS.

OPERATING AND FINANCIAL REVIEW

Reputational risk

The Group has built a reputation as a high quality provider of investment management and client services. This has been carefully developed over many years and there is a risk that reputational damage could lead to a loss of our existing client base, which could possibly lead to financial loss.

This risk is monitored and managed by our emphasis on compliance with all aspects of relevant regulation including those of the Financial Services Authority.

RELATIONSHIPS

Regulators

The Group's investment activities are regulated and authorised by the Financial Services Authority. The Group has a forward looking agenda with regard to the requirements that we will need to implement for future changes.

Clients

We seek to set a high standard of service to our clients. We have conducted an extensive survey to ensure that we provide the type and level of service that our clients appreciate, and believe that this has chimed well with the FSA's major initiative to promote "Treating the Customer Fairly", to which we are strongly committed. We are one of the founding signatories of the seven Ethical Principles propounded by the Chartered Institute for Securities and Investment, and we seek at all times to offer our service in an ethical and professional manner.

Suppliers, contractors and creditors

We maintain professional relationships with our suppliers and ensure that payments are made according to the terms of the contract.

Staff

The Group's relationship with its staff is set out in more detail in our corporate social responsibility report on pages 18 to 21.

Peter Hurst
Finance Director

8 June 2010

CORPORATE SOCIAL RESPONSIBILITY REPORT

This is the fourth corporate social responsibility (“CSR”) report for the Group. The implementation and management of the CSR policy is recognised as a Group wide responsibility and the progress made over the last 12 months is evidence of the ongoing commitment to CSR at all levels of the business.

As a financial services organisation, our primary responsibility is to maximise investment returns to our clients in accordance with our contractual relationships. However, we continue to recognise the non-financial considerations that are taken into account in the running of our business. For this reason, the Board and senior managers within the Group are committed to ensuring the Group interacts responsibly with its employees, clients, shareholders and the wider environment.

Each year we aim to develop our CSR policy and practices in our four key areas: business integrity; our people; the environment; and, the community. The CSR committee meets on a quarterly basis to review progress in each of these areas.

BUSINESS INTEGRITY

Corporate governance

We follow the corporate governance guidelines contained in the Combined Code on Corporate Governance issued by the Financial Reporting Council and annexed to the Listing Rules of the UK Listing Authority.

We ensure that the Group complies with the Combined Code or, where it has not done so, explain why this is the case. We compete fairly in the markets in which we operate and believe in the concept of business transparency and ethical behaviour.

Client care

We are committed to the highest standard of client care and support the FSA’s Treating Customers Fairly regulatory framework.

We work with our clients to ensure our relationships deliver investment performance, protection from inappropriate risk and communications that are clear, fair and not misleading. In 2009 Charles Stanley was awarded the Best Traditional Broker Award for Excellence by SIGnet (Serious Investor Groups Network).

Disclosure

All Charles Stanley staff are expected to conduct business in such a way so as to enhance the Group’s reputation and to safeguard against unfair or unethical business practices. Our disclosure policy (concerning instances of whistleblowing) is monitored and enforced where necessary. Fraud and other corrupt practices are recognised as bad for business and for stakeholders and we take strict measures to prevent such practices.

All business is conducted in accordance with the laws and regulations of the United Kingdom and the directives of the European Union.

PEOPLE

The Group acknowledges that the reputation and success of Charles Stanley is due to the service provided to clients by highly qualified and committed staff. Our staff are one of the key assets of the organisation and it is our policy to attract and retain the best people.

In 2010 staff were asked to participate in a large national external employee satisfaction survey run by Best Companies Limited. We received positive staff feedback and were pleased to be awarded ‘One to watch’ status by Best Companies.

Employee involvement

Charles Stanley understands the importance of providing its staff systematically with information on matters of concern to them and, where appropriate, consulting with them so their views can be taken into account when making decisions that are likely to affect their interests. In addition to the usual informal structures, there are a number of regular forums where staff and senior management meet, along with a formal appraisal system that operates to provide all staff an opportunity to formally meet with their line manager.

To enable staff to become involved in the financial performance of the Group, participation in the Charles Stanley Save As You Earn Scheme and/or the Share Incentive Plan (“SIP”) is encouraged. These schemes are open to all employees (with the exception of Sir David Howard) and the level of take up for both schemes is high. SIP membership for 2010 was 22.6% (2009: 28.0%).

CORPORATE SOCIAL RESPONSIBILITY REPORT

Training

The Group continues to meet its business objectives by having a highly trained and professional workforce. We have a dedicated learning and development adviser who ensures that our training policy, designed to invest in staff, provide for career development and allow for succession planning, is enforced. Staff are required to gain appropriate professional qualifications for their roles and to undertake sufficient, relevant continuing professional development to ensure their skills are up to date. Further, our interactive training portal provides greater access to materials and enables staff to log and monitor their own achievements and learning.

With the FSA's Retail Distribution Review Programme ("RDR") recognising an increase in qualifications more attention has been put into exam qualifications to ensure full compliance. The Board continues to manage the process and does not foresee the exam requirements element of the RDR being a matter of concern for the Group.

Benefits

Within the past year the company has introduced a flexible benefits system called 'Choice'. Choice is an intranet accessible application which allows staff to select benefits which match their lifestyle. The Choice system has proved very popular with 35.0% of all employees participating in one or more flexible benefit.

The benefits currently included in the Choice system are smart pension exchange, Denplan, charitable-give-as-you-earn, extra death in service life cover, child care vouchers and Ride-2-Work.

The Choice benefits are in addition to the standard benefits we provide for all our employees including interest-free season ticket loans, above average contributions to pensions, private medical insurance that extends to direct family members of employees, permanent health insurance and death in service benefits.

To ensure the health and wellbeing of our workforce we also provide subsidised gym membership in London and a Ride-2-Work Scheme that allows employees to purchase bicycles at a reduced cost for the purpose of commuting.

We also provide access to dedicated medical facilities in the London offices including annual health screening.

Disabled employees

Applications for employment made by disabled persons are given full and fair consideration, having regard to the particular aptitudes and abilities of the applicant. In the event of employees becoming disabled, the Group makes every effort to ensure the individuals' continuing employment within the Group through the provision of suitable equipment and arranging appropriate training as necessary. The Group ensures that, so far as is possible, the training, career development and promotion of disabled employees is identical to that of other staff members.

Health and safety

The Group is committed to ensuring a working environment that meets and exceeds the required health and safety standards.

All our staff have access to and are encouraged to practice the Health and Safety Policy. The Policy is reviewed and updated on an ongoing basis taking into account any changes in the law and all staff are notified of any changes that are made.

Pregnant and other high risk personnel are subject to Health and Safety desk assessments where applicable.

Ethos

Charles Stanley believes in supporting the work/life balance of all of our employees. We do not expect our employees to work excessive or unnecessary hours and we provide childcare vouchers and the possibility of flexible working hours to support those employees with young children.

In addition to the above we also have policies in place to ensure that all employees can expect a working environment free from discrimination and harassment. We believe in informing and involving employees, and our retention rates are evidence of the loyalty of our employees. Staff losses were 6.3% for 2010 (2009: 8.0%) with gains of 11.5% (2009: 15.0%). Our turnover rate of 6.3% in 2010 is significantly less than the average figure of 17.3% released by the CIPD (Source: CIPD Annual Survey Report June 2009).

CORPORATE SOCIAL RESPONSIBILITY REPORT



Crisis Run 2010 – Charles Stanley runners congregate in front of St Pauls before the off.

COMMUNITY

The Group continues to foster strong relationships with the communities in which we are based and we have links with local businesses, primary schools and charities. We are a socially responsible employer and aim to make a positive contribution both locally and internationally.

Schools

One of our stronger community links continues to be Lawdale Primary School and is co-ordinated by the Tower Hamlets Business Education Partnership. A group of London based employees volunteer to visit the school on a weekly basis to assist the children with their reading. The children that take part are showing good progress in reading levels and also look forward to the reading sessions. Charles Stanley also has fundraising activities for Lawdale School with the proceeds raised being used to arrange extracurricular activities for the children.

Charities

The Riley Cameron Forget Me Not Campaign: Leukaemia Research was chosen by a vote of all staff to be the annual charity of Charles Stanley for 2009/10 and the fundraising activities included book and cake sales, a toy auction, a Golf day and a number of staff took part in a sponsored walk, and also the London Marathon.

Through the hard work of the staff, their generous donations and the support of the Group a large amount of money was raised for

the Riley Cameron Forget Me Not Campaign. More detailed information can be found on the Group's website. The annual charity for 2010/11 chosen by popular vote is the Alzheimer's Society.

In addition to our Charity of the Year we undertake a number of other charitable activities, including (but by no means an exhaustive list) making donations to the Bhopal Medical Appeal, the Footsteps Foundation, the Duke of Edinburgh Awards, the Scouts Association, Dartmoor Search and Rescue, Great Ormond Street Hospital, Demelza and Macmillan Cancer Support.

We have also held fundraising events for NSPCC and St Andrew's Youth Club and are a main sponsor of the Exeter Chiefs Rugby Club and their Community Project. The Company now also offers employees the facility to give-as-they-earn in a tax efficient efficient manner via the Charities Aid Foundation.



Rachel Gadie and family holding a cheque showing the amount raised by Charles Stanley and its employees for the Riley Cameron Forget Me Not Fund.

Business

Charles Stanley also has strong links with other City firms that are established either through work or, more often than not, through sport. The Group frequently sponsors sporting events ranging from golf to rounders and show-jumping at the British Masters. Our employees also participate in inter-firm competitions including 5 a-side football tournaments, cricket and the Stock Exchange Sailing Club.

CORPORATE SOCIAL RESPONSIBILITY REPORT

ENVIRONMENT

The Group continues to recognise its impact on the environment and takes steps to minimise it. Although our activities have only a comparatively small impact, Charles Stanley is aware that environmental risks and uncertainties impact to some extent on all companies.

Initiative

Over the past year refurbishment has taken place at a number of our offices and measures have been introduced wherever possible to increase energy efficiency and reduce energy consumption. Within our London offices the average electricity consumption per head during 2010 was 215kWh per month (2009: 318kWh) and the average gas consumption per head during 2010 was 15kWh per month (2009: 15kWh).

We have also developed a number of initiatives to save costs and increase efficiency through reducing and managing resource use, for example we source re-use programmes for surplus equipment and we review our supply partners to ensure their policies are in line with ours. We currently use paper from sustainable sources for our main marketing and other publicly available documentation, and we aim to procure a greater proportion of recycled paper for photocopying and printing purposes in the future.

Commitment

Charles Stanley encourages recycling at all of our offices. Recycling is measured in volume. During the period March 2009 to March 2010, 5,000 sacks of paper were recycled. This is the equivalent of 11 trees and has resulted in a donation of in excess of £2,000 to the Castle Howard Arboretum Trust on behalf of Charles Stanley. We recognise that the business saves costs and increases efficiency through reducing and managing resource use.

We run a Ride-2-Work Scheme on an annual basis and this not only promotes a healthier lifestyle for our employees but also reduces the environmental impact of the journey to work for those employees who take part in the scheme. There were 11 new entrants to the Ride-2-Work Scheme in 2010 (2009: 12).

Investment

Finally, whilst the overall investment policy of the Group is concerned solely with obtaining the best return for clients, we also endeavour to construct portfolios which take into account the personal preferences of our clients in relation to environmental and ethical matters.

DIRECTORS AND COMPANY INFORMATION

Charles Stanley Group PLC was incorporated on 16 July 1896. The business had been established on 2 January 1792 and Charles Stanley was first recorded as a member of the London Stock Exchange in 1852.

DIRECTORS

Sir David Howard Bt. MA, DSc, FCSI (Hon) *Chairman and Managing Director*

Sir David is 64. He joined Charles Stanley in 1967. He became Managing Partner in 1971, Managing Director (on incorporation of the partnership) in 1988, and Chairman in 1999. He was Lord Mayor of London in 2000-2001. He has served on Stock Exchange, CREST and LIFFE committees and as a Director of the Financial Services Skills Council and as Chairman of the Council of City University, is an alternate member of the Takeover Panel and serves on the CREST Settlements Appeals Panel. He is a Director of APCIMS (the private client stockbrokers' trade association) and the Chartered Institute for Securities and Investment ("CISI") and chairs the CityUK Education, Training and Qualifications Group and the CISI Examinations Board and is President of the Chartered Management Institute.

Peter A Hurst FCA, ACIB, MCSI *Finance Director*

Peter Hurst is 61 and joined Charles Stanley in 1987. His main areas of responsibility are finance, information technology, premises, branches, health and safety and ecommerce. He is a member of the compliance and risk monitoring and corporate finance approvals committees. Prior to joining Charles Stanley he had worked in banking for ten years having previously been in audit practice.

E Michael Clark FCSI

Michael Clark is 63 and became a member of the Stock Exchange in 1970. He joined Charles Stanley in 1976, became a partner in 1982 and a Director (on incorporation of the partnership) in 1988. He is responsible for London private client brokers, dealing and research.

Michael R I Lilwall BSc, FCSI (Dip)

Michael Lilwall is 52 and joined Charles Stanley as a Director in 1997. He is responsible for Charles Stanley Securities and the Financial Services division and takes an active role in business development for the Group. Previously he was Chief Executive of Shaw & Co. Limited, whose business was acquired by Charles Stanley in 1997. Prior to that he was a Director of Seymour Pierce Butterfield and Brewin Dolphin & Co. Limited.

DIRECTORS AND COMPANY INFORMATION

Secretary

Gary Teper LLB (Hons), MSc, MSI

Company registration number

48796 (England and Wales)

Registered office

25 Luke Street, London, EC2A 4AR

Websites

www.charlesstanleyplc.co.uk

- Investor relations

www.charles-stanley.co.uk

- Corporate

<https://media.charles-stanley.co.uk>

- Media Centre

www.fastrade.co.uk

- Internet trading

www.csysecurities.com

- Institutional sales
and corporate broking

www.ebsmanagement.co.uk

- SIPP and SSAS consultancy
and SIPP administration

www.fundchoice.co.uk

- Funds supermarket

www.griffithsandarmour.com/Financial_Services

- Corporate benefits and employee wealth
management services

www.matterley.com

- Equity investment for retail
and institutional clients

Registrars

Capita Registrars Plc
Northern House, Woodsome Park, Fenay Bridge,
Huddersfield HD8 0LA

Principal bankers

Bank of Scotland
New Ueberior House, 11 Earl Grey Street,
Edinburgh EH3 9BN

Auditors

Saffery Champness
Chartered Accountants
Lion House, Red Lion Street,
London, WC1R 4GB

Brokers

Canaccord Adams
Cardinal Place, 7th Floor,
80 Victoria Street,
London, SW1E 5JL

Oriel Securities Ltd
125 Wood Street,
London, EC2V 7AN

REPORT OF THE DIRECTORS

The Directors submit their report and financial statements for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company and its Group undertakings operate as investment companies and provide stockbroking, corporate finance, investment services and pensions administration. The Company is a public limited company which is listed on the London Stock Exchange.

A review of the business is set out on pages 6 to 17.

DIVIDENDS

The Directors have declared and now recommend the following dividends in respect of the year ended 31 March 2010:

	2010 £	2009 £
First Interim dividend paid on 23 December 2009 of 2.20p (2009: 2.10p)	976,479	926,997
Second Interim dividend paid on 25 March 2010 of 5.00p (2009: nil)	2,222,301	—
Final dividend proposed of 2.25p (2009: 6.65p)	1,002,330	2,935,491
	<hr/>	<hr/>
	4,201,110	3,862,488

The final dividend will be paid on 5 August 2010 to shareholders on the Company's register at close of business on 18 June 2010.

CHANGE OF CONTROL

The Company does not have agreements with any Director or Officer that would provide compensation for loss of office or employment resulting from a change of control following a takeover bid, except that the provisions of the Company's share plans may cause options and awards granted under such schemes to vest on a takeover.

All of the Company's share schemes contain provisions relating to a change of control. Outstanding options and awards would normally vest and become exercisable for a limited period of time upon change of control following a takeover, reconstruction or winding up of the Company (not being an internal organisation),

subject at that time to rules concerning the satisfaction of any conditions.

SHARE CAPITAL

As at 31 March 2010, 44,547,510 fully paid ordinary shares of 25 pence were in issue and listed on the London Stock Exchange. The rights and obligations attaching to the Company's ordinary shares are as follows:

- In terms of voting every member who is present in person or by proxy at a general meeting of the company should have one vote on a show of hands and one vote for every share held on a poll.
- All shares in issue on the record date rank pari passu for dividends. Shareholders are entitled to receive dividends following declaration by the Company.
- Employees are restricted from any transfer of shares of the Company that would result in a change in beneficial holding during the period between the end of the Group's financial year end each year and the date on which the Group announces its preliminary financial results. This restriction also applies during the period between the end of the Group's financial half-year and the announcement of the Group's half-year results. Further restrictions may apply under the Disclosure and Transparency rules of the Financial Services Authority in respect of certain employees.
- There are no restrictions on the voting rights attached to the Company's ordinary shares or on the transfer of securities in the Company.
- No person holds securities in the Company carrying special rights with regard to control of the Company.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Each of the Company's Directors (apart from Sir David Howard) have options on 1,887 shares at 2.48p per share which are exercisable from the 1 February 2011 at their discretion pursuant to Save-As-You Earn Option Provisions. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Act 2006

REPORT OF THE DIRECTORS

and related legislation. The Company's Articles of Association may be amended by a special resolution of the Company's shareholders, copies of which can be obtained from Companies House or by writing to the Company Secretary.

During the year ended 31 March 2010, no options were exercised pursuant to the Company's share option schemes.

The Directors propose (Resolution 6 in the Notice of Meeting) to renew the authority granted to them at the Annual General Meeting held in 2009 to allot equity securities up to an aggregate nominal value of £3,680,000 (the 'section 551 authority'). If approved at the forthcoming Annual General Meeting, the authority will expire no later than 15 months from the date on which the resolution is passed, or at the conclusion of the Annual General Meeting to be held in 2011, whichever is the sooner.

The limited power granted to the Directors at last year's Annual General Meeting to allot equity shares for cash other than pro rata to existing shareholders expires no later than 30 October 2010. Subject to the terms of section 560 of the Companies Act 2006, the Directors recommend (Resolution 7 in the Notice of Meeting) that this authority should be renewed so as to give them the ability, until the Annual General Meeting to be held in 2011, to issue ordinary shares for cash, other than pro rata to existing shareholders, in connection with a rights issue or up to a limit of 5 per cent of the ordinary share capital issued at the date of this report. The Directors recommend that you vote in favour of Resolutions 6 and 7 to maintain the Company's flexibility in relation to future share issues.

A Special Resolution will also be proposed (Resolution 8 in the Notice of Meeting) to renew the Directors' limited authority last granted in 2009 to repurchase the Company's ordinary shares in the market. The authority will be limited to a maximum of 4,454,000 ordinary shares (being approximately 10 per cent of the Company's issued share capital at the date of this report) and also sets the minimum and maximum prices which may be paid. The authority will enable the Directors to respond promptly should circumstances arise in which they consider such a purchase would result in an increase in earnings per share and would be in the best interests of the Company.

DIRECTORS

The Directors named on page 22 served throughout the year. Their biographies are also set out on page 22. Mr Peter Hurst retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election by the members.

Directors' interests in the shares of Charles Stanley Group PLC are disclosed in the Directors' remuneration report on page 30.

At 31 March 2010, the Directors had the authority to purchase 4,414,000 of ordinary shares in the capital of the Company. This authority was not exercised during the year. The Directors confirm that there are procedures in place to deal with Directors' conflicts and they have operated effectively.

TAXATION STATUS

As far as the Directors are aware, the Company is not a close company for taxation purposes.

PAYMENTS TO CREDITORS

It is the Group's policy to pay stockbroking creditors on settlement day or when stock has been delivered, whichever is later, and to pay suppliers in accordance with their payment terms. Amounts due to suppliers at the balance sheet date represent approximately 28 days' credit based on the total amounts of goods and services invoiced by them during the year.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations during the year amounted to £11,351.

No political donations were made during the year.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHARE INTERESTS

The Directors are aware of substantial interests in the shares of Charles Stanley Group PLC as follows:

	No. of shares	
	8.6.10	31.3.10
John L S Howard	5,153,192	5,153,192
Schroders PLC and its associated companies	3,121,794	3,121,794
Queen Street Securities Limited (a company of which Sir David Howard is a director)	2,035,000	2,035,000
Aberforth Partners	3,158,644	3,158,644

ESSENTIAL BUSINESS CONTRACTS

There are no persons with whom the Group has contractual or other arrangements that are considered essential to the business of the Group.

AUDITORS

The Company's auditors, Saffery Champness, are willing to continue in office, and a resolution proposing their re-appointment and authorising the Directors to determine their remuneration will be put to the Annual General Meeting.

So far as each of the Directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the Directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information.

By Order of the Board
Gary Teper
Secretary

8 June 2010

DIRECTORS' REMUNERATION REPORT

The Company is required by the Companies Act 2006 to prepare a Directors' remuneration report for the year ended 31 March 2010 and to put that report to a shareholder vote. A resolution to approve this report will be proposed at the Annual General Meeting of the Company to be held on 29 July 2010.

The auditors are required to report on the auditable part of the Directors' remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006. The report has, therefore, been divided into separate sections for unaudited and audited information.

UNAUDITED INFORMATION

Directors' remuneration

The pay and benefits for executive Directors are determined by Sir David Howard, Mr E Michael Clark, Mr Peter A Hurst and Mr Michael R I Lilwall, taking into account individual performance and market conditions.

The basic salaries of the Directors are reviewed annually and when a change of responsibility occurs.

Directors (excluding Sir David Howard) are entitled to participate in the profit related pay and Save As You Earn schemes which are open to all employees after a certain period of employment with the Company. The Directors (excluding Sir David Howard) participate in the Charles Stanley Share Incentive Plan.

In addition, Directors are entitled to certain other benefits such as vehicles, telephones and private health insurance consistent with the industry norm.

Details of entitlements to share options and pension arrangements are disclosed below.

Policy on Directors' remuneration

It is the policy of the Board that the Directors are remunerated in a broadly similar fashion to Group employees generally; that is to say remuneration consists predominantly of fixed salaries which are reviewed annually by the Board, with the addition of occasional non-contractual bonuses which are not formula-based but which broadly reflect individual performance and the profitability of the Group.

In fixing the remuneration packages for current and future financial years the Directors have the following in mind:

- The need to attract, retain and motivate Directors of the quality required;
- What comparable companies are paying, taking into account relative performance; and
- Pay and employment conditions elsewhere in the Group.

The Board has given full consideration to Schedule A of the Combined Code on Directors' remuneration in framing its remuneration policy.

In addition to basic salary, the Directors receive other benefits, some of which are performance related. Those that are related to performance are the occasional non-formula-linked discretionary bonuses paid to Directors. Those that are not related to performance are entitlements to exercise any options granted under the Charles Stanley Save As You Earn Scheme, health insurance, vehicle running costs, telephone expenses and pension entitlements. It is the Board's view that those elements of remuneration and benefits that are profit related are in the case of each of the Directors sufficiently important to incentivise the Director concerned to improve the performance of the Group.

Pensions

Three of the Directors are members of the Group's defined benefit pension scheme which has a normal retirement age of 65. Each Director is entitled to a pension equal to 1/60th of final salary for each year of pensionable service up to a maximum of 40/60^{ths}.

In the event of death in service, a lump sum benefit equal to four times the Director's basic annual salary at the date of death is payable.

The pension arrangements for the Directors ensure that benefits provided are consistent with those provided by other companies in the market place. The expected cost of providing retirement benefits to the Directors is assessed in accordance with the advice of independent qualified actuaries.

One Director has a money purchase scheme. Contributions to this scheme may be taken as salary at the option of the Director.

DIRECTORS' REMUNERATION REPORT

Share options

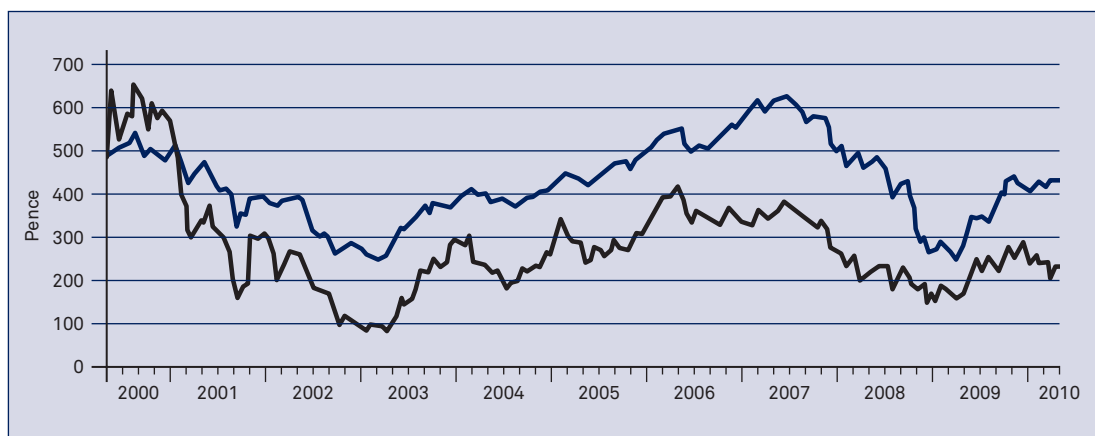
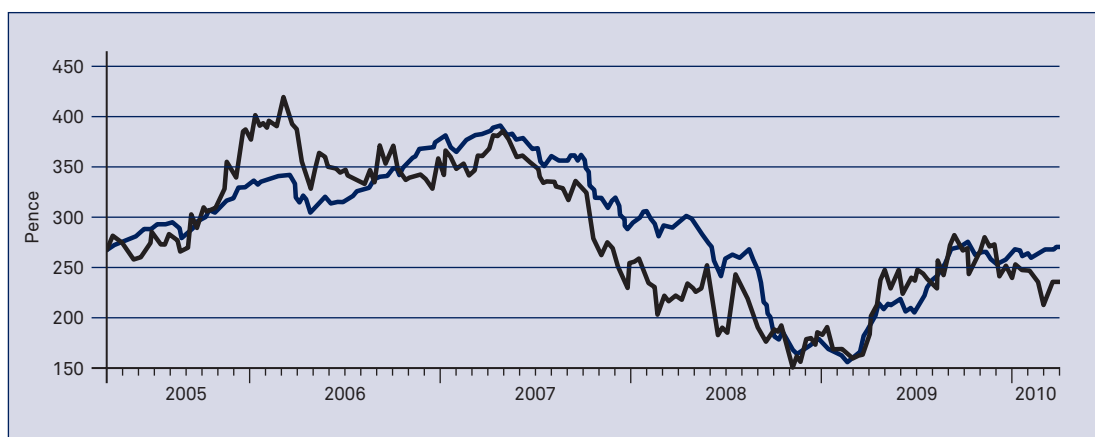
The Company currently does not operate Executive Option Schemes or Long-Term Incentive Plans. All option schemes currently in operation are open to all employees and Directors, except Sir David Howard, once they have met the necessary service requirements. Charles Stanley currently operates one Save As You Earn Scheme (2008). Options were offered at a discount of 10% to the average of the mid-market closing price for the three days prior to the offer and are exercisable for a period of six months commencing three years after the saving contract commencement date. In common with similar schemes, the exercise of options under this scheme is not subject to any performance conditions.

Directors' contracts

Each of the Directors has a service contract except for Sir David Howard who has no service contract. No Director has a service contract for a duration of more than one year's duration except Mr Peter A Hurst who has a service contract which provides for one year's notice to be given in October of any year. This contract has been in place since 1987 and the Directors wish to leave this unchanged. They take the view that it would be disadvantageous to shareholders to negotiate a shorter notice period.

Performance graphs

The following graphs show the Company's share price performance (measured in pence) over the last five years and ten years compared with the performance of the FTSE Small Cap Index. This index has been selected as being appropriate in giving a broad equity view and the Company is a constituent of the index.



— CHARLES STANLEY GROUP - TOT RETURN IND — FTSE ALL SMALL EX INV. TRUSTS - TOT RETURN IND

DIRECTORS' REMUNERATION REPORT

AUDITED INFORMATION

	Fees £	Salary £	Bonus £	Benefits in kind £	Total 2010 £	Total 2009 £
Emoluments						
Sir David Howard (Chairman and Managing Director)	5,250	282,500	78,400	39,113	405,263	390,811
Peter A Hurst (Finance Director)	—	256,250	78,400	16,551	351,201	344,983
E Michael Clark	—	281,384	78,400	15,873	375,657	370,596
Michael R I Lilwall	—	316,240	78,400	11,566	406,206	399,327
	5,250	1,136,374	313,600	83,103	1,538,327	1,505,717
2009	5,250	1,114,000	313,600	72,867	1,505,717	

Employee savings related share option schemes

At 31 March 2009 and 31 March 2010

	Period of option	Exercise price	Number granted
Peter A Hurst	February 2008 to February 2011	248p	1,887
E Michael Clark	February 2008 to February 2011	248p	1,887
Michael R I Lilwall	February 2008 to February 2011	248p	1,887
			5,661

The market price of the ordinary shares at 31 March 2010 was 238p (2009: 161p) and the range during the year was 160p to 282p (2009: 153p to 243p).

Pension schemes

Retirement benefits were accruing to three Directors under a defined benefit scheme and one Director under a money purchase scheme. During the year no contributions were made to the money purchase scheme.

	Increase ² in accrued pension excluding inflation £	Transfer ³ value of increase £	Accrued ¹ pension 2010 £	Accrued ⁴ pension 2009 £	Transfer value of accrued pension 2010 £	Transfer value of accrued pension 2009 £	Increase ⁵ in value of Directors' benefits £
Sir David Howard	6,283	118,170	103,583	97,300	1,953,505	1,457,650	495,855
E Michael Clark	7,030	126,489	127,012	119,982	2,309,811	1,705,293	604,518
Peter A Hurst	6,511	111,333	96,094	89,583	1,716,659	1,184,851	531,808

DIRECTORS' REMUNERATION REPORT

Pension schemes (continued)

- ¹ The pension entitlement shown is that which would have been paid annually on retirement based upon Pensionable Service to the end of the financial year, excluding any future statutory entitlement to increases prior to retirement which would be due after the financial year end.
- ² The increase in the accrued pension during the financial year excludes the increase for inflation. The inflation rate used is that published by the Secretary of State for Social Security in accordance with Schedule 3 of the Pension Schemes Act 1993.
- ³ The Transfer Value of the increase in entitlement during the financial year is shown net of the Director's own personal contributions to the Scheme over the financial year (if any). This value represents the cash equivalent of the increase in accrued benefits. For this purpose it is assumed that the benefit entitlement is increased until Normal Retirement Date in accordance with statutory levels on the notional basis that each director ceased Pensionable Service at the end of the financial year.
- ⁴ The pension accrued at the end of the previous financial year is valued on the transfer value basis in force at the end of the previous financial year. The pension accrued at the financial year end is valued on the transfer value basis in force at the end of the financial year, where the pension accrued is calculated as per note 1.
- ⁵ The increase in the value of the Director's benefits over the financial year is shown net of the Director's own personal contributions to the scheme over the financial year (if any). The increase has been calculated as the difference between the value of accrued benefits at the end of the financial year and the value of accrued benefits at the end of the previous financial year, where the values are calculated as per note 4. No allowance for price inflation has been included.

Directors' interests in ordinary shares

The interests of the Directors and of their connected persons in the share capital of the Group Companies were:

	Beneficially Held			Otherwise held		
	8.6.10	31.3.10	1.4.09	8.6.10	31.3.10	1.4.09
Charles Stanley Group PLC						
Sir David Howard	12,678,884	12,678,884	12,237,038	305,170	305,170	887,000
Peter A Hurst	168,177	168,177	167,551	305,170	305,170	215,000
E Michael Clark	790,394	790,394	745,940	—	—	—
Michael R I Lilwall	85,892	85,892	72,940	—	—	—
Gryphon Investments PLC						
Sir David Howard	15,000	15,000	15,000	—	—	—

Related party transactions

The Directors undertake transactions in stocks and shares in the ordinary course of the Group's business for their own accounts. No amounts were owed by the Directors to the Group as at 31 March 2010. There were no material contracts between the Group and Directors.

APPROVAL

This report was approved by the board of Directors and signed on its behalf by

Gary Teper
Secretary

8 June 2010

CORPORATE GOVERNANCE

The benefits of good corporate governance continue to be recognised by Charles Stanley. The Directors remain committed to maintaining corporate governance standards and achieve this by compliance, wherever possible, with the best practice provisions of the Financial Reporting Council's Combined Code on Corporate Governance (the "Combined Code") published in June 2008 which can be accessed at (www.frc.org.uk/corporate/combinedcode.cfm).

The Combined Code governs the relationship between the constituent parts of the Company, namely the board and its committees; relations with shareholders; and, accountability and audit. The current position of the Group in each of these areas is explained in the paragraphs below, together with the report of the Directors and the Directors' remuneration report on pages 27 to 30, describing how the principles are applied within the Group.

The Directors are aware of their responsibilities as a listed company under the Combined Code and where the principles of the Code have been applied, will either confirm that the provisions of the Code have been complied with or, where it is felt that departure from the provisions is appropriate, an explanation will be provided. The Company will continue to consider and, where necessary, respond to corporate governance developments.

The Directors believe that the most important factor for a company is the protection of the members' interests and they maintain that the current management structure does provide the best approach for running Charles Stanley Group PLC.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement is made for the purposes of clarifying for members the collective responsibilities of the Directors in the preparation of the financial statements.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and the Group at the end of the financial year and of the Group's profit or loss for the financial year. In preparing these financial statements the Directors are required to use the appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and confirm that all applicable accounting standards have been

followed. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and any subsequent amendments. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE BOARD AND ITS COMMITTEES

The board

The Group continues to use a management structure typical of a professional firm and operates a two-tier board structure comprising the board of the parent company Charles Stanley Group PLC ("the Company Board"), and the board of its primary operating subsidiary, Charles Stanley & Co. Limited. Collectively these boards are known as the "Combined Board".

The Company Board comprises four executive Directors, and a short biography of each can be found on page 22. The Company currently has no non-executive Directors (Combined Code A.1.1, A.1.3, A.3.1, A.3.2, A.3.3 and A.6.1) and whilst the Company recognises that non-executive Directors can add value, it is felt that the current composition of the Company Board enables it to operate flexibly. This dynamic approach is deemed to be the most appropriate for the business and we believe it promotes the interests of the shareholders as a whole.

The four Directors of the Company also serve on the Combined Board, together with eight further executive Directors. This structure is designed so that responsibilities are correctly allocated between strategic and operational matters and provides a diversity of skills and opinions which ensures decisions are constructively challenged and proposals are effectively developed. Charles Stanley & Co. Limited, EBS Management Plc, Garrison Investment Analysis Limited and Griffiths & Armour (Financial Services) Limited are regulated by the Financial Services Authority and accordingly are responsible in their own right for meeting regulatory requirements.

CORPORATE GOVERNANCE

The Company Board is headed by a combined Chairman and Chief Executive. Although this is not recommended practice as set out in Combined Code A.2, the balance of power is akin to that of a partnership with no one individual exercising unfettered decision making powers. The current management structure provides stability for the Company and ensures decisions are made promptly and in accordance with the best interests of the Company.

A formal schedule of matters is reserved to the Company Board which includes setting the strategic direction of the Group, reviewing operational and financial performance and ensuring there is a reasonable discourse with shareholders. Operational matters such as ensuring the Group complies with its legal and regulatory obligations and ensuring the integrity of the Company's internal control and management systems are usually handled by the Combined Board.

All Directors also have the right to seek independent professional advice at the Company's expense where this is appropriate to enable the directors, either individually or as a group, to properly fulfil their obligations.

Copies of any instructions and advice given by an independent professional advisor to a director are supplied by the director to the Company Secretary who will, where appropriate, circulate to other directors sufficient information to ensure that other members of the Combined Board are kept informed on issues arising which affect the Company.

The Combined Board is assisted by the Company Secretary who is responsible for ensuring compliance in relation to legal practices and corporate governance, together with the flow of good information within the Combined Board and its committees. All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Company Board.

The Articles of Association require one third of the Company's Directors to retire by rotation each year. It is the policy of the Company that no Director should serve for more than three years without seeking re-election.

One of the overall objectives of the Group is to maintain and enhance professional standards as required by the Financial Services Authority Training and Competence rules. Directors and staff are required to carry out continuous professional development throughout the year to ensure our staff meet the high professional standards expected by the Group.

Board meetings

The Combined Board meets each month (excluding August) with ad hoc meetings also held when required. In respect of certain business reserved to the Company Board the four Directors of the Company meet on the same date.

There were 13 Combined Board meetings during the year and attendance was as follows:
David Howard 13; Peter Hurst 13;
Michael Clark 13; Michael Lilwall 13.

All Directors receive appropriate and timely information to enable them to discharge their duties, and briefing papers are distributed to all Directors in advance. Presentations are made to the Combined Board by senior executives or external advisers as appropriate.

The Combined Board recognises and adopts the duties of directors as codified by the Companies Act 2006 and ensures they are taken into account for every matter under consideration.

Board committees

The Company Board has established an audit committee with the role and responsibilities described in the Combined Code C.3.2. Terms of reference for the audit committee have been developed and are subject to regular review. Membership of the committee comprises Gordon Montgomery FCA (independent non-executive chairman), Michael Clark, Michael Lilwall and Gary Teper. There are no independent non-executive Directors on the committee. The committee is satisfied that Gordon Montgomery has recent and relevant financial experience as required by Combined Code C.3.1. The committee meets on a quarterly basis. On invitation, senior management and external auditors attend the meetings to assist the committee in fulfilling its duties. The committee may also seek external professional advice at the Company's expense.

CORPORATE GOVERNANCE

The committee is responsible for monitoring and reviewing the effectiveness of the Group's internal audit function and considering reports from internal audit on internal controls and risk management. It is also responsible for ensuring an objective and professional relationship is maintained with the Group's external auditors.

The role of the audit committee includes reviewing the independence and the nature of non-audit services supplied and non-audit fee levels relative to the audit fee. The committee is satisfied that the independence of the auditors has not been impaired by providing these services. Details of the auditors' fees are shown in note 8 on page 62.

There were four meetings during the year and each meeting was fully attended.

The Company does not have a formal remuneration committee (B.2) or a formal nomination committee (A.4). Decisions on remuneration and appointments to the Board are made by the Company Board.

SHAREHOLDER RELATIONS

The Directors communicate regularly with the Company's institutional shareholders. All regulatory news announcements, press releases and financial reports are available on the Company's website (www.charlesstanleyplc.co.uk).

All shareholders have the opportunity to meet Directors at the Annual General Meeting. The Company Board welcomes questions and comments from shareholders during and at the end of the meeting. Votes are taken on a show of hands unless a poll is requested, and full details of proxy voting figures are disclosed after the vote and on the website. In its annual and interim reports, results presentations and City announcements generally, the Company endeavours to present an accurate, objective and balanced picture in a style and format which is appropriate for the intended audience.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company Board has overall responsibility for the Group's system of internal controls, the objectives of which are the safeguarding of

the Group's assets, the maintenance of proper accounting records, and the availability of reliable financial information for use within the business and for publication. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement and loss, and to prevent and detect fraud and other irregularities.

The Combined Board regularly reviews the effectiveness of the Group's internal control system. There is an ongoing process for identifying, evaluating and managing significant risks which was in place throughout the year. This process meets the Turnbull Guidance.

The Group's system of internal control includes appropriate levels of authorisation and segregation of duties. Financial reports are presented to the Combined Board monthly detailing the results, variances against forecast and other performance data.

The Group has an internal audit department and an audit plan. The results of these audits are reported to the audit committee at the quarterly meetings. The suitability and effectiveness of the Group's internal controls and risk management are discussed, together with the ongoing monitoring of compliance, financial and operational controls and risk management. This information is reported to the Combined Board which is able to conclude, with reasonable assurance, that the appropriate internal control systems have been maintained throughout the year.

INSURANCE

The Company maintains appropriate insurance cover in respect of litigation against the Directors and Officers of the Company.

GOING CONCERN

The Directors have satisfied themselves that the Company and the Group have adequate resources to continue in business for the foreseeable future and that it is therefore appropriate for the financial statements for the year ended 31 March 2010 to have been prepared on a going concern basis.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE COMBINED CODE

In relation to the Combined Code it is confirmed that:

- The Group is headed by a combined Chairman and Chief Executive Officer (A.2). It is felt that this dual role provides stability whilst the partnership-style of decision making ensures that no one individual has unfettered decision making powers.
- The Company does not have any non-executive Directors on the Board (A.3) as it believes the current two-tier structure of the Group Board works effectively to best promote the interests of the shareholders as a whole.
- The Company has no nomination committee (A.4) as there are no non-executive Directors.
- The board and its committees do not undergo annual evaluations of their performance (A.6), instead performance is assessed on a continuous basis.
- Performance-related elements do not form a significant proportion of the total remuneration package of executive Directors (B.1). However, the Company gives full consideration to Schedule A of the Combined Code when forming its remuneration policy.
- The Company does not have a formal remuneration committee (B.2) but the emoluments of Directors are the subject of appraisal by the Chairman and the Directors and take into account individual performance and market conditions.
- Whilst the Company has established an audit committee with the roles and responsibilities described in Combined Code (C.3.2) which is chaired by an independent, non-executive Chairman, and includes members with recent and relevant financial experience as described in Combined Code (C.3.1), the committee comprises mainly executive Directors (with the exception of the committee Chairman) and has no independent non-executive Directors as members, as prescribed by the Combined Code (C.3.1). In all other respects it does however perform the functions of an audit committee as set out in the Combined Code.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for the year.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with IFRSs as adopted by the European Union; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF RESPONSIBILITY

Each of the Directors, whose name and functions are set out on page 22, confirm that, to the best of their knowledge and belief:

- The financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- The Directors' reports contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board
Gary Teper
Secretary

8 June 2010

INDEPENDENT AUDIT REPORT TO THE MEMBERS

We have audited the financial statements of Charles Stanley Group PLC for the year ended 31 March 2010 which comprise the consolidated income statement, the consolidated and Company statement of financial position, the consolidated statement of comprehensive income, the consolidated and Company statement of cash flows, the consolidated and Company statement of changes in equity and related notes. We have also audited the information in the Directors' remuneration report that is described as having been audited. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Group and the parent Company as at 31 March 2010 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDIT REPORT TO THE MEMBERS

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the Combined Code June 2008 specified for our review.

Andrew Gaskell, Senior Statutory Auditor
For and on behalf of

Saffery Champness
Chartered Accountants
Statutory Auditors
London

8 June 2010

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CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 MARCH 2010

	Notes	2010 £'000	2009 £'000
Continuing operations			
Revenue	5	114,992	101,752
Administrative expenses		(105,356)	(93,834)
Other income	6	88	13
Operating profit	8	9,724	7,931
Finance income	9	399	1,445
Finance costs	9	(22)	(106)
Gains and losses on available for sale financial assets	9	170	(56)
Profit before tax		10,271	9,214
Tax expense	10	(3,428)	(2,746)
Profit for the year attributable to equity shareholders		6,843	6,468

Earnings per share

Based on reported profit for the year			
Basic	13	15.44p	14.65p
Diluted	13	15.44p	14.65p

The notes on pages 44 to 81 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2010

	2010	(Restated)
	£'000	2009 £'000
Profit for the year	6,843	6,468
Other comprehensive income		
Gains and losses on available for sale financial assets	343	(380)
Deferred tax on available for sale financial assets	(95)	166
Retirement benefit scheme actuarial deficit	(993)	(2,048)
Deferred tax on retirement benefit scheme actuarial deficit	297	545
Other comprehensive income net of tax	(448)	(1,717)
Total comprehensive income for the year attributable to equity shareholders	6,395	4,751

The notes on pages 44 to 81 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2010

	Notes	2010		2009	
		£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Intangible assets	14		35,428		36,647
Property, plant and equipment	15		6,070		7,747
Deferred tax assets	22		516		587
Available for sale financial assets	16		6,426		6,200
Trade and other receivables	17		1,511		—
			49,951		51,181
Current assets					
Trade and other receivables	17		188,103		257,187
Financial assets at fair value through profit or loss	18		75		163
Cash and cash equivalents	19		36,617		35,951
			224,795		293,301
Liabilities					
Current liabilities					
Trade and other payables	20		(192,945)		(264,363)
Borrowings	21		(843)		(1,749)
Current tax liabilities			(1,662)		(574)
			(195,450)		(266,686)
Net current assets					
			29,345		26,615
Non-current liabilities					
Trade and other payables	20		(900)		(1,724)
Borrowings	21		(15)		(28)
Retirement benefit obligations	28		(4,956)		(3,894)
			(5,871)		(5,646)
Net assets					
			73,425		72,150
Shareholders' equity					
Ordinary shares	23		11,136		11,035
Share premium	23		1,772		1,873
Revaluation reserve	24		2,323		2,295
Retained earnings	24		58,097		56,850
Total shareholders' equity					
			73,328		72,053
Minority interests			97		97
Total equity					
			73,425		72,150

Approved by the Board on 8 June 2010

Sir David Howard

Peter Hurst

Directors

The notes on pages 44 to 81 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2010

	Share capital £'000	Share premium £'000	(Restated) Revaluation reserve £'000	Retained earnings £'000	Total £'000
1 April 2008	11,029	1,855	2,509	55,589	70,982
Profit for the year	—	—	—	6,468	6,468
Other comprehensive income:					
Gains and losses on available for sale financial assets	—	—	(380)	—	(380)
Deferred tax on available for sale financial assets	—	—	166	—	166
Retirement benefit scheme actuarial deficit	—	—	—	(2,048)	(2,048)
Deferred tax on retirement benefit scheme actuarial deficit	—	—	—	545	545
Total other comprehensive income for the year	—	—	(214)	(1,503)	(1,717)
Total comprehensive income for the year	—	—	(214)	4,965	4,751
Dividends paid to equity shareholders	—	—	—	(3,796)	(3,796)
Share options – value of employee services	—	—	—	92	92
– issue of shares	6	18	—	—	24
31 March 2009	11,035	1,873	2,295	56,850	72,053
Profit for the year	—	—	—	6,843	6,843
Other comprehensive income:					
Gains and losses on available for sale financial assets	—	—	123	220	343
Deferred tax on available for sale financial assets	—	—	(95)	—	(95)
Retirement benefit scheme actuarial deficit	—	—	—	(993)	(993)
Deferred tax on retirement benefit scheme actuarial deficit	—	—	—	297	297
Total other comprehensive income for the year	—	—	28	(476)	(448)
Total comprehensive income for the year	—	—	28	6,367	6,395
Dividends paid to equity shareholders	—	—	—	(5,162)	(5,162)
Value of scrip dividend	101	(101)	—	—	—
Share options – value of employee services	—	—	—	42	42
31 March 2010	11,136	1,772	2,323	58,097	73,328

The notes on pages 44 to 81 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2010

	Notes	2010 £'000	(Restated) 2009 £'000
Cash flow from operating activities			
Cash generated from operations	25	12,405	20,472
Interest received		399	1,445
Interest paid		(22)	(106)
Tax paid		(2,067)	(3,029)
Net cash inflow from operating activities		10,715	18,782
Cash flows from investing activities			
Acquisition of subsidiaries and other businesses		(4,132)	(1,471)
Acquisition of intangible assets		(493)	(5,295)
Purchase of property, plant and equipment		(542)	(3,118)
Proceeds from sale of property, plant and equipment		39	—
Proceeds from sale of available for sale financial assets		2,770	3,715
Purchase of available for sale financial assets		(2,484)	(5,349)
Dividends received		88	79
Net cash used in investing activities		(4,754)	(11,439)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		—	24
Cash outflow from change in debt and lease financing		(133)	(147)
Dividends paid to shareholders		(5,162)	(3,796)
Net cash used in financing activities		(5,295)	(3,919)
Net increase in cash and cash equivalents			
Cash and cash equivalents at start of year		35,951	32,527
Cash and cash equivalents at end of year		36,617	35,951

The notes on pages 44 to 81 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

1 GENERAL INFORMATION

Charles Stanley Group PLC and its subsidiaries provide investment services within the UK. During the year Matterley Asset Management, a fund management boutique, joined the Group.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is 25 Luke Street, London EC2A 4AR.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Charles Stanley Group PLC have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available for sale financial investments, and financial assets and financial liabilities at fair value through profit and loss.

2.1.1 Adjustment to 2009 comparatives

In 2009 the acquisition and disposal (£2,951,000) of an available for sale financial asset was posted net to financial assets at fair value through profit and loss. The comparatives in the statement of comprehensive income, cash flow statement and in notes 16 and 25 have been amended to reflect the correct position. The profit on disposal had been treated correctly as a profit on disposal of an available for sale financial asset so these amendments have no impact on either the income statement or the statement of financial position.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1 April 2009:

IFRS 7 “Financial Instruments – Disclosures” (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

IAS 1 (revised). “Presentation of financial statements” – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, “non-owner changes in equity” in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.2 Changes in accounting policy and disclosures (continued)

IFRS 2 (amendment), "Share-based payment" – effective 1 January 2009. The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group or Company's financial statements.

IFRS 8, "Operating segments" – effective 1 January 2009. The standard requires a "management approach" under which segment information is presented using the same method as that adopted for internal reporting to the Company Board which is the Group Chief Operating Decision Maker.

Other amendments made to existing standards as part of the Annual Improvements Project have not had a material impact on the Group or Company's financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

IFRS 3 (revised), "Business Combinations" (effective for the first annual reporting period beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 April 2010.

IAS 38 (amendment), "Intangible assets". The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group or Company's financial statements.

IFRS 5 (amendment), "Non-current assets held for sale and discontinued operations". The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group and company will apply IFRS 5 (amendment) from 1 April 2010. It is not expected to have a material impact on the Group or company's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.2 Changes in accounting policy and disclosures (continued)

IFRS 2 "Share-based payments." Effective for the first annual reporting period beginning on or after 1 January 2010. The standard was amended in June 2009 to clarify where, in the case of group arrangements, the share-based payments must be accounted for. In a new section dealing with group arrangements, the amended standard requires that for share-based payment transactions among group entities, in its separate or individual financial statements, the entity receiving the goods or services shall measure the goods or services received as either an equity-settled or a cash-settled share-based payment transaction by assessing: (a) the nature of the awards granted, and (b) its own rights and obligations. This amendment will apply in the Company's financial statements for the year ending 31 March 2011. The overall impact on the Company and individual subsidiaries is unlikely to be material.

IFRS 7 "Financial instruments: Disclosures". This is effective for the first annual reporting period beginning on or after 1 January 2011. The amendments to this standard have been introduced under the Improvements Project 2010. The amendments clarify the intended interaction between qualitative and quantitative disclosure of the nature and extent of risks arising from financial instruments. This amendment will apply in the Company's financial statements for the year ending 31 March 2012. The changes to the credit risk disclosures are not expected to be material.

IFRS 9 "Financial instruments". This standard is effective for the first annual reporting period beginning on or after 1 January 2013. This is a new standard which forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard will be applied in the Company's financial statements for the year ending 31 March 2014.

IAS 1 "Presentation of Financial Statements". This standard is effective for the first annual reporting period beginning on or after 1 January 2010 and 1 January 2011. The amendments to this standard have been introduced under the Improvements Project 2009 and 2010 and cover the current/non-current classification of convertible instruments and clarification of statement of changes in equity respectively. The amendments will be applied in the Company's financial statements for the years ending 31 March 2011 and 31 March 2012 respectively and are not expected to have a material impact on disclosures.

IAS 7 "Statement of Cash Flows". This standard is effective for the first annual reporting period beginning on or after 1 January 2010. The amendments to this standard have been introduced under the Improvements Project 2009. The amended standard states explicitly that only an expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendments will be applied in the Company's financial statements for the year ending 31 March 2011, but are not expected to have a material impact on cash flow reporting.

IAS 24 "Related Party Disclosures". This standard is effective for the first annual reporting period beginning on or after 1 January 2011. The definition of a related party has been amended to clarify the intended meaning and remove inconsistencies. The amended standard will be applied in the Company's financial statements for the year ending 31 March 2012. It is not expected to have a material impact on related party disclosures.

IAS 27 "Consolidated and Separate Financial Statements." The changes to this standard are consequential on changes made to IFRS 3 and IAS 27 and the impact of these changes is therefore covered under those standards.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.2 Changes in accounting policy and disclosures (continued)

IAS 34 "Interim Financial Reporting". This standard is effective for the first annual reporting period beginning on or after 1 January 2011. The amendments to this standard have been introduced under the Improvements Project 2010. There has been some clarification of disclosure requirements around significant events and transactions including financial instruments. The Group will apply the amendments to its half year report for the period ending 30 September 2011. The impact of the amendments will depend on the occurrence of significant events.

Other amendments and interpretations made to existing standards as part of the Annual Improvements Project are not expected to have a material impact on the Group or Company's financial statements.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (note 2.6).

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of the parent company that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Property, plant and equipment

Freehold property is shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of freehold property are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original costs is transferred from "other reserves" to "retained earnings".

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold and leasehold properties	7 to 50 years
Vehicles	3 years
Furniture, fittings and equipment	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains – net" in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their useful lives of seven to ten years.

2.7 Impairment of non-financial assets

Intangible assets, such as goodwill, are regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. These assets are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs). Fair value less costs to sell is established based on recent public transactions for similar businesses. If the carrying amount relating to any CGU exceeds the fair value less costs to sell a value in use is calculated using a discounted cash flow method. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Non-current assets held for sale

Non-current assets held for sale are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.9 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9.1 Classification

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and cash and cash equivalents in the statement of financial position (notes 2.11 and 2.12).

(c) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" are presented in the income statement within "other (losses)/gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

Interest on available for sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available for sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets

The Group assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(a) Assets at fair value through profit or loss

These consist of securities listed on a recognised exchange. The amount of the loss is measured as the difference between the asset's carrying amount and its market value. The asset's carrying value is reduced and the amount of the loss is recognised in the income statement.

(b) Assets classified as available for sale

These include listed and unlisted securities. For listed securities the amount of the loss is measured as the difference between the asset's carrying value and its market value. For unlisted securities the amount of the loss is measured as the difference between the asset's carrying value and Directors' valuation. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value increases the impairment loss is reversed through the income statement. Impairment losses recognised in the separate income statement on equity investments are reversed through equity. If, in a subsequent period, the fair value of debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate income statement.

2.11 Trade receivables

Trade receivables are amounts due from clients and other counterparties for services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented in non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash held at call with banks.

2.13 Segregated funds

Segregated funds are held in trust by the Group on behalf of clients in accordance with the Client Asset Rules of the Financial Services Authority and the corresponding liability to clients is not shown in the statement of financial position.

2.14 Trade payables

Trade payables consists of amounts payable to clients and other counterparties and obligations to pay suppliers for goods or services in the ordinary course of business. Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or in equity. In this case the tax is recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the UK.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Pension obligations

The Group operates two pension schemes - a defined benefit and a defined contribution scheme. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan which is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms of maturity approximating to the terms of the related pension liability.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Pension obligations (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.18 Share-based payments

The Group operates a Save As You Earn scheme under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (continued)

(a) Commission

Commission income and expenses are recognised on a trade date basis.

(b) Fees

Investment management, administration and corporate finance fees are recognised when earned.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Interest income

Interest income is recognised using the effective interest method.

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement date at the lower of fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

3 FINANCIAL RISK MANAGEMENT

Through its normal operations the Group is exposed to a number of risks, the most significant of which are market, credit and liquidity risks. A full qualitative description of the Group's risk management framework is given in the operating and financial review on pages 10 to 17.

Market risk

Equity risk

The Group is exposed to equity market risk through its equity holdings. These comprise: i) available for sale financial investments, ii) held for trading assets and liabilities and iii) the impact on investment management fees.

In common with the stress tests referred to in the operating and financial review on pages 10 to 17 the Group has performed sensitivity analysis assessing the impact of a 10% increase or decrease in underlying equity prices. The results shown below are indicative of the impact at the year end.

i) Available for sale investments

Note 16 summarises the available for sale investments held at the year end date, and the disposals and fair value movements made in the year.

The majority of the Group's available for sale investments are unlisted. Accordingly a rise or fall of 10% does not have an immediate impact on the Group's equity reserves. A similar increase/decrease on the Group's listed investments would have an impact on reserves of £302,000 (2009: £280,000).

ii) Held for trading assets and liabilities

The Group's exposure to market risk on its held for trading positions is monitored daily and reported to the appropriate Directors and senior management. Positions are monitored against limits set down by the risk and regulatory review group/compliance committee. Any breaches of the limits are notified immediately to the Compliance Director.

A 10% increase/decrease in equity prices on trading assets and liabilities would increase/decrease profit in the Income statement by £8,000 (2009: £18,000).

iii) Investment Management fees

A 10% increase/decrease in equity prices would increase/decrease profit on investment management fees in the Income statement by £1.6 million (2009: £1.4 million).

The Group does not hold derivatives on its own account.

Foreign exchange risk

The table below summarises the Group's currency exposure arising from unmatched monetary assets or liabilities not denominated in the Group's functional currency:

	2010	2009
	£'000	£'000
Net assets		
Euros	593	748
US Dollars	892	1,438
Other currencies	682	447
	2,167	2,633

The Group's activities are primarily denominated in sterling and it does not enter into forward exchange contracts for hedging anticipated transactions. The risk of adverse currency movements for settlement of non-GBP trades on behalf of clients is not borne by the Group. The Group is exposed to currency risk for settlement of non-GBP trade suppliers and miscellaneous income streams. At 31 March 2010 these totalled £12,413 (2009: £11,000).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

The Group has interest bearing assets, principally in cash and cash deposits, and liabilities including loan notes accruing interest at Bank of England base rate. The Group views such exposure to interest rate fluctuations as immaterial. If interest rates had been 200 basis points higher/lower profit for the year would have been £726,000 higher/lower (2009: £709,000).

Credit risk

Trade receivables represent monies due from clients and market counterparties. The risk department undertakes reviews of new accounts and periodically reviews all counterparties. No adjustments to fair value arose from changes in credit risk assessments.

Cash and cash equivalents are held with top tier regulated financial institutions. The list of approved banks is reviewed at least annually by the treasury committee. The Group has no concerns over the credit quality of these institutions.

The following table of financial assets analyses amounts by ageing:

As at 31 March 2010						
	Neither due nor impaired £'000	0-3 months £'000	3-6 months £'000	6-12 months £'000	Over 1 year £'000	Carrying value £'000
Trade receivables	178,883	5,798	341	89	279	185,390
AFS investments	6,426	—	—	—	—	6,426
HFT investments	75	—	—	—	—	75
Cash and cash equivalents	36,617	—	—	—	—	36,617

As at 31 March 2009

Trade receivables	227,611	13,828	11,484	758	185	253,866
AFS investments	6,200	—	—	—	—	6,200
HFT investments	163	—	—	—	—	163
Cash and cash equivalents	35,951	—	—	—	—	35,951

A provision for impairment of receivables existed at 31 March 2010 of £234,000 (31 March 2009: £114,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

The tables below analyse the Group's future cash outflows based on the remaining period to the contractual maturity date. The amounts shown are contractual undiscounted cash flows.

As at 31 March 2010	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Carrying value £'000
Trade payables	181,692	—	—	—	181,692
Other taxes and social security	3,627	—	—	—	3,627
Other payables	4,236	—	—	—	4,236
Accruals and deferred income	3,390	—	—	—	3,390
Financial liabilities	843	15	—	—	858
Current tax liabilities	1,662	—	—	—	1,662
Other non-current liabilities	—	900	—	—	900

As at 31 March 2009

Trade payables	248,848	—	—	—	248,848
Other taxes and social security	2,628	—	—	—	2,628
Other payables	8,047	—	—	—	8,047
Accruals and deferred income	4,840	—	—	—	4,840
Financial liabilities	1,749	28	—	—	1,777
Current tax liabilities	574	—	—	—	574
Other non-current liabilities	—	1,724	—	—	1,724

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

The Group has an internal capital adequacy assessment process, as required by the Financial Services Authority ("FSA"), which it uses to manage capital. This assessment is Group wide and covers current capital requirements as well as projected capital requirements. The Group is satisfied that there is and will be sufficient capital to meet these requirements.

The process, which has been approved by the board of Directors, includes both qualitative and quantitative analyses of the requirements as calculated using both Pillar 1 and Pillar 2 methodologies. Any changes to the Group's business activities is considered within this framework.

Capital adequacy is monitored daily by the Group's management for all regulated companies within the Group. Compliance with FSA regulatory requirements was maintained during the year.

The regulatory capital resources of the Group calculated in accordance with FSA definitions were as follows:

	2010	2009
	£'000	£'000
Tier 1 capital resources		
Ordinary shares	11,136	11,035
Share premium	1,772	1,873
Retained earnings*	58,272	57,025
	71,180	69,933
Deduction – intangible assets	(35,428)	(36,647)
	35,752	33,286
Tier 2 capital resources		
Revaluation reserve	2,323	2,295
Total capital resources	38,075	35,581

*includes adjustments for defined pension liability in accordance with FSA rules.

Fair value of financial instruments

The carrying value of financial assets not held at fair value (cash and cash equivalents, trade receivables, other receivables, and trade and other payables) is not significantly different from the fair value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 14). Based on these calculations no impairment losses arose on goodwill.

(b) Revenue recognition

Fee income receivable is estimated based on current portfolio valuations, historical experience of debt collection and future expectations.

(c) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 28.

Were the discount rate to differ by 10% from the management's estimates, the carrying amount of pension obligations would be an estimated £2.8 million lower.

(d) Available for sale investments

Unlisted available for sale financial assets include an investment in Euroclear plc. The fair value of this investment has been estimated by the Directors based on the Group's share of net assets, dividend yield and the prices of similar companies discounted for liquidity.

5 SEGMENT INFORMATION

For management purposes the Group is organised into three divisions – Private Clients, Financial Services and Charles Stanley Securities. The principal activity of the private client division is the provision of investment management services to individuals, trusts and charities. The financial services division includes a SIPP administrator, a discount financial intermediary, employee benefits provider and financial planning and wealth management areas. Charles Stanley Securities is the Group's advisory, broking and corporate finance arm for smaller and mid cap UK listed companies. Sales between segments are carried out at arm's length. All of the Group's activities are undertaken in the United Kingdom.

	Private Clients £'000	Financial Services £'000	Charles Stanley Securities £'000	Other £'000	Total £'000
Year ended 31 March 2010					
Commission	54,768	135	7,123	—	62,026
Fees					
Investment management	22,695	261	—	—	22,956
Administration	18,690	8,054	152	—	26,896
Corporate finance	—	—	3,114	—	3,114
	41,385	8,315	3,266	—	52,966
Total revenue	96,153	8,450	10,389	—	114,992
Administrative expenses	(58,064)	(8,511)	(10,478)	—	(77,053)
Other income	—	—	—	88	88
	38,089	(61)	(89)	88	38,027
Unallocated administrative expenses					(28,303)
Operating profit					9,724
Segment assets	189,535	13,923	17,498	53,790	274,746
Segment liabilities	164,217	800	18,996	17,308	201,321

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

5 SEGMENT INFORMATION (CONTINUED)

	Private Clients £'000	Financial Services £'000	Charles Stanley Securities £'000	Other £'000	Total £'000
Year ended 31 March 2009					
Commission	46,038	28	8,020	—	54,086
Fees					
Investment management	17,252	155	—	—	17,407
Administration	21,200	6,404	—	—	27,604
Corporate finance	—	—	2,655	—	2,655
	38,452	6,559	2,655	—	47,666
Total revenue	84,490	6,587	10,675	—	101,752
Administrative expenses	(52,052)	(6,346)	(9,964)	—	(68,362)
Other income	—	—	—	13	13
	32,438	241	711	13	33,403
Unallocated administrative expenses					(25,472)
Operating profit					7,931
Segment assets	274,031	13,308	2,393	54,750	344,482
Segment liabilities	247,794	5,174	4,778	14,586	272,332

6 OTHER INCOME

	2010 £'000	2009 £'000
Dividend income on available for sale financial assets	88	13

7 EMPLOYEE BENEFIT EXPENSE

The average number of persons employed (including Directors) during the year was 729 (2009: 679).

	2010	2009
	£'000	£'000
Staff costs for the Group during the year:		
Wages and salaries	39,313	35,954
Social security costs	4,276	3,601
Share options – value of employee services	42	92
Pension costs		
Defined contribution plans	2,649	2,250
Defined benefit plan	1,056	852
	47,336	42,749

8 OPERATING PROFIT

	2010	2009
	£'000	£'000
The following items have been included in arriving at operating profit:		
Depreciation of property, plant and equipment:		
Owned assets	2,694	2,726
Assets held under finance leases	50	33
Amortisation of intangible assets	1,712	1,659
Auditors' remuneration:		
Audit of the Company's annual accounts	39	15
Audit of the Company's subsidiaries	124	167
Services relating to taxation	102	79
All other services	14	13
(Gains)/losses on financial assets at fair value through profit or loss	(53)	192
Gains on foreign currency exchange	(496)	(388)
Operating lease rentals	1,811	1,741
One-off revenue costs relating to new investment teams	1,217	1,564
Financial Services Compensation Scheme levy	686	250

Fees paid to the Group's auditor includes all fees in their capacity as such. In addition, the Group's auditor was paid £5,875 (2009: £5,875) in respect of the audit of the Charles Stanley Retirement Benefit Scheme.

One-off revenue costs relating to new investment teams consist of the following:

	2010	2009
	£'000	£'000
Initial costs of setting up investment teams including rent, ICT costs and stock transfer costs	540	782
Recruitment costs	192	117
Incentive payments	485	665
	1,217	1,564

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

9 FINANCE INCOME – NET

	2010 £'000	2009 £'000
Interest income	399	1,445
Interest expense		
Interest payable on bank borrowings	(7)	(29)
Interest payable on other loans	(8)	(69)
Interest payable on finance leases	(7)	(8)
Interest and similar charges payable	(22)	(106)
Gains and losses on available for sale financial assets	170	196
Impairment of available for sale assets	—	(252)
Finance income – net	547	1,283

10 TAX EXPENSE

	2010 £'000	2009 £'000
Analysis of charge in year		
Current tax		
Current tax on profits for the year	3,245	2,821
Adjustment in respect of prior years	(90)	—
Deferred tax		
Origination and reversal of temporary differences		
Current year	(220)	(75)
Adjustment in respect of prior years	493	—
	3,428	2,746

In addition to the amount charged to the income statement, deferred tax of £95,000 (2009: £(166,000)) relating to the revaluation of the Group's available for sale financial assets has been charged/(credited) directly to equity and deferred tax of £297,000 (2009: £545,000) relating to the retirement benefit scheme actuarial deficit has been credited directly to equity.

The aggregate current tax relating to items that have been charged/credited directly to equity is £41,000 (2009: £29,000).

10 TAX EXPENSE (CONTINUED)

The tax charge for the year is higher than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below.

	2010 £'000	2009 £'000
Profit before tax	10,271	9,214
Profit multiplied by rate of corporation tax in the UK of 28% (2009: 28%)	2,876	2,580
Tax effects of		
Income not subject to tax	(21)	—
Expenses not allowed for tax	193	144
Adjustments in respect of previous periods	403	—
Other adjustments	(23)	22
	552	166
Tax charge for the year	3,428	2,746

11 PROFIT FOR THE YEAR

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent Company profit and loss account. The profit for the parent Company for the year was £3,453,000 (2009: loss £2,930,000).

12 DIVIDENDS PAID

	2010 £'000	2009 £'000
Final paid of 6.65p per share (2009: 6.50p)	2,375	2,869
Interim paid of 2.20p per share (2009: 2.10p)	813	927
Second interim paid of 5.00p per share (2009: nil)	1,974	—
	5,162	3,796

In addition, the Directors are proposing a final dividend in respect of the year ended 31 March 2010 of 2.25p per share which will absorb an estimated £1.0 million of shareholders' funds. It will be paid on 5 August 2010 to shareholders who are on the register of members on 18 June 2010.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

13 EARNINGS PER SHARE

The Directors believe that a truer reflection of the performance of the Group's on-going business is given by the measure of adjusted earnings per share. "Adjusted earnings" represent earnings before gains and losses on available for sale financial assets, one-off costs and amortisation of customer relationships. This measure is also followed by the analyst community as a benchmark of the Group's on-going performance.

	2010	2009
	No.	No.
	000	000
Weighted average number of shares in issue in the year	44,320	44,136
	£'000	£'000
Reported earnings attributable to ordinary shareholders	6,843	6,468
Gains and losses on available for sale financial assets	(170)	56
Amortisation of client relationships	1,712	1,659
One-off revenue costs relating to new investment teams	1,217	1,564
Financial Services Compensation Scheme Levy	686	—
Tax on these costs	(903)	(918)
Adjusted earnings attributable to ordinary shareholders	9,385	8,829
Based on reported earnings		
Basic and diluted earnings per share	15.44p	14.65p
Based on adjusted earnings		
Basic and diluted earnings per share	21.18p	20.00p

14 INTANGIBLE ASSETS

	Goodwill £'000	Customer relationships £'000	Brand costs £'000	Total £'000
Cost				
1 April 2008	23,238	6,031	183	29,452
Acquisitions	2,420	7,295	—	9,715
Adjustment to deferred consideration	(208)	—	—	(208)
31 March 2009	25,450	13,326	183	38,959
Acquisitions	—	493	—	493
Disposal	—	—	(183)	(183)
As at 31 March 2010	25,450	13,819	—	39,269
Amortisation				
1 April 2008	—	616	37	653
Amortisation during year	—	1,513	146	1,659
31 March 2009	—	2,129	183	2,312
Amortisation during year	—	1,712	—	1,712
Disposal	—	—	(183)	(183)
31 March 2010	—	3,841	—	3,841
Net book value				
31 March 2010	25,450	9,978	—	35,428
31 March 2009	25,450	11,197	—	36,647
31 March 2008	23,238	5,415	146	28,799

None of the intangible assets have been pledged as security. Customer relationships of £10.0 million includes three customer lists with an aggregate carrying value of £6.7 million being amortised over a remaining period of 7 to 8 years.

Customer relationship acquisitions during the year were acquired separately.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

14 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units ("CGUs") according to operating division as follows:

	2010	2009
	£'000	£'000
Private Client division	10,618	10,618
Financial Services division	13,308	13,308
Charles Stanley Securities	1,524	1,524
	25,450	25,450

The recoverable amounts of a CGU is determined by first calculating the fair value less costs to sell. These calculations are based on recent transactions in the market. When calculating the fair value less costs to sell key assumptions were stress tested to determine whether the calculations were sensitive to a reasonably possible change in these assumptions. No material differences were found. Where the fair value less costs to sell is lower than the carrying amount the recoverable amount is then determined based on value in use calculations. These calculations use pre-tax cash flow projections based on revenue and expense budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the following assumptions:

Growth rate	5.0%
Inflation	3.0%
Discount rate	7.2%

Management determined revenue and expense budgets based on past performance and its expectations of market development. The discount rate used is the weighted average cost of capital for the Group.

Based on these calculations there was no impairment to goodwill at 31 March 2010.

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold premises £'000	Long leasehold premises £'000	Short leasehold premises £'000	Office equipment and motor vehicles £'000	Total £'000
Cost					
1 April 2008	474	1,984	4,585	10,510	17,553
Additions	—	18	666	2,434	3,118
Disposals	—	—	—	(3,290)	(3,290)
31 March 2009	474	2,002	5,251	9,654	17,381
Additions	—	10	94	988	1,092
Disposals	—	—	—	(646)	(646)
31 March 2010	474	2,012	5,345	9,996	17,827
Depreciation					
1 April 2008	31	1,600	2,280	6,222	10,133
Charge for the year	9	27	411	2,312	2,759
Disposals	—	—	—	(3,258)	(3,258)
31 March 2009	40	1,627	2,691	5,276	9,634
Charge for the year	10	27	441	2,266	2,744
Disposals	—	—	—	(621)	(621)
31 March 2010	50	1,654	3,132	6,921	11,757
Net book value					
31 March 2010	424	358	2,213	3,075	6,070
31 March 2009	434	375	2,560	4,378	7,747
31 March 2008	443	384	2,305	4,288	7,420

Fixed assets include fully depreciated assets costing £6.7 million.

Freehold premises includes £290,000 for a freehold property that was valued at 31 May 2007 at the current market value by GVA Grimley, a firm of independent chartered surveyors. The historical cost of the freehold was £141,991. The Directors consider that the value in use of the property exceeds its carrying value and consequently no impairment is required.

Office equipment and motor vehicles include the following amounts where the Group is a lessee under a finance lease.

	2010 £'000	2009 £'000
Cost – capitalised finance leases	654	230
Accumulated depreciation	(81)	(95)
Net book value	573	135

The Group leases various vehicles and equipment under non-cancellable finance lease agreements. The lease terms are between one and three years, and ownership of assets lie within the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

16 AVAILABLE FOR SALE FINANCIAL ASSETS

	Listed investments £'000	Unlisted investments £'000	Total £'000
Fair value			
1 April 2008	1,515	3,392	4,907
Additions	5,349	—	5,349
Disposals	(3,423)	—	(3,423)
Revaluation in year	(381)	—	(381)
Impairment	(252)	—	(252)
31 March 2009	2,808	3,392	6,200
Additions	2,454	30	2,484
Disposals	(2,592)	(9)	(2,601)
Revaluation in year	346	(3)	343
31 March 2010	3,016	3,410	6,426

The fair value of listed investments is determined by reference to quoted prices on active markets.

Listed investments include a £2 million holding in Gilts which is pledged to Fortis Global Clearing NV.

Unlisted investments include the Group's holding of 6,030 shares in Euroclear plc. The Directors have valued this holding at £3.3 million as at 31 March 2010 (£3.3 million at 31 March 2009). This valuation reflects the Group's estimate of the fair value of this investment and is calculated at a discount to the net asset value of Euroclear plc's most recent published financial statements. The Group does not intend to dispose of this holding.

Previous revaluation now realised on disposal amounted to £52,000 (2009: nil).

The 2009 figures have been adjusted to include the addition and disposal (£2,951,000) of an available for sale financial asset which had been included in the movement on financial assets at fair value through profit and loss last year.

17 TRADE AND OTHER RECEIVABLES

	2010 £'000	2009 £'000
Current		
Trade receivables	184,142	253,086
Other receivables	1,048	780
Prepayments and accrued income	2,913	3,321
	188,103	257,187
Non current		
Other receivables	200	—
Prepayments and accrued income	1,311	—
	1,511	—

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 £'000	2009 £'000
Current		
Listed investments	75	163

19 CASH AND CASH EQUIVALENTS

Cash at bank	36,617	35,951
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At the balance sheet date there were also deposits for clients, not included in the consolidated balance sheet, which were held in trust in segregated bank accounts amounting to £927 million (2009: £916 million).

20 TRADE AND OTHER PAYABLES

	2010 £'000	2009 £'000
Current		
Trade payables	181,692	248,848
Other taxes and social security	3,627	2,628
Other payables	4,236	8,047
Accruals and deferred income	3,390	4,840
	192,945	264,363
Non current		
Other payables – deferred consideration	900	1,724

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

21 BORROWINGS

	2010 £'000	2009 £'000
Current		
Bank of England base rate redeemable loan	157	157
4.5% convertible redeemable loan note 2011	173	201
Bank of England base rate unsecured loan note	—	1,336
Obligations under finance leases	513	55
	843	1,749
Non-current		
Obligations under finance leases	15	28

The Bank of England base rate redeemable loan note is redeemable on demand.

The 4.5% fixed rate convertible redeemable unsecured loan note 2011 is convertible into fully paid ordinary shares at £2.48 per share at the holders' discretion, or redeemable on expiry in 2011. There is no material equity component in the convertible loan note.

22 DEFERRED TAX (ASSET)/LIABILITIES

	Revaluation £'000	Retirement benefit liability £'000	Capital allowances £'000	Total £'000
1 April 2008	984	(547)	(242)	195
Credit to statement of comprehensive income	(167)	(545)	—	(712)
Credit to income statement	—	—	(70)	(70)
1 April 2009	817	(1,092)	(312)	(587)
Charge/(credit) to statement of comprehensive income	95	(297)	—	(202)
Charge to income statement	—	—	273	273
31 March 2010	912	(1,389)	(39)	(516)

23 CALLED UP SHARE CAPITAL AND SHARE PREMIUM

	<i>Number shares '000</i>	Ordinary shares £'000	Share premium £'000	Total £'000
Authorised shares with a par value of 25p each	80,000	20,000	—	20,000
Allotted and fully paid:				
1 April 2008	44,118	11,029	1,855	12,884
Share options – issue of shares	25	6	18	24
31 March 2009	44,143	11,035	1,873	12,908
Scrip dividend	405	101	(101)	—
31 March 2010	44,548	11,136	1,772	12,908

The rights and obligations attaching to the Company's ordinary shares are set out in the report of the Directors on page 24.

During the year 404,792 ordinary shares were issued fully paid following the issue of scrip dividends.

Share options and share based payment

At 31 March 2010 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.

Date of grant	19 Dec 2007
Exercisable during the six months commencing	1 Feb 2011
Number of shares	362,013
Exercise price per share	£2.48
Expected fair value per share	£0.56

The fair value of the options has been calculated using a Black-Scholes model with the following inputs. Expected volatility is based on the historical share price volatility.

Share price at date of grant	£2.74
Expected life	3.0 years
Expected volatility	22.62%
Risk free rate	4.63%
Expected dividend yield	2.96%

The Group recognised total expenses of £42,000 (2009: £92,000) related to equity-settled share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

23 CALLED UP SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

The following table reconciles outstanding share options at the beginning and end of the financial year.

	2010		2009	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
1 April	397,367	£2.48	452,598	£2.40
Exercised	—	—	(25,000)	£0.96
Forfeited	(35,354)	£2.48	(30,231)	£2.48
31 March	362,013	£2.48	397,367	£2.48
Exercisable	—	—	—	—

The following share options granted under the Company's Save As You Earn Scheme were exercised during the year:

Year ended 31 March 2010

None exercised

Year ended 31 March 2009

Grant date	Number exercised	Exercise date	Share price at exercise date
2 January 2003	25,000	10 Jul 08	£1.88

The weighted average share price at the date of exercise of share options was £1.88.

24 RESERVES

	Revaluation reserve £'000	Retained earnings £'000	Total £'000
1 April 2008	2,509	55,589	58,098
Profit for the year	—	6,468	6,468
Other comprehensive income:			
Gains and losses on available for sale financial assets	(380)	—	(380)
Deferred tax on available for sale financial assets	166	—	166
Retirement benefits scheme actuarial deficit	—	(2,048)	(2,048)
Deferred tax on retirement benefit scheme actuarial deficit	—	545	545
Total other comprehensive income for the year	(214)	(1,503)	(1,717)
Total comprehensive income for the year	(214)	4,965	4,751
Dividends paid to equity shareholders	—	(3,796)	(3,796)
Share options – value of employee services	—	92	92
31 March 2009	2,295	56,850	59,145
Profit for the year	—	6,843	6,843
Other comprehensive income:			
Gains and losses on available for sale financial assets	123	220	343
Deferred tax on available for sale financial assets	(95)	—	(95)
Retirement benefits scheme actuarial deficit	—	(993)	(993)
Deferred tax on retirement benefit scheme actuarial deficit	—	297	297
Total other comprehensive income for the year	28	(476)	(448)
Total comprehensive income for the year	28	6,367	6,395
Dividends paid to equity shareholders	—	(5,162)	(5,162)
Share options – value of employee services	—	42	42
31 March 2010	2,323	58,097	60,420

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

25 RECONCILIATION OF NET PROFIT TO NET CASH GENERATED FROM OPERATIONS

	2010	(Restated)
	£'000	2009 £'000
Net profit	10,271	9,214
Adjustments for		
Depreciation	2,744	2,759
Amortisation of intangible assets	1,712	1,659
Share options – value of employee services	42	92
Retirement benefit scheme	69	—
Dividend income	(88)	(79)
Interest income	(399)	(1,445)
Interest expense	22	106
(Profit)/loss on disposal of property, plant and equipment	(12)	25
Profit on disposal of available for sale financial assets	(170)	(196)
Impairment of available for sale financial assets	—	252
Changes in working capital		
Decrease in financial assets at fair value through profit or loss	89	2,092
Decrease in receivables	67,573	42,152
Decrease in payables	(69,448)	(36,159)
Net cash inflow from operations	12,405	20,472

26 LEASE COMMITMENTS

Operating leases

	2010 £'000	2009 £'000
Total commitments under leases at 31 March were:		
Operating leases - land and buildings		
Not later than one year	2,029	1,773
Later than one but not later than five years	6,764	5,944
Later than five years	2,991	3,485
	11,784	11,202

Finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Not later than one year	516	60	514	55
Later than one but not later than five years	16	29	15	28
Later than five years	—	—	—	—
Less future finance charges	532 (3)	89 (6)	529 —	83 —
Present value of minimum lease payments	529	83	529	83
Included in the financial statements as:				
Current liabilities (note 21)			514	55
Non-current liabilities (note 21)			15	28
			529	83

27 CAPITAL COMMITMENTS

	2010 £'000	2009 £'000
Authorised but not contracted for	—	—

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

28 RETIREMENT BENEFIT OBLIGATIONS

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 sponsors the Charles Stanley & Co. Limited Retirement Benefits Scheme ("the Scheme"), which is a wholly funded defined benefit arrangement. A full actuarial valuation of the Scheme was carried out at 13 May 2008 and updated on an approximate basis to 31 March 2010 by a qualified actuary, independent of the Scheme's sponsoring employer. The major assumptions made are shown below.

The Company currently pays contributions at the rate of 24.3% of pensionable pay plus £243,000 per annum. Member contributions of 3% of pensionable pay (nil for Directors) are included in the rate above.

It is the policy of the Group to recognise all actuarial gains and losses in the year in which they occur outside the income statement and in the statement of comprehensive income.

Assets

	2010 £'000	2009 £'000
Equities	10,291	7,671
Bonds	9,770	7,528
Other	1,635	964
Fair value of plan assets	21,696	16,163
Present value of defined benefit obligation	(26,652)	(20,057)
Deficit in scheme	(4,956)	(3,894)

Reconciliation of opening and closing balances of the fair value of plan assets

	2010 £'000	2009 £'000
Fair value of assets at start of year	16,163	17,956
Expected return on assets	938	1,123
Actuarial gains/(losses)	3,740	(3,741)
Contributions by employer	987	958
Contributions by plan participants	86	90
Benefits paid, death in service insurance premiums and expenses	(218)	(223)
Fair value of assets at end of year	21,696	16,163

The fair value of the assets shown above include £575,134 (2009: £510,625) of shares in Charles Stanley Group PLC.

The actual return on the scheme assets over the year ended 31 March 2010 was £4,678,000 (2009: £2,618,000).

28 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2010	2009
	£'000	£'000
Defined benefit obligation at start of year	20,057	19,908
Total employer current service cost	672	694
Interest cost	1,322	1,281
Employee contributions	86	90
Actuarial loss/(gain)	4,733	(1,693)
Benefits paid, death in service insurance premiums and expenses	(218)	(223)
Defined benefit obligation at end of year	26,652	20,057

Total expense recognised in the income statement

	2010	2009
	£'000	£'000
Current service cost	672	694
Interest on pension scheme liabilities	1,322	1,281
Expected return on pension scheme assets	(938)	(1,123)
Total expense	1,056	852

(Losses)/gains recognised in statement of comprehensive income

	2010	2009	2008	2007
Difference between expected and actual return on scheme assets:				
Amount (£'000)	3,740	(3,741)	(2,803)	1,105
Percentage of scheme assets	17%	(23%)	(16%)	6%
Experience gains and losses arising on the scheme liabilities:				
Amount (£'000)	105	410	37	(304)
Percentage of present value of scheme liabilities	0%	2%	0%	(2%)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:				
Amount (£'000)	(4,838)	1,283	2,188	24
Percentage of present value of scheme liabilities	18%	6%	12%	0%
Total amount recognised in statement of comprehensive income:	(993)	(2,048)	(578)	825
Percentage of present value of scheme liabilities	4%	(10%)	(3%)	4%

The cumulative amount of actuarial losses recognised in the statement of comprehensive income since adoption of IAS19 is £5.4 million (2009: £4.4 million).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

28 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

History of scheme assets and obligations

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of assets	21,696	16,163	17,956	18,672	15,852
Present value of obligation	(26,652)	(20,057)	(19,908)	(20,193)	(18,281)
Deficit in scheme	(4,956)	(3,894)	(1,952)	(1,521)	(2,429)

Assumptions

	2010 % per annum	2009 % per annum	2008 % per annum
Inflation	3.50	3.10	3.70
Salary increases	3.00	3.00	3.00
Rate of discount	5.66	6.50	6.35
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.45	3.05	3.65
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.50	3.10	3.70

Expected long term rates of return

The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities has been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

The expected long term rates of return are as follows:

	2010 % per annum	2009 % per annum	2008 % per annum
Equities	7.50	6.75	7.25
Bonds	5.50	4.75	6.35
Cash	4.30	4.00	4.25
Overall for scheme	6.36	5.65	6.12

As all actuarial gains and assets are recognised, the deficits shown are those recognised in the balance sheet.

The best estimate of contributions (employer and employee) to be paid to the plan for the year ending 31 March 2011 is £990,000 (2010: £960,000).

The mortality assumptions adopted at 31 March 2010 imply the following life expectations at age 65:

Male retiring at age 65 in 2010	22.3 years
Female retiring at age 65 in 2010	24.9 years
Male retiring at age 65 in 2030	24.3 years
Female retiring at age 65 in 2030	26.7 years

29 BUSINESS COMBINATIONS (PRIOR YEAR)

There were no acquisitions in the year ended 31 March 2010.

On 1 October 2008, the Group acquired Griffiths & Armour (Financial Services) Ltd. The purchase consideration of just over £3.0 million was satisfied by cash payable on the completion date amounting to £1.4 million. The balance is payable in two equal instalments of £0.8 million on 30 September 2009 and 30 September 2010 respectively. No material adjustments are made to the book value of Griffiths & Armour (Financial Services) Ltd's net assets before acquisition. Post acquisition losses to 31 March 2009 were £41,000. If the acquisition had occurred on 1 April 2008 Group revenue would have been £102.9 million and profit would have been £7.0 million. These amounts have been calculated using the Group's accounting policies.

The assets and liabilities of Griffiths & Armour (Financial Services) Ltd at acquisition date were as follows:

	2009 £'000
Office equipment and motor vehicles	40
Current assets	812
Current liabilities	(197)
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Net assets acquired	655
Goodwill acquired	2,420
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Total cost of acquisition	3,075
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Satisfied by:	
Cash	1,471
Deferred consideration	1,604
<hr/>	
Total consideration	3,075
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

30 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are accordingly not disclosed.

The financial statements of the parent Company include amounts attributable to subsidiaries. These amounts have been disclosed in aggregate in the relevant notes to the financial statements and in detail in the following table:

	Amounts owed by related parties		Amounts owed to related parties	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Charles Stanley & Co. Limited	—	—	24,879	18,939
EBS Management PLC	852	852	—	—
EBS Pensioner Trustees Limited	—	—	2	2
Gryphon Investments PLC	—	—	924	924
Robson Cotterell Limited	—	—	—	250
Sutherlands Group Limited	—	—	265	265
Garrison Investment Analysis Limited	411	—	—	—
	1,263	852	26,070	20,380

The only effect of related party transactions on the income statement was in respect of dividends and management charges.

The parent Company received dividends totalling £3.0 million (2009: nil) from Charles Stanley & Co. Limited and £308,549 (2009: £540,945) from Garrison Investment Analysis Limited.

The parent Company received a management charge from Charles Stanley & Co. Limited of £2,000,000 (2009: £1,500,000) during the year and Charles Stanley & Co. Limited received a management charge from Garrison Investment Analysis Limited of £10,000 (2009: £65,000).

The Group's transactions with the Charles Stanley Retirement Benefits Scheme are described in note 28. At 31 March 2010 no monies were owed to or outstanding from the scheme (2009: nil).

Key management compensation

The compensation paid to key management is detailed below. Key management has been determined as the Directors of the trading Companies within the Group.

	2010 £'000	2009 £'000
Salaries and short-term employee benefits	4,218	3,564
Post employment benefits	256	214
Social security costs	558	462
	5,032	4,240

31 EVENTS AFTER THE BALANCE SHEET DATE

There were no material adjusting events or events requiring disclosure after the balance sheet date.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2010

	Notes	2010		2009	
		£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Intangible assets	32		20,006		21,224
Available for sale financial assets	33		958		508
Investments in subsidiaries	34		36,032		36,328
			56,996		58,060
Current assets					
Trade and other receivables	35	1,263		852	
Cash and cash equivalents	36	259		249	
		1,522		1,101	
Liabilities					
Current liabilities					
Trade and other payables	37	(27,731)		(24,669)	
Borrowings	38	(354)		(1,749)	
Current tax liabilities		(1)		—	
		(28,086)		(26,418)	
Net current liabilities					
			(26,564)		(25,317)
Non-current liabilities					
Trade and other payables	37	(900)		(1,724)	
Borrowings	38	(15)		(28)	
Deferred tax liabilities	39	(44)		—	
			(959)		(1,752)
Net assets					
			29,473		30,991
Shareholders' equity					
Ordinary shares	23		11,136		11,035
Share premium	23		1,772		1,873
Revaluation reserve	40		115		—
Retained earnings	40		16,450		18,083
Total equity					
			29,473		30,991

Approved by the Board on 8 June 2010

Sir David Howard

Peter Hurst

Directors

The notes on pages 85 to 91 form an integral part of these financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2010

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
1 April 2008	11,029	1,855	37	24,717	37,638
Loss for the year	—	—	—	(2,930)	(2,930)
Other comprehensive income:					
Gains and losses on available for sale financial assets	—	—	(53)	—	(53)
Deferred tax on available for sale financial assets	—	—	16	—	16
Total other comprehensive income for the year	—	—	(37)	—	(37)
Total comprehensive income for the year	—	—	(37)	(2,930)	(2,967)
Dividends paid to equity shareholders	—	—	—	(3,796)	(3,796)
Share options – value of employee services	—	—	—	92	92
– issue of shares	6	18	—	—	24
31 March 2009	11,035	1,873	—	18,083	30,991
Profit for the year	—	—	—	3,453	3,453
Other comprehensive income:					
Gains and losses on available for sale financial assets	—	—	159	34	193
Deferred tax on available for sale financial assets	—	—	(44)	—	(44)
Total other comprehensive income for the year	—	—	115	34	149
Total comprehensive income for the year	—	—	115	3,487	3,602
Dividends paid to equity shareholders	—	—	—	(5,162)	(5,162)
Share options – value of employee services	101	(101)	—	—	—
– issue of shares	—	—	—	42	42
31 March 2010	11,136	1,772	115	16,450	29,473

The notes on pages 85 to 91 form an integral part of these financial statements.

PARENT COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2010

	Notes	2010 £'000	2009 £'000
Cash flow from operating activities			
Cash generated from operations	41	10,315	10,796
Interest received		3	9
Interest paid		(19)	(76)
Tax received		266	—
Net cash from operating activities		10,565	10,729
Cash flows from investing activities			
Acquisition of subsidiaries and other businesses		(4,132)	(1,471)
Purchase of intangible assets		(972)	(5,294)
Proceeds from sale of available for sale financial assets		226	445
Purchase of available for sale financial assets		(462)	(477)
Dividends received		19	12
Net cash used in investing activities		(5,321)	(6,785)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		—	24
Cash outflow from change in debt and lease financing		(72)	(147)
Dividends paid to shareholders		(5,162)	(3,796)
Net cash used in financing activities		(5,234)	(3,919)
Net increase in cash and cash equivalents			
Cash and cash equivalents at start of year		249	224
Cash and cash equivalents at end of year		259	249

The notes on pages 85 to 91 are an integral part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

32 INTANGIBLE ASSETS

	Goodwill £'000	Customer relationships £'000	Brand costs £'000	Total £'000
Cost				
1 April 2008	10,236	3,105	183	13,524
Transfer from subsidiary	—	2,926	—	2,926
Acquisitions	—	7,294	—	7,294
Adjustment to deferred consideration	(209)	—	—	(209)
31 March 2009	10,027	13,325	183	23,535
Acquisitions		493		493
Disposal			(183)	(183)
31 March 2010	10,027	13,818	—	23,845
Amortisation				
1 April 2008	—	299	37	336
Transfer from subsidiary	—	316	—	316
Amortisation during year	—	1,513	146	1,659
31 March 2009	—	2,128	183	2,311
Amortisation during year		1,711	—	1,711
Disposal			(183)	(183)
31 March 2010	—	3,839	—	3,839
Net book value				
31 March 2010	10,027	9,979	—	20,006
31 March 2009	10,027	11,197	—	21,224
31 March 2008	10,236	2,806	146	13,188

33 AVAILABLE FOR SALE FINANCIAL ASSETS

	Listed investments £'000	Unlisted investments £'000	Total £'000
Fair value			
1 April 2008	560	29	589
Additions	477	—	477
Disposals	(472)	—	(472)
Revaluation in year	(53)	—	(53)
Impairment	(33)	—	(33)
31 March 2009	479	29	508
Additions	432	30	462
Disposals	(205)	—	(205)
Revaluation in year	193	—	193
31 March 2010	899	59	958

The movements in 2009 have been restated to show disposals at cost and to show the revaluation adjustment made to the revaluation reserve and the impairment made in the income statement as separate figures.

34 INVESTMENTS IN SUBSIDIARIES

	Total £'000
Cost	
1 April 2008	52,190
Additions	3,075
31 March 2009	55,265
Strike off of subsidiary	(6,534)
31 March 2010	48,731
Impairment	
1 April 2008	16,101
Impairment during the year	2,834
31 March 2009	18,935
Impairment during the year	46
Strike off of subsidiary	(6,282)
31 March 2010	12,699
Net book value	
31 March 2010	36,032
31 March 2009	36,328
31 March 2008	36,089

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

34 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The percentage of issued capital of Group undertakings held is:

Name of company	Activity	Note	Ordinary shares
Gryphon Investments PLC	Investment company		95%
Charles Stanley & Co. Limited	Stockbrokers	(1) (2)	100%
Rock (Nominees) Limited	Nominee company	(3)	100%
Exempt Nominees Limited	Nominee company	(3)	100%
Robson Cotterell Limited	Dormant	(7)	100%
EBS Management Plc	Pension Fund Administrator	(2)	100%
EBS Pensioneer Trustees Limited	Pensioneer Trustee Services		100%
EBS Self-Administered Personal Pension Plan Trustees Limited	Pensioneer Trustee Services		100%
Sutherlands Group Limited	Holding company	(6)	100%
Sutherlands Research Limited	Dormant	(4) (6)	89%
Alpha Trustees Limited	Dormant		100%
Garrison Investment Analysis Limited	Financial Intermediary	(2)	100%
Griffiths & Armour (Financial Services) Limited	Financial Intermediary	(2)	100%
Griffiths & Armour (Trustees) Limited	Nominee company	(5)	100%

Note

- 1 Member of The London Stock Exchange and the London International Financial Futures and Options Exchange.
- 2 Regulated by The Financial Services Authority.
- 3 Shares held by Charles Stanley & Co. Limited.
- 4 Shares held by Sutherlands Group Limited.
- 5 Shares held by Griffiths & Armour (Financial Services) Limited.
- 6 Incorporated in Scotland.
- 7 During the year Robson Cotterell Limited was struck off the Companies register.

Impairment test

To determine whether impairment exists, the carrying value of the investment is compared with the investment's recoverable amount on an annual basis at the balance sheet date.

35 TRADE AND OTHER RECEIVABLES

	2010 £'000	2009 £'000
Current		
Amounts due from Group undertakings	1,263	852

36 CASH AND CASH EQUIVALENTS

Cash at bank	259	249
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37 TRADE AND OTHER PAYABLES

	2010 £'000	2009 £'000
Current		
Amounts owed to Group undertakings	26,070	20,380
Other payables	1,570	4,245
Accruals and deferred income	91	44
	27,731	24,669
Non current		
Other payables – deferred consideration	900	1,724

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

38 BORROWINGS

	2010 £'000	2009 £'000
Current		
Bank of England base rate redeemable loan	157	157
4.5% convertible redeemable loan note	173	201
Bank of England base rate unsecured loan note	—	1,336
Finance lease liabilities	24	55
	354	1,749
Non-current		
Finance lease liabilities	15	28

The Bank of England base rate redeemable loan note is redeemable on demand.

The 4.5% fixed rate convertible redeemable unsecured loan note 2011 is convertible into fully paid ordinary shares at £2.48 per share at the holders' discretion, or redeemable on expiry in 2011. There is no material equity component in the convertible loan note.

39 DEFERRED TAX LIABILITIES

	2010 £'000	2009 £'000
Revaluation		
1 April 2009	—	16
Revaluation of available for sale financial assets	44	(16)
	44	—
31 March 2010	44	—

40 RESERVES

	Revaluation reserve £'000	Retained earnings £'000	Total £'000
1 April 2008	37	24,717	24,754
Loss for the year	—	(2,930)	(2,930)
Other comprehensive income:			
Gains and losses on available for sale financial assets	(53)	—	(53)
Deferred tax on available for sale financial assets	16	—	16
Total other comprehensive income for the year	(37)	—	(37)
Total comprehensive income for the year	(37)	(2,930)	(2,967)
Dividends paid to equity shareholders	—	(3,796)	(3,796)
Share options – value of employee services	—	92	92
31 March 2009	—	18,083	18,083
Profit for the year	—	3,453	3,453
Other comprehensive income:			
Gains and losses on available for sale financial assets	159	34	193
Deferred tax on available for sale financial assets	(44)	—	(44)
Total other comprehensive income for the year	115	34	149
Total comprehensive income for the year	115	3,487	3,602
Dividends paid to equity shareholders	—	(5,162)	(5,162)
Share options – value of employee services	—	42	42
31 March 2010	115	16,450	16,565

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

41 RECONCILIATION OF NET PROFIT TO NET CASH GENERATED FROM OPERATIONS

	2010	(Restated)
	£'000	2009 £'000
Net profit/(loss) for the year	3,188	(3,117)
Adjustments for		
Impairment of investment in subsidiaries	46	2,835
Amortisation of intangible assets	1,712	1,659
Share options value of employee services	42	92
Dividend income	(18)	(12)
Interest income	(3)	(9)
Interest expense	18	72
(Profit)/loss on disposal of available for sale financial assets	(21)	29
Impairment of available for sale financial assets	—	33
Changes in working capital		
Increase in receivables	(411)	—
Increase in payables	5,762	9,214
Net cash inflow from operations	10,315	10,796

DIRECTORS OF CHARLES STANLEY GROUP PLC

Sir David Howard, Bt

Peter A Hurst

E Michael Clark

Michael R I Lilwall

DIRECTORS OF CHARLES STANLEY & CO. LIMITED

Name	Responsibility
Stephen C King	Head of Human Resources
Martina M Murphy	Financial Control
Philip C Nathan, MBE	Dealing
J Andrew Butcher	Chief Operating Officer
Macgregor Anderson	Internal Audit
Venetia J Malpas	Compliance
Gary Teper	Legal Services and Human Resources
Michael G Bennett	Information and Communications Technology

together with the Directors of
Charles Stanley Group PLC.

FINANCIAL CALENDAR

8 June 2010	Results announced
16 June 2010	Ex-dividend date for final dividend
18 June 2010	Record date for final dividend
29 July 2010	Annual General Meeting
5 August 2010	Final dividend paid
November 2010	Interim results announced

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 110th Annual General Meeting of Charles Stanley Group PLC will be held at 131 Finsbury Pavement, London EC2A 1NT on 29 July 2010 at 11.00am, for the following purposes:

Ordinary resolution

Ordinary business

1. To receive and adopt the Accounts for the year ended 31 March 2010 with the reports of the Directors and Auditors.
2. To declare a final dividend.
3. To approve the Directors' remuneration report as set out on pages 27 to 30 of the Annual Report and Accounts.
4. To re-elect Peter Hurst as a Director.
5. To re-appoint Saffery Champness as Auditors and to authorise the Directors to determine their remuneration.

Special business

As special business to consider and, if thought fit, to pass the following resolutions, resolution 6 being proposed as an ordinary resolution and resolutions 7 and 8 as special resolutions.

Resolution 6

THAT pursuant to section 551 of the Companies Act 2006 ("the 2006 Act")

- (a) the Directors shall have general and unconditional authority to exercise for the purposes of section 551 all of the powers of the Company to allot, grant options over, grant rights to subscribe for, or convert securities into shares, or otherwise deal with or dispose of any relevant securities (as defined in section 551(7) of the 2006 Act) of the Company to such persons, at such times and generally on such terms and conditions as the Directors may determine

PROVIDED THAT:

- (i) the authority hereby conferred shall, subject to section 551 of the 2006 Act, be for a period expiring on the earlier of 15 months from the date of this resolution and the end of the 2011 Annual General Meeting of the Company unless renewed, varied or revoked by the Company in general meeting; and
 - (ii) the maximum nominal amount of relevant securities as aforesaid which may be allotted pursuant to such authority shall be £3,680,000.
- (b) the Directors shall be entitled under the authority conferred hereby, or under any renewal thereof, to make at any time prior to the expiry of such authority, any offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry of such authority and to allot relevant securities accordingly; and
- (c) the authority given by this resolution shall supersede and revoke any earlier authority given in respect of relevant securities as aforesaid.

Special resolutions

Resolution 7

THAT the Directors be and are hereby empowered pursuant to section 571 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) pursuant to the authority conferred by resolution number 6 in the Notice of Meeting as if section 561(1) of the 2006 did not apply to any such allotment provided that this power shall be limited:

- (a) to the allotment (otherwise than pursuant to sub-paragraph (b) below) of equity securities, which are, or are to be, wholly paid up in cash up to an aggregate nominal amount of £552,000; and
- (b) to the allotment of equity securities for cash in connection with a rights or other issue, which:
 - (i) is open for a period fixed by the Directors;
 - (ii) is made to the holders of the ordinary shares and (if in accordance with their rights or the Directors so determine) other equity securities of any class on the register on a fixed record date;
 - (iii) is in proportion to their then holdings of ordinary shares or (as the case may be) other equity securities of the class concerned (but so that any offer to holders of other equity securities of any class shall be on the basis of their rights to receive such offer failing which as if their holdings had been converted into or they had subscribed for shares on the basis then applicable); and

- (iv) save that the Directors may aggregate and sell for the benefit of the Company fractions arising on the apportionment of securities offered, is otherwise made subject to such exclusions or other arrangements as the Directors may deem expedient in relation to legal or practical problems under the laws of or the requirements of any recognised body or stock exchange in any territory,

and shall expire at the earlier of 15 months from the date of this resolution and the end of the 2011 Annual General Meeting of the Company, provided that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power hereby conferred had not expired.

Resolution 8

THAT the Directors be and are hereby generally and unconditionally authorised for the purposes of section 693 of the 2006 Act to make market purchases (within the meaning of section 693(2) of the 2006 Act) of ordinary shares of 25p each in the capital of the Company provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 4,454,000;
- (b) the minimum price which may be paid for such shares is 25p;
- (c) the maximum price (exclusive of expenses) which may be paid for any such share will not be more than 5% above the average of the middle market quotation for such shares as derived from the Daily Official List of the London Stock Exchange for the ten business days in respect of which the Daily Official List is published immediately preceding the day on which the share is to be purchased;
- (d) the authority hereby conferred shall expire at the earlier of 15 months from the date of this resolution and the end of the 2011 Annual General Meeting of the Company;
- (e) the Company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry date of such authority and may make purchases of its own shares in pursuance of any such contract as if the authority conferred hereby had not expired.

By Order of the Board
Gary Teper
Secretary

8 June 2010

NOTICE OF MEETING

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights and to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Gary Teper on 020 7739 8200.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at 25 Luke Street, London, EC2A 4AR no later than 11.00am on Tuesday, 27 July. Submitting a completed form of proxy or other such instrument does not prevent a shareholder attending the meeting and voting in person.
3. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights ("a Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
4. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by the shareholders of the Company.
5. To be entitled to attend and vote at the Annual General Meeting (and for the purposes of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 11.00am on Tuesday, 27 July 2010 (or, in the event of any adjournment, 11.00am on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
6. As at 7 June 2010 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 44,547,510 ordinary shares carrying one vote each. Therefore, the total voting rights in the Company as at 7 June 2010 are 44,547,510.
7. Copies of the Directors' service agreements and a statement of Directors' transactions in shares of the Company are available for inspection at the Company's Registered Office during usual business hours on any business day from today until the conclusion of the Annual General Meeting. Copies will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
8. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous Meeting at which annual accounts or reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
9. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details on this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (i) above.

10. At this year's Annual General Meeting, there are eight resolutions which the members are asked to approve. An explanation of these resolutions is given below.

Resolution 1

The Directors will present the Report of the Directors, the Auditors' Report and the Accounts of the Company for the year ended 31 March 2010.

Resolution 2

The Directors will propose a final dividend of 2.25p.

Resolution 3

The Directors' remuneration report is included in the Annual Report and Accounts on pages 27 to 30.

Resolution 4

In accordance with the Company's Articles of Association, Mr Peter Hurst retires and is eligible for, and is seeking re-appointment as a Director. Short biographical details of Mr Hurst are set out on page 22 of the Annual Report and Accounts.

Resolution 5

Saffery Champness have expressed their willingness to continue to act as auditors of the Company and resolution 5 proposes the re-appointment of that firm as the Company's auditors and to authorise the Directors to determine the auditors' remuneration.

Resolution 6 and 7

At the Annual General Meeting last year, as in previous years, shareholders passed resolutions giving the Directors authorisation, subject to a cap, to allot shares for cash or otherwise and further for limited disapplication of section 561 of the Companies Act 2006, empowering them to allot shares for cash or otherwise in accordance with statutory pre-emption rights in certain limited circumstances.

The renewed powers will expire at the conclusion of next year's Annual General Meeting.

Resolution 8

Resolution 8 seeks authority for the Company to make market purchases of its own ordinary shares, which would otherwise be prohibited by the Companies Act 2006. The Directors believe that there may be times when it would be desirable to manage the Company's capital by buying back shares. However, the Directors only intend to use the authority if they believe such purchases would be in the best interests of shareholders generally and would result in an increase in earnings per share. The resolution specifies the maximum number of shares that can be acquired (approximately 10% of the issued ordinary share capital of the Company as at 31 March 2010) and the minimum and maximum prices at which they may be bought. Any shares purchased under the authority granted by the resolution will either be cancelled or may be held as treasury shares.

NOTES

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