

Charles Stanley

GROUP PLC

CHARLES STANLEY GROUP PLC

Annual Report and Accounts

08

2008 ANNUAL REPORT AND ACCOUNTS

Charles Stanley – heritage and stability

As one of the UK's leading independently owned, full service stockbroking, corporate finance and institutional advisory groups, Charles Stanley is well positioned today to build on our long heritage, the breadth and quality of our investment services and considerable UK geographic reach.

As one of the oldest firms in the Stock Exchange our origins lie in a banking partnership established in Sheffield in January 1792. Today Charles Stanley is one of the largest stockbroking companies in the United Kingdom and comprises two distinct business groups – the Private Client Division and Charles Stanley Securities.

Our **Private Client Division** is dedicated to the discerning investor offering a personal investment service including: discretionary, advisory, financial planning, SIPP, employee benefits and execution-only products and services.

Charles Stanley Securities specialises in providing high quality advisory and broking services exclusively to smaller and mid-cap UK-listed quoted companies both on the Official List and AIM.

Recognising that our clients value the personal attention we dedicate to them, we strive to deliver a truly personal service that meets the unique requirements of each client.

**FINANCIAL
HIGHLIGHTS**

**Revenue up by 8% to a new record of
£105.6 million (2007: £98.2 million)**

**Profit before tax, investment gains and
one-off costs at £16.7 million (2007: £17.2 million)**

**Funds under management and administration up by
£0.4 billion (4%) to £11.0 billion (2007: £10.6 billion)**

**Discretionary funds under management up by
£0.5 billion (19%) to £3.1 billion (2007: £2.6 billion)**

Total dividend up by 6% to 8.60p (2007: 8.10p)

**New branches opened in Exeter, Guildford
and Bristol**

Acquisition of Garrison Investment Analysis Ltd

**Acquisition of Truro Stockbrokers and the
private client business of Insinger de Beaufort
and the opening of a new branch in Leeds,
after the year end**

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CHAIRMAN'S STATEMENT

I am pleased to report a resilient performance against the challenging background of the past year. Our income in the 12 months rose by 7.5% from £98.2 million in the year ended 31 March 2007 to a new record of £105.6 million. While we report our profit before tax for the year at £12.4 million compared with £17.6 million for 2006-07, the difference is attributable to one-off costs of our programme of acquisition activity, and to the difference in the value of investment disposals. If these two factors are left out of account for both years we would now be reporting a pre-tax profit of £16.7 million for the latest year compared with £17.2 million for 2006-07.

At 31 March 2008 the investment funds which we manage or administer for clients have risen from £10.6 billion at the beginning of the year to £11.0 billion. Within this figure the funds which we manage on a discretionary basis for clients have risen from £2.6 billion to £3.1 billion.

Our acquisition programme has continued during the year. I reported in my statement to shareholders last year that, just after the year-end, we had completed the acquisition of our new Exeter office and had been joined by a substantial team of stockbrokers in Guildford and another in London. We announced in June 2007 that we had purchased 75.1% of Garrison Investment Analysis Ltd, a leading financial intermediary based in Beverley, East Yorkshire, for approximately £6 million, with an agreement to purchase the balance for approximately £2 million in 2009. We reached agreement on 4 April 2008, to purchase Truro Stockbrokers who will join us at the end of July 2008. Subsequently on 18 April 2008 we agreed to purchase the private client business of Insinger de Beaufort Ltd which is based in London and will be joining us at the end of June 2008.

Despite significant acquisition activity we have maintained a strong cash balance, which at 31 March 2008 stood at £32.5 million (31 March 2007: £42.3 million).

In the light of these results we propose increasing the final dividend from 6.25p per share to 6.50p. Taken together with the increased interim dividend of 2.10p this will make a total dividend for the year of 8.60p, an increase of 6.2% on last year's total dividend of 8.10p. The dividend will be paid on 7 August 2008 to shareholders registered on 11 July 2008.

Review of the year

Charles Stanley Group provides a comprehensive range of investment, wealth management and financial planning services to retail, institutional and corporate clients. We continued to expand and develop these services during the year.

Traditionally a stockbroking business reliant on commission income, we have been steadily re-balancing our revenue stream in favour of fees. In the latest year fee income represented 44.2% of total revenue, compared to 39.1% in 2006-07 and 37.7% in 2005-06.

The volume of private client stock exchange transactions, nationally, has continued to drift during the year, and our own volume, at 2.2% lower than in 2006-07, mirrors the general trend. However, the rising value of our clients' transactions reduced the impact of this, and our private client commission income was almost unchanged, at some 0.4% lower, at £48.6 million compared to £48.8 million in 2006-07.

By contrast, our investment management and administration fees again moved ahead strongly. A detailed analysis of the funds which we manage or administer for clients is shown in our operating and financial review. This reflects two of our key objectives, to grow the total figure of funds under management and

CHAIRMAN'S STATEMENT

administration, and to re-balance the composition increasingly in favour of discretionary management. The overall figure for funds under management and administration grew by 3.8% from £10.6 billion to £11.0 billion, and within this figure the discretionary funds increased by 19.2% from £2.6 billion to £3.1 billion. Of the March 2008 total, some £1.1 billion represents funds transferred to us on the acquisition of new businesses. The balance of the funds declined in value during the year by 6.6%, which compares with a decline over the same period of 9.6% in the FTSE-100 Index and of 10.9% in the FT All Share Index.

During the year we have undertaken a major review of our fee and commission-charging structures, and changes will be phased in over a two-year period. This is intended to simplify our charging arrangements, given the range of legacy rates that we have acquired over the years, and to provide greater clarity for our clients. One consequence of aligning our charges more accurately to the growing depth and breadth of the bespoke service that we provide is that we look to increase the fee margin further.

The value of clients' investment assets for which we charge administration rather than investment management fees remained stable at £5.0 billion. Thanks to continuing growth in the services that we offer, both organically and by way of acquisition (for example Garrison Investment Analysis Ltd), our administration fee income increased by 28.8% from £17.0 million to £21.9 million.

Our financial services department which comprises EBS (Pensions Administration), Garrison Investment Analysis, Financial Planning and Benefit Consultancy, has shown a further year of growth with revenues rising to £8.4 million compared with £5.9 million in the previous year.

This has been a year of transition within the department with a considerable change in the way that the business

is now being transacted given the changes in legislation over the past year. These changes have meant that considerably less business is now being transacted through life companies and the focus of the department has been targeted towards asset gathering and pensions, with long term income streams as opposed to initial commissions from product.

Garrison Investment Analysis was acquired during June 2007 and in the 10 months since acquisition contributed £2.1 million of revenue and an excellent operating margin.

EBS has had a good year in terms of SIPP take on with over 400 SIPPs being added during the period, bringing the total to nearly 2000 at the year end. £79 million of transfers were made into the SIPPs we control together with contributions of over £25 million.

Charles Stanley Securities

Charles Stanley Securities, our small and mid cap advisory and institutional broking division, had another good year, particularly in light of the more challenging stock market environment for small cap equity fund raisings. Revenues for the year were similar to the prior year at £13.6 million (2007: £13.9 million).

23 transactions were completed during the period, including 4 IPO's, 6 secondary fund raisings, 1 pre-IPO and 12 advisory based transactions. Our retained client list is now 51 companies.

During the same period, we have continued to expand further the scale of research coverage of non-house stocks to grow the level of secondary commission.

MiFID and Basel 2

My previous statements have outlined the very extensive work programme for implementing the new European Union Directive requirements for financial businesses, known as "MiFID", and for the changes in regulatory financial

CHAIRMAN'S STATEMENT

requirements known collectively as "Basel 2". MiFID duly came into force in November 2007, following, in our case, a very heavy programme of client contact and systems changes. I should like to reiterate the thanks that I expressed when we issued our half-year figures, last November, for the excellent and good-humoured response by our clients, and for the great efforts by so many of our staff in making this exercise a success.

Changes to our Articles of Association

In addition to the usual resolutions for consideration at our forthcoming Annual General Meeting you will find two additional resolutions which seek your support for a number of minor changes which are required, or made possible, by the Companies Act 2006. The notes at the back of our Annual Report explain these changes in more detail.

The quality of our service

Charles Stanley continues to grow, with more people and branches, and an increasing range of services to discerning investors. We have been delighted to welcome many more clients during 2007-08. The emphasis throughout is on the quality of our service. Our resilience in difficult market conditions is testament to the strength of the individual relationships with our clients which are at the heart of our business. This was reinforced by two further significant awards that we received during the year, the Shares Magazine Award for Best Discretionary Stockbroker, 2007, and the Investors Chronicle Award for Best Execution Stockbroker for Financial Security, 2007.

These results reflect another year of hard work and dedication from everyone at Charles Stanley. Once again, on behalf of shareholders, I express thanks to everyone who has contributed so strongly to these results.

Outlook

When I reported to you this time last year I said that I was surprised that, on the whole, things had turned out better than I had expected. The latest year, by contrast, has turned out rather worse than I had hoped. The bursting of the credit bubble, with unrestrained lending to some unsuitable borrowers, has led to a shock reaction in which the freezing of credit has brought parts of the economic system close to a stand-still. The effects are now working through to the broader economy, and it is impossible at this stage to tell how long or how deep the adverse impact will be.

The way in which we respond to the deterioration in economic conditions is equally important. Charles Stanley is a very broadly-based and deep-rooted business, and in such circumstances we have been able to build the company by careful acquisition.

But, as in the past, this requires us to take a medium to long-term view. While trading in the first two months of the current year is in line with expectations I cannot predict whether, over the year ahead, background conditions are going to improve, stay as they are, or get worse. In the circumstances I can only re-iterate that we have a sound business, we are well capitalised and we have a large and loyal clientele, and we are well-placed both for a down-turn and for the eventual recovery.

David HS Howard

Sir David Howard, Bt
Chairman

12 June 2008



OPERATING AND FINANCIAL REVIEW

This review has been prepared solely to provide additional information to 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 2008 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 three trading companies, Charles Stanley & Co. Limited, EBS Management PLC and Garrison Investment Analysis Limited. Charles Stanley & Co. Limited provides full service stockbroking, financial planning and benefit consultancy and small and mid-cap advisory and institutional broking. EBS Management PLC provides specialist pensions administration services. Garrison Investment Analysis Limited 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. All three companies are regulated by the Financial Services Authority. The Group has 29 offices around the United Kingdom, and all revenue is earned in the United Kingdom. These offices are listed on page 78.

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

Our strategy is to achieve this aim by earning the trust of investors by setting the standard for client service. We build on long-established values and proven levels of client satisfaction to develop our business for the future. We do this by maintaining our commitment to providing individually tailored and exceptionally responsive investment services for clients and ensuring that our services are:

OPERATING AND FINANCIAL REVIEW

- **Of outstanding quality** – delivered directly by highly-skilled professionals, supported by modern technology;
- **Efficient** – matched by first class administration and communications; and
- **Innovative** – enhanced by appropriate and relevant new services.

Our primary segmentation is by Division – Private Client and Charles Stanley Securities – as follows:

Private Client division

Discretionary portfolio services including in-house managed funds

Traditional private client advisory stockbroking

Execution only stockbroking

Funds supermarket branded as Fund choice
(Garrison Investment Analysis Ltd)

Personal financial planning and pensions administration

Charles Stanley Securities

Corporate finance

Corporate and institutional broking and sales

Over the past few years, the Group has expanded fairly evenly across these income streams. This has been achieved by a combination of organic growth and acquisitions.

We implement our strategy by setting in place the following objectives:

- To attain a ratio of underlying profits before one-off costs to revenue of 15% across the Group;
- To continue to grow the business organically and through acquisitions and new income streams;
- Expanding our offering to institutional and corporate clients; and
- Growing the assets of our clients for which we provide a full range of investment and wealth management services, both organically and by careful acquisition.

These financial objectives are supported by non-financial objectives which are:

- to maintain and build our reputation;
- to maintain a high level of staff retention;
- to contribute to community activities and support local and international charities;
- to reduce levels of electricity and paper usage.

Information relating to these non-financial objectives is set out in our corporate social responsibility report on pages 18 to 21.

OPERATING AND FINANCIAL REVIEW

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

Indicator	Description	2008	2007	% change
Ratio of operating profit before one-off costs to revenue	Operating profit before one-off costs as a percentage of income	14.0%	15.4%	(9.1%)
Ratio of underlying profit before one-off costs to revenue	Underlying profit before one-off costs as percentage of income	15.8%	17.5%	(9.7%)
Underlying basic earnings before one-off costs per share	Underlying earnings before one-off costs divided by weighted average number of shares in issue during the year	27.99p	28.65p	(2.3%)
Funds under management and administration	Valuation of client assets at the year end	£11.0b	£10.6b	3.8%
Discretionary funds under management	Valuation of discretionary client assets at the year end	£3.1b	£2.6b	19.2%
FT All Share index	As at period end	2,927	3,283	(10.9%)
Private Client fees relative to commission	Value of non-commission income as a percentage of private client income	46%	40%	15.0%
Fees growth	Value of non-commission income in year for private clients	£41.0m	£33.3m	23.1%

Results for 2008 financial year and financial position

During 2008 total revenue for the Group increased by 8% to £105.6 million from £98.2 million. Underlying profit as a percentage of total revenue decreased to 11.7% from 15.9% in 2007. Reported profit for the year of £12.4 million (2007: £17.6 million) includes profit on disposal of available for sale investments of £80,000 (2007: £2.0 million) and after one-off costs of £4.4 million (2007: £1.6 million) relating to new investment teams.

The results for the year are summarised in table 1:

	2008 £m	2007 £m	Change £m	%
Revenue	105.6	98.2	7.4	8%
Administrative expenses	(95.3)	(84.7)	(10.6)	(13%)
Operating profit	10.3	13.5	(3.2)	
Net interest	2.0	2.1	(0.1)	
Underlying profit	12.3	15.6	(3.3)	(21%)
<i>Ratio to revenue</i>	<i>11.7%</i>	<i>15.9%</i>		
Add back one-off costs	4.4	1.6		
Underlying profit before one-off costs	16.7	17.2	(0.5)	(3%)
<i>Ratio to revenue</i>	<i>15.8%</i>	<i>17.5%</i>		
Profit on disposal of investments	0.1	2.0	(1.9)	
Reported profit for the year	12.4	17.6	(5.2)	(30%)

Table 1: Summary Income Statement

OPERATING AND FINANCIAL REVIEW

For management purposes the Group's business is split into two divisions – Private Clients and Charles Stanley Securities. Revenue and operating profit are analysed by these primary segments in note 2 to the accounts on page 48.

Private Client division

The Group's private client division provides discretionary and advisory portfolio services, advisory dealing and execution only stockbroking, personal financial planning and pension administration.

The results for this division are summarised in table 2:

	2008 £m	2007 £m	Change £m	%
Revenue				
Commission	48.6	48.8	(0.2)	
Fees:				
Investment management	19.1	16.3	2.8	17%
Administration	13.5	11.1	2.4	22%
Financial planning and pension administration	8.4	5.9	2.5	42%
Total fees	41.0	33.3	7.7	23%
Total revenue	89.6	82.1	7.5	9%
Allocated expenses	(58.5)	(50.2)	(8.3)	(17%)
Operating profit	31.1	31.9	(0.8)	(2%)
<i>Ratio to revenue</i>	<i>34.7%</i>	<i>38.9%</i>		

Table 2: Summary Income Statement for the Private Client division

Private Client commission decreased slightly to £48.6 million from £48.8 million.

Private Client fee income increased by 23% from £33.3 million to £41.0 million and now represents 46% (2007: 40%) of total Private Client income. This is part of an ongoing trend away from commission to more resilient fee income in line with our objectives and is illustrated in Chart 1.

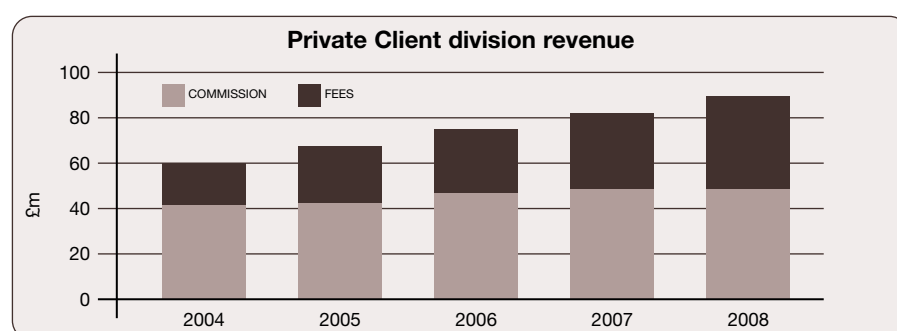


Chart 1: Split of Private Client division revenue between commission and fees

OPERATING AND FINANCIAL REVIEW

Fee income consists of investment management fees of £19.1 million (2007: £16.3 million), administration charges of £13.5 million (2007: £11.1 million) and financial planning, pension administration and benefit consultancy fees of £8.4 million (2007: £5.9 million).

Investment management fees and administration charges relate to the funds we manage or administer for clients and these are summarised in Table 3.

	2008 £ billion	2007 £ billion	Change £ billion	%
Discretionary funds under management				
In Group's nominee or Crest personal membership	3.1	2.6	0.5	19%
Advisory managed funds				
In Group's nominee or Crest personal membership	2.4	2.5		
Not held in Group's nominee	0.5	0.5		
	2.9	3.0	(0.1)	(3%)
Total managed funds	6.0	5.6	0.4	7%
Advisory dealing funds				
In Group's nominee or Crest personal membership	2.2	2.4		
Execution only funds				
In Group's nominee or Crest personal membership	2.8	2.6		
Total administered funds	5.0	5.0		
Total funds under management and administration	11.0	10.6	0.4	4%

Table 3: Funds under management and administration

At 31 March 2008, the Group held £11.0 billion of funds under management and administration, an increase of 4% on the 2007 figure of £10.6 billion. This compares with a drop of 11% in the FT All Share Index over the same period. The increase in managed funds of 7% has helped drive investment management fees up by 17% (2007: increased by 25%). Although there was no change in funds under administration, the amount we earned increased by 22% from £11.1 million to £13.5 million.

While we seek to increase the managed or administered funds in each category we place higher emphasis on securing discretionary funds. Discretionary funds under management have increased by 19% during the year to £3.1 billion at 31 March 2008 (2007: £2.6 billion). These are the funds that we actively manage and that generate higher fee levels in view of the greater level of service provided. In the latest year the proportion of discretionary funds rose from 24% to 29% of the total as shown in charts 2 and 3.

OPERATING AND FINANCIAL REVIEW

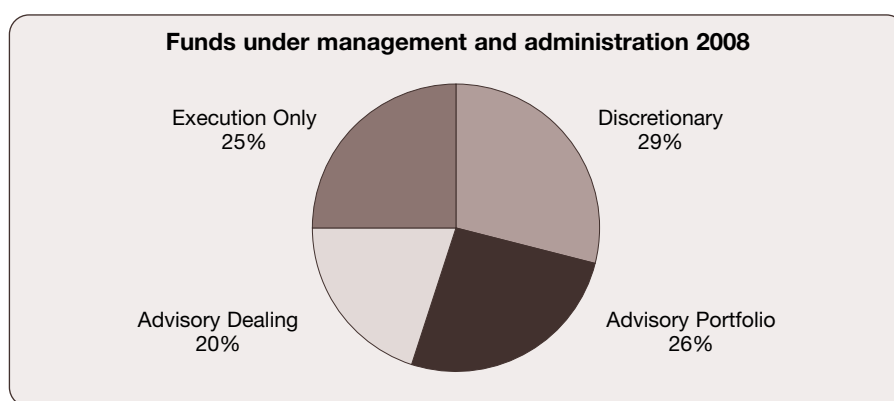


Chart 2: Funds under management and administration 2008

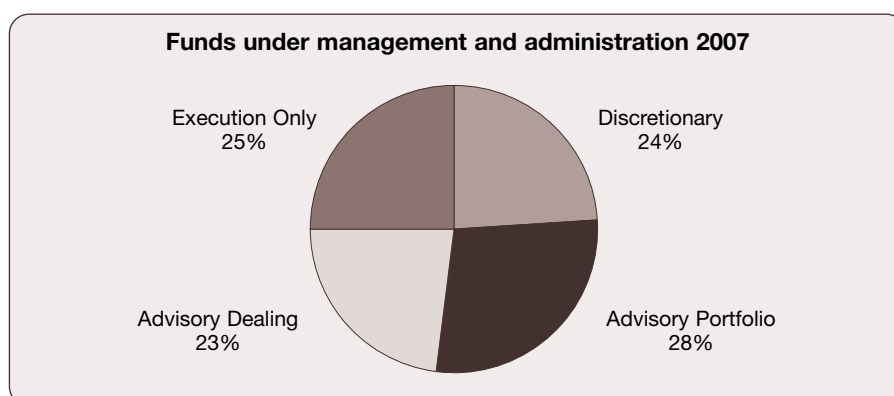


Chart 3: Funds under management and administration 2007

Financial planning, benefit consultancy and pension administration revenues increased by 42% from £5.9 million to £8.4 million (table 2). £2.1 million of this increase relates to Garrison Investment Analysis Limited which was acquired in June 2007. Trail commission increased from £1.6 million in 2007 to £2.5 million in 2008.

Funds under management and administration in table 3 includes £61.0 million relating to the Charles Stanley OEICs and Inheritance Tax portfolios which have fallen 1% in the year (2007: £61.6 million).

Charles Stanley Securities

Our specialist small and mid cap advisory and institutional broking division had another good year. Total revenue for this division fell slightly from £13.8 million to £13.6 million reflecting the generally quieter conditions in new issue activity. The results for this division are summarised in table 4.

	2008 £m	2007 £m	Change £m	%
Revenue				
Commission	7.9	8.7	(0.8)	(9%)
Corporate finance fees	5.7	5.1	0.6	12%
Total revenue	13.6	13.8	(0.2)	(1%)
Allocated expenses	(11.4)	(10.8)	(0.6)	(6%)
Operating profit	2.2	3.0	(0.8)	(27%)
Ratio to revenue	16.2%	21.7%		

Table 4: Summary income statement for Charles Stanley Securities

OPERATING AND FINANCIAL REVIEW

23 transactions were completed during the period, including four IPOs, six secondary fund raisings, one pre-IPO and twelve advisory based transactions. Our retained client list is now fifty one companies.

Administrative expenses

Administrative expenses are summarised in table 5.

	2008 £m	2007 £m	Change £m	%
Administrative expenses				
Staff costs	41.9	36.9	5.0	14%
Depreciation	2.3	2.4	(0.1)	(4%)
Amortisation of intangible assets	0.6	—	0.6	
Other costs	46.1	43.8	2.3	5%
	90.9	83.1	7.8	9%
One-off costs relating to new investment teams	4.4	1.6	2.8	
Total	95.3	84.7	10.6	13%
Allocated to:				
Private Client Division	58.5	50.2	8.3	16%
Charles Stanley Securities	11.4	10.8	0.6	6%
Other income	1.6	1.7	(0.1)	(6%)
Total allocated to divisions and other income	71.5	62.7	8.8	14%
Unallocated	23.8	22.0	1.8	8%
	95.3	84.7	10.6	13%

Table 5: Summary of administrative expenses

Total costs have increased by 13% from £84.7 million to £95.3 million. Staff costs are analysed in note 3 to the accounts on page 49. These have increased by 14% from £36.9 million to £41.9 million and represent 44% of our total costs (2007: 44%). Employee numbers have increased by 13% from 555 to 625.

For management purposes costs are allocated to divisions by direct attribution and this is shown in note 2 to the accounts on page 48.

We also pay close attention to the split between variable and fixed costs. In 2008 the proportion of our total costs which are fixed increased from 58% to 59%. However, the proportion of fixed costs is now covered by fees increased from 79% to 86%.

Front office salary costs have risen and the ratio of the number of times fixed front office salaries are covered by revenue has changed due to acquisitions during the year.

	2008 £m	2007 £m	Change £m	%
Front office fixed salary cost	17.2	13.6	3.6	26%
Total income to salary ratio	6.2	7.2		

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Other fixed costs have been controlled as revenue has increased:

	2008	2007
Business support costs as % of revenue	15.9%	18.3%
Overhead costs as % of revenue	12.5%	12.2%
Total general fixed costs as % of income	28.4%	30.5%

Significant one-off revenue costs of £4.4 million have been incurred in respect of new investment teams (2007: £1.6 million). When excluding these one-off costs, total expenses have increased by 9% from £83.1 million to £90.9 million.

Costs also include depreciation which has remained stable at £2.3 million (2007: £2.4 million) and amortisation of intangible assets of £653,000. Further details are shown in notes 11 and 12 to the accounts on pages 52 to 54.

Interest receivable of £2.0 million (2007: £2.1 million) is bank deposit interest earned on the Group's cash balances which stood at £32.5 million at 31 March 2008 (2007: £42.3 million).

The tax charge of £3.5 million (2007: £5.2 million) is analysed in note 6 on page 50 of the accounts. The current year charge of £3.5 million represents 28% of the Group's profit before tax of £12.4 million (2007 30% of £17.6 million). The effective rate of tax of 28% is lower than the UK standard rate of 30% due to corporation tax deductions in respect of exercised share options for which there is no related charge in the income statement. Further details on taxation are explained in note 6.

Underlying earnings per share for the year were 20.76p (2007: 25.98p) and diluted underlying earnings per share for the year were 20.08p (2007: 25.01p). Gross margin for the year on underlying earnings was 11.67% (2007: 15.90%).

As indicated in the Chairman's statement, the final dividend for the year is recommended to be increased by 0.25p per share to 6.50p giving a total dividend for the year of 8.60p (2007: 8.10p) at a cost of £3.8 million (2007: £3.4 million).

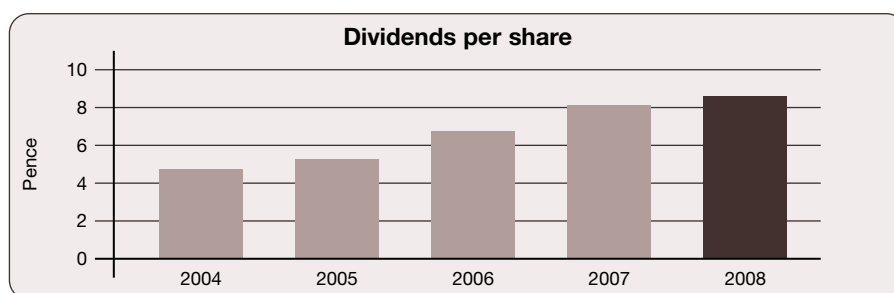


Chart 5: Dividends per share 2004 to 2008

At 31 March 2008 the Group had net assets of £71.1 million (2007: £63.9 million) equivalent to £1.61 per share (2007: £1.51).

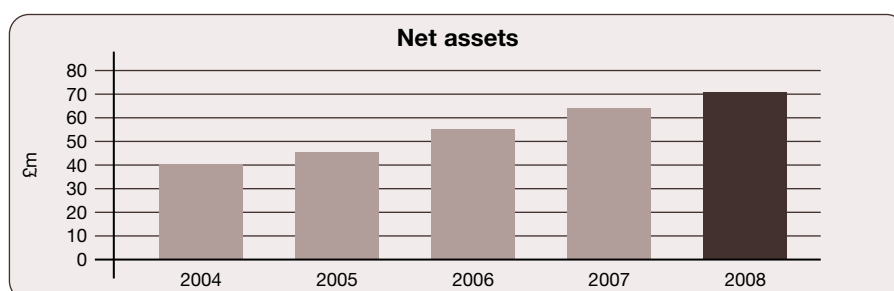


Chart 6: Net assets 2004 to 2008

Future Outlook

The future outlook of the business is discussed in the chairman's statement on page 6.

Resources

The Group's most vital resource is its people. We have consistently sought to recruit and retain the best employees in our market and this has contributed to our success. Our staff retention rate has been high and continues to remain high, which enables us to improve operating efficiency. Our corporate social responsibility report on pages 18 to 21 gives further details about our employment policies.

An area of the business that is continually evolving is our Information Communications Technology (ICT) department. We continue to keep abreast of developments in ICT and new services that are available to enable us to provide the best possible service to our clients.

Risks and Uncertainties

The Group has a clearly defined operational strategy, which is

- to maintain a highly trained workforce that is flexible in operational terms to deal with varying levels of income; and
- recognising also the necessity to retain strong cash reserves to tide us over any downturns.

Risk is constantly monitored by the Board and senior management who have a wealth of experience in the financial services industry. The Group has a Risk Management section, headed by an experienced risk manager. We have created a separate Internal Audit department, which is headed by a Director of Charles Stanley & Co. Ltd and reports to the Audit Committee.

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

Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. The Group is aware that operational risk can never be eliminated, but seeks to minimize the probability and impact of operational risk events.

The Group's principal operational risks arise from the fact that a significant element of our income is closely linked to transaction volumes and levels of the market generally, which impacts on fee income. Dependency on stockbroking commissions is becoming less every year. In 2001 commissions made up 77% of turnover, however in 2008 they only made up 56% of turnover, showing the Group's move towards a more stable fee based income stream. The Group seeks to retain flexibility with expenses, with a significant proportion of variable costs.

The operational risk policy incorporates a review of the Group's risk matrix by the risk and regulatory review group. The Group is implementing a risk and control assessment by the finance department through discussion with Directors and relevant branch managers. This scores risk events as to probability and impact as well as evaluating the design and performance of controls that have been put in place to mitigate that risk. The results of the assessment will be included within the existing risk matrix framework.

Market risk

The Group uses stress tests to assess a worst case loss that may affect the Group. These have been performed based on historical data and consider the impact of a major recession on the Group's capital position. The results of the stress test are used to determine whether the Group holds sufficient capital under Pillar 2 of the Capital Requirements Directive.

The Group undertakes limited principal account trading. All trading limits are monitored in accordance with policies determined by the Board. The Group operates limits for own account trading in terms of overall portfolio and individual stock exposure.

The Group operates in a highly competitive market with significant product innovations. We are subject to the threat of competitors launching new products in our markets, however we continue to be responsive to market demand.

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.

We do not conduct derivative business on our 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 we hold suitable collateral. 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.

Credit risk

This represents the risk of loss to the Group through default by a counterparty. Credit limits are set for clients in accordance with established procedures. As a private client stockbroker, the Group's exposures are not concentrated with any one counterparty, or group of connected counterparties.

Exposures for trades that are outstanding beyond the contractual settlement date are monitored on a daily basis. An aged analysis of overdue items is provided in note 21 of the financial statements.

Liquidity risk

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. With £32.5 million in bank accounts, the Group has 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. During the year, a policy of using a combination of high credit rating banks was used to invest client money. This was done to guard against the operational risk of only using a single bank.

An analysis of the maturity of the Group's financial liabilities is provided in note 21 of the financial statements.

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.

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. Several European Directives were implemented this year – principally the Capital Requirements Directive, and the Markets in Financial Instruments Directive (MiFID). Complying with these changes is now essentially complete, and these have been significant projects within the business.

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 Securities and Investment Institute, 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.

The Group's impact on society and the communities affected by its activities is also explained in the corporate social responsibility report.

Peter Hurst
Finance Director

12 June 2008

CORPORATE SOCIAL RESPONSIBILITY REPORT

This is the second Corporate Social Responsibility (“CSR”) Report for the Group and the developments made in this area over the past year are evidence of the commitment to CSR at all levels.

Being a financial services organisation, our primary responsibility is to maximise investment returns to our clients in accordance with our contractual relationships. However, we also recognise that there are non-financial considerations to take 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 employees, clients, shareholders and the wider environment.

Over the past year we have continued to build on the strong foundations of our four key areas: Business Integrity; our People; the Environment; and, the Community. The CSR Committee continues to meet on a quarterly basis and reports to the Board, whilst the implementation and management of the policy is recognised as a Group-wide responsibility.

Business integrity

Corporate Governance

We support 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 Group companies comply with the Combined Code or, where they have 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.

Customer Care

We are committed to the highest standard of customer care and support the principles-based approach and focus on customer outcomes as required by the FSA’s Treating Customers Fairly regulatory framework. We work with our customers to ensure our relationships deliver investment performance, protection from inappropriate risk and communications that are clear, fair and not misleading. Our awards for Best Discretionary Broker and Best Execution-Only Broker for Financial Security are evidence of our dedication and success in these areas.

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 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 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 employees. Our staff are one of the key assets of the organisation and it is our policy to attract and retain the best people.

Training

Having a highly trained and professional workforce enables the Group to meet its business objectives and provides opportunities for succession planning. Our training policy is designed to invest in employees and provide for career development, and employees are encouraged to gain appropriate professional qualifications for their roles. Further, we have recently introduced a new interactive training portal to allow staff to take greater control over their continuing professional development. This portal provides greater access to materials and enables staff to log and monitor their own achievements and learning.

Benefits

As employees are a valued asset within Charles Stanley, participation in the Charles Stanley Save As You Earn Scheme and/or the Share Incentive Plan is encouraged to enable staff to become involved in the financial performance of the Group.

These are open to all employees (in the case of the Share Incentive Plan, after six months qualifying period) except for Sir David Howard. The level of take up for both of these schemes is high.

Demand for participation in the current three-year Save As You Earn Scheme has exceeded availability and the maximum contribution has been set at £130 per month.

The employees' savings accumulate with our scheme provider and at the end of the three year period the total, together with any interest and bonus applicable is used, at the employees option, to purchase shares.

In addition employees can contribute up to £125 per month to acquire shares in the HMRC-approved Share Incentive Plan. The shares are held by Trustees for a qualifying period and dividends are re-invested to purchase further shares.

Further benefits for our employees include interest-free season ticket loans, above average contributions to pensions and private medical insurance that extends to direct family members of employees.

To ensure the health and wellbeing of our workforce we also provide subsidised gym membership in London and a Ride2Work Scheme that allows employees to purchase bicycles at reduced cost for the purpose of commuting. We also provide access to dedicated medical facilities in the London offices including annual health screening.

Ethos

Charles Stanley strongly 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 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.

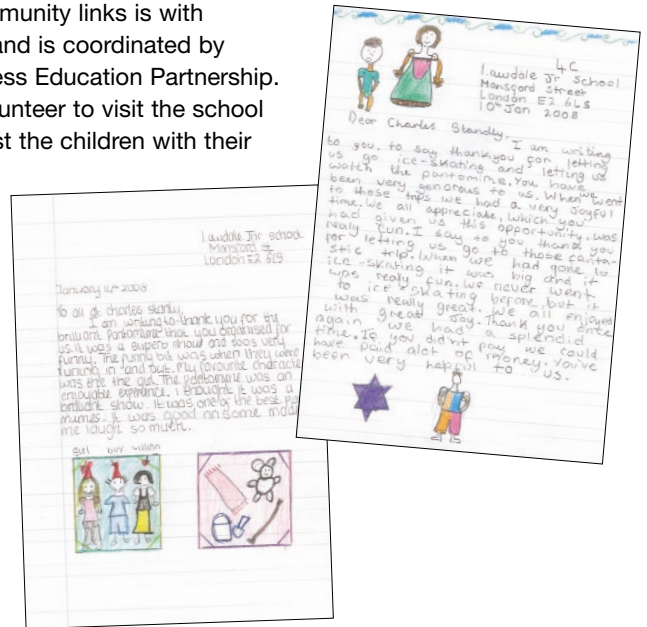
CORPORATE SOCIAL RESPONSIBILITY REPORT

Community

The Group continues to foster strong relationships with the community in which we are based and we have links with other 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 strongest community links is with Lawdale Primary School and is coordinated by the Tower Hamlets Business Education Partnership. A group of employees volunteer to visit the school on a weekly basis to assist the children with their reading. Charles Stanley also have fundraising activities for Lawdale School, with the proceeds raised being used to arrange extracurricular activities such as pantomimes or ice skating trips for the children. Over the summer, a team of volunteers also visited the school to carry out garden maintenance and to plant new flower beds.



Charities

Charitable donations during the year totalled £38,035 (2007: £10,392).

Employees raise funds for a variety of charities, including CLIC Sargent and Crisis. The majority of funds raised were for The Friends of the Neonatal Unit at St. Georges Hospital, Tooting ("FNNU"). FNNU was chosen by a vote of all staff to be the annual charity for Charles Stanley for 2007/08 and the

fundraising activities included a quiz night, book and cake sale, knitathon, participants taking part in the 5km Hydroactive Challenge, and a raffle to win a signed Led Zeppelin programme. The annual charity for 2008/9 chosen by popular vote is Headway: The Brain Injury Association.



CORPORATE SOCIAL RESPONSIBILITY REPORT

Business

Charles Stanley also has strong links with other City firms that are established either through work or, more often than not, through sport. Our employees are active and successful in activities such as: sailing, as members of the Stock Exchange Sailing Club; and football, with our team winning the KBC Peel Hunt stockbroking 5 a side football tournament.

Environment

The Group continues to recognise its impact on the environment and takes steps to reduce 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 and affect investment decisions.

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. 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, we aim to procure 100% recycled paper for all photocopying and printing, and we review our supply partners to ensure their policies are in line with ours.

Commitment

During the period June 2006 to December 2007 60,940 kilograms of paper was recycled saving the equivalent of 863 trees. Following a change in our recycling provider, we are now in a position to recycle a wider variety of paper and hope to increase this figure over the coming years. The Group also recycled over 30 kilograms of glass saving the equivalent of 85,300 kWh of energy. The Group also recycles ink cartridges. We recognise that the business saves costs and increases efficiency through reducing and managing resource use.

The Ride2Work Scheme 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. We plan to run this scheme on an annual basis.

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 1853.

Directors

Sir David Howard Bt. MA, Dsc, FSI (Hon)

Chairman and Managing Director
Sir David is 62. 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, 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 Securities and Investment Institute and chairs the IFSL Education, Training and Qualifications Group, the Securities and Investment Institute Examinations Board and the Council of City University.

Peter A. Hurst

Finance Director

Peter Hurst is 59 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, ecommerce, marketing 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

Michael Clark is 61 and became a member of the Stock Exchange in 1970. He joined Charles Stanley & Co in 1976, became a partner in 1982 and a Director (on incorporation of the partnership) in 1988. He is responsible for asset management, dealing, private client brokers and research.

Michael R. I. Lilwall Bsc, FSI (Dip)

Michael Lilwall is 50 and joined Charles Stanley as a Director in 1997. He is responsible for Charles Stanley Securities (the institutional and corporate finance business) and the financial planning department of the Company 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

www.fastrade.co.uk

- Internet trading

www.csysecurities.co.uk

- Institutional sales
and corporate broking

www.ebsmanagement.co.uk

- SIPP and SSAS consultancy
and SIPP administration

www.garrison.co.uk

www.fundchoice.co.uk

- Funds supermarket

Registrars

Capita Registrars Plc

Northern House, Woodsome Park,
Fenay Bridge, Huddersfield HD8 0LA

Brokers

Landsbanki Securities

Beaufort House, 15 St Botolph Street,
London EC3A 7QR

Bankers

Bank of Scotland

New Uberior House, 11 Earl Grey Street,
Edinburgh EH3 9BN

Auditors

Saffery Champness

Chartered Accountants

Lion House, Red Lion Street

London, WC1R 4GB

REPORT OF THE DIRECTORS

The Directors submit their report and financial statements for the year ended 31 March 2008.

Principal activities

The Company and its Group undertakings operate as investment companies and provide stockbroking, corporate finance, investment services and pensions administration.

Dividends

The Directors have declared and now recommend the following dividends in respect of the year ended 31 March 2008:

	2008 £	2007 £
Interim dividend paid on 12 December 2007 of 2.10p (2008: 1.85p)	893,860	782,923
Final dividend proposed of 6.50p (2007: 6.25p)	2,867,652	2,656,670
	<hr/> 3,761,512	<hr/> 3,439,593

The final dividend will be paid on 7 August 2008 to shareholders on the Company's register at close of business on 11 July 2008.

Business review

A review of the business is set out on pages 7 to 17 in the operating and financial review.

Directors

The Directors named on page 72 served throughout the year. Their biographies are set out on page 22. Sir David Howard Bt. retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election by the members.

In accordance with Section 234ZA Companies Act 1985, the Directors confirm that, in the case of each of the persons who are Directors at the time when this report is approved, as far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' interests in the shares of Charles Stanley Group PLC are disclosed in the Directors' remuneration report on page 29.

At 31 March 2008, the Directors had the authority to purchase 4,237,000 of ordinary shares in the capital of the Company. This authority was not exercised during the year.

REPORT OF THE DIRECTORS

Other share interests

The Directors are aware of substantial interests in the shares of Charles Stanley Group PLC are outlined below:

	No. of shares	
	12.6.08	31.3.08
John L S Howard	5,153,192	5,153,192
Schroders PLC and its associated companies	2,821,794	2,821,794
Lady Valerie Howard	2,427,058	1,327,058
Queen Street Securities Limited (a company of which Sir David Howard is a director)	1,860,000	1,860,000
Aberforth Partners	1,818,720	1,649,520
Legal and General	1,539,588	1,539,588
Aberdeen Asset Managers	1,410,000	1,410,000
Mrs Caroline P S Dore	1,330,000	1,330,000

On 4 April 2008 the Company was notified in accordance with the Disclosure Rules and Transparency Rules of the Financial Services Authority in relation to the acquisition or disposal of major shareholdings ("DTR chapter 5") that Sir David Howard had on that day transferred 1,100,000 ordinary shares (being 2.493% of the total issued share capital) to his wife Lady Valerie Howard. This transfer is reflected in the shareholdings disclosed above and in the Directors' remuneration report on page 28. No other disclosures in relation to DTR chapter 5 have been received by the Company in the period between 1 April 2007 and 12 June 2008.

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 31 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 £38,035.

No political donations were made during the year.

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.

By Order of the Board
Gary Teper
Secretary

12 June 2008

DIRECTORS' REMUNERATION REPORT

The Company is required by the Companies Act 1985 to prepare a Directors' remuneration report for the year ended 31 March 2008 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 30 July 2008.

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 1985. 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 on page 28 of this report.

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-formula-linked discretionary bonuses.

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;
- 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.

DIRECTORS' REMUNERATION REPORT

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 40/60ths.

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.

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.

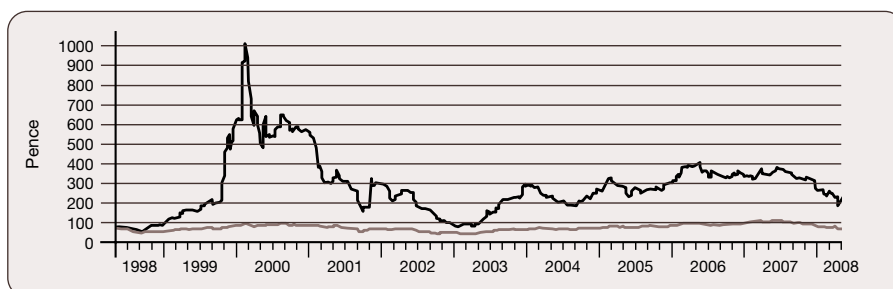
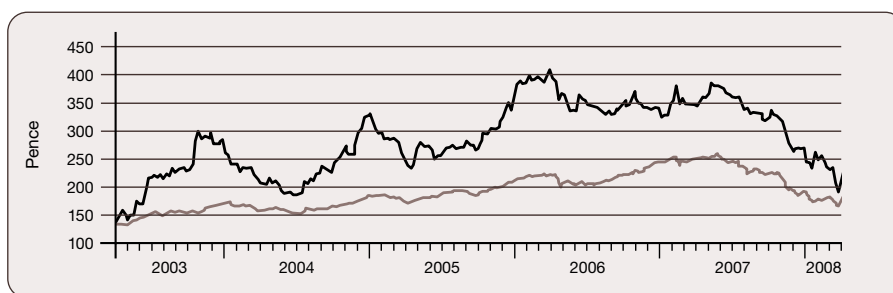
Charles Stanley currently operates one Save As You Earn Scheme (2008). Options were offered at a discount of 10% to the average of the mid-market closing price for the three days prior to the offer and are exercisable for a period of six months commencing three years after the saving contract commencement 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.



DIRECTORS' REMUNERATION REPORT

Audited information

	Fees £	Salary £	Bonus £	Benefits in kind £	Total 2008 £	Total 2007 £
Emoluments						
Sir David Howard (Chairman and Managing Director)	5,250	274,000	130,400	30,107	439,757	442,780
Peter A Hurst (Finance Director)	—	246,000	130,400	15,098	391,498	390,014
E Michael Clark	—	272,000	130,400	15,260	417,660	416,870
Michael R I Lilwall	—	305,000	130,400	11,684	447,084	436,378
	5,250	1,097,000	521,600	72,149	1,695,999	1,686,042
2007	5,250	1,052,825	561,600	66,367	1,686,042	

Employee savings related share option schemes

At 31 March 2008

	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 2008 was 220p and the range during the year was 190p to 384p.

At 31 March 2007

	Period of option	Exercise price	Number granted
Peter A Hurst	January 2003 to January 2008	96p	12,500
E Michael Clark	January 2003 to January 2008	96p	12,500
Michael R I Lilwall	January 2003 to January 2008	96p	12,500
			37,500

The market price of the ordinary shares at 31 March 2007 was 337p and the range during the year was 324p to 410p. These options were all exercised on 1 February 2008 when the market value of the shares was 250p, giving a total profit of £57,750.

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 in accrued pension excluding inflation £	Transfer value of increase £	Accrued pension 2008 £	Accrued pension 2007 £	Transfer value of accrued pension 2008 £	Transfer value of accrued pension 2007 £	Increase/ (decrease) in value of Directors' benefits £
Sir David Howard	2,811	41,957	90,000	83,917	1,443,398	1,382,813	60,585
E Michael Clark	4,650	64,622	112,039	103,358	1,684,090	1,662,245	21,845
Peter A Hurst	4,427	55,172	82,683	75,319	1,131,395	1,137,055	(5,660)

DIRECTORS' REMUNERATION REPORT

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		
	12.6.08	31.3.08	1.4.07	12.6.08	31.3.08	1.4.07
Charles Stanley						
Group PLC						
Sir David Howard	13,625,058	13,615,058	13,468,000	215,000	887,000	887,000
Peter A Hurst	166,787	166,672	153,591	215,000	215,000	215,000
E Michael Clark	755,065	754,950	727,060	—	—	—
Michael R I Lilwall	72,176	72,061	53,979	—	—	—
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 2008. 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

12 June 2008

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 2006.

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 Directors' remuneration report on pages 26 to 29, 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 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 1985. 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 known as the "Group 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.3.1, A.3.2, A.3.3, 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 best promotes the interests of the shareholders as a whole.

The four Directors of the Company also serve on the Group 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 is regulated by the Financial Services Authority and accordingly is responsible in its own right for meeting regulatory requirements.

The Company Board is headed by a combined Chairman and Chief Executive. Although this formation 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 members of the Company.

A formal schedule of matters is reserved to the Company Board which includes setting the strategic direction for 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 Group Board.

The Group 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 Group 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 its 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. During the year Directors participated in training on new responsibilities under the Companies Act 2006 and also received training on aspects of employment law.

Board Meetings

The Group 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 Group Board meetings during the year and attendance was as follows: David Howard 13; Peter Hurst 12; Michael Clark 13; Michael Lilwall 11.

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 Group Board by senior executives or external advisers as appropriate.

The Group 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 Combined Code C.3.2. Membership of the Committee comprises David Howard, Peter Hurst, Michael Clark, Michael Lilwall and Gary Teper. There are no independent non-executive directors on the Committee. The Committee is satisfied that Peter Hurst 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 meetings to assist the Committee in fulfilling its duties.

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 4 on page 49.

There were 4 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 Group 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 Group 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 of internal controls is also designed to provide reasonable, albeit not absolute,

assurance against material misstatement and to prevent and detect fraud and other irregularities.

The Group 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 Group Board monthly detailing the results, variances against forecast and other performance data.

The Company 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 Group 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 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 2008 to have been prepared on a going concern basis.

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.
- While the Company has established an Audit Committee with the roles and responsibilities described in Combined Code C.3.2, and it includes a member with recent and relevant financial experience as described in Combined Code C.3.1, the Committee solely comprises executive directors and has no independent non-executive directors as members, as prescribed by 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.

INDEPENDENT AUDIT REPORT TO THE MEMBERS

We have audited the financial statements of Charles Stanley Group PLC for the year ended 31 March 2008 which comprise the consolidated income statement, the consolidated and Company balance sheet, the consolidated statement of recognised income and expense, the consolidated and Company cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland).

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether in our opinion the information given in the Directors' report is consistent with the financial statements.

The information given in the Directors' report includes the specific information presented in the operating and financial review that is cross referenced from the business review section of the Directors' report. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report which consists of the Chairman's statement, the operating and financial review, the Directors' report and the Directors' remuneration report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

INDEPENDENT AUDIT REPORT TO THE MEMBERS

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended;
- The parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 March 2008;
- The financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- The information given in the Directors' report is consistent with the financial statements.

Saffery Champness
Chartered Accountants
Registered Auditors
London

12 June 2008

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CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Continuing operations			
Revenue	2	105,564	98,179
Administrative expenses		(95,225)	(84,672)
Operating profit	4	10,339	13,507
Interest payable and similar charges	5	(100)	(46)
Interest receivable	5	2,078	2,151
Underlying profit before tax		12,317	15,612
Profit on disposal of available for sale investments	5	80	1,974
Profit before tax		12,397	17,586
Taxation	6	(3,459)	(5,235)
Profit for the year		8,938	12,351
Loss attributable to minority interest		—	(22)
Profit attributable to equity shareholders		8,938	12,373
		8,938	12,351

Earnings per share

Based on reported profit for the year			
Basic	9	20.89p	29.25p
Diluted	9	20.21p	28.16p

The notes on pages 43 to 71 form part of these financial statements.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31 March 2008

	2008 £'000	2007 £'000
Profit for the year	8,938	12,351
Revaluation of available for sale investments taken to income statement on disposal	(26)	(1,974)
Revaluation of available for sale investments	332	(463)
Deferred tax on revaluation of available for sale investments	(86)	771
Retirement benefit scheme actuarial (deficit)/surplus	(578)	825
Deferred tax on retirement benefit scheme actuarial deficit/(surplus)	162	(303)
Net expense recognised directly in equity	(196)	(1,144)
Total recognised income for the year	8,742	11,207
Attributable to minority interest	—	(22)
Attributable to equity shareholders	8,742	11,229
	8,742	11,207

The notes on pages 43 to 71 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008		2007	
		£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Goodwill	10		23,238		15,434
Intangible assets	11		5,561		3,169
Property, plant and equipment	12		7,420		6,128
Available for sale investments	13		4,907		4,942
			41,126		29,673
Current assets					
Trade and other receivables	15	299,052		267,474	
Held for trading investments	16	2,575		1,234	
Cash and cash equivalents	17	32,527		42,305	
		334,154		311,013	
Liabilities					
Current liabilities					
Financial liabilities	18	(519)		(881)	
Trade and other payables	19	(297,341)		(271,214)	
Current tax liabilities		(798)		(3,011)	
		(298,658)		(275,106)	
Net current assets					
			35,496		35,907
Non-current liabilities					
Financial liabilities	18	(1,404)		(97)	
Retirement benefit liability	28	(1,952)		(1,521)	
Deferred tax liabilities	20	(195)		(36)	
Other non-current liabilities	19	(1,992)		—	
			(5,543)		(1,654)
Net assets					
			71,079		63,926
Shareholders' equity					
Ordinary shares	22		11,029		10,592
Share premium	23		1,855		379
Other reserves	23		2,509		2,289
Retained earnings	23		55,589		50,569
Total shareholders' equity					
			70,982		63,829
Minority interest in equity					
			97		97
Total equity					
			71,079		63,926

Approved by the Board on 12 June 2008

Sir David Howard

Peter Hurst

Directors

The notes on pages 43 to 71 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Cash flow from operating activities			
Cash generated from operations	24	10,027	4,386
Interest received		2,078	2,151
Interest paid		(100)	(95)
Tax paid		(5,672)	(5,323)
Net cash from operating activities		6,333	1,119
Cash flows from investing activities			
Acquisition of subsidiaries and other businesses		(5,032)	(313)
Proceeds from sale of subsidiaries		100	—
Acquisition of intangible assets		(5,045)	(1,169)
Proceeds from sale of property, plant and equipment		—	27
Purchase of property, plant and equipment		(3,314)	(3,066)
Proceeds from sale of available for sale investments		534	2,229
Purchase of available for sale investments		(1,408)	(1,869)
Dividends received		83	371
Net cash used in investing activities		(14,082)	(3,790)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		1,584	152
Cash outflow from change in debt and lease financing		(62)	(245)
Dividends paid to shareholders		(3,551)	(3,039)
Net cash used in financing activities		(2,029)	(3,132)
Net decrease in cash and cash equivalents		(9,778)	(5,803)
Cash and cash equivalents at start of year		42,305	48,108
Cash and cash equivalents at end of year		32,527	42,305

The notes on pages 43 to 71 form part of these financial statements.

COMPANY BALANCE SHEET

At 31 March 2008

	Notes	2008		2007	
		£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Goodwill	10		10,236		10,236
Intangible assets	11		2,952		3,169
Available for sale investments	13		589		602
Investments in subsidiaries	14		36,089		34,941
			49,866		48,948
Current assets					
Trade and other receivables	15	852		852	
Cash and cash equivalents	17	224		189	
		1,076		1,041	
Liabilities					
Current liabilities					
Financial liabilities	18	(519)		(881)	
Trade and other payables	19	(9,373)		(5,886)	
		(9,892)		(6,767)	
Net current liabilities					
			(8,816)		(5,726)
Non-current liabilities					
Financial liabilities	18	(1,404)		(97)	
Deferred tax liabilities		(16)		—	
Other non-current liabilities	19	(1,992)		—	
			(3,412)		(97)
Net assets					
			37,638		43,125
Shareholders' equity					
Ordinary shares	22		11,029		10,592
Share premium	23		1,855		379
Other reserves	23		37		71
Retained earnings	23		24,717		32,083
Total equity					
			37,638		43,125

Approved by the Board on 12 June 2008

Sir David Howard

Peter Hurst

Directors

The notes on pages 43 to 71 form part of these financial statements.

COMPANY CASH FLOW STATEMENT

Year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Cash flow from operating activities			
Cash generated from operations	24	9,432	4,730
Interest received		12	11
Interest paid		(65)	(60)
Tax paid		—	(131)
Net cash from operating activities		9,379	4,550
Cash flows from investing activities			
Acquisition of subsidiaries and other businesses		(5,210)	(313)
Purchase of intangible assets		(2,119)	(1,169)
Proceeds from sale of investments		66	109
Purchase of investments		(67)	(193)
Dividends received		14	10
Net cash used in investing activities		(7,316)	(1,556)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		1,544	152
Cash outflow from change in debt and lease financing		(21)	(161)
Dividends paid to shareholders		(3,551)	(3,039)
Net cash used in financing activities		(2,028)	(3,048)
Net increase/(decrease) in cash and cash equivalents		35	(54)
Cash and cash equivalents at start of period		189	243
Cash and cash equivalents at end of period		224	189

The notes on pages 43 to 71 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

The financial information for the year ended 31 March 2008 has been prepared under International Financial Reporting Standards ("IFRS").

1 Accounting policies

Basis of consolidation

The consolidated financial statements combine the financial statements of Charles Stanley Group PLC and all its subsidiaries, drawn up to 31 March 2008. For the purposes of these accounts, uniform accounting policies have been followed by the Group. All significant intercompany transactions and balances between Group entities are eliminated on consolidation.

Revenue

The Group follows the principles of IAS 18, "Revenue Recognition", in determining appropriate revenue recognition policies. In principle, therefore, revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group and can be reliably measured.

Revenue comprises stockbroking commission, investment management fees, corporate finance fees, the profit on buying and selling securities, and the profit or loss arising on positions held in securities. Commission income is recognised on a trade date basis. Fee income is recognised when earned.

Commission expenses are recognised on a trade date basis as with commission income, for both third parties and employees.

Dividends are credited to the income statement in the year in which they are receivable and are shown exclusive of tax credits. Stockbroking commission and fees are stated gross but exclude value added tax.

Interest income and expense for all interest-bearing financial statements, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within "interest income" and "interest expense" using the effective interest method.

The Group does not analyse performance by geographic segments internally as the Group's operations are entirely within the UK.

Foreign currencies

Foreign currency items have been translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

Goodwill is recognised as an asset and is reviewed for impairment at least annually, or on such other occasions where changes in circumstances indicate that it might be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill arising on acquisition is allocated to cash-generating units for the purposes of impairment testing.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amount and was subject to an impairment review at the date of transition.

1 Accounting policies (continued)

Intangible assets

Intangible assets comprise customer lists and brand costs. These assets are stated at cost less amortisation and provisions for impairment, if any, and are amortised over their useful lives of 7 to 10 years.

Impairment

The Group reviews the carrying amounts of its tangible and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss on an annual basis. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amounts of goodwill allocated to the Cash Generating Units (CGU) are determined from value in use calculations. CGUs are the lowest level at which management monitors the performance of the business. The key assumptions for the value in use calculations are the performance of each CGU to date against management's expectations at the date of acquisition.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of the impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, impairment losses relating to goodwill may not be reversed.

Property, plant and equipment

Property, plant and equipment are included in the balance sheet at cost less accumulated depreciation and any provisions for impairment.

Freehold land is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis at rates sufficient to write off the cost less estimated residual values of individual assets over their estimated useful lives.

The depreciation periods of the principal categories of assets are as follows:

Freehold buildings and leasehold properties	up to 50 years
Office equipment and motor vehicles	three to ten years

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

1 Accounting policies (continued)

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the income statement using the annuity method. Depreciation on the relevant assets is charged to the income statement. All other leases are "operating leases", and the annual rentals are charged to the income statement on a straight line basis over the lease term.

Investments

Investments in securities are recognised and derecognised on trade date. Such investments are initially measured at cost, inclusive of transaction costs.

Available for sale investments comprise listed and unlisted investments. Listed investments are valued using market values and unlisted investments by Directors' valuation.

After initial recognition, investments which are classified as held for trading or available for sale are measured at fair value. Gains or losses on investments held for trading are recognised in the profit and loss for the period. Gains or losses on available for sale investments are recognised directly as a separate component of equity until the investment is sold, or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss for the period.

Available for sale and held for trading investments are reviewed at the balance sheet date for evidence of impairment. Any loss arising from impairment of investments is recognised directly in the profit and loss for the period.

Investments are classified as held to maturity when they are non-derivatives with fixed or determinable payments and a fixed maturity that the Group has a positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same. Alternatively, it is calculated based on the expected cash flows of the underlying net asset base of the investment. Investments in subsidiaries are carried at cost less any impairment.

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 the clients is not shown on the face of the balance sheet. The amount held on behalf of clients is disclosed in note 17.

1 Accounting policies (continued)

Trade receivables

Trade receivables are measured on initial recognition at fair value. When objective evidence exists that the asset is impaired the estimated irrecoverable amount is written off to the income statement.

Trade payables

Trade payables are measured on initial recognition at fair value and subsequently at amortised cost using the effective interest method.

Retirement benefit costs

The cost of providing benefits under defined benefit plans is determined using the projected unit credit method, with actuarial valuations being carried out on an annual basis.

Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and are presented in the statement of recognised income and expense. Past service cost is recognised immediately to the extent that the benefits are already vested. The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Significant estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities, and profits and losses. Evaluation is based on historical experience as well as future expectations.

Retirement benefit obligations – In conjunction with our actuarial advisers the Group makes estimates about long term trends, including life expectancy and investment performance. These estimates are governed by rules in IAS 19. The detailed assumptions are set out in note 28.

Impairment of goodwill – The Group values goodwill based on the valuation of individual cash generating units making up the total goodwill. This is normally based on the expected future income levels.

Valuation of investment in Euroclear plc – The fair value of the Group's investment in Euroclear plc is based on the Group's share of net assets, dividend yield and the prices of similar companies discounted for illiquidity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

1 Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences may be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the tax profit nor the accounting profit.

Future changes to accounting policies

Certain changes to IFRS will be applicable for the Group's accounts in future years. To the extent that the Group has not adopted these early in the accounts to 31 March 2008, they will not affect the Group's reported profit or equity but they will affect disclosures.

At the date of authorisation of these financial statements, the following standards and interpretations, relevant to the Group's activities, which have not been applied in these financial statements were in issue but not yet effective:

IAS 23 (Amendment) – Borrowing costs

IFRS 8 – Operating segments

IAS 1 (Revised) – Presentation of financial statements

IFRS 3 (Revised) – Business combinations

IFRS 2 (Amendment) – Share-based payment

Numerous other minor amendments to standards have been made as a result of the IASB's annual improvement project.

The Group expects that the adoption of these standards in the future will have no material impact on the results for the Group.

2 Revenue

	Private clients £'000	Charles Stanley Securities £'000	Other £'000	Total £'000
Year ended 31 March 2008				
Commission	48,578	7,822	2,377	58,777
Fees				
Investment management	19,089	—	—	19,089
Administration	21,881	—	—	21,881
Corporate finance	—	5,734	—	5,734
	40,970	5,734	—	46,704
Other income	—	—	83	83
Total for year ended 31 March 2008	89,548	13,556	2,460	105,564
Allocated administrative expenses	(58,427)	(11,398)	(1,567)	(71,392)
	31,121	2,158	893	34,172
Unallocated administrative expenses				(23,833)
Operating profit				10,339
Year ended 31 March 2007				
Commission	48,796	8,737	1,873	59,406
Fees				
Investment management	16,268	—	—	16,268
Administration	16,993	—	—	16,993
Corporate finance	—	5,114	—	5,114
	33,261	5,114	—	38,375
Other income	—	—	398	398
Total for year ended 31 March 2007	82,057	13,851	2,271	98,179
Allocated administrative expenses	(50,233)	(10,796)	(1,732)	(62,761)
	31,824	3,055	539	35,418
Unallocated administrative expenses				(21,911)
Operating profit				13,507

For management purposes, the group is divided into two business segments: Private Clients and Charles Stanley Securities. All operations are carried out in the United Kingdom.

Operating assets and liabilities are not directly attributable to segments, nor can they be allocated to income streams on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

3 Particulars of staff

The average number of persons employed (including Directors) during the year was 625 (2007: 555).

	2008 £'000	2007 £'000
Staff costs:		
Wages and salaries	34,933	30,777
Social security costs	4,140	3,539
Other pension costs	2,794	2,563
	41,867	36,879

4 Operating profit

	2008 £'000	2007 £'000
The following items have been included in arriving at operating profit:		
Depreciation of property, plant and equipment:		
Owned assets	2,234	2,283
Assets held under finance leases	39	108
Auditors' remuneration:		
Audit of the Company's annual accounts	15	30
Audit of the Company's subsidiaries	95	84
Other services pursuant to legislation	18	47
Services relating to taxation	67	70
All other services	3	3
Net gains held for trading investments	(122)	(271)
Operating lease rentals	1,541	1,368
One-off revenue costs relating to new investment teams	4,418	1,613

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 (2007: £6,750) in respect of the audit of the Charles Stanley Retirement Benefit Scheme.

5 Finance income – net

	2008 £'000	2007 £'000
Interest expense:		
Interest payable on bank borrowings	(3)	(32)
Interest payable on other loans	(85)	(3)
Interest payable on finance leases	(12)	(11)
Interest and similar charges payable	(100)	(46)
Interest income	2,078	2,151
Profit on disposal of available for sale investments	80	1,974
Finance income – net	2,058	4,079

6 Taxation

	2008 £'000	2007 £'000
Analysis of charge in period:		
Current tax:		
Continuing operations	3,353	5,404
Adjustment in respect of prior periods	(89)	(169)
Deferred tax:		
Continuing operations	195	—
	3,459	5,235

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2008 £'000	2007 £'000
Profit before tax	12,397	17,586
Profit multiplied by rate of corporation tax in the UK of 30% (2007: 30%)	3,719	5,276
Effects of:		
Other items not allowable for tax purposes	173	123
Adjustments in respect of previous periods	(89)	(169)
Other adjustments	(344)	5
	(260)	(41)
Tax charge for the year	3,459	5,235

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

7 Profit for the year

As permitted by section 230 of the Companies Act 1985 the parent undertaking has not presented its own income statement in these financial statements.

The consolidated profit for the year of £8,938,000 (2007: £12,373,000) includes a loss of £3,864,000 (2007: £5,147,000) which is dealt with in the accounts of the parent undertaking and post acquisition profits of £656,000 for Garrison Investment Analysis Ltd.

8 Dividends paid

	2008 £'000	2007 £'000
Final paid of 6.25p per share (2007: 5.35p)	2,657	2,256
Interim paid of 2.10p per share (2007: 1.85p)	894	783
	3,551	3,039

In addition, the Directors are proposing a final dividend in respect of the year ended 31 March 2008 of 6.50p per share which will absorb an estimated £2.87 million of shareholders' funds. It will be paid on 7 August 2008 to shareholders who are on the register of members on 11 July 2008.

9 Earnings per share

	2008 £'000	2007 £'000
Earnings attributable to ordinary shareholders	8,938	12,373
Profit on disposal of available for sale investments	(80)	(1,974)
Tax on profit on disposal of available for sale assets	24	592
Underlying earnings attributable to ordinary shareholders	8,882	10,991
	No. 000's	No. 000's
Weighted average number of shares in issue in the year	42,788	42,299
Dilution	1,437	1,647
	44,225	43,946
Based on reported earnings		
Basic earnings per share	20.89p	29.25p
Diluted earnings per share	20.21p	28.16p
Based on underlying earnings		
Basic earnings per share	20.76p	25.98p
Diluted earnings per share	20.08p	25.01p

10 Goodwill

	Group £'000	Company £'000
1 April 2007	15,434	10,236
Acquisitions (note 25)	7,884	—
Disposals	(80)	—
31 March 2008	23,238	10,236
Private client division		
Stockbroking and portfolio services	18,710	8,526
Financial planning and benefit consultants	1,710	1,710
Pension administration	1,294	—
	21,714	10,236
Other		
Bond research and sales	1,524	—
	23,238	10,236

As stated in the accounting policies, the recoverable amounts of goodwill allocated to the Cash Generating Units ('CGUs') are determined from value in use calculations. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGUs. Management also estimates growth rates that are based on industry growth forecasts. No intangible assets other than goodwill were separately identified in these acquisitions.

11 Intangible assets

	Customer lists £'000	Brand costs £'000	Total £'000
(a) Group			
Cost			
1 April 2007	3,083	86	3,169
Acquisitions	2,948	97	3,045
31 March 2008	6,031	183	6,214
Amortisation			
1 April 2007	—	—	—
Amortisation during year	616	37	653
31 March 2008	616	37	653
Net book value			
31 March 2008	5,415	146	5,561
31 March 2007	3,083	86	3,169

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

11 Intangible assets (continued)

(b) Company	Customer lists £'000	Brand costs £'000	Total £'000
Cost			
1 April 2007	3,083	86	3,169
Acquisitions	22	97	119
31 March 2008	3,105	183	3,288
Amortisation			
1 April 2007	—	—	—
Amortisation during year	299	37	336
31 March 2008	299	37	336
Net book value			
31 March 2008	2,806	146	2,952
31 March 2007	3,083	86	3,169

To determine whether impairment exists, the carrying value of intangibles are compared with their recoverable amount on an annual basis at the balance sheet date.

12 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 2007	185	1,975	4,190	10,431	16,781
Additions	289	9	395	2,910	3,603
Disposals	—	—	—	(2,831)	(2,831)
31 March 2008	474	1,984	4,585	10,510	17,553
Depreciation					
1 April 2007	28	1,574	2,025	7,026	10,653
Additions	—	—	—	20	20
Charge for the year	3	26	255	1,989	2,273
Disposal	—	—	—	(2,813)	(2,813)
31 March 2008	31	1,600	2,280	6,222	10,133
Net book value					
31 March 2008	443	384	2,305	4,288	7,420
31 March 2007	157	401	2,165	3,405	6,128

The net book value of tangible fixed assets includes £131,000 (2007: £145,000) in respect of assets held under finance leases and hire purchase contracts.

Fixed assets include fully depreciated assets costing £4.3 million.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

13 Available for sale investments

	Listed investments £'000	Unlisted investments £'000	Total £'000
(a) Group			
1 April 2007			
Cost	1,428	303	1,731
Revaluation	910	2,301	3,211
Fair value	2,338	2,604	4,942
Additions	167	—	167
Disposals	(534)	—	(534)
Revaluation in year	(456)	788	332
Fair value at 31 March 2008	1,515	3,392	4,907
Cost	1,087	303	1,390
Revaluation	428	3,089	3,517
(b) Company			
1 April 2007			
Cost	502	29	531
Revaluation	71	—	71
Fair value	573	29	602
Additions	67	—	67
Disposals	(75)	—	(75)
Revaluation in year	(5)	—	(5)
Fair value at 31 March 2008	560	29	589
Cost	509	29	538
Revaluation	51	—	51

During the year 25,000 shares in London Stock Exchange plc were sold for £434,000. The Company does not hold any more shares in London Stock Exchange plc.

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 2008 (£2.5 million at 31 March 2007). 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.

14 Investments in subsidiaries

	Total £'000
Cost	
1 April 2007	43,830
Additions	8,360
31 March 2008	52,190
Impairment	
1 April 2007	8,889
Impairment during period	7,212
31 March 2008	16,101
Net book value	
31 March 2008	36,089
31 March 2007	34,941

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		100%
EBS Management Plc	Pension Fund Administrator	(2)	100%
EBS Pensioner Trustees Limited	Pensioner Trustee Services		100%
EBS Self-Administered Personal Pension Plan Trustees Limited	Pensioner Trustee Services		100%
Sutherlands Group Limited	Holding company		100%
Sutherlands Research Limited	Dormant	(4)	89%
Alpha Trustees Limited	Dormant		100%
Garrison Investment Analysis Limited	Financial Intermediary	(2)	75%

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

15 Trade and other receivables

	2008		2007	
	Group £'000	Company £'000	Group £'000	Company £'000
Current:				
Trade debtors	295,772	—	264,967	—
Other debtors	668	—	393	—
Amounts due from Group undertakings	—	852	—	852
Prepayments and accrued income	2,612	—	2,114	—
	299,052	852	267,474	852

16 Held for trading investments

Current				
Listed investments	2,575	—	1,234	—

17 Cash and cash equivalents

Cash at bank	32,527	224	42,305	189
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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 £996 million (2007: £741 million).

18 Financial liabilities

	2008		2007	
	Group £'000	Company £'000	Group £'000	Company £'000
Current				
Bank of England base rate redeemable loan	157	157	157	157
4.5% convertible redeemable loan note	311	311	680	680
Obligations under finance leases	51	51	44	44
	519	519	881	881
Non-current				
Bank of England rate unsecured loan note	1,336	1,336	—	—
Obligations under finance leases	68	68	97	97
	1,404	1,404	97	97

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.

19 Trade and other payables

	2008		2007	
	Group £'000	Company £'000	Group £'000	Company £'000
Current				
Trade payables	286,180	—	258,483	—
Amounts owed to Group undertakings	—	8,702	—	3,020
Other taxes and social security	2,788	—	1,746	—
Other creditors	1,984	577	4,742	2,739
Accruals and deferred income	6,389	94	6,243	127
	297,341	9,373	271,214	5,886
Non current				
Other creditors – deferred consideration (note 25)	1,992	1,992	—	—

20 Deferred tax liabilities

	Revaluation £'000	Retirement benefit £'000	Other differences £'000	Total £'000
1 April 2007	898	(426)	(436)	36
Revaluation of financial assets	86	—	—	86
Movement in retirement benefit liability	—	(121)	—	(121)
Movement in other differences	—	—	194	194
31 March 2008	984	(547)	(242)	195

21 Financial instruments and 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 7 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) trading portfolio assets and liabilities that arise from trading as principal and iii) the impact on investment management fees.

In common with the stress tests referred to in the Operating and Financial Review on pages 7 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 that is seen at year end.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

21 Financial instruments and risk management (continued)

i) Available for sale investments

Note 13 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 £84,000 (2007: £168,000).

ii) Held for trading assets and liabilities

The Group's exposure to market risk on its held for trading positions is monitored daily by the Finance Department 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 £12,000 (2007: £27,000).

iii) Investment Management fees

A 10% increase/decrease in equity prices would increase/decrease profit on investment management fees in the Income statement by £1,350,000

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:

	2008 £'000	2007 £'000
Net assets		
Euros	451	47
US Dollars	787	877
Other currencies	644	348
	1,882	1,272

The Group's activities are primarily denominated in sterling and it does not enter into forward exchange contracts for hedging anticipated transactions.

21 Financial instruments and risk management (continued)

Interest rate risk

The Group has interest bearing assets in cash and cash deposits, and a holding in one short term fixed income security which is held to maturity. The Group views such exposure to interest rate fluctuations as immaterial.

At 31 March 2008 if bank base rates had been 200 basis points higher/lower profit for the year would have been £701,012 higher/lower (2007: £863,007)

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.

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 2008

	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	262,465	33,560	2,584	251	192	299,052
AFS investments	4,907	—	—	—	—	4,907
HFT investments	2,575	—	—	—	—	2,575
Cash and cash equivalents	32,527	—	—	—	—	32,527

As at 31 March 2007

Trade receivables	201,304	62,573	2,740	413	444	267,474
AFS investments	4,942	—	—	—	—	4,942
HFT investments	1,234	—	—	—	—	1,234
Cash and cash equivalents	42,305	—	—	—	—	42,305

A provision for impairment of receivables existed at 31 March 2008 of £242,000 (31 March 2007: £251,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

21 Financial instruments and risk management (continued)

Management of 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 2008	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000
Trade payables	286,180	—	—	—
Other taxes and social security	2,788	—	—	—
Other creditors	1,984	—	—	—
Accruals and deferred income	6,389	—	—	—
Financial liabilities	519	1,390	14	—
Current tax liabilities	798	—	—	—
Other non-current liabilities	—	1,992	—	—

As at 31 March 2007

Trade payables	258,483	—	—	—
Other taxes and social security	1,746	—	—	—
Other creditors	4,742	—	—	—
Accruals and deferred income	6,243	—	—	—
Financial liabilities	881	72	15	—
Current tax liabilities	3,011	—	—	—
Other non-current liabilities	—	—	—	—

Capital risk management

The Group has an Internal Capital Adequacy Assessment Process, as required by the Financial Services Authority, 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.

As at 31 March the total available regulatory capital was £44,672,000, calculated under Pillar 1 of the Capital Requirements Directive. The relevant balance for 2007, calculated under the Transitional Rules of the Capital Requirements Directive, was £44,010,000.

The Group uses the simplified approach for Credit Risk and standardised approach for Operational Risk to determine its Pillar 1 requirements.

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.

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.

22 Called up share capital

	2008 £'000	2007 £'000
Authorised 80,000,000 ordinary shares of 25p each	20,000	20,000
Allotted and fully paid 44,117,718 (2007: 42,370,195) ordinary shares of 25p each	11,029	10,592

During the year 1,594,446 ordinary shares were issued fully paid for cash at 96p each and 4,703 ordinary shares were issued fully paid for cash at 287p each, following the exercise of options by employees. These shares had a nominal value of £399,787 and a total consideration value of £1,544,166.

During the year part of the 4.5% convertible redeemable loan notes were redeemed and 148,374 ordinary shares were issued fully paid at 248p each. These shares had a nominal value of £37,093 and a total consideration value of £367,967. The share price at the date of issue of the loan notes on 26 November 2004 was 256p.

Share options and share based payment

At 31 March 2008 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	2 Jan 2003
Exercisable during the six months commencing	1 Feb 2011	1 Feb 2008
Number of shares	427,598	25,000
Exercise price per share	£2.48	£0.96
Expected fair value per share	£0.56	£0.14

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	£0.95
Expected life	3.0 years	5.1 years
Expected volatility	22.62%	22.62%
Risk free rate	4.63%	4.24%
Expected dividend yield	2.96%	4.74%

The Group recognised total expenses of £49,000 (2007: £38,000) related to equity-settled share-based payment transactions.

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

	2008		2007	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
1 April	1,632,315	£0.97	1,779,693	£1.00
Granted	427,598	£2.48	—	—
Exercised	(1,599,149)	£1.00	(101,467)	£1.50
Forfeited	(8,166)	£0.96	(45,911)	£1.18
31 March	452,598	£2.40	1,632,315	£0.97
Exercisable	25,000	£0.96	4,703	£2.87

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

22 Called up share capital (continued)

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

Year ended 31 March 2008

	Number exercised	Exercise date	Share price at exercise date
Pre November 2002	4,703	01 May 07	£3.61
2 January 2003	2,318	05 Jun 07	£3.80
2 January 2003	2,318	15 Jun 07	£3.71
2 January 2003	11,041	31 Aug 07	£3.29
2 January 2003	11,458	10 Sep 07	£3.32
2 January 2003	11,875	25 Oct 07	£3.29
2 January 2003	2,493	20 Nov 07	£2.73
2 January 2003	2,581	15 Jan 08	£2.42
2 January 2003	1,532,237	01 Feb 08	£2.50
2 January 2003	5,250	10 Feb 08	£2.56
2 January 2003	5,125	10 Feb 08	£2.56
2 January 2003	2,625	14 Mar 08	£2.22
2 January 2003	5,125	14 Mar 08	£2.22
	1,599,149		£2.52

Year ended 31 March 2007

2 January 2003	10,126	03 Jul 06	£3.65
2 January 2003	8,958	30 Aug 06	£3.37
Pre November 2002	24,689	12 Sep 06	£3.32
2 January 2003	4,629	18 Sep 06	£3.31
2 January 2003	3,025	18 Sep 06	£3.32
2 January 2003	4,839	30 Nov 06	£3.32
Pre November 2002	470	30 Nov 06	£3.32
2 January 2003	9,791	09 Jan 07	£3.39
2 January 2003	6,050	25 Jan 07	£3.26
Pre November 2002	3,527	31 Jan 07	£3.28
2 January 2003	10,000	31 Jan 07	£3.28
2 January 2003	5,155	15 Feb 07	£3.46
2 January 2003	10,208	10 Mar 07	£3.59
	101,467		£3.39

The weighted average share price at the date of exercise of share options was £2.52 (2007: £3.39).

23 Reserves and statement of changes in shareholders' equity

(a) Group

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2006	10,541	21	3,955	40,675	55,192
Net profit	—	—	—	12,373	12,373
Dividends paid	—	—	—	(3,039)	(3,039)
Revaluation of available for sale investments	—	—	(463)	—	(463)
Deferred tax on revaluation of available for sale investments	—	—	771	—	771
Transfer of realised revaluation surplus	—	—	(1,974)	—	(1,974)
Retirement benefits scheme actuarial surplus	—	—	—	825	825
Deferred tax on retirement scheme actuarial surplus	—	—	—	(303)	(303)
Share options – value of employee services	—	—	—	38	38
– Issue of shares	25	127	—	—	152
Conversion of convertible notes	26	231	—	—	257
31 March 2007	10,592	379	2,289	50,569	63,829
Net profit	—	—	—	8,938	8,938
Dividends paid	—	—	—	(3,551)	(3,551)
Revaluation of available for sale investments	—	—	332	—	332
Deferred tax on revaluation of available for sale investments	—	—	(86)	—	(86)
Transfer of realised revaluation surplus	—	—	(26)	—	(26)
Retirement benefits scheme actuarial deficit	—	—	—	(578)	(578)
Deferred tax on retirement scheme actuarial deficit	—	—	—	162	162
Share options – value of employee services	—	—	—	49	49
– Issue of shares	400	1,144	—	—	1,544
Conversion of convertible notes	37	332	—	—	369
31 March 2008	11,029	1,855	2,509	55,589	70,982

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

23 Reserves and statement of changes in shareholders' equity (continued)

(b) Company

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2006	10,541	21	82	40,231	50,875
Net loss	—	—	—	(5,147)	(5,147)
Dividends paid	—	—	—	(3,039)	(3,039)
Revaluation of available for sale investments	—	—	(11)	—	(11)
Share options – value of employee services	—	—	—	38	38
– Issue of shares	25	127	—	—	152
Conversion of convertible notes	26	231	—	—	257
31 March 2007	10,592	379	71	32,083	43,125
Net loss	—	—	—	(3,864)	(3,864)
Dividends paid	—	—	—	(3,551)	(3,551)
Revaluation of available for sale investments	—	—	(34)	—	(34)
Share options – value of employee services	—	—	—	49	49
– Issue of shares	400	1,144	—	—	1,544
Conversion of convertible notes	37	332	—	—	369
31 March 2008	11,029	1,855	37	24,717	37,638

24 Reconciliation of net profit to net cash generated from operations

	2008		2007	
	Group £'000	Company £'000	Group £'000	Company £'000
Net profit/(loss)	12,397	(3,861)	17,586	(5,003)
Adjustments for				
Depreciation	2,273	—	2,391	—
Impairment of investment in subsidiaries	—	7,211	—	8,889
Amortisation of intangibles	653	336	—	—
Share option cost	49	49	38	38
Dividend income	(83)	(14)	(371)	(10)
Interest income	(2,078)	(12)	(2,151)	(11)
Interest expense	100	94	46	11
Profit on disposal of available for sale investments	(80)	(4)	(1,974)	(36)
Financial assets acquired in lieu of fees	(50)	—	—	—
Changes in working capital				
Increase in debtors	(31,282)	—	(27,544)	(35)
Increase in creditors	28,128	5,624	16,365	887
Net cash inflow from operations	10,027	9,423	4,386	4,730

25 Acquisitions

On 14 June 2007, the Group announced the acquisition of Garrison Investment Analysis Ltd. The initial consideration of just over £6 million was satisfied by a mixture of cash and the issue of loan notes. The remaining deferred consideration will be paid on the second anniversary of completion. Since the Group is committed to acquiring the remaining 25% of ordinary shares on the second anniversary, no minority interest is shown in these financial statements. No material adjustments were made to the book value of Garrison's net assets before acquisition.

The assets and liabilities of Garrison Investment Analysis Ltd at acquisition date were as follows:

	£'000
Freehold property	230
Current assets	904
Current liabilities	(658)
Net assets acquired	476
Goodwill acquired	7,884
Total cost of acquisition	8,360
Satisfied by:	
Cash	5,032
Loan notes	1,336
Deferred consideration	1,992
Total consideration	8,360

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

26 Lease commitments

	2008 £'000	2007 £'000
Group and Company		
Total commitments under leases at 31 March were:		
Operating leases - land and buildings		
Expiring within one year	122	98
Expiring within two to five years	806	1,095
Expiring after five years	6,883	6,439
Finance leases - motor vehicles		
Expiring within one year	64	44
Expiring within two to five years	105	117
Expiring after five years	—	—

27 Capital commitments

	2008 £'000	2007 £'000
Authorised but not contracted for	1,020	280

28 Pension costs

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

The Group also sponsors the Charles Stanley & Co. Limited Retirement Benefits Scheme ("the Scheme"), which is a wholly funded defined benefit arrangement. The last full actuarial valuation of the Scheme was carried out by an independent qualified actuary as at 13 May 2005 and updated on an approximate basis to 31 March 2008.

The contributions made by the employer over the financial year have been £899,000, equivalent to 23.2% of pensionable pay. This contribution rate is to continue until reviewed following the next triennial valuation of the Scheme.

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 recognised income and expense.

Assets

	2008 £'000	2007 £'000
Equities	9,142	10,989
Bonds	2,921	3,108
Other	5,893	4,575
Fair value of plan assets	17,956	18,672
Present value of defined benefit obligation	19,908	20,193
Deficit in scheme	1,952	1,521

28 Pension costs (continued)

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

	2008 £'000	2007 £'000
Fair value of assets at start of year	18,672	15,852
Expected return on assets	1,124	791
Actuarial (loss)/gain	(2,803)	1,105
Contributions by employer	958	899
Contributions by plan participants	94	94
Benefits paid, death in service insurance premiums and expenses	(89)	(69)
Business combinations	—	—
Settlements	—	—
Fair value of assets at end of year	17,956	18,672

The fair value of the assets shown above include £472,000 of shares in Charles Stanley Group PLC.

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

	2008 £'000	2007 £'000
Defined benefit obligation at start of year	20,193	18,281
Total employer current service cost	752	622
Interest cost	1,133	985
Employee contributions	94	94
Actuarial (gain)/loss	(2,225)	280
Benefits paid, death in service insurance premiums and expenses	(89)	(69)
Past service costs	50	—
Business combinations	—	—
Curtailments	—	—
Settlements	—	—
Defined benefit obligation at end of year	19,908	20,193

Total expense recognised in the income statement

	2008 £'000	2007 £'000
Current service cost	752	622
Interest on pension scheme liabilities	1,133	985
Expected return on pension scheme assets	(1,124)	(791)
Past service cost	50	—
Curtailments	—	—
Settlements	—	—
Total expense	811	816

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

28 Pension costs (continued)

Gains/(losses) recognised in statement of recognised income and expense

	2008	2007	2006	2005
Difference between expected and actual return on scheme assets:				
Amount (£'000)	(2,803)	1,105	343	(47)
Percentage of scheme assets	(16%)	6%	2%	(1%)
Experience gains and losses arising on the scheme liabilities:				
Amount (£'000)	37	(304)	(832)	147
Percentage of present value of scheme liabilities	0%	(2%)	(5%)	1%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:				
Amount (£'000)	2,188	24	(1,795)	(411)
Percentage of present value of scheme liabilities	12%	0%	(10%)	(3%)
Total amount recognised in statement of recognised income and expense:				
Amount (£'000)	(578)	825	(2,284)	(311)
Percentage of present value of scheme liabilities	(3%)	4%	(12%)	(2%)

The cumulative amount of actuarial losses recognised in the statement of recognised income and expense since adoption of IAS19 is £2.3 million.

History of scheme assets and obligations

	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Fair value of assets	17,956	18,672	15,852	14,029
Present value of obligation	19,908	20,193	18,281	14,140
Deficit in scheme	(1,952)	(1,521)	(2,429)	(111)

28 Pension costs (continued)

Assumptions

	2008 % per annum	2007 % per annum
Inflation	3.70	3.30
Salary increases	3.00	3.50
Rate of discount	6.35	5.50
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.65	3.30
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.70	3.30

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:

	2008	2007
Equities	7.25%	6.75%
Bonds	6.35%	5.50%
Cash	4.25%	4.00%
Overall for scheme	6.12%	5.87%

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 2008 is £950,000.

The mortality assumptions adopted at 31 March 2008 imply the following life expectations at age 65:

Male currently aged 40:	23 years
Female currently aged 40:	26 years
Male currently aged 65:	22 years
Female currently aged 65:	25 years

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

29 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	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Charles Stanley & Co. Limited	—	—	7,277	1,692
EBS Management PLC	852	852	—	—
EBS Pensioneer Trustees Limited	—	—	2	5
EBS Self-Administered Personal Pension Plan Trustees Limited	—	—	—	1
Gryphon Investments PLC	—	—	924	924
Robson Cotterell Limited	—	—	250	250
Sutherlands Group Limited	—	—	249	148
	852	852	8,702	3,020

The parent company received dividends totalling £2,750,000 (2007: £3,000,000) from Charles Stanley & Co. Limited, £653,173 (2007: nil) from Sutherlands Limited, nil (2007: £64,073) from EBS Pensioneer Trustees Limited and nil (2007: £37,292) from EBS Self-Administered Personal Pension Plan Trustees Limited.

The parent Company received a management charge from Charles Stanley & Co Limited of £650,000 (2007: £350,000) during the year and Charles Stanley & Co. Limited received a management charge from Garrison Investment Analysis Limited of £65,000 (2007: 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.

	2008 £'000	2007 £'000
Salaries and short-term employee benefits	3,484	3,316
Social security costs	409	373
	3,893	3,689

30 Events after the balance sheet date

Agreement was reached in April 2008 to purchase Truro Stockbrokers and the private client business of Insinger de Beaufort Ltd. Both these acquisitions will contribute to Group earnings from 2009 onwards.

**DIRECTORS OF
CHARLES STANLEY
GROUP PLC**

Sir David Howard, Bt
Peter A Hurst
Michael Clark
Michael R I Lilwall

**DIRECTORS OF
CHARLES STANLEY
& CO LIMITED**

Name	Responsibility
Stephen C King	General Manager
Martina M Murphy	Financial Control
Philip C Nathan, MBE	Dealing
J Andrew Butcher	Client Services
Macgregor Anderson	Internal Audit
Michael J Pitts	Information and Communications Technology
Venetia J Malpas	Compliance
Gary Teper	Legal Services and Human Resources
together with the directors of Charles Stanley Group PLC.	

**FINANCIAL
CALENDAR**

12 June 2008	Results announced
9 July 2008	Ex-dividend date for final dividend
11 July 2008	Record date for final dividend
30 July 2008	Annual General Meeting
7 August 2008	Final dividend paid
November 2008	Interim results announced

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 108th Annual General Meeting of Charles Stanley Group PLC will be held at 25 Luke Street EC2 on 30 July 2008 at 11.00 am, for the following purposes:

Ordinary business

1. To receive and adopt the Accounts for the year ended 31 March 2008 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 26 to 29 of the Annual Report and Accounts.
4. To re-elect Sir David Howard Bt. 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, 8, 9 and 10 as special resolutions.

Ordinary resolution

Resolution 6

THAT pursuant to section 80(1) of the Companies Act 1985 ("the 1985 Act")

- (a) the Directors shall have general and unconditional authority to exercise for the purposes of section 80 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 80(2) of the 1985 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 80(7) of the 1985 Act, be for a period expiring on the earlier of 15 months from the date of this resolution and the end of the 2009 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 £3,670,000.
- (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 95 of the Companies Act 1985 ("1985 Act") to allot equity securities (within the meaning of section 94 of the 1985 Act) pursuant to the authority conferred by resolution number 6 in the Notice of Meeting as if section 89(1) of the 1985 Act 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 £551,000; 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 2009 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 purpose of section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163 (3) of the Companies Act 1985) 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 4,411,000;
- (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 LSE 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 2009 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.

NOTICE OF MEETING

Resolution 9

THAT the Articles of Association be and are hereby altered as follows:

- (a) By deleting from the definition of "The Statutes" the year "1967" and substituting therefor the year "2006";
- (b) By inserting into Article 72 the words "or by proxy or (being a corporation) is present by a duly authorised representative or by proxy, unless the proxy (in either case) or the representative is himself a member entitled to vote" so that Article 72 reads as follows:
- "72 Subject to any special rights or restrictions as to voting attached to any class of shares, on a show of hands every member who is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy, unless the proxy (in either case) is himself a member entitled to vote, shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every 25p nominal amount of the shares of which he is the holder."
- (c) By deleting the existing Article 76 and substituting therefor the following new Article 76:
- "76 On a poll votes may be given either personally or by proxy. A member may appoint more than one proxy to attend on the same occasion."
- (d) By deleting from Article 82 the date beginning "19.." and substituting therefor the numbers "20.."; and
- By inserting into Article 82 the words "vote on a show of hands and" so that the final sentence of Article 82 reads as follows:
- "82 The instrument appointing a proxy shall be deemed to confer authority to vote on a show of hands and demand or join in demanding a poll."

Resolution 10

THAT with effect from 1 October 2008, the Articles of Association be and are hereby altered as follows:

By deleting the existing Article 101 (E) and substituting therefor the following new Article 101 (E):

"101(E1) The Board may authorise any matter proposed to it in accordance with these Articles which would, if not so authorised, involve a breach by a Director of his duty to avoid conflicts of interest under section 175 of the 2006 Act, including, without limitation, any matter which relates to a situation in which the Director has, or can have, an interest which conflicts, or possibly may conflict, with the interest of the Company (including the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it, but excluding any situation which cannot reasonably be regarded as likely to give rise to a potential conflict of interest). The provisions of this Article do not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company

"101(E2) Any such authorisation will be effective only if:

- (i) the matter arose on or after 1 October 2008;
- (ii) any requirement as to quorum at the meeting at which the matter is considered is met without counting the Director in question or any other interested Director; and
- (iii) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

"101(E3) The Board may (whether at the time of the giving of the authorisation or subsequently) make any such authorisation subject to any limits or conditions it expressly imposes but such authorisation is otherwise given to the fullest extent permitted.

"101(E4) The Board may vary or terminate any such authorisation at any time."

By Order of the Board

Gary Teper
Secretary
12 June 2008

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights 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 7953 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 Monday 28 July.
3. The return of a completed form or other instrument will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. 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.
5. 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 shareholders of the Company.
6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose 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 11.00 am on Monday 28 July 2008 (or, in the event of any adjournment, 11.00 am 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.
7. As at 11 June 2008 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 44,117,718 ordinary shares carrying one vote each. Therefore, the total voting rights in the Company as at 11 June 2008 are 44,117,718.
8. 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.
9. At this year's Annual General Meeting, there are ten 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 2008.

Resolution 2

The Directors will propose a final dividend of 6.50p.

Resolution 3

The Directors' remuneration report is included in the Annual Report and Accounts on pages 26 to 29.

NOTICE OF MEETING

Resolution 4

In accordance with the Company's Articles of Association, Sir David Howarth Seymour Howard Bt. who is aged 62, retires and is eligible for, and is seeking, re-appointment as a Director. Short biographical details of Sir David Howard Bt. 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 89 of the Companies Act 1985, 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 1985. The Directors believe 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 11 June 2008) 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.

Resolution 9

Proposes the adoption of amended articles of association in order to update the Company's current articles of association primarily to take account of the changes in English company law brought about by sections of the Companies Act 2006 already in force.

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 directors of all of the other corporate representatives for that shareholder at the meeting, then on a poll these 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 of this procedure.

Resolution 10

Proposes the adoption of amended articles of association in order to update the Company's current Articles of Association to take account of the change in the requirements relating to the authorisation of certain conflicts, or potential conflicts of interest, brought about by sections of the Companies Act 2006 coming into force on 1 October 2008.

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