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CHARLES STANLEY GROUP PLC

2007 ANNUAL REPORT AND ACCOUNTS

Charles Stanley
GROUP PLC

Annual Report and Accounts 07

Charles Stanley at a glance

One of the UK's leading independent full service stockbroking, corporate finance and wealth management groups

27 offices across the United Kingdom

Committed to providing individually tailored and exceptionally responsive investment services for clients and ensuring they are of outstanding quality, efficient and innovative

Private Client Division

Discretionary Portfolio Services

Advisory Portfolio Services

Execution Only Stockbroking

Personal Financial Planning

Pension Administration

Benefit Consultancy

Charles Stanley Securities

Corporate Finance

Nominated Advisor and Sponsor

Financial Advisor and Sponsor

Broker

Institutional - Equity Research and Sales

Financial Highlights

Revenue up by 6% to a new record of £98.2 million (2006: £92.6 million)

Underlying profit before tax up by 20% to £15.6 million (2006: £13.0 million)

Underlying earnings per share up 27% to 25.98p (2006: 20.45p)

Reported profit before tax up by 26% to £17.6 million (2006: £14.0 million)

Reported earnings per share up 29% to 29.25p (2006: 22.70p)

Funds under management and administration up by £0.9 billion (9%) to £10.6 billion (2006: £9.7 billion)

Discretionary funds under management up by £0.4 billion (18%) to £2.6 billion (2006: £2.2 billion)

Total dividend up by 20% to 8.10p (2006: 6.75p)

New branches opened in Exeter and Guildford after the year end

Contents

Chairman's statement

I am delighted to announce another excellent set of results. For the twelve months ended 31 March 2007 our income rose by 6% to £98.2 million (2005/06: £92.6 million). The underlying profit before tax (which excludes "one-off" sales of available for sale investments and therefore gives a fairer reflection of ongoing operating performance) rose by 20% to £15.6 million (2005/06: £13.0 million). The full pre-tax profit was £17.6 million, an increase of 26% (2005/06: £14.0 million).

The investment funds that we manage or administer for clients rose during the year by 9% from £9.7 billion to £10.6 billion. Within this figure, funds under discretionary management rose by 18% from £2.2 billion to £2.6 billion.

At the end of the year we completed the acquisition of a substantial branch office in Exeter, and further major teams have joined us since the year-end in London and Guildford. No income or funds are included for these teams in our results for 2006/07.

In view of these results we propose increasing the final dividend to 6.25p (2006: 5.35p), making a total dividend for the year of 8.10p, an increase of 20% on last year's total dividend of 6.75p per share. The dividend will be paid on 31 July 2007 to shareholders who are registered on 6 July 2007.

Review of the year

Building on its origins as a City of London stockbroking firm, Charles Stanley Group provides a comprehensive range of investment, wealth management and financial planning services to retail, institutional and corporate clients. These services were further expanded and developed during the year in line with our proven strategy.

Overall, we succeeded in taking advantage of a positive market environment, whilst continuing to invest in our capabilities across the business to support our longer term development. As a result our earnings continue to benefit from a higher proportion of more resilient fee income.

Private Client division

Private Client investment management and administration fees rose 19% to £33.3 million (2006: £27.9 million) while commission income was up 3% at £48.8 million (2006: £47.2 million).

This corresponds to one of our objectives, to adjust the balance of our income, over time, increasingly away from commission income and towards more resilient fee income. In the latest year fee income from investment management and administration represented 40% of Private Client income, compared with 37% in 2005/06 and 28% in 2004/05.

A detailed analysis of the funds which we manage or administer for clients is set out in the operating and financial review on page 10. In summary, the total figure for these funds rose by 9% from £9.7 billion at 31 March 2006 to £10.6 billion. This compares with a rise in the FTSE 100 Share Index of 6% in the same period. Within this total, discretionary funds rose by 18% from £2.2 billion to £2.6 billion, and advisory investment management funds rose by 11% from £2.7 billion to £3.0 billion.

These increases were reflected in a rise of 25% in our fees for investment management, from £13.0 million to £16.3 million. This comes after an increase of 23% in the previous year, to 31 March 2006.

Clients' investment assets for which we charge administration rather than investment management fees rose by 4% from £4.8 billion to £5.0 billion, and the fees which we earned increased by 17% from £9.5 million to £11.1 million.

As I have indicated in recent annual statements, one of our key performance indicators has been the ratio of underlying profit before tax as a percentage of revenue. Our current target has been 15%. We have now achieved this, the ratio for the latest year being 15.9%, compared with 14.1% in 2005/06 and 13.4% in 2004/05.

Chairman's statement (continued)

Financial Planning and Benefit Consultants
This department has demonstrated organic growth in the year with revenues rising by 9% from £5.4 million to £5.9 million. These figures are included in the totals for administration income. Strong new client acquisition was achieved from the recently integrated regional offices and the recruitment of new consultants to support our enhanced proposition. The department is well placed for future expansion and profitability.

Recent changes in pensions legislation have seen greater uptake of new SIPPs (300 new arrangements in the year) and larger contributions to existing arrangements bringing total funds under administration to about £700 million. EBS Management PLC became fully authorised by the Financial Services Authority (FSA) with the advent of SIPP Regulation on 6 April 2006 and is attracting significant numbers of new enquiries as a high quality bespoke solution for many private clients as well as offering a white labelled service proposition to other managers of high net worth clients.

Charles Stanley OEICs and our Inheritance Tax portfolio service
Our in house funds and managed product business made excellent progress during the year with the funds growing 81% to £61 million (2006: £33 million). Though embryonic this part of the business is growing in importance going forward.

Charles Stanley Securities
Charles Stanley Securities, our specialist small and mid cap advisory and institutional broking division, had another good year. Revenues for the year were slightly down on the exceptional level of last year at £13.9 million (2006: £15.4 million) reflecting the generally quieter conditions in new issue activity.

The corporate finance and broking team made progress with its retained client list (currently 54 companies) with the average market capitalisation continuing to grow, whilst maintaining significant momentum in terms of executing transactions.

Stockmarket conditions for AIM IPOs and secondary fund raisings were considerably more challenging than in the previous year, so the total of £88 million raised on behalf of clients in the course of four IPOs and 16 secondary fund raisings was very satisfactory. In addition, a range of advisory-only mandates were executed.

In parallel, the institutional equities business (comprising institutional equity research and sales) has also continued to develop. In addition to coverage of corporate client stocks, sector analysts are increasing their coverage of non-corporate client companies, specifically larger-sized small companies, with a view to helping drive secondary commissions.

The division continues with its established strategy of focusing on the development of profitable corporate and institutional business, whilst incrementally adding high quality people to its existing staff of 35.

Finally, in April, it was very gratifying for the division to win the AIM Broker of the Year prize at the annual Growth Company Investor Awards. This followed a confidential survey of all AIM company chief executives and reflects their views of the division's overall broking capabilities. Additionally, it was again short-listed for the Best Nominated Adviser award.

The quality of our service
The excellent results for last year reflect the quality of the service that we offer to our clients; these figures are the culmination of another year's hard work and dedication from our skilled professional team at Charles Stanley. On behalf of shareholders I offer my thanks to everyone who has made 2006/07 such a successful year.

Acquisitions
As in previous years, we were pleased to welcome a number of brokers and financial planning executives both in London and in several of our branches.

Following the year end we opened a new branch, in Exeter, with a highly-regarded team which adds significantly to our strong presence in the south-west of England. The transfer has gone exceptionally well, and much credit is due both to the team in Exeter and to all the many people in our London office who have made it such a success.

More recently we have opened a major new branch in Guildford and we have made further significant appointments in London.

Outlook

In my statement last year I highlighted a number of uncertainties that lay ahead. Perhaps I am tempting fate to say that, a year further on, things look a little clearer. The London Stock Exchange has retained its independence and several bidders have left the field. But maybe the hunt will resume in the year ahead. The Financial Services Action Plan grinds on in Brussels. But though we still anticipate significant and expensive changes to the UK investment landscape, some of the most concerning parts of MiFID, the Markets in Financial Instruments Directive, have been pruned back.

We particularly welcome the constructive approach of the FSA in minimising “gold-plating” of the Directive, holding back from adding layers of UK regulation to the already detailed and prescriptive rules which are dictated from Brussels. This chimes well with the broader changes in regulation which the FSA is spear-heading, moving away from detailed and prescriptive rules and in favour of principle-based regulation – a development which will keep London at the leading edge, and which we applaud.

MiFID still remains a concern. We await critical decisions on significant parts of it. Yet there are less than six months to go before implementation. And of the 27 member states only the UK and Bulgaria had passed the mandatory enacting legislation by the required date.

On the other hand, economic conditions have remained benign and world stock markets have performed strongly. Some reaction is possible. But the underlying trend remains well-supported, and I expect markets to continue to offer clients good returns.

Our skill is in managing our clients’ investments, whatever the market conditions, so as to build solid long-term value. We seek to bring the same skill to the way in which we manage Charles Stanley. The past year has shown strong performance. We are very pleased to welcome the new teams that have joined us in recent months. Trading in the new financial year has started on a firm note, and if conditions remain favourable I anticipate further success in the year ahead.

David HS Howard

Sir David Howard, Bt
Chairman

7 June 2007

Operating and financial review

This review has been prepared solely to provide additional information to shareholders to assess the Company'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 2007 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 15 to 18.

Nature, aim, strategy and objectives of the business

Charles Stanley Group PLC has two trading companies, Charles Stanley & Co. Limited and EBS Management PLC. 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. Both companies are regulated by the Financial Services Authority. The Group has 27 offices around the United Kingdom, and all revenue is earned in the United Kingdom. These offices are listed on page 74.

Our over-riding aim is to build Charles Stanley Group 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:

- **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 funds
Traditional private client advisory stockbroking
Execution only stockbroking
Corporate benefits and personal financial planning
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 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; and
- To reduce levels of electricity and paper usage.

Information relating to these non-financial objectives are set out in our corporate social responsibility report on pages 15 to 18.

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

Key performance indicators

Indicator	Description	2007	2006	% change
Ratio of underlying profit to revenue	Underlying profit as percentage of income	15.9%	14.1%	12.8%
Underlying basic earnings per share	Underlying earnings divided by weighted average number of shares in issue during the year	25.98p	20.45p	27.0%
Funds under management and administration	Valuation of client assets at the year end	£10.6b	£9.7b	9.3%
Discretionary funds under management	Valuation of discretionary client assets at the year end	£2.6b	£2.2b	18.2%
FTSE 100 index		6,308	5,965	5.8%
Private Client fees relative to commission	Value of non-commission income as a percentage of private client income	40%	37%	8.1%
Fees growth	Value of non-commission income in year for private clients	£33.3m	£27.9m	19.4%

Operating and financial review (continued)

Results for 2007 financial year and financial position

During 2007 total revenue for the Group increased by 6% to £98.2 million from £92.6 million and underlying profit as a percentage of total revenue increased to 15.9% from 14.1% in 2006. Reported profit for the year of £17.6 million (2006: £14.9 million) includes profit on disposal of available for sale investments of £1.9 million (2006: £0.9 million), relating mainly to the sale of shares in the London Stock Exchange as explained in note 13 on page 54 of the accounts.

The results for the year are summarised in table 1

	2007 £m	2006 £m	Change %
Revenue	98.2	92.6	6%
Administrative expenses	(84.7)	(81.2)	4%
Operating profit	**13.5**	**11.4**	
Net interest	2.1	1.6	
Underlying profit	**15.6**	**13.0**	**20%**
Ratio to revenue	15.9%	[illegible]	
Profit on disposal of investments	2.0	1.0	
Reported profit for the year	**17.6**	**14.0**	**26%**

Table 1 Summary of income statement

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 47.

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:

	2007 £m	2006 £m	Change %
Revenue			
Commission	48.8	47.2	3%
Fees:			
Investment management	16.3	13.0	25%
Administration	11.1	9.5	17%
Financial planning and pension administration	5.9	5.4	9%
Total fees	**33.3**	**27.9**	**19%**
Total revenue	**82.1**	**75.1**	**9%**
Allocated expenses	(50.2)	(48.4)	4%
Operating profit	**31.9**	**26.7**	**19%**
Ratio to revenue	[illegible]	[illegible]	

Table 2 Summary income statement for the Private Client division

Private Client commission increased by 3% to £48.8 million from £47.2 million, despite a drop of 5% in market volumes. This was due to an increase of 10% in our average commission per bargain reflecting a move towards more discretionary business.

Private Client fee income increased by 19% from £27.9 million to £33.3 million and now represents 40% (2006: 37%) 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.

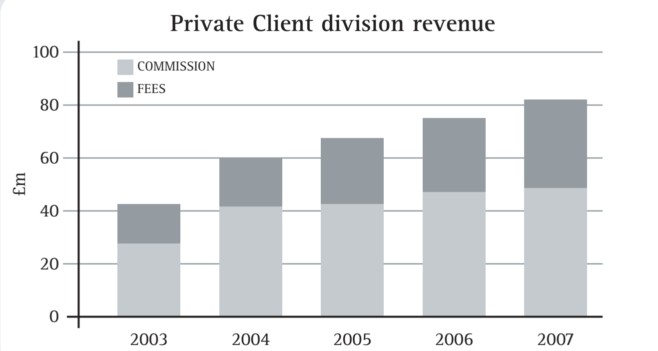


Chart 1 Split of Private Client division revenue between commission and fees

Fee income consists of investment management fees of £16.3 million (2006: £13.0 million), administration charges of £11.1 million (2006: £9.5 million) and financial planning, pension administration and benefit consultancy fees of £5.9 million (2006: £5.4 million).

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

	2007 £ billion	2006 £ billion	Change %
Discretionary funds under management			
In Group's nominee or Crest personal membership	2.6	2.2	18%
Advisory portfolio funds under management			
In Group's nominee or Crest personal membership	2.5	2.1	
Not held in Group's nominee	0.5	0.6	
	3.0	**2.7**	**11%**
Total managed funds	**5.6**	**4.9**	**14%**
Advisory dealing funds			
In Group's nominee or Crest personal membership	2.4	2.4	
Execution only funds			
In Group's nominee or Crest personal membership	2.6	2.4	
Total administered funds	**5.0**	**4.8**	**4%**
Total funds under management and administration	**10.6**	**9.7**	**9%**

Table 3 Funds under management and administration

At 31 March 2007, the Group held £10.6 billion of funds under management and administration, an increase of 9% on the 2006 figure of £9.7 billion. This compares with a rise of 6% in FTSE 100 Share Index over the same period. The increase in managed funds of 14% has helped drive investment management fees up by 25% (2006: increased by 23%). Funds under administration increased by 4% and the amount we earned increased by 17% from £9.5 million to £11.1 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 18% during the year to £2.6 billion at 31 March 2007 (2006: £2.2 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 22% to 24% of the total as shown in charts 2 and 3.

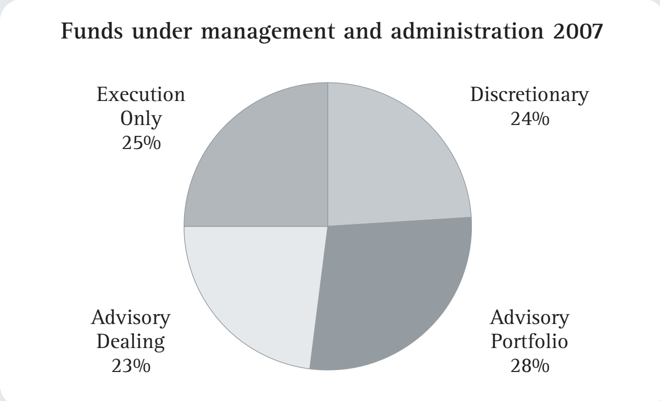


Chart 2 Funds under management and administration 2007

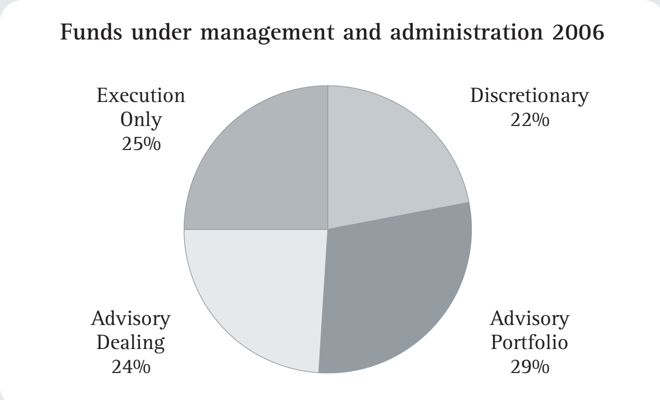


Chart 3 Funds under management and administration 2006

Financial planning, benefit consultancy and pension administration demonstrated organic growth in the year with revenues rising by 9% from £5.4 million to £5.9 million (table 2). Trail commission increased from £0.9 million in 2006 to £1.6 million in 2007.

Operating and financial review (continued)

Recent changes in pensions legislation have seen greater uptake of new SIPPs (300 new arrangements in the year) and larger contributions to existing arrangements bringing total funds under administration to about £700 million. Funds under management and administration in table 3 exclude this figure. EBS Management PLC became fully authorised by the FSA with the advent of SIPP Regulation on 6 April 2006.

Funds under management and administration in table 3 does include £61 million relating to the Charles Stanley OEICs and Inheritance Tax portfolio which have grown 81% in the year (2006: £33 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 £15.3 million to £13.9 million reflecting the generally quieter conditions in new issue activity. The results for this division are summarised in table 4.

	2007 £m	2006 £m	Change £m
Revenue			
Commission	8.7	8.5	0.2
Corporate finance fees	5.1	6.9	(1.8)
Total revenue	**13.8**	**15.4**	**(1.6)**
Allocated expenses	10.8	9.8	1.0
Operating profit	**3.0**	**5.6**	**(2.6)**
Return on revenue	21.7%	36.4%	

Table 4 Summary income statement for Charles Stanley Securities

The corporate finance and broking team made progress with its retained client list (currently 54 companies) with average market capitalisation continuing to grow. Stockmarket conditions were more challenging so the total of £88 million raised was satisfactory. In April the division won the AIM Broker of the Year prize at the annual Growth Company Investor Awards and it was shortlisted for the Best Nominated Adviser Award.

Administrative expenses

Administrative expenses are summarised in table 5.

	2007 £m	2006 £m	Change %
Administrative expenses			
Staff costs	36.9	32.5	14%
Depreciation	2.4	2.4	
Other costs	43.8	44.1	(1%)
	83.1	**79.0**	**5%**
One-off costs relating to new investment teams	1.6	2.2	
Total	**84.7**	**81.2**	**4%**
Allocated to			
Private Client division	50.2	48.4	4%
Charles Stanley Securities	10.8	9.8	10%
Other income	1.7	1.5	13%
Total allocated to divisions and other income	62.7	59.7	5%
Unallocated	22.0	21.5	2%
	84.7	**81.2**	**4%**

Table 5 Summary of administrative expenses

Total costs have increased by 4% from £81.2 million to £84.7 million. Staff costs are analysed in note 3 to the accounts on page 48. These have increased by 14% from £32.5 million to £36.9 million and represent 44% of our total costs (2006: 40%). Employee numbers have increased by 7% from 517 to 555.

For management purposes costs are allocated to divisions by direct attribution and this is shown in note 2 to the accounts on page 47.

Significant one-off revenue costs of £1.6 million have been incurred in respect of new investment teams (2006: £2.2 million). When excluding these one-off costs, total expenses have increased by 5% from £79.0 million to £83.1 million.

Costs also include depreciation which has remained stable at £2.4 million (2006: £2.4 million). Further details are shown in note 12 to the accounts on page 53. These figures reflect our close attention to controlling costs as illustrated in chart 4.

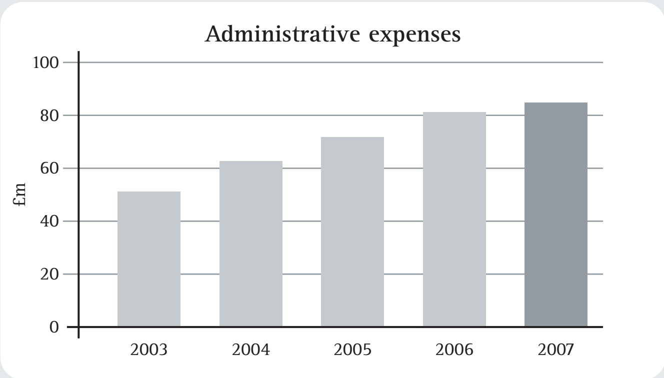


Chart 4 Administrative expenses 2003 to 2007

Interest receivable of £2.1 million (2006: £1.8 million) is bank deposit interest earned on the Group’s cash balances which stood at £42.3 million at 31 March 2007 (2006: £48.1 million).

The tax charge of £5.2 million (2006: £4.4 million) is analysed in note 6 on page 50 of the accounts. The current year charge of £5.2 million represents 30% of the Group’s profit before tax of £17.6 million (2006: 31% of £14.0 million). Further details on taxation are explained in note 6.

Underlying earnings per share for the year were 25.98p (2006: 20.45p) and diluted underlying earnings per share for the year were 25.01p (2006: 19.62p). Gross margin for the year on underlying earnings was 15.90% (2006: 14.08%).

As indicated in the Chairman’s statement, the final dividend for the year is recommended to be increased by 0.90p per share to 6.25p giving a total dividend for the year of 8.10p (2006: 6.75p) at a cost of £3.4 million (2006: £2.8 million), an overall increase of 20% in line with the increase in underlying profit before tax.

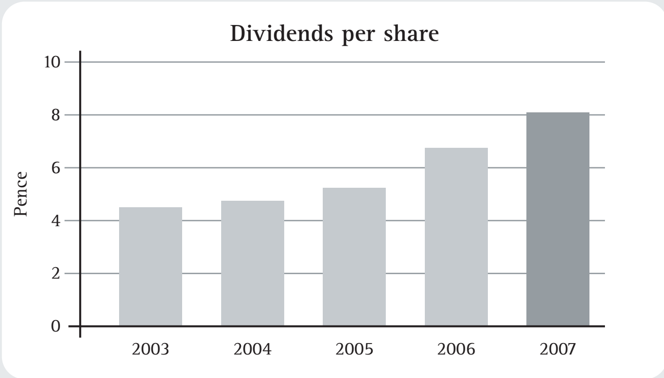


Chart 5 Dividend per share 2003 to 2007

At 31 March 2007 the Group had net assets of £63.9 million (2006: £55.4 million) equivalent to £1.51 per share (2006: £1.31).

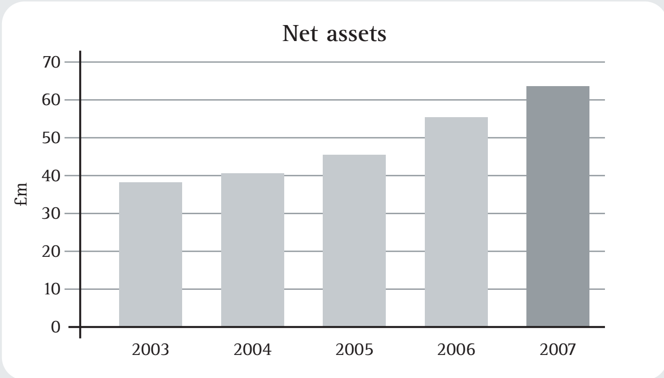


Chart 6 Net assets 2003 to 2007

Future outlook

During the year economic conditions have been benign and world stock markets have performed strongly. The underlying trend is well supported and we expect this to continue.

After the year end we completed the acquisition of a substantial branch office in Exeter and further major teams have joined us since the year end in London and Guildford. No income or funds under management are included for these teams in our results for 2006/2007. Trading in the new financial year has started well and we anticipate further success in the year ahead.

Operating and financial review (continued)

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 15 to 18 gives further details about our employment policies.

An area of the business that is continually evolving is our Information and 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. During the year we upgraded our IBM systems at both our production and disaster recovery sites at a cost of £600,000. We also completed the implementation of our new accounting system, Coda Financial, and we are continuing to see the benefits of this. We have also introduced a document imaging system throughout our branch network.

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. In 2005, the Group formed 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 Limited and reports directly to the Group Board.

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

Operational risk

The Group's principal operational risk arises from the fact that a significant element of our income is closely linked to transaction volumes. It should be noted that the dependency on stockbroking commissions is becoming less every year. In 2001 commissions made up 77% of turnover, however in 2007 they only made up 60% of turnover, showing the Group's move towards a more stable fee based income stream. The Group seeks to retain significant flexibility with expenses, with a high proportion of variable cost.

Market risk

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 and this is evident with the launch of Charles Stanley Securities and the Open Ended Investment Company.

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.

Credit risk

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.

Liquidity risk

The Group's financial instruments comprise investments, borrowings, cash and liquid resources, and various items including trade debtors and trade creditors that arise directly from its operations. Our treasury function seeks to reduce or eliminate financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. It operates within policies and procedures approved by the Board, which include strict controls on the use of financial instruments in managing the Group's risk. We review the credit quality of counterparties and we limit aggregate credit exposures accordingly.

The Group's borrowings at 31 March 2007 were £1.0 million (2006: £1.4 million). This figure is made up of Redeemable Loan Notes of £0.9m and finance leases of £0.1 million. With £42.3 million in bank accounts, the Group has a high degree of liquidity. The Group maintains substantially all of its cash with the Bank of Scotland, part of HBOS plc.

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 FSA. With several European Directives being implemented this year or in forthcoming years - principally (from our perspective) the Capital Requirements Directive, and the Markets in Financial Instruments Directive (MiFID), the Group has a forward looking agenda with regard to the requirements that we will need to implement. These changes will affect our minimum amount of regulatory capital, but we are satisfied that we are positioned well to meet this, and to implement these 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 our corporate social responsibility report on pages 15 to 18.

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
7 June 2007

Corporate social responsibility report

While achieving a high level of financial performance remains the underlying objective of Charles Stanley Group PLC ("the Group"), the Group recognises that the long-term interests of our stakeholders (principally our shareholders, clients and staff) are best served by acting in a socially responsible manner and by, corporately, being a good citizen.

Through its Corporate Social Responsibility ("CSR") policy the Group aims to integrate social and environmental concerns into its business operations.

The Board sets Group policies on CSR. The Managing Director is responsible for CSR at Board level and for the performance of the Group's activities. The Board has established a CSR committee, chaired by the Managing Director, which includes senior management, which meets on a quarterly basis and reports to the Board. The implementation of the CSR policy is managed on a day-to-day basis by committee members and a network of site-based personnel.

People

The Group recognises that people are its greatest asset and are vital to its continuing success. Policies are therefore directed at creating an environment that will attract, develop, motivate and reward employees of high calibre, taking into account the specific requirements of the business.

Key features of Group employment policies and practices are:

- Equality of opportunity through application of a policy of non-discrimination on the grounds of sex, marital status, sexual orientation, race, colour, ethnic or national origins, citizenship, disability, religious or philosophical belief;
- Respect and support for the Human Rights Act, including an employee's right to freedom of expression, privacy and family life;
- Employee participation in the performance and growth of the Group through performance and profit related bonuses, Employee Share Incentive Plans and Share Save Schemes;



Drawings by children of the Rainbow Sponsorship Scheme

- Staff in all areas of the Group are encouraged and supported in the participation of appropriate academic/professional courses, whether they be externally or internally provided, to ensure that they continue to develop their careers within the Group;
- The Group has during the last year introduced child care vouchers;
- The Group also makes above average contributions to staff pensions as well as offering a death in service benefit and a widow(er) pension. After a qualifying period all eligible employees may apply for private medical cover provided by the Group which extends to direct family members of employees; and
- The Group facilitates communication with its staff via internal email, an electronic document library and an internal newsletter.

The Group is committed to providing a safe and healthy environment in which its staff can work. Recently the Group has set up dedicated medical facilities in its London offices and introduced a health screening service to provide regular confidential health checks for its staff.

Business integrity

All Charles Stanley employees are expected to conduct business so as to enhance the Group's reputation and to safeguard against unfair business practices.

Key features of Group compliance policies and practices are:

- Responding actively and supportively to the FSA's theme of "Treating Customers Fairly", which seeks to raise ethical standards across the industry;
- Considering and respecting specific ethical preferences of our clients when we construct their investment portfolios or make individual recommendations;
- As one of the founding corporate members of the Securities and Investment Institute, Charles Stanley & Co. Limited was one of the first signatories of the Institute's Code of Conduct and seven ethical principles. These are promoted throughout the Group and call for the highest standards of ethical conduct;
- Mandatory anti-money laundering training for all staff. The Group has an 'Anti-Fraud' policy and it is made clear that fraud and other corrupt practices are unacceptable and are not tolerated;
- The Group has a 'Disclosure Policy'. Where staff have genuine suspicions of wrongdoing anywhere in the Group they will be taken seriously and will not be victimised;
- All business is conducted in accordance with the laws and regulations of the United Kingdom and directives of the European Union. The Group competes fairly in the markets in which we operate and believe in the concept of business transparency; and
- The Group has made no political donations during the past financial year.

Corporate social responsibility report (continued)

Community

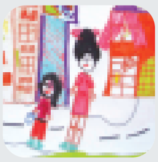
As a socially responsible employer, the Group takes its role in the community seriously. We aim to make a positive contribution both in the community in which we operate and internationally.

After the tsunami disaster on Boxing Day 2004 the Group launched a Tsunami Appeal. We encouraged our staff to donate to the cause and matched their donations on a pound-for-pound basis. We are sponsoring a group of ten children who have lost a parent in the tsunami. This Rainbow Sponsorship Scheme is run by the Sri Lanka College of Paediatricians and supports a total of 54 children helping with their educational and basic needs until they are 18. We received a very comprehensive report from the College during the year. Some of the drawings sent to the College by the children are shown on page 15. This is an ongoing commitment and will be continually monitored by the Group.

Rather than supporting a variety of charities as it has done in the past, the Group has made the decision, as part of the its CSR policy, to nominate a different charity each year for the Group to support. Following a poll of staff the Group has selected The Friends of the Neonatal Unit at St. George's Hospital, Tooting, "FNNU", to be its annual charity commencing 1 April 2007.

Other key features of Group community policies and practices are:

- A continuing successful 'Business-Education Partnership' with Lawdale Junior School, Bethnal Green. Co-ordinated by the 'Tower Hamlets Education Business Partnership'. Drawings by the school children in recognition of the Group's support are shown below;
- The Group has recently established a relationship with Tower Hamlets College with a view to employing applicants from the college into full time positions within the Group;
- Charitable donations during the year totalled £10,392; and
- Staff are encouraged and supported in their fundraising and giving in kind.



Drawings by pupils from Lawdale Junior School

Environment

The Group recognises that its activities inevitably have an impact on the environment, although comparatively speaking we do not have a large impact. The Group is seeking to expand upon a process of environmental improvement and pollution prevention where practical.

Key features of Group environmental policies and practices are:

- A recently established relationship with The Carbon Trust. The Group is working on recommendations made by this organisation with the aim of improving its sustainability credentials. The Carbon Trust has stated: "Charles Stanley has made some good progress towards improving the energy efficiency of their sites";
- A focus on heating, cooling, lighting and information technology related energy use and environmental controls. Its commitment to reducing energy consumption is demonstrated by management support and on-going investment in energy efficient technology upgrades;
- Paying close attention to minimising its environmental impact and the introduction of a 'Recycling Scheme' into its London head office. This is a phased implementation scheme whereby staff are encouraged to recycle paper and are advised to "think before you print". Through the introduction of the recycling scheme the Group has managed to save 462 trees since June 2006;
- Disposal of ICT equipment in a green and efficient manner; and
- Encouraging its staff to use public transport by granting interest-free season ticket loans and by providing parking space for bicycles. Shower and changing facilities are also available for those staff who cycle or run to work.

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 firm of the London Stock Exchange in 1853.

Directors

Sir David Howard, Bt, MA, DSc, FSI (Hon)
(Chairman and Managing Director)

Sir David is 61. 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 Settlement 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, FCA, ACIB, MSI
(Finance Director)

Peter Hurst is 58 and joined Charles Stanley in 1987. He is the main Board Director responsible for branches and for finance, information technology, premises and ecommerce. He is a member of the compliance and risk monitoring, ecommerce, marketing, operations and corporate finance approvals committees. Prior to joining Charles Stanley he had worked in banking for ten years having been previously in audit practice.

E Michael Clark, FSI

Michael Clark is 60 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 49 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.

Secretary

Gary Teper, LLB (Hons), MSc, MSI

Company registration number

48796 (England and Wales)

Registered office

25 Luke Street
London EC2A 4AR

Websites

www.fastrade.co.uk	–	Internet trading
www.charles-stanley.co.uk	–	Corporate
www.charlesstanleyplc.co.uk	–	Investor relations
www.csysecurities.co.uk	–	Institutional sales and corporate broking

Registrars

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

Brokers

Bridgewell Securities Limited
Old Change House, 128 Queen Victoria Street
London EC4V 4BJ

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 2007.

Principal activities

The Company and its Group undertakings provide full service stockbroking, corporate finance and wealth management services.

Dividends

The Directors have declared and now recommend the following dividends in respect of the year ended 31 March 2007:

	2007	2006
Interim dividend paid on 16 December 2006 of 1.85p (2006: 1.40p)	782,923	590,245
Final dividend proposed of 6.25p (2006: 5.35p)	2,656,670	2,255,845
	£3,439,593	£2,846,090

The final dividend will be posted on 31 July 2007 to shareholders on the Company's register at close of business on 6 July 2007.

Business review

A review of the business is set out on pages 7 to 14 in the operating and financial review.

Directors

The Directors named on page 19 served throughout the year. Their biographies are set out on page 19. Mr Peter A Hurst 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 26.

Other share interests

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

	No. of shares	
	7.6.07	31.3.07
John L S Howard	5,153,192	5,153,192
Schroders PLC and its associated companies	3,301,494	3,301,494
Queen Street Securities Limited (a company of which Sir David Howard is a director)	1,820,000	1,820,000
Mrs Caroline P S Dore	1,330,000	1,330,000
Robert P S Howard	1,272,500	1,272,500

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 41 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 £10,392.

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

7 June 2007

Directors' remuneration report

The Company is required by the Companies Act 1985 to prepare a Directors' remuneration report for the year ended 31 March 2007 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 25 July 2007.

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) have in the past been entitled to participate in the profit related pay and save as you earn schemes which were 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 25 of this report.

Policy on Directors' remuneration

It is the policy of the Board that the Directors are remunerated in broadly similar fashion to Group employees generally; that is to say that 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; and
- Pay and employment conditions elsewhere in the Group.

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

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

Pensions

Three of the Directors are members of the Group's defined benefits pension scheme which has a normal retirement age of 65. Each Director is entitled to a pension equal to 1/60th of final scheme 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 any 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.

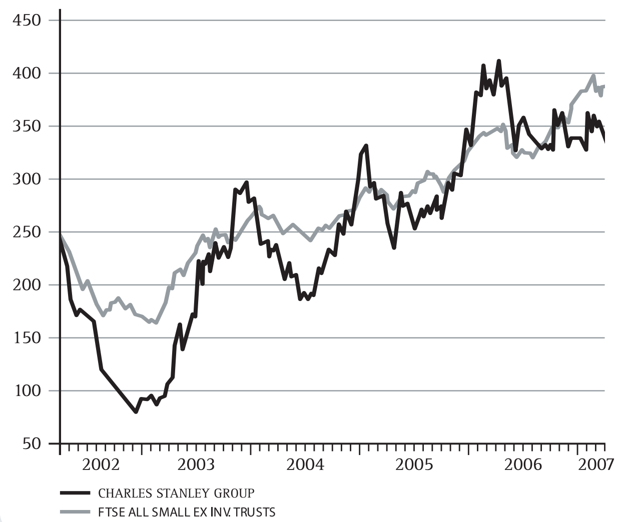
Charles Stanley currently operates two Sharesave Schemes (2001 and 2003). Options were offered at a discount of 20% (2001 Scheme) and 10% (2003 Scheme) to the mid-market closing price on the day prior to the offer and are exercisable for a period of six months commencing five years after the savings contract commencement date. In common with similar schemes, the exercise of options under this scheme is not subject to any performance conditions.

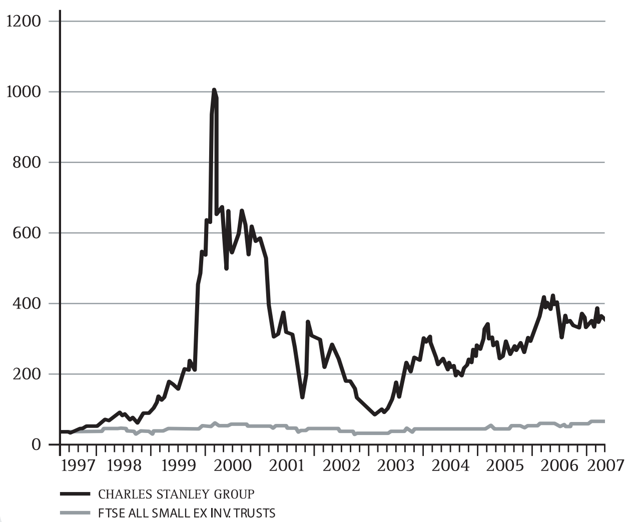
Directors' contracts

Each of the Directors has a service contract except for Sir David Howard who has no service contract. No Director has a service contract 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.

Performance graphs

The following graphs show the Company's share price performance (measured in pence) over 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 (continued)

Audited information

	Fees £	Salary £	Bonus £	Benefits in kind £	Total 2007 £	Total 2006 £
Emoluments						
Sir David Howard *(Chairman, Managing Director and highest paid Director)*	5,250	267,500	140,400	29,630	442,780	397,812
Peter A Hurst *(Finance Director)*	–	236,875	140,400	12,739	390,014	341,326
E Michael Clark	–	262,750	140,400	13,720	416,870	367,543
Michael R I Lilwall	–	285,700	140,400	10,278	436,378	376,011
	5,250	1,052,825	561,600	66,367	1,686,042	1,482,692
2006	5,250	1,010,125	401,600	65,717	1,482,692	

Employee savings related share option schemes
At 1 April 2006 and 31 March 2007

	Period of option	Exercise price	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.

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.

Name of Director	Increase in accrued pension excluding inflation £	Transfer value of increase £	Accrued pension 2007 £	Accrued pension 2006 £	Transfer value of accrued pension 2007 £	Transfer value of accrued pension 2006 £	Increase in value of Directors' benefits £
Sir David Howard	3,109	46,752	83,917	78,000	1,382,813	1,208,471	174,342
E Michael Clark	3,715	53,495	103,358	96,181	1,662,245	1,309,998	352,247
Peter A Hurst	3,446	47,171	75,319	69,375	1,137,055	853,839	283,216

Directors' interests in ordinary shares

The interests of the Directors in the share capital of Group Companies were:

	Beneficially held			Otherwise held		
	7.6.07	31.3.07	1.4.06	7.6.07	31.3.07	1.4.06
Charles Stanley Group PLC						
Sir David Howard	9,650,000	9,650,000	9,650,000	887,000	887,000	887,000
Peter A Hurst	154,142	154,071	153,083	215,000	215,000	215,000
E Michael Clark	734,610	734,539	712,171	–	–	–
Michael R I Lilwall	54,706	54,635	53,596	–	–	–
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 at 31 March 2007. There were no other 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
7 June 2007

Corporate governance

The Board is aware of the continuously evolving nature of corporate governance in the UK and regularly considers the Principles of Good Governance contained within the Combined Code on Corporate Governance.

This report specifically looks at ‘Directors’; ‘relations with shareholders’ and ‘accountability and audit’. The current position of the Group in each area is explained in the paragraphs below, together with the Directors’ remuneration report on pages 23 to 26, describing how these principles are applied within the Company.

In accordance with listing requirements, the Board has adopted a “comply or explain” policy and will continue to consider and, where appropriate, respond to corporate governance developments.

Statement of Directors’ responsibilities

The following statement is made for the purposes of clarifying for members the respective responsibilities of the Directors and the auditors 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 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 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 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 composition of the Board

The Board of Charles Stanley Group PLC is made up of four executive directors, and a short biography for each can be found on page 19.

Management structure

The Group has been evolving from a stockbroking partnership and continues to have the flat management structure typical of a professional firm. The Group operates a two-tier Board structure, comprising the Board of the parent Company, Charles Stanley Group PLC, and the Board of its primary operating subsidiary Charles Stanley & Co. Limited.

The Board of Charles Stanley Group PLC (“the Company”) is responsible for the strategy and broad direction of the Company, supported where appropriate by input from the Board of Charles Stanley & Co. Limited on operational matters. The four Directors of the Company also serve on the Board of Charles Stanley & Co. Limited. Charles Stanley & Co. Limited is regulated by the Financial Services Authority and accordingly is responsible in its own right for meeting regulatory requirements. This structure is designed so that responsibilities are correctly allocated between strategic and operational matters, but allows for the widest exposure of each Board and its responsibilities to the other, and provides a diversity of skills and opinions which ensures that decisions are constructively challenged and proposals are effectively developed.

The Company has no non-executive Directors (Code Provisions A.3.1, A.3.2, A.3.3, A.6.1). Whilst the Board recognises the value of non-executive Directors, it is felt that the current arrangement of a full-time executive Board, which operates in the manner of a professional partnership, with the partners operating together in a small and flexible team, and sharing collective on-the-spot decision-making and responsibility, is the most appropriate for a business of this kind, and best promotes the interests of the shareholders as a whole.

This senior management team, within this structure of a two-tier Board and committees, is headed by a combined Chairman and “Chief Executive Officer”. This does not comply with the Combined Code (A.2.1). In practice each of the four Directors of the Company Board exercises a similar degree of executive authority and they work together as if a team of four "Managing Partners". No one individual has controlling powers of decision.

Both Boards are assisted by the Company Secretary who, under the direction of the Chairman, is responsible for ensuring good information flows within the 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.

Financial Services Authority training and competence rules set professional standards for all Directors and staff under the scope of these rules. These include the requirement to perform a certain number of hours of development training during a year, which helps to meet one of the Group's objectives of achieving high professional standards for all of its employees.

Board meetings

Both Boards meet collectively ("the Group Board") at scheduled meetings each month (excluding August), and additional ad hoc meetings are held where required. In respect of certain business reserved to the Company Board (essentially strategic and statutory matters) the Directors of the Company meet separately on the same dates. To enable the Boards to discharge their duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance. A formal schedule of matters is reserved to the Board which includes matters such as strategy; budget and key business initiatives.

Presentations to the Group Board are frequently made by senior executives.

The Company and Group Boards recognise the standard seven duties as codified by The Companies Act 2006 on all issues under consideration.

There were thirteen board meetings and four audit committee meetings during the year and a record of attendance is shown below:

Director	Board meetings	Audit committee
Sir David Howard	13/13	4/4
Mr Peter Hurst	13/13	4/4
Mr Michael Clark	12/13	4/4
Mr Michael Lilwall	13/13	4/4

The Company's 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.

Company committees

The Company has an Audit Committee, which meets quarterly and comprises the four Board Directors and the head of internal audit. It 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 that an objective and professional relationship is maintained with the Group's external auditors.

The audit committee reviews 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 48.

The Company has no nomination committee and thus cannot comply with the recommendation that this should comprise non-executive Directors (A.4.1). All appointments to the Company Board, and to subsidiary Boards are made by the Company Board, and to committees by the Board to which the committee reports.

Corporate governance (continued)

Group committees

The Board of Charles Stanley & Co. Limited has a number of formal committees that meet regularly in accordance with defined terms of reference and which report to that Board on matters within their remit. It is felt that this cascade structure allows for the appropriate allocation of operational responsibility, while retaining a clear reporting structure and communication channel from the operational areas to the Board.

The Group's committee structure is divided into two broad categories covering functional committees that relate to a specific business stream and oversight committees that cover a number of business areas.

Functional committees

Asset Management
Charles Stanley Securities
Collectives Portfolio
Corporate Finance Approvals
Dealing
E-commerce
Financial Planning
Investment Strategy

Oversight committees

Compliance
Corporate Social Responsibility
Finance
Human Resources
Marketing
Operations
Projects Control
Risk Review

At least one Director sits on each committee.

Relations with shareholders

The Directors communicate regularly with the Company's institutional shareholders. All regulatory news announcements, press releases and financial reports are available on our website. All shareholders have the opportunity to meet Directors at the Annual General Meeting (AGM). The 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, result 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. The Company's website (www.charlesstanleyplc.co.uk) provides financial and business information about the Group.

Risk management and internal control

The 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 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 requirements of the "Guidance on Internal Control (The Turnbull Guidance)" revised in October 2005.

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

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

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 2007 to have been prepared on a going concern basis.

Compliance with the Combined Code

In addition to the Principles of Good Governance the Combined Code also contains a supporting Code of Best Practice. In relation to compliance with the Combined Code it is confirmed that:

- The Company does not have any non-executive Directors on the Board (A.3.1-3, A.4.1, A.6.1) as it believes the current arrangements best promote the interests of the shareholders as a whole;
- The Company does not have a formal remuneration committee (B.2.1-3) but the emoluments of the Directors are the subject of appraisal by the Chairman and the Directors taking into account individual performance and market conditions; and
- The Group is headed by a combined Chairman and "Chief Executive Officer". This does not comply with the Combined Code (A.2.1).

Report of the independent auditors to the members

We have audited the financial statements of Charles Stanley Group PLC for the year ended 31 March 2007 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 2003 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 they are 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.

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 2007 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 2007;
- 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
- The information given in the Directors' report is consistent with the financial statements.

Saffery Champness
Chartered Accountants
Registered Auditors
London

7 June 2007

Contents

Consolidated income statement

Year ended 31 March 2007

	Notes	2007 £'000	2006 Restated £'000
Continuing operations			
Revenue	2	98,179	92,555
Administrative expenses		(84,672)	(81,194)
Operating profit	4	13,507	11,361
Interest payable and similar charges	5	(46)	(153)
Interest receivable	5	2,151	1,825
Underlying profit before tax		15,612	13,033
Profit on disposal of available for sale investments	5	1,974	948
Profit before tax		17,586	13,981
Taxation	6	(5,235)	(4,377)
Profit for the year		12,351	9,604
(Loss)/profit attributable to minority interest		(22)	34
Profit attributable to equity shareholders		12,373	9,570
		12,351	9,604

Earnings per share

Based on reported profit for the year			
Basic	9	29.25p	22.70p
Diluted	9	28.16p	21.78p

The notes on pages 41 to 67 form part of these financial statements.

Statement of recognised income and expense

Year ended 31 March 2007

	2007 £'000	2006 Restated £'000
Profit for the year	12,351	9,604
Revaluation of available for sale investments taken to income statement on disposal	(1,974)	(948)
Revaluation of available for sale investments	(463)	2,483
Deferred tax on revaluation of available for sale investments	771	(443)
Retirement benefit scheme actuarial surplus/(deficit)	825	(2,284)
Deferred tax on retirement benefit scheme actuarial (surplus)/deficit	(303)	729
Net expense recognised directly in equity	(1,144)	(463)
Total recognised income for the year	11,207	9,141
Attributable to minority interest	(22)	34
Attributable to equity shareholders	11,229	9,107
	11,207	9,141

The notes on pages 41 to 67 form part of these financial statements.

Consolidated balance sheet

At 31 March 2007

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Assets					
Non-current assets					
Goodwill	10		15,434		15,603
Intangible assets	11		3,169		–
Property, plant and equipment	12		6,128		5,480
Available for sale investments	13		4,942		7,170
			29,673		28,253
Current assets					
Trade and other receivables	15	267,474		239,890	
Held for trading investments	16	1,234		–	
Cash and cash equivalents	17	42,305		48,108	
		311,013		287,998	
Liabilities					
Current liabilities					
Financial liabilities	18	(881)		(1,001)	
Trade and other payables	19	(271,214)		(253,190)	
Current tax liabilities		(3,011)		(3,099)	
		(275,106)		(257,290)	
Net current assets			35,907		30,708
Non-current liabilities					
Financial liabilities	18	(97)		(556)	
Retirement benefit liability	30	(1,521)		(2,429)	
Deferred tax liabilities	20	(36)		(504)	
Other non-current liabilities	19	–		(100)	
			(1,654)		(3,589)
Net assets			63,926		55,372
Shareholders' equity					
Ordinary shares	22		10,592		10,541
Share premium	23		379		21
Other reserves	23		2,289		3,955
Retained earnings	23		50,569		40,675
Total shareholders' equity			63,829		55,192
Minority interest in equity	24		97		180
Total equity			63,926		55,372

Approved by the Board on 7 June 2007

Sir David Howard Peter Hurst Directors

The notes on pages 41 to 67 form part of these financial statements.

Consolidated cash flow statement

Year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Cash flow from operating activities			
Cash generated from operations	26	4,386	10,062
Interest received		2,151	1,825
Interest paid		(95)	(153)
Tax paid		(5,323)	(3,527)
Net cash from operating activities		1,119	8,207
Cash flows from investing activities			
Acquisition of subsidiaries and other businesses		(313)	(2,461)
Acquisition of intangible assets		(1,169)	–
Proceeds from sale of property, plant and equipment		27	28
Purchase of property, plant and equipment		(3,066)	(1,846)
Proceeds from sale of available for sale investments		2,229	2,956
Purchase of available for sale investments		(1,869)	(445)
Dividends received		371	83
Net cash used in investing activities		(3,790)	(1,685)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		152	21
Cash outflow from change in debt and lease financing		(245)	(329)
Dividends paid to shareholders		(3,039)	(2,340)
Net cash used in financing activities		(3,132)	(2,648)
Net (decrease)/increase in cash and cash equivalents		(5,803)	3,874
Cash and cash equivalents at start of year		48,108	44,234
Cash and cash equivalents at end of year		42,305	48,108

The notes on pages 41 to 67 form part of these financial statements.

Company balance sheet

At 31 March 2007

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Assets					
Non-current assets					
Goodwill	10		10,236		10,485
Intangible assets	11		3,169		–
Available for sale investments	13		602		464
Investments in subsidiaries	14		34,941		43,714
			48,948		54,663
Current assets					
Trade and other receivables	15	852		817	
Cash and cash equivalents	17	189		243	
		1,041		1,060	
Liabilities					
Current liabilities					
Financial liabilities	18	(881)		(801)	
Trade and other payables	19	(5,886)		(3,391)	
		(6,767)		(4,192)	
Net current liabilities			(5,726)		(3,132)
Non-current liabilities					
Financial liabilities	18	(97)		(556)	
Other non-current liabilities	19	–		(100)	
			(97)		(656)
Net assets			43,125		50,875
Shareholders' equity					
Ordinary shares	22		10,592		10,541
Share premium	23		379		21
Other reserves	23		71		82
Retained earnings	23		32,083		40,231
Total equity			43,125		50,875

Approved by the Board on 7 June 2007

Sir David Howard Peter Hurst Directors

The notes on pages 41 to 67 form part of these financial statements.

Company cash flow statement

Year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Cash flow from operating activities			
Cash generated from operations	26	4,730	2,561
Interest received		11	16
Interest paid		(60)	(54)
Tax paid		(131)	–
Net cash from operating activities		4,550	2,523
Cash flows from investing activities			
Acquisition of subsidiaries and other businesses		(313)	(2,461)
Purchase of intangible assets		(1,169)	–
Proceeds from sale of property, plant and equipment		–	2,316
Proceeds from sale of investments		109	289
Purchase of investments		(193)	(238)
Dividends received		10	10
Net cash used in investing activities		(1,556)	(84)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		152	21
Cash outflow from change in debt and lease financing		(161)	(206)
Dividends paid to shareholders		(3,039)	(2,340)
Net cash used in financing activities		(3,048)	(2,525)
Net decrease in cash and cash equivalents		(54)	(86)
Cash and cash equivalents at start of period		243	329
Cash and cash equivalents at end of period		189	243

The notes on pages 41 to 67 form part of these financial statements.

Notes to the financial statements

The financial information for the year ended 31 March 2007 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 2007. 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.

Prior year adjustment

The financial statements for the year ended 31 March 2006 were prepared under International Financial Reporting Standards ("IFRS") for the first time and the Group's accounting policies were amended to comply with IFRS where necessary. In particular the policy on available for sale investments was changed to state "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".

When the accounts were prepared the profit on disposal of investments which had been previously recognised directly in equity (£948,000) was shown as a movement between revaluation reserve and retained earnings. Over the last year it has emerged that such profits are now being recycled on the face of the Income Statement. In order to show consistent presentation the 2006 figures in the Income Statement and related notes have been restated.

Revenue

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 profit and loss account 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.

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.

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.

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.

1 Accounting policies (continued)

Impairment (continued)
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

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. An impairment loss is 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.

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.

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.

1 Accounting policies (continued)

Retirement benefit costs

The cost of providing benefits under defined benefit plans are 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 30.

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.

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.

Taxation (continued)

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 2007, they will not affect the Group 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:

IFRS 7 – Financial Instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures

IFRS 8 – Operating Segments

IFRIC 8 – Scope of IFRS 2

The Group expects that the adoption of these standards in the future will have no material impact on the financial statements for the Group except for additional disclosures on capital and financial instruments when IFRS 7 comes into effect for periods commencing on or after 1 January 2007.

2 Revenue

	Private Client division £'000	Charles Stanley Securities £'000	Other £'000	Total £'000
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
Year ended 31 March 2006				
Commission	47,208	8,461	1,579	57,248
Fees				
Investment management	13,021	–	–	13,021
Administration	14,923	–	–	14,923
Corporate finance	–	6,911	–	6,911
	27,944	6,911	–	34,855
Other income	–	–	452	452
Total for year ended 31 March 2006	75,152	15,372	2,031	92,555
Allocated administrative expenses	(48,409)	(9,774)	(1,528)	(59,711)
	26,743	5,598	503	32,844
Unallocated administrative expenses				(21,483)
Operating profit				11,361

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.

3 Particulars of staff

The average number of persons employed (including Directors) during the year was 555 (2006: 517).

	2007 £'000	2006 £'000
Staff costs:		
Wages and salaries	30,777	26,781
Social security costs	3,539	3,315
Other pension costs	2,563	2,364
	36,879	32,460

4 Operating profit

	2007 £'000	2006 £'000
The following items have been included in arriving at operating profit:		
Depreciation of property, plant and equipment:		
Owned assets	2,283	2,193
Assets held under finance leases	108	212
Profit on disposal of property, plant and equipment	–	(61)
Auditors' remuneration:		
Audit of the Company's annual accounts	30	6
Audit of the Company's subsidiaries	84	66
Other services pursuant to legislation	47	31
Services relating to taxation	70	40
All other services	3	3
Operating lease rentals	1,368	1,174
One-off revenue costs relating to new investment items	1,613	2,201

Fees paid to the Group's auditor includes all fees in their capacity as such. Included within the fees paid for the audit of the Group's annual accounts is an amount of £15,000 which relates to the 2006 audit but was paid in 2007.

In addition, the Group's auditor was paid £6,750 (2006: £5,250) in respect of the audit of the Charles Stanley Retirement Benefit Scheme.

5 Finance income – net

	2007 £'000	2006 £'000
Interest expense:		
Interest payable on bank borrowings	(32)	(32)
Interest payable on other loans	(3)	(102)
Interest payable on finance leases	(11)	(19)
Interest and similar charges payable	(46)	(153)
Interest income	2,151	1,825
Profit on disposal of available for sale investments	1,974	948
Finance income – net	4,079	2,620

6 Taxation

	2007 £'000	2006 £'000
Analysis of charge in period:		
Current tax:		
Continuing operations	5,404	4,540
Adjustment in respect of prior periods	(169)	(122)
Deferred tax:		
Continuing operations	–	(41)
	5,235	4,377

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.

	2007 £'000	2006 Restated £'000
Profit before tax	17,586	13,981
Profit multiplied by rate of corporation tax in the UK of 30% (2006: 30%)	5,276	4,194
Effects of:		
Other items not allowable for tax purposes	123	108
Adjustments in respect of previous periods	(169)	(122)
Other adjustments	5	197
	(41)	183
Tax charge for the year	5,235	4,377

7 Profit for the year

The consolidated profit for the year of £12,351,000 (2006: £9,604,000) includes a loss of £5,147,000 (2006: £3,538,000) which is dealt with in the accounts of the parent undertaking.

8 Dividends paid

	2007 £'000	2006 £'000
Final paid of 5.35p per share (2006: 4.15p)	2,256	1,750
Interim paid of 1.85p per share (2006: 1.40p)	783	590
	3,039	2,340

In addition, the Directors are proposing a final dividend in respect of the year ended 31 March 2007 of 6.25p per share which will absorb an estimated £2.66 million of shareholders' funds. It will be paid on 31 July 2007 to shareholders who are on the register of members on 6 July 2007.

9 Earnings per share

	2007 £'000	2006 Restated £'000
Earnings attributable to ordinary shareholders	12,373	9,570
Profit on disposal of available for sale investments	(1,974)	(948)
Tax on profit on disposal of available for sale assets	592	–
Underlying earnings attributable to ordinary shareholders	10,991	8,622
	No. 000's	No. 000's
Weighted average number of shares in issue in the year	42,299	42,158
Dilution	1,647	1,780
	43,946	43,938
Based on reported earnings		
Basic earnings per share	29.25p	22.70p
Diluted earnings per share	28.16p	21.78p
Based on underlying earnings		
Basic earnings per share	25.98p	20.45p
Diluted earnings per share	25.01p	19.62p

10 Goodwill

	Group £'000	Company £'000
1 April 2006	15,603	10,485
Acquisitions	80	–
Adjustments to deferred consideration	(249)	(249)
31 March 2007	15,434	10,236
Private client division		
Stockbroking and portfolio services	10,826	8,526
Financial planning and benefit consultants	1,710	1,710
Pension administration	1,294	–
	13,830	10,236
Other		
Bond research and sales	1,604	–
	15,434	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.

11 Intangible assets

	Customer lists £'000	Brand costs £'000	Total £'000
1 April 2006	–	–	–
Acquisitions	3,083	86	3,169
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 2006	185	1,901	3,792	7,902	13,780
Additions	–	74	398	2,594	3,066
Disposals	–	–	–	(65)	(65)
	185	1,975	4,190	10,431	16,781
Depreciation					
1 April 2006	24	1,484	1,650	5,142	8,300
Charge for year	4	90	375	1,922	2,391
Disposals	–	–	–	(38)	(38)
	28	1,574	2,025	7,026	10,653
Net book value					
31 March 2007	157	401	2,165	3,405	6,128
Net book value					
31 March 2006	161	417	2,142	2,760	5,480

The net book value of tangible fixed assets includes £145,000 (2006: £214,000) in respect of assets held under finance leases and hire purchase contracts.

Fixed assets include fully depreciated assets costing £5.9 million.

13 Available for sale investments

	Listed investments £'000	Unlisted investments £'000	Total £'000
(a) Group			
1 April 2006			
Cost	1,218	305	1,523
Revaluation	3,494	2,153	5,647
Fair value	4,712	2,458	7,170
Additions	435	29	464
Disposals	(2,136)	(39)	(2,175)
Revaluation in year	(673)	156	(517)
Fair value at 31 March 2007	2,338	2,604	4,942
Cost	1,428	303	1,731
Revaluation	910	2,301	3,211
(b) Company			
1 April 2006			
Cost	382	–	382
Revaluation	82	–	82
Fair value	464	–	464
Additions	193	29	222
Disposals	(109)	–	(109)
Revaluation in year	25	–	25
Fair value at 31 March 2007	573	29	602
Cost	502	29	531
Revaluation	71	–	71

Listed investments include shares in the London Stock Exchange. During the year 151,470 shares were sold for £1.86 million leaving 25,000 shares at 31 March 2007.

Unlisted investments include the Group's holding of 6,030 shares in Euroclear plc. The Directors have valued this holding at £2.5 million as 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.

14 Investments in subsidiaries

	Total £'000
1 April 2006	43,714
Additions	116
Impairment	(8,889)
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)	100%
Rock (Nominees) Limited	Nominee company	(2)	100%
Exempt Nominees Limited	Nominee company	(2)	100%
Robson Cotterell Limited	Dormant		100%
EBS Management PLC	Pension Fund Administrator		100%
EBS Pensioneer Trustees Limited	Pensioneer Trustee Services		100%
EBS Self-Administered Personal Pension Plan Trustees Limited	Pensioneer Trustee Services		100%
Sutherlands Group Limited	Holding company		100%
Sutherlands Limited	Dormant	(3)	100%
Sutherlands Research Limited	Dormant	(3)	89%
Alpha Trustees Limited	Dormant		100%

Note
1 Member of The London Stock Exchange and the London International Financial Futures and Options Exchange. Regulated by The Financial Services Authority.
2 Shares held by Charles Stanley & Co. Limited.
3 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.

15 Trade and other receivables

	2007		2006	
	Group £'000	Company £'000	Group £'000	Company £'000
Current:				
Trade debtors	264,967	–	237,530	–
Other debtors	393	–	556	–
Amounts due from Group undertakings	–	852	–	817
Prepayments and accrued income	2,114	–	1,804	–
	267,474	852	239,890	817

16 Held for trading investments

Listed investments	1,234	–	–	–

17 Cash and cash equivalents

Cash at bank	42,305	189	48,108	243

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 £741 million (2006: £658 million).

18 Financial liabilities

	2007 Group £'000	2007 Company £'000	2006 Group £'000	2006 Company £'000
Current				
3% redeemable loan	157	157	157	157
4.5% convertible redeemable loan note	680	680	469	469
4.5% redeemable unsecured loan note	–	–	81	81
Obligations under finance leases	44	44	94	94
Short position holdings	–	–	200	–
	881	881	1,001	801
Non-current				
4.5% convertible redeemable loan note	–	–	468	468
Obligations under finance leases	97	97	88	88
	97	97	556	556

The 3% fixed rate redeemable loan note and the 4.5% fixed rate convertible redeemable unsecured loan note are 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 on expiry in 2011.

19 Trade and other payables

	2007 Group £'000	2007 Company £'000	2006 Group £'000	2006 Company £'000
Current:				
Trade payables	258,483	–	243,895	–
Amounts owed to Group undertakings	–	3,020	–	2,180
Other taxes and social security	1,746	–	2,570	–
Other creditors	4,742	2,739	1,293	1,097
Accruals and deferred income	6,243	127	5,432	114
	271,214	5,886	253,190	3,391
Non-current:				
Other creditors	–	–	100	100

20 Deferred tax liabilities

	Revaluation £'000	Retirement benefit £'000	Other temporary difference £'000	Total £'000
1 April 2006	1,669	(729)	(436)	504
Revaluation of financial assets	(771)	–	–	(771)
Movement in retirement benefit liability	–	303	–	303
31 March 2007	898	(426)	(436)	36

21 Financial instruments and risk management

Funding and liquidity

The financial assets and liabilities of the Group may be summarised as follows:

	2007 £'000	2006 £'000
Borrowings – UK sterling		
Fixed rate borrowings	141	182
Fixed rate loan notes	837	1,175
Short position holdings	–	200
	978	1,557
Cash at bank and in hand:		
UK Sterling	40,009	46,095
United States Dollars	1,290	1,211
Euros	426	337
Others	580	465
	42,305	48,108

Fair values
Credit exposures on financial instruments arise through short-term deposits and interest rate and foreign exchange hedging. Such transactions are executed only with highly-credit-rated, authorised counterparties based on ratings issued by the major rating agencies. Counterparty exposure positions are monitored regularly.

There is no significant difference between the book and fair values of the Company's financial instruments.

Undrawn committed borrowing facilities

	2007 £'000	2006 £'000
Revolving borrowing facilities:		
Expiring within one year	6,000	6,000

Further disclosures in respect of financial instruments are included in the operating and financial review on pages 7 to 14.

22 Called up share capital

	2007 £'000	2006 £'000
Authorised		
80,000,000 ordinary shares of 25p each	20,000	20,000
Allotted and fully paid		
42,370,195 (2006: 42,165,335) ordinary shares of 25p each	10,592	10,541

In April 2006 part of the 4.5% convertible redeemable loan note was redeemed and 103,393 ordinary shares were issued fully paid at £2.48 each.

At 31 March 2007 the following options have been granted and remain outstanding in respect of ordinary shares of 25p in the Company under the Company's Save As You Earn Scheme.

	No of shares	Option price
Grant dated 11 July 2001	4,703	£2.87
Exercisable during the six months commencing 1 September 2006 (as extended under the Scheme rules)		
Grant dated 2 January 2003	1,627,612	£0.96
Exercisable during the six months commencing 1 February 2008		

During the year 72,781 ordinary shares were issued fully paid for cash at 96p each and 28,686 ordinary shares were issued fully paid for cash at £2.87 each, following the exercise of options by former employees.

Share based payment

The weighted average share price at the date of exercise for share options was 343p.

The options outstanding at 31 March 2007 had a weighted average exercise price of 96p.

The inputs into the Black-Scholes model used for the purposes of determining fair value of options are:

Weighted average share price (pence)	95
Weighted average exercise price (pence)	96
Expected volatility	22.62%
Expected life (years)	5.1
Risk free rate	4.24%
Expected dividend yield	4.74%

The Group recognised total expenses of £38,000 (2006: £72,000) related to equity-settled share-based payment transactions.

23 Reserves

	Share premium £'000	Revaluation reserve £'000	Retained earnings Restated £'000
Group:			
1 April 2005	3	2,863	34,928
Net profit	–	–	9,570
Dividends paid	–	–	(2,340)
Revaluation of available for sale investments	–	2,483	–
Deferred tax movement on revaluation of available for sale investments	–	(443)	–
Transfer of realised revaluation surplus	–	(948)	–
Retirement benefit scheme actuarial loss	–	–	(2,284)
Deferred tax on retirement benefit scheme actuarial loss	–	–	729
Share options – value of employee services	–	–	72
Issue of shares at a premium	18	–	–
31 March 2006	21	3,955	40,675
Net profit	–	–	12,373
Dividends paid	–	–	(3,039)
Revaluation of available for sale investments	–	(463)	–
Deferred tax movement on revaluation of available for sale investments	–	771	–
Transfer of realised revaluation surplus	–	(1,974)	–
Retirement benefit scheme actuarial surplus	–	–	825
Deferred tax on retirement benefit scheme actuarial surplus	–	–	(303)
Share options – value of employee services	–	–	38
Issue of shares at a premium	358	–	–
31 March 2007	379	2,289	50,569
Company:			
1 April 2006	21	82	40,231
Net loss	–	–	(5,147)
Dividends paid	–	–	(3,039)
Revaluation of available for sale investments	–	(11)	–
Share options – value of employee services	–	–	38
Issue of shares at a premium	358	–	–
31 March 2007	379	71	32,083

24 Minority interest in equity

	Total £'000
1 April 2006	180
Acquisition of subsidiary undertaking	(25)
Acquisition of redemption preference shares	(36)
Loss attributable to minority interest	(22)
31 March 2007	97

25 Statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings Restated £'000	Total £'000
1 April 2005	10,538	3	2,863	34,928	48,332
Net profit	–	–	–	9,570	9,570
Dividends paid	–	–	–	(2,340)	(2,340)
Revaluation of available for sale investments	–	–	2,483	–	2,483
Deferred tax on revaluation of available for sale investments	–	–	(443)	–	(443)
Transfer of realised revaluation surplus	–	–	(948)	–	(948)
Retirement benefits scheme actuarial loss	–	–	–	(2,284)	(2,284)
Deferred tax on retirement scheme actuarial loss	–	–	–	729	729
Share options – value of employee services	–	–	–	72	72
Share options – proceeds of shares issued	3	18	–	–	21
31 March 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
Proceeds of shares issued	51	358	–	–	409
31 March 2007	10,592	379	2,289	50,569	63,829

26 Reconciliation of net profit to net cash generated from operations

	2007		2006	
	Group £'000	Company £'000	Group Restated £'000	Company £'000
Net profit/(loss)	17,586	(5,003)	13,981	3,535
Adjustments for				
Depreciation	2,391	–	2,405	363
Impairment of investment in subsidiaries	–	8,889	–	302
Share option cost	38	38	72	72
Dividend income	(371)	(10)	(83)	(10)
Interest income	(2,151)	(11)	(1,825)	(16)
Interest expense	46	11	153	101
Profit on disposal of property, plant and equipment	–	–	(61)	–
Profit on disposal of available for sale investments	(1,974)	(36)	(1,356)	(88)
Financial assets acquired in lieu of fees	–	–	(620)	–
Changes in working capital				
Increase in debtors	(27,544)	(35)	(7,710)	(817)
Increase/(decrease) in creditors	16,365	887	5,106	(881)
Net cash inflow from operations	4,386	4,730	10,062	2,561

27 Acquisitions

	2007 £'000	2006 £'000
Intangibles	3,169	–
Goodwill	–	650
	3,169	650
Satisfied by		
Cash	1,169	415
Deferred consideration	2,000	235
	3,169	650
Additions related to:		
Acquisitions in year	(3,169)	(650)
Further payments re businesses acquired in previous years	(80)	(10)
Changes in period	(3,249)	(660)
Deferred consideration	1,767	(1,701)
Loan notes	–	(100)
Net cash movement shown in cash flow statement	(1,482)	(2,461)

28 Lease commitments

	2007 £'000	2006 £'000
Group and Company		
Total commitments under operating leases at 31 March were:		
Land and buildings		
Expiring within one year	98	76
Expiring within two to five years	1,095	1,045
Expiring after five years	6,439	6,412

29 Capital commitments

	2007 £'000	2006 £'000
Authorised but not contracted for	280	140

30 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 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 2007.

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.

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

	2007 £'000	2006 £'000
Defined benefit obligation at start of year	18,281	14,140
Total employer current service cost	622	618
Interest cost	985	834
Employee contributions	94	94
Actuarial loss	280	2,627
Benefits paid, death in service insurance premiums and expenses	(69)	(32)
Past service costs	–	–
Business combinations	–	–
Curtailments	–	–
Settlements	–	–
Defined benefit obligation at end of year	20,193	18,281

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

	2007 £'000	2006 £'000
Fair value of assets at start of year	15,852	14,029
Expected return on assets	791	596
Actuarial gains	1,105	343
Contributions by employer	899	869
Contributions by plan participants	94	47
Benefits paid, death in service insurance premiums and expenses	(69)	(32)
Business combinations	–	–
Settlements	–	–
Fair value of assets at end of year	18,672	15,852

30 Pension costs (continued)

Total expense recognised in the income statement

	2007 £'000	2006 £'000
Current service cost	622	618
Interest on pension scheme liabilities	985	834
Expected return on pension scheme assets	(791)	(596)
Past service cost	–	–
Curtailments	–	–
Settlements	–	–
Total expense	816	856

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

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

The cumulative amount of actuarial losses recognised in the statement of recognised income and expense since adoption of IAS19 is £1.8 million.

Assets

	2007 £'000	2006 £'000
Equities	10,989	4,480
Bonds	3,108	–
Other	4,575	11,372
	18,672	15,852

The fair values of the assets shown above include £777,000 of shares in Charles Stanley Group PLC.

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:

	2007	2006
Equities	6.75%	7.00%
Bonds	5.50%	5.00%
Cash	4.00%	4.00%
Overall for scheme	5.78%	4.85%

Assumptions

	2007 % per annum	2006 % per annum
Inflation	3.30	3.00
Salary increases	3.50	3.25
Rate of discount	5.50	5.30
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.30	3.00
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.30	3.00

Present values of defined benefit obligations, fair value of assets and deficit

	2007 £'000	2006 £'000
Present value defined benefit obligation	20,193	18,281
Fair value of plan assets	18,672	15,852
Deficit in scheme	1,521	2,429

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

Best estimate of contributions to be paid to plan for the year ending 31 March 2007

The best estimate of contributions (employer and employee) to be paid to the plan for the year ending 31 March 2007 is £1,050,000.

31 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	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Charles Stanley & Co. Limited	–	–	1,692	169
EBS Management PLC	852	727	–	–
EBS Pensioneer Trustees Limited	–	7	5	–
EBS Self-Administered Personal Pension Plan Trustees Limited	–	–	1	–
Gryphon Investments PLC	–	–	924	924
Robson Cotterell Limited	–	–	250	931
Sutherlands Group Limited	–	–	148	156
Sutherlands Limited	–	83	–	–
	852	817	3,020	2,180

The parent company received dividends totalling £3,000,000 (2006: £4,000,000) from Charles Stanley & Co. Limited, £681,008 (2006: nil) from Sutherlands Limited, £64,073 (2006: nil) from EBS Pensioneer Trustees Limited and £37,292 (2006: nil) from EBS Self-Administered Personal Pension Plan Trustees Limited.

The parent Company received a management charge from Charles Stanley & Co. Limited of £350,000 (2006: £363,362) during the year.

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.

	2007 £'000	2006 £'000
Salaries and short-term employee benefits	3,316	3,025
Social security costs	373	321
	3,689	3,346

Directors of Charles Stanley Group PLC

Sir David Howard, Bt

Peter A Hurst

E Michael Clark

Michael R I Lilwall

Directors of Charles Stanley & Co. Limited

Name	Responsibility
Stephen C King	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

7 June 2007	Results announced
4 July 2007	Ex-dividend date for final dividend
6 July 2007	Record date for final dividend
25 July 2007	Annual General Meeting
31 July 2007	Final dividend paid
November 2007	Interim results announced

Notice of meeting

NOTICE IS HEREBY GIVEN that the 107th Annual General Meeting of Charles Stanley Group PLC will be held at 25 Luke Street EC2 on 25 July 2007 at 11.00 am, for the following purposes:

Ordinary business

1. To receive and adopt the Accounts for the year ended 31 March 2007 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 23 to 26 of the Annual Report and Accounts.
4. To re-elect Mr Peter A Hurst as a Director.
5. To re-appoint Saffery Champness as Auditors and to authorise the Directors to determine their remuneration.

Special business

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

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 2008 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 £3,530,000.

(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 they 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 £529,000; 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 2008 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 4,237,000;

(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 2008 Annual General Meeting of the Company;

(e) the Company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry date of such authority and may make purchases of its own shares in pursuance of any such contract as if the authority conferred hereby had not expired.

By Order of the Board

Gary Teper
Secretary

7 June 2007

Notes

1. A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and on a poll to vote on his behalf. A proxy need not be a member of the Company. A form of proxy accompanies this Notice of Annual General Meeting. To be effective, forms of proxy must be lodged with the Company Secretary by 11.00 am on Monday, 23 July 2007. The completion and return of a Form of Proxy will not preclude a member from attending and voting in person. A vote withheld is not a vote in law and will not be counted in a calculation of votes.
2. Pursuant to regulation 41 of the Uncertified Securities Regulations 2001, the Company gives notice that only those shareholders entered in the Register of Members of the Company as at 11.00 am on Monday, 23 July 2007 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Members after 11.00 am on Monday, 23 July 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
3. Copies of the Directors' service agreements and a statement of Directors' transactions in the shares of the Company are available for inspection at the Company's Registered Office during usual business hours on any weekday (Saturdays and Public Holidays excluded) 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.
4. At this year's Annual General Meeting, there are eight resolutions which the members are asked to approve. An explanation of these resolutions is given below.

Resolution 1
The Directors will present the Report of the Directors, the Auditors' Report and the Accounts of the Company for the year ended 31 March 2007.

Resolution 2
The Directors will propose a final dividend of 6.25p.

Resolution 3
The Directors' remuneration report is included in the Annual Report and Accounts on pages 23 to 26. It complies with the requirements introduced by the Directors' Remuneration Report Regulations 2002 for a report on the remuneration of all Directors, and the Company's remuneration policy.

Resolution 4
In accordance with the Company's Articles of Association, Mr Peter A Hurst, who is aged 58, retires and is eligible for, and is seeking, re-appointment as a Director. Short biographical details of Mr Hurst are set out on page 19 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 7 June 2007) 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 (see the following paragraph).

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 came into force on 1 December 2003 and made certain amendments to the Companies Act 1985 in relation to treasury shares. The amendments allow companies to retain any of their own shares they have purchased as treasury shares with a view to possible re-issue at a future date, rather than cancelling them as had previously been required by legislation. If the Company were to purchase any of its own shares pursuant to the authority of resolution 8, it would consider holding them as treasury shares, provided that the number did not at any time exceed 10% of the Company's issued share capital. This would give the Company the ability to re-issue treasury shares quickly and cost effectively, and would provide the Company with additional flexibility in the management of its capital base.

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