

## CHARLES STANLEY GROUP PLC RESULTS FOR THE YEAR ENDED 31 MARCH 2011

Charles Stanley is one of the UK's leading independently owned, full service stockbroking and investment management groups, advising on substantial funds. Today it announces its preliminary results for the year ended 31 March 2011.

### Highlights:

- Revenue for the year £125.6 million (2010: £115.0 million) 9.2% increase
- Reported profit before tax £13.4 million (2010: £10.3 million) 30.1% increase
- Adjusted profit before tax £17.7 million (2010: £13.7 million) 29.2% increase
- Funds under management and administration £14.5 billion (2010: £12.8 billion) 13.3% increase
- Private Client income £106.0 million (2010: £96.1 million) 10.3% increase
- Reported earnings per share 21.42p (2010: 15.44p) 38.7% increase
- Adjusted earnings per share 28.39p (2010: 21.18p) 34.0% increase
- Total dividend 10.75p (2010: 9.45p) 13.8% increase
- Acquisition of Jobson James Financial Services Limited in May 2011

Commenting on the results for the latest year, Sir David Howard, chairman, said:

“Despite the continuing unsettled economic background we are pleased to have achieved a new record level of turnover and a significant increase in profits and funds under management. Charles Stanley has performed strongly in the past twelve months, and our confidence a year ago has been amply justified. The future remains as uncertain as ever. But we are well placed to move forward. So my guarded feeling of confidence about the outlook remains undaunted.”

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Registered No. 48796 (England)  
Incorporated in 1896

## CHAIRMAN'S STATEMENT

Charles Stanley Group is pleased to announce that revenue for the year ended 31 March 2011 has risen by 9% to £125.6 million (2010: £115.0 million). Profit before tax has risen by 30% to £13.4 million (2010: £10.3 million). The adjusted profit before tax, which excludes the effect of amortisation and a levy of £2.6 million imposed by the Financial Services Compensation Scheme in respect of unrelated businesses, was 29% higher at £17.7 million (2010: £13.7 million). Despite the continuing unsettled economic background we are pleased to have achieved a new record level of turnover and a significant increase in profits and funds under management.

Client funds managed and administered by Charles Stanley Group have risen to £14.50 billion at 31 March 2011, an increase of 13.3% compared with the total of £12.80 billion at 31 March 2010. Within this figure the funds under discretionary or advisory management have risen from £6.35 billion to £7.20 billion, an increase of 13.4%. This compares with an increase over the same period of 3.5% in the FTSE 100 Share Index and of 4.3% in our principal benchmark, the APCIMS Balanced Portfolio Index. This increase in managed funds derives from market performance across clients' portfolios averaging 3.4% while net incoming funds from new and existing clients added 10.0% to the total.

In line with our emphasis on steadily increasing the level of discretionary fund management, our clients' discretionary funds now represent 64.0% of managed funds compared with 61.2% at 31 March 2010.

Following the year end, on 16 May 2011 we acquired Jobson James Financial Services Limited, a Birmingham-based provider of wealth-management solutions to companies and individuals, for a consideration of up to £2.25 million. Charles Stanley has a growing presence in the Midlands, and Jobson James is an excellent strategic fit both in terms of its business and geographically. During the year we were delighted to welcome a number of additions to our teams of stockbrokers in London and around the country, and we opened a new office in Cirencester, which has made an excellent start.

The results once again reflect the Group's traditional emphasis on maintaining strong cash balances, particularly while conditions remain so uncertain. This allows us to fund acquisitions from our own resources. The figure for our cash balances at 31 March 2011 was £45.5 million compared to £36.6 million at 31 March 2010.

In the light of these results the Directors recommend an increase in the final dividend to 8.25p per share, making a total dividend for the year of 10.75p. This represents an increase of 13.8% compared to the total dividend of 9.45p last year. The dividend will be paid on 3 August 2011 to shareholders registered on 17 June 2011. Once again we are also offering shareholders a scrip alternative.

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

In my statement last year I wrote at some length about the unfairness of the Financial Services Compensation Scheme, which imposes levies on companies like ours to compensate victims of loss caused by the collapse or misbehaviour of other, completely unrelated firms. More often than not these appear to be rogue businesses, operating in areas of the industry unrelated to us, marketing products or services that should have been stopped at inception. In this context we welcome the plans of the FSA to vet complicated financial products before they reach the market.

Last year I was critical of the extraordinary levy of £686,000 which was taken straight off our pre-tax profit to compensate clients for other people's failures. This year the share of the levy imposed on us is no less than the truly astonishing figure of £2.6 million. The total levy being taken from investment firms is more than £300 million. We join with the many companies, professional bodies and trade associations that are calling for a high-level enquiry into how such a thing, on such a scale, could possibly have been allowed to happen.

### **The quality of our service**

These results reflect a great deal of dedication and commitment of everyone in the Group. Once again on behalf of shareholders I express the appreciation of the Directors for another year of strenuous effort in producing this successful outcome.

I should like to take this opportunity to pay tribute to my fellow Directors, both at Group level and trading subsidiary level, who drive the business with such skill and care. And particularly to Peter Hurst, our Finance Director, who is retiring at the AGM in July, after 24 years of dedicated service to Charles Stanley. During that time the Group has grown beyond all recognition, and Peter has been absolutely central to this. I know that all shareholders will join me in thanking Peter and wishing him a long and happy retirement. Arrangements are well advanced to appoint Peter's successor and a further announcement will follow.

### **Outlook**

The recovery remains weak, but after the wild swings in the FTSE 100 index which I spoke of last year it has stabilised at ten or fifteen percent below its historic high. This has been driven as much perhaps by the corporate sector performing well, with a steady rise in profitability and by strong dividend performance, as by expectations of further economic recovery. With the economy looking anaemic still, it seems likely, but ironic, that the infusion of liquidity by the government is driving debt reduction and asset build-up rather than an expansion of consumer spending; and this effect is mirrored at Charles Stanley in the inflows of cash from our existing client base.

It is difficult to conclude from this shift in spending and saving patterns that the upturn from the recession has gained much traction yet. The projections for growth in the UK are faltering, and we remain perplexed at whether a default in the Eurozone will bring down the whole structure of the euro, with all the collateral damage that this would cause. However the banks continue to re-build their balance sheets, surely underpinning a recovery, and corporate Britain looks in reasonable health.

Regulation continues to dominate much of our attention, to the detriment of management focus on running a commercial business. But we see this as sadly inevitable after the public policy disasters, predominantly in wholesale finance, which have once again led to calls for further ratcheting up the protection of the retail consumer. Charles Stanley is a traditional investment business acting for a very large number of successful clients who place their trust in our values and traditions and the quality of our service. Like so much of the UK's highly developed and sophisticated financial system – insurance, investment services, foreign exchange and maritime services – we have continued to function efficiently, and deliver value, throughout the crisis. Intensified regulation, however inevitable, comes with a cost.

Charles Stanley has performed strongly in the past twelve months, and our confidence a year ago has been amply justified. But the future remains as uncertain as ever – with worries over the strength and timing of the UK recovery, the near and medium-term problems of the eurozone, and the continuing depressive effect of ever more intrusive regulation. But the stock market has performed well, our clients continue to garner more investment funds, and we are well placed to move forward. So my guarded feeling of confidence about the outlook remains undaunted.

Sir David Howard  
Chairman  
7 June 2011

## BUSINESS REVIEW

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

### Private Clients

The division has demonstrated the strength of the core retail business. Total income has risen by 10.3% to £106.0 million from £96.1 million and on a like for like basis income has risen by 11.0%. Income comprises commission on trades on behalf of clients, investment management fees for the division's discretionary and advisory managed clients, and administration fees.

Transaction levels have remained steady during 2011 leading to a small increase of 2% in commission income - £56.0 million compared with £54.8 million in 2010.

The division's fee income has continued to grow. Total fee income rose 20.8% to £50.0 million from £41.4 million, and within that, investment management fees increased by 18.9% to £27.0 million from £22.7 million in 2010. Administration fees also increased during the year. An increase in investment by clients in collectives resulted in increased trail fees during the year. Interest turn income continues to be depressed due to low interest rates but this has been partly offset by increased income from foreign currency transactions due to improved systems. The Private Client ratio of commission to fee income is 52.9% to 47.1% compared with 57.0% and 43.0% respectively for 2010.

Total funds under management and administration are shown below:

	<b>2011</b> <b>£ billion</b>	<b>2010</b> <b>£ billion</b>	<b>Change</b> <b>%</b>
<b>Discretionary funds under management</b>			
In Group's nominee or Euroclear UK and Ireland ("EUI") personal membership	<b>4.61</b>	3.89	18.5%
<b>Advisory managed funds</b>			
In Group's nominee or EUI personal membership	<b>2.39</b>	2.26	
Not held in Group's nominee	<b>0.20</b>	0.20	
	<b>2.59</b>	2.46	5.3%
<b>Total managed funds</b>	<b>7.20</b>	6.35	13.4%
<b>Advisory dealing funds</b>			
In Group's nominee or EUI personal membership	<b>3.03</b>	2.79	8.6%
<b>Execution only funds</b>			
In Group's nominee or EUI personal membership	<b>4.27</b>	3.66	16.7%
<b>Total administered funds</b>	<b>7.30</b>	6.45	13.2%
<b>Total funds under management and administration</b>	<b>14.50</b>	<b>12.80</b>	<b>13.3%</b>

The Group has seen a 13.3% increase in the value of its funds under management and administration from March 2010, compared with an increase in the FTSE 100 of 3.5% and the APCIMS Balanced Portfolio Index of 4.3%. The Group continues to attract discretionary funds, and we are pleased to see such funds now account for 31.8% of funds under management and administration (2010: 30.4%).

Included in this increase in funds were additional ISA subscriptions during the year of £142 million (2010: £116 million) of which £84 million (2010: £68 million) were under management and £58 million (2010: £48 million) under administration.

#### *Charity team*

Over the years our Charity team and investment managers have earned a reputation for meeting the investment needs of a diverse range of Charities and Foundations. In the last five years, with an increased emphasis on the personal support that we offer to our Charity clients and to the Charitable sector it is very encouraging to report that Charitable funds held have increased from £320 million to £750 million at 31 March 2011.

#### *Managed clients*

Funds under management have increased by 13.4% during the year of which 7.2% related to net organic growth as shown in the table below.

	Discretionary managed £ bn	Advisory managed £ bn	Total £bn	Change %
Funds at 1 April 2010	3.89	2.46	6.35	
Inflows				
New clients of existing investment managers	0.40	0.10	0.50	
Clients of new investment managers	0.07	0.01	0.08	
Organic – new funds from existing clients	0.46	0.26	0.72	
<b>Total inflows</b>	<b>0.93</b>	<b>0.37</b>	<b>1.30</b>	<b>20.5%</b>
Outflows				
Lost clients	(0.20)	(0.23)	(0.43)	
Organic – withdrawal of funds by existing clients	(0.16)	(0.10)	(0.26)	
<b>Total outflows</b>	<b>(0.36)</b>	<b>(0.33)</b>	<b>(0.69)</b>	<b>(10.9%)</b>
Net inflow of funds	0.57	0.04	0.61	9.6%
Market movement	0.15	0.09	0.24	3.8%
<b>Funds at 31 March 2011</b>	<b>4.61</b>	<b>2.59</b>	<b>7.20</b>	
% increase year on year	18.5%	5.3%	13.4%	

This increase in funds under management has followed through into an increase of 15.3% in income levels.

	Disc £m	Adv £m	<b>2011 Total £m</b>	Disc £m	Adv £m	<b>2010 Total £m</b>	Change £m	%
Commission	18.9	8.9	<b>27.8</b>	17.7	8.6	<b>26.3</b>	1.5	5.7%
Recurring fees	23.5	10.5	<b>34.0</b>	18.2	9.1	<b>27.3</b>	6.7	24.5%
	42.4	19.4	<b>61.8</b>	35.9	17.7	<b>53.6</b>	8.2	15.3%
Average funds under management £bn	4.25	2.52	<b>6.77</b>	3.30	2.20	<b>5.50</b>	1.27	23.1%
Revenue margin	0.99	0.77	<b>0.91</b>	1.09	0.80	<b>0.97</b>	(0.06)	(6.2%)

There was less volatility in the markets during the year resulting in lower levels of commission and a reduced revenue margin compared with 2010.

#### *Non-managed clients*

Funds under administration have increased by 13.2% of which 7.0% related to net organic growth.

	Advisory dealing £ bn	Execution only £ bn	Total £bn
At 1 April 2010	2.79	3.66	6.45
Net (outflow)/inflow of funds	(0.10)	0.30	0.20
Net organic growth	0.24	0.21	0.45
Market movement	0.10	0.10	0.20
At 31 March 2011	3.03	4.27	7.30
% increase year on year	8.6%	16.7%	13.2%

Net organic growth represents an inflow of funds from existing clients. This increase in funds under administration has led to an increase in administration fees as shown below which has offset the slight decrease in commission earned during the year.

	Adv £m	Exe £m	<b>2011 Total £m</b>	Adv £m	Exe £m	<b>2010 Total £m</b>	Change £m	%
Commission	14.3	13.9	<b>28.2</b>	14.1	14.4	<b>28.5</b>	(0.3)	(1.0)%
Recurring fees	6.6	9.2	<b>15.8</b>	4.6	9.4	<b>14.0</b>	1.8	12.8%
	20.9	23.1	<b>44.0</b>	18.7	23.8	<b>42.5</b>	1.5	3.5%

Michael Clark  
 Director of Private Client Stockbroking  
 Peter Hurst  
 Finance Director  
**Financial Services**

The division includes EBS Management PLC (“EBS”), a SIPP administration services provider, Garrison Investment Analysis Limited (“Garrison”), a discount financial intermediary, CS Financial Solutions Limited (formerly Griffiths & Armour (Financial Services) Limited (“CS Financial Solutions”), an employee benefits provider together with the existing Charles Stanley financial planning, wealth management and funds management.

Total income has risen by 10.6% during 2011 as analysed below:

	<b>2011 £m</b>	<b>2010 £m</b>
EBS	<b>1.9</b>	1.8
Garrison	<b>1.6</b>	1.6
CS Financial Solutions	<b>2.7</b>	2.8
Financial Planning (including funds management)	<b>3.2</b>	2.3
<b>Total</b>	<b>9.4</b>	<b>8.5</b>

### EBS

Revenue increased during the year to £1.9 million from £1.8 million. The new registered scheme reported in last year’s accounts has been established, although the product has not yet gone live hence the income which was expected to begin being reflected in the 31 March 2011 accounts is not yet available. We hope to report substantial business from this SIPP in next year’s accounts.

In total, 495 SIPPs were added to the portfolio for the year, although with losses taken into account the net increase in SIPP numbers is 369. EBS now administers 1,500 full SIPPs, 1,200 Alpha SIPPS, 300 white label SIPPs and 360 SSASs.

The Coalition Government’s 2010 Budget has simplified contributions and tax relief for high earners, therefore we are expecting more new money to be introduced into the clients’ portfolios. This increases activities such as new SIPPs and money moving to Charles Stanley for investing. It is evident from the scheme numbers that the Alpha SIPP, which is used by Charles Stanley and a number of other companies, is growing in numbers rapidly, whereas the full hybrid SIPP remains fairly static.

### Garrison

Garrison Investment Analysis maintained the revenues at £1.6 million, the same as last year even though we introduced a loyalty bonus for clients on the Cofunds platform rebating 30% of the trail commission. Increased levels of new business and our cost cutting throughout the year helped increase the pre tax profits by 11% to £559,000. Assets continue to grow standing at £461 million at 31 March 2011, which reflects the increases in the markets and our success in retaining business as a result of the loyalty bonus.

We intend to expand our client base with a combination of further improvements to our website, improving our branding and expanding our marketing initiatives. We are confident that these measures will further increase our asset base and profit levels in the coming year.

### CS Financial Solutions

CS Financial Solutions revenues were slightly reduced at £2.7 million for the year to March 2011 versus £2.8 million for the 12 months to March 2010. Revenues were behind those anticipated mainly due to the continued downward pressure on corporate spending across the employee benefits area; compounded by the exposure that the business has in particular market sectors. In addition, business revenue suffered as low (or zero) pay awards continued across the client base; total salary roll and funds under management both suffered as a consequence. This was exacerbated further by a real lack of staff recruitment, so, overall, the net effect was scheme membership numbers reduced with leavers not being replaced by new joiners. All of which links directly to the level of fee income received by the business. The process of amalgamating all of the Group's benefit consultancy business within this Company is almost complete and we now look forward to offering a uniform employee benefits service across our geographical reach. Following the Liverpool office move and the subsequent rebrand to CS Financial Solutions margins in the Company were further depressed by the relatively significant rebranding and establishment costs, but we look forward to an improvement in the margins in the future.

### Financial Planning

The financial planning and wealth management teams have put in a solid performance during the year. The department provides an increasingly important contribution with regard to the collective portfolio service and collective research for the whole Group. During the next twelve months we look to provide this service to an increasing number of external IFAs and wealth managers.

### Fund Management

The launch of the Matterley Fund department has gone well over the last twelve months with a good increase in assets under management. The Matterley Undervalued Asset Fund has made particular progress with assets increasing four-fold and the achievement of a Citywire AA rating for performance. The Regular High Income Fund has also achieved a Citywire A rating.

The Group currently has funds in-house which together with the IHT Portfolio fund totalled £147.2 million (March 2010: £104.4 million).

	<b>2011 £m</b>	<b>2010 £m</b>
International Growth Portfolio	<b>18.7</b>	14.4
Regular High Income Fund	<b>40.8</b>	36.5
Equity	<b>7.7</b>	7.0
UK & International Growth	<b>36.8</b>	26.2
Undervalued Asset Fund	<b>26.7</b>	6.2
IHT Portfolio	<b>16.5</b>	14.1
<b>Total Funds</b>	<b>147.2</b>	<b>104.4</b>

### Acquisition

Since the year end the Group has acquired Jobson James Financial Services Limited ("JJFS"). Formed in 1991 and based in Edgbaston, Birmingham, JJFS provides wealth management advice and services for both private and corporate clients including pensions and retirement planning. The company also advises on life and health assurance products and provides tax advisory services. The business is a high-quality acquisition and complements our expanding activities in this area of financial services. The acquisition also contributes to our strategic aim of building a stronger presence in the Midlands.

## Charles Stanley Securities

CS Securities, the Group's advisory, broking and corporate finance arm for smaller and mid cap UK listed companies, together with the Sutherlands Agency Bond business produced slightly lower revenues for 2011 at £10.2 million versus £10.4 million for 2010. This was due in the main as we forecast to a significant decrease in activity in bond trading in the Sutherlands business. During the period a number of corporate clients were taken over and some clients were lost. Comparative retainer income fell from £1.45m in 2010 to £1.16m in 2011. A number of transactions were completed during the year and several notable new clients have been taken on, on a retained basis. The Sales Trading team having been rated number one in the Extel Survey in 2010 for smaller company execution had another good year.

Income within the division is shown below:

	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Commission	<b>7.0</b>	7.1
Fees	<b>3.2</b>	3.3
<b>Total</b>	<b>10.2</b>	<b>10.4</b>

Whilst this area of the market remains challenging we believe we are in a strong position to take advantage of an up-turn in activity should it arise.

Michael Lilwall  
Director

## OPERATING AND FINANCIAL REVIEW

During 2011 total revenue for the Group grew by 9.2% to £125.6 million from £115.0 million. Reported profit for the year of £13.4 million is stated after amortisation of £1.7 million (2010: £1.7 million), FSCS levy of £2.6 million (2010: £0.7 million) and revenue costs relating to new investment teams last year of £1.2 million.

The financial impact of the FSCS levy, which arises from other industry failures, is wholly outside our control. The interim levy of £2.2 million, arising from the failure of Keydata Investment Services Limited and other intermediaries as announced in January 2011, is unwelcome and adds to the £0.4 million we had already anticipated resulting in a £2.6 million charge for the year (2010: £0.7 million).

	<b>2011</b>	<b>2010</b>	<b>Change</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Revenue	<b>125.6</b>	115.0	10.6	9.2%
Administrative expenses	<b>(112.7)</b>	(105.4)	(7.3)	(6.9)%
Other income	<b>0.1</b>	0.1	-	-
Operating profit	<b>13.0</b>	9.7	3.3	34.0%
Net interest and finance income	<b>0.4</b>	0.4	-	-
Gains and losses on available for sale financial assets	-	0.2	(0.2)	
<b>Reported profit</b>	<b>13.4</b>	<b>10.3</b>	<b>3.1</b>	<b>30.1%</b>
<i>Ratio to revenue</i>	<i>10.7%</i>	<i>9.0%</i>		
Add back:				
Gains and losses on available for sale financial assets	-	(0.2)	0.2	
One-off costs for investment teams	-	1.2	(1.2)	
FSCS Levy	<b>2.6</b>	0.7	1.9	
Amortisation of client relationships	<b>1.7</b>	1.7	-	
<b>Adjusted profit</b>	<b>17.7</b>	<b>13.7</b>	<b>4.0</b>	<b>29.2%</b>
<i>Ratio to revenue</i>	<i>14.1%</i>	<i>11.9%</i>		

Revenue by division for the year is summarised below:

	<b>2011</b>	<b>2010</b>	<b>Change</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Private Client	<b>106.0</b>	96.1	9.9	10.3%
Financial Services	<b>9.4</b>	8.5	0.9	10.6%
Charles Stanley Securities	<b>10.2</b>	10.4	(0.2)	(0.2)%
<b>Total</b>	<b>125.6</b>	<b>115.0</b>	<b>10.6</b>	<b>9.2%</b>

The Group seeks, over time, to alter the balance between commission and fee income increasingly in favour of fees. In 2010-11 the proportion of fee income (excluding corporate finance fees) to total revenue was 47.2% compared to 44.6% in 2009-10 and 45.4% the previous year.

## Administrative expenses

Administrative expenses are summarised below:

	2011 £m	2010 £m	Change £m	%
Staff costs	50.2	48.5	1.7	3.5%
Depreciation	2.2	2.7	(0.5)	(18.5)%
Amortisation of intangible assets	1.7	1.7	-	-
Other costs	56.0	50.6	5.4	10.7%
<b>Total before one-off costs</b>	<b>110.1</b>	<b>103.5</b>	<b>6.6</b>	<b>6.4%</b>
One-off costs relating to new teams	-	1.2	(1.2)	-
FSCS Levy	2.6	0.7	1.9	
<b>Total</b>	<b>112.7</b>	<b>105.4</b>	<b>7.3</b>	<b>6.9%</b>
Allocated to:				
Private Client division	63.9	58.1	5.8	10.0%
Financial Services	9.2	8.5	0.7	8.2%
Charles Stanley Securities	9.2	10.5	(1.3)	(12.4)%
<b>Total allocated to divisions and other income</b>	<b>82.3</b>	<b>77.1</b>	<b>5.2</b>	<b>6.7%</b>
Unallocated	30.4	28.3	2.1	7.4%
	<b>112.7</b>	<b>105.4</b>	<b>7.3</b>	<b>6.9%</b>

Total costs have increased by 6.9% from £105.4 million to £112.7 million. Staff costs are analysed in note 4. These have increased by 3.5% to £50.2 million from £48.5 million and represent 44.5% of our total costs (2010: 46.0%). Average employee numbers have risen by 2.5% to 747 from 729.

For management purposes costs are allocated to divisions by direct attribution and this is shown in note 2.

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

	2011 £m	2010 £m	Change £m	%
Client facing staff salaries	25.1	21.6	3.5	16.2%
Total income to salary ratio	5.0	5.3		

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

	2011 £m	2010 £m
Business support costs as % of revenue	17.3 %	16.9%
Overhead costs as % of revenue	10.3 %	15.1%
<b>Total general fixed costs as % of income</b>	<b>27.6 %</b>	<b>32.0%</b>

The Group did not incur any costs in respect of new investment teams this year (2010: £1.2 million). The FSCS levy increased this year to £2.6 million. Excluding these costs total expenses have increased by 6.4% to £110.1 million from £103.5 million.

Costs also include depreciation of £2.2 million (2010: £2.7 million) and amortisation of intangible assets of £1.7 million (2010: £1.7 million). Further details are shown in notes 10 and 11. The proportion of our total costs which are fixed decreased to 63.8% from 65.9%. The proportion of fixed costs which is covered by fees has therefore increased to 88.7% from 77.7%.

Interest receivable of £0.4 million (2010: £0.4 million) includes interest on bank deposits and interest earned from interest bearing available for sale investments. The Group's cash balances stood at £45.5 million as at 31 March 2011 (2010: £36.6 million). Interest rates have been held by the Bank of England at 0.5% for the year.

The tax charge of £3.9 million is analysed in note 7. This represents 29.1% of the Group's profit before tax of £13.4 million (2010: 33.0% of £10.3 million). The effective rate is higher than the UK standard rate of 28.0% due to differences between accounting and taxation treatment of certain items, and the effects of prior year taxation adjustments.

Earnings per share after one-off costs were 21.42p (2010:15.44p). There was a slight dilution at 31 March 2011 of earnings giving diluted earnings per share of 21.40p. Further details on earnings per share are explained in note 8.

As indicated in the Chairman's Statement the final dividend for the year is recommended to be 8.25p in addition to the interim dividend of 2.50p giving a total dividend for the year of 10.75p. Shareholders will be offered a scrip alternative.

At 31 March 2011 the Group had net assets of £82.1 million (2010: £73.4 million) equivalent to £1.82 per share (2010: £1.67 per share).

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

<i>Indicator</i>	<i>Description</i>	<i>2011</i>	<i>2010</i>	<i>% change</i>
Ratio of adjusted operating profit to revenue	Ratio of operating profit before amortisation and one-off costs as a percentage of revenue	13.8%	11.6%	18.9%
Ratio of adjusted profit to revenue	Profit before gains or losses on available for sale financial assets, amortisation and one-off costs as a percentage of revenue	14.1%	11.9%	18.5%
Adjusted earnings per share	Earnings before gains or losses on available for sale financial assets, amortisation and one-off costs divided by weighted average shares in issue during the year	28.39p	21.18p	34.0%
Funds under management and administration	Valuation of client assets at the year-end	£14.5bn	£12.8bn	13.3%
Discretionary funds under management	Valuation of discretionary client assets at the year-end	£4.6bn	£3.9bn	17.9%
Staff turnover	Ratio of staff leavers to average staff during the year	11.9%	6.3%	88.9%
Fees	Value of non-commission income for Private Clients	£50.0m	£41.4m	20.8%

Peter Hurst  
Finance Director

7 June 2011

**Charles Stanley Group PLC**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
YEAR ENDED 31 MARCH 2011

	<i>Notes</i>	<b>2011</b> <b>£'000</b>	<i>2010</i> <i>£'000</i>
<b>Continuing operations</b>			
Revenue	2	<b>125,573</b>	114,992
Administrative expenses		<b>(112,687)</b>	(105,356)
Other income	3	<b>63</b>	88
<hr/>			
Operating profit	5	<b>12,949</b>	9,724
Finance income	6	<b>444</b>	399
Finance costs	6	<b>(53)</b>	(22)
Gains and losses on available for sale financial assets	6	<b>37</b>	170
<hr/>			
Profit before tax		<b>13,377</b>	10,271
Tax expense	7	<b>(3,857)</b>	(3,428)
<hr/>			
Profit for the year attributable to equity shareholders		<b>9,520</b>	6,843
<hr/>			
Earnings per share			
<b>Based on reported profit for the year</b>			
Basic	8	<b>21.42p</b>	15.44p
<hr/>			
Diluted	8	<b>21.40p</b>	15.44p
<hr/>			

**Charles Stanley Group PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
YEAR ENDED 31 MARCH 2011

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Profit for the year	<b>9,520</b>	6,843
<hr/>		
<b>Other comprehensive income</b>		
Revaluation of property	<b>29</b>	-
Gains and losses on available for sale financial assets	<b>(1,266)</b>	343
Deferred tax on available for sale financial assets	<b>377</b>	(95)
Retirement benefit scheme actuarial deficit	<b>1,433</b>	(993)
Deferred tax on retirement benefit scheme actuarial deficit	<b>(515)</b>	297
<hr/>		
Other comprehensive income net of tax	<b>58</b>	(448)
<hr/>		
Total comprehensive income for the year attributable to equity shareholders	<b>9,578</b>	6,395
<hr/>		

**Charles Stanley Group PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AT 31 MARCH 2011

	<i>Notes</i>	<b>2011</b> <b>£'000</b>	<i>2010</i> <i>£'000</i>
<b>Assets</b>			
Non-current assets			
Intangible assets	10	<b>34,126</b>	35,428
Property, plant and equipment	11	<b>6,216</b>	6,070
Deferred tax assets	17	<b>534</b>	516
Available for sale financial assets	12	<b>5,223</b>	6,426
Trade and other receivables	13	<b>1,431</b>	1,511
		<b>47,530</b>	49,951
Current assets			
Trade and other receivables	13	<b>224,720</b>	188,103
Financial assets at fair value through profit and loss		<b>170</b>	75
Cash and cash equivalents	14	<b>45,540</b>	36,617
		<b>270,430</b>	224,795
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	15	<b>(230,613)</b>	(192,945)
Borrowings	16	<b>(94)</b>	(843)
Current tax liabilities		<b>(1,772)</b>	(1,662)
		<b>(232,479)</b>	(195,450)
Net current assets			
		<b>37,951</b>	29,345
Non-current liabilities			
Trade and other payables	15	-	(900)
Borrowings	16	-	(15)
Retirement benefit obligations	21	<b>(3,357)</b>	(4,956)
		<b>(3,357)</b>	(5,871)
<b>Net assets</b>			
		<b>82,124</b>	73,425
<b>Shareholders' equity</b>			
Ordinary shares	18	<b>11,265</b>	11,136
Share premium	18	<b>2,491</b>	1,772
Revaluation reserve		<b>1,463</b>	2,323
Retained earnings		<b>66,852</b>	58,097
Total shareholders' equity		<b>82,071</b>	73,328
Minority interests		<b>53</b>	97
<b>Total equity</b>			
		<b>82,124</b>	73,425

**Charles Stanley Group PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
YEAR ENDED 31 MARCH 2011

	<i>Share capital</i> £'000	<i>Share premium</i> £'000	<i>Revaln reserve</i> £'000	<i>Retained earnings</i> £'000	<i>Total</i> £'000	<i>Minority</i> £'000	<i>Total</i> £'000
1 April 2009	11,035	1,873	2,295	56,850	72,053	97	72,150
Profit for the year	-	-	-	6,843	6,843	-	6,843
Other comprehensive income:							
Gains and losses on available for sale financial assets	-	-	123	220	343	-	343
Deferred tax on available for sale financial assets	-	-	(95)	-	(95)	-	(95)
Retirement benefit scheme actuarial deficit	-	-	-	(993)	(993)	-	(993)
Deferred tax on retirement benefit scheme actuarial deficit	-	-	-	297	297	-	297
Total other comprehensive income for the year	-	-	28	(476)	(448)	-	(448)
Total comprehensive income for the year	-	-	28	6,367	6,395	-	6,395
Dividends paid	-	-	-	(5,162)	(5,162)	-	(5,162)
Scrip dividend	101	(101)	-	-	-	-	-
Share options - value of employee services	-	-	-	42	42	-	42
<b>31 March 2010</b>	<b>11,136</b>	<b>1,772</b>	<b>2,323</b>	<b>58,097</b>	<b>73,328</b>	<b>97</b>	<b>73,425</b>
Profit for the year	-	-	-	9,520	9,520	-	9,520
Other comprehensive income:							
Revaluation of property	-	-	29	-	29	-	29
Gains and losses on available for sale financial assets	-	-	(1,266)	-	(1,266)	-	(1,266)
Deferred tax on available for sale financial assets	-	-	377	-	377	-	377
Retirement benefit scheme actuarial deficit	-	-	-	1,433	1,433	-	1,433
Deferred tax on retirement benefit scheme actuarial deficit	-	-	-	(515)	(515)	-	(515)
Total other comprehensive income for the year	-	-	(860)	918	58	-	58
Total comprehensive income for the year	-	-	(860)	10,438	9,578	-	9,578
Dividends paid	-	-	-	(1,729)	(1,729)	-	(1,729)
Change in ownership of subsidiary	-	-	-	-	-	(44)	(44)
Scrip dividend	43	(43)	-	-	-	-	-
Share options - value of employee services	-	-	-	46	46	-	46
Share options – issue of shares	77	686	-	-	763	-	763
Conversion of loan notes	9	76	-	-	85	-	85
<b>31 March 2011</b>	<b>11,265</b>	<b>2,491</b>	<b>1,463</b>	<b>66,852</b>	<b>82,071</b>	<b>53</b>	<b>82,124</b>

**Charles Stanley Group PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
YEAR ENDED 31 MARCH 2011

	<i>Notes</i>	<b>2011</b> <b>£'000</b>	<i>2010</i> <i>£'000</i>
<b>Cash flows from operating activities</b>			
Cash generated from operations	19	<b>18,015</b>	12,405
Interest received	6	<b>444</b>	399
Interest paid	6	<b>(53)</b>	(22)
Tax paid		<b>(3,906)</b>	(2,067)
<hr/>			
Net cash inflow from operating activities		<b>14,500</b>	10,715
<hr/>			
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries and other businesses		<b>(800)</b>	(4,132)
Acquisition of intangible assets		<b>(1,001)</b>	(493)
Purchase of property, plant and equipment	11	<b>(2,346)</b>	(542)
Proceeds from sale of property, plant and equipment		<b>18</b>	39
Purchase of available for sale financial assets	12	<b>(320)</b>	(2,484)
Proceeds from sale of available for sale financial assets		<b>297</b>	2,770
Dividends received	3	<b>63</b>	88
<hr/>			
Net cash used in investing activities		<b>(4,089)</b>	(4,754)
<hr/>			
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital	18	<b>763</b>	-
Cash outflow from change in debt and lease financing		<b>(522)</b>	(133)
Dividends paid to equity shareholders	9	<b>(1,729)</b>	(5,162)
<hr/>			
Net cash used in financing activities		<b>(1,488)</b>	(5,295)
<hr/>			
<b>Net increase in cash and cash equivalents</b>		<b>8,923</b>	666
Cash and cash equivalents at start of year		<b>36,617</b>	35,951
<hr/>			
Cash and cash equivalents at end of year	14	<b>45,540</b>	36,617
<hr/>			

**Charles Stanley Group PLC**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
YEAR ENDED 31 MARCH 2011

**1. GENERAL INFORMATION**

Charles Stanley Group PLC and its subsidiaries provide investment services within the UK. The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is 25 Luke Street, London EC2A 4AR. This condensed consolidated financial information was approved by the Board for issue on 7 June 2011.

**Cautionary statement**

The Chairman's Statement, Business Review and Operating and Financial Review which form part of the preliminary announcement for the year ended 31 March 2011 have been prepared to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. They should not be relied on by any other party or for any other purpose. These reviews contain certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

**Basis of preparation**

The financial information set out in these financial statements does not constitute the Company's statutory accounts for the years ended 31 March 2011 or 2010. Statutory accounts for 2010 have been delivered to the Registrar of Companies, and those for 2011 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The results have been prepared on a basis consistent with the accounting policies set out in the statutory financial statements for the year ended 31 March 2010 except as explained below. The condensed financial information as set out in this report is unaudited and does not comprise statutory accounts for the purposes of the Companies Act 2006.

The comparative figures for the year ended 31 March 2010 have been taken from, but do not constitute, the Group's statutory financial statements for that financial year. Those financial statements have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report was unqualified.

**Going concern**

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

### Adjusted profit before income tax and adjusted earnings

The Board believes that a truer reflection of the performance of the Group's on-going business is given by the measure "Adjusted profit before tax", which represents operating profit plus net interest but excludes gains and losses on available for sale financial assets, amortisation of customer relationships and one-off costs. The table below reconciles these measures to the consolidated income statement

	2011		2010
	£'000	£'000	£'000
Reported profit before tax		13,377	10,271
Exclude:			
Gains and losses on available for sale financial assets	(37)		(170)
Amortisation of customer relationships	1,740		1,712
One-off costs relating to investment teams	-		1,217
Financial Services Compensation Scheme Levy	2,600		686
		4,303	3,445
<b>Adjusted profit before tax</b>		<b>17,680</b>	<b>13,716</b>
Tax expense	(3,857)		(3,428)
Add tax on excluded items	(1,205)		(903)
Adjusted tax expense		(5,062)	(4,331)
<b>Adjusted earnings</b>		<b>12,618</b>	<b>9,385</b>
Adjusted basic earnings per share		<b>28.39p</b>	21.18p

### Changes in accounting policy and disclosure

The same accounting policies, presentation and methods of computation are followed in these financial statements as applied in the Group's financial statements for the year ended 31 March 2010 except as described below.

The Group has adopted the following new and revised Standards and Interpretations in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements:

- IFRS 3, 'Business Combinations (revised 2008)';
- IAS 27, 'Consolidated and Separate Financial Statements (revised 2008)';
- IFRIC 17, 'Distributions of Non-cash Assets to Owners';
- Amendments to IFRS 2, 'Share-based Payments: Vesting Conditions and Cancellations & Group Cash-settled Share-based Payment Transactions'.

The following amendments were made as part of 'Improvements to IFRS (2009)':

- Amendments to IAS 38 'Intangible Assets';
- Amendments to IFRS 8 'Operating Segments';
- Amendments to IAS 7 'Statement of Cash Flows';
- Amendments to IAS 36 'Impairment of Assets'.

A number of new standards and interpretations have been issued with effective dates after the date of these financial statements. These changes are currently being assessed and the Directors do not anticipate that the adoption of these standards and interpretations will materially impact the Group's financial statements in the period of initial application although there could be revised and additional disclosures. The Group plans to apply these standards, once endorsed, in the first reporting period that commences after the effective date.

<i>Endorsed and available for early adoption</i>	<i>Effective date</i>
Amendment to IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010.
IAS 24 Related Party Disclosures (revised 2009)	1 January 2011
Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	1 July 2010.
<i>Not yet endorsed</i>	
Improvements to IFRSs (Issued May 2010)	Various, mostly 1 January 2011
Amendment to IFRS 7 Disclosures - Transfers of Financial Assets	1 July 2011
Amendment to IAS 12 Recovery of Underlying Assets	1 January 2012
IFRS 9 Financial Instruments	1 January 2013

### **Related party transactions**

Transactions between the Parent Company and its subsidiaries have been eliminated on consolidation and are not disclosed. The Parent Company received £2.0 million (2010: £3.0 million) in dividends and £2.4 million (2010: £2.0 million) in management charges from its subsidiaries during the year.

### **Principal risks and uncertainties**

The Directors consider that the nature of the principal risks and uncertainties which may have a material effect on the Group's performance remain unchanged from those identified in the financial statements for the year ended 31 March 2010. In summary the major risks identified were:

Credit risk	- risk of loss through default by counterparty;
Market risk	- risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates;
Operational risk	- risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk;
Liquidity risk	- risk that the Group, although solvent, does not have available sufficient financial resources to enable it to meet its obligations;
Business risk	- risk exposure to macroeconomic, geopolitical, regulatory and other external risks;
Regulatory risk	- risk of loss resulting from breach of FSA rules; and
Reputational risk	- risk of damage to client base leading to financial loss.

## 2 SEGMENT INFORMATION

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

	<i>Private Client Division</i> £'000	<i>Financial Services</i> £'000	<i>Charles Stanley Securities</i> £'000	<i>Sub- total</i> £'000	<i>Central costs</i> £'000	<i>Total</i> £'000
<b>Year ended 31 March 2011</b>						
Commission	56,016	310	6,977	63,303	-	63,303
<b>Fees</b>						
Investment management	26,999	373	-	27,372	-	27,372
Administration	22,953	8,715	304	31,972	-	31,972
Corporate finance	-	-	2,926	2,926	-	2,926
	49,952	9,088	3,230	62,270	-	62,270
<b>Total revenue</b>	<b>105,968</b>	<b>9,398</b>	<b>10,207</b>	<b>125,573</b>	<b>-</b>	<b>125,573</b>
Administrative expenses	(63,882)	(9,201)	(9,182)	(82,265)	(30,422)	(112,687)
Other income	-	-	-	-	63	63
<b>Operating profit</b>	<b>42,086</b>	<b>197</b>	<b>1,025</b>	<b>43,308</b>	<b>(30,359)</b>	<b>12,949</b>
<b>Segment assets</b>	<b>234,967</b>	<b>14,317</b>	<b>6,763</b>	<b>256,047</b>	<b>61,913</b>	<b>317,960</b>
<b>Segment liabilities</b>	<b>214,012</b>	<b>-</b>	<b>6,354</b>	<b>220,366</b>	<b>15,470</b>	<b>235,836</b>
<b>Year ended 31 March 2010</b>						
Commission	54,768	135	7,123	62,026	-	62,026
<b>Fees</b>						
Investment management	22,695	261	-	22,956	-	22,956
Administration	18,690	8,054	152	26,896	-	26,896
Corporate finance	-	-	3,114	3,114	-	3,114
	41,385	8,315	3,266	52,966	-	52,966
<b>Total revenue</b>	<b>96,153</b>	<b>8,450</b>	<b>10,389</b>	<b>114,992</b>	<b>-</b>	<b>114,992</b>
Administrative expenses	(58,064)	(8,511)	(10,478)	(77,053)	(28,303)	(105,356)
Other income	-	-	-	-	88	88
<b>Operating profit</b>	<b>38,089</b>	<b>(61)</b>	<b>(89)</b>	<b>37,939</b>	<b>(28,215)</b>	<b>9,724</b>
<b>Segment assets</b>	<b>189,535</b>	<b>13,923</b>	<b>17,498</b>	<b>220,956</b>	<b>53,790</b>	<b>274,746</b>
<b>Segment liabilities</b>	<b>164,217</b>	<b>800</b>	<b>18,996</b>	<b>184,013</b>	<b>17,308</b>	<b>201,321</b>

### 3 OTHER INCOME

	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
Dividend income on available for sale financial assets	63	88

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### 4 EMPLOYEE BENEFIT EXPENSE

The average number of persons employed (including Directors) during the year was 747 (2010: 729).

	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
Staff costs for the Group during the year:		
Wages and salaries	42,245	40,443
Social security costs	4,084	4,276
Share options granted	46	42
Other pension costs – defined contribution plans	2,995	2,649
Other pension costs – defined benefit plan	854	1,056
	<b>50,224</b>	48,466

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The comparative figure for wages and salaries has been adjusted to include commission earned by employees.

### 5 OPERATING PROFIT

The following items have been included in arriving at operating profit:

	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
Depreciation of property, plant and equipment:		
- owned assets	2,204	2,694
- assets held under finance leases	7	50
Amortisation of customer relationships	1,740	1,712
Auditors' remuneration:		
- audit of the Company's annual accounts	20	39
- audit of the Company's subsidiaries	175	124
- services relating to taxation	70	102
- all other services	25	14
Operating lease rentals payable	1,961	1,811
Revenue costs relating to new investment teams	-	1,217
Financial Services Compensation Scheme Levy	2,600	686

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#### Revenue costs relating to new investment teams consist of the following:

	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
Initial costs of setting up investment teams including rent, ICT costs and stock transfer costs	-	540
Recruitment costs	-	192
Incentive payments	-	485
	-	<b>1,217</b>

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**6 FINANCE INCOME - NET**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Interest income	<b>444</b>	399
Interest expense:		
Interest payable on bank borrowings	<b>(5)</b>	(7)
Interest payable on other loans	<b>(47)</b>	(8)
Interest payable on finance leases	<b>(1)</b>	(7)
Interest payable and similar charges	<b>(53)</b>	(22)
Gains and losses on available for sale financial assets	<b>37</b>	170
Finance income – net	<b>428</b>	547

**7 TAX EXPENSE**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Current taxation:		
- Current tax on profits for the year	<b>3,954</b>	3,245
- Adjustment in respect of prior years	<b>59</b>	(91)
Deferred taxation:		
Origination and reversal of timing differences:		
- Current year	<b>(156)</b>	(220)
- Adjustment in respect of prior years	<b>-</b>	494
	<b>3,857</b>	3,428

The tax charge for the year is higher than the standard rate of corporation tax in the UK of 28% (2010: 28%). The differences are explained below.

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Profit before tax	<b>13,377</b>	10,271
Profit multiplied by the rate of corporation tax of 28% (2010: 28%)	<b>3,746</b>	2,876
Tax effects of:		
Income not subject to tax	<b>(13)</b>	(21)
Expenses not allowed for tax	<b>163</b>	193
Adjustments in respect of prior years	<b>59</b>	403
Change in tax rate	<b>17</b>	-
Other adjustments	<b>(115)</b>	(23)
	<b>111</b>	552
Tax charge for the year	<b>3,857</b>	3,428

## 8 EARNINGS PER SHARE

	<b>2011</b>	<i>2010</i>
	<b>No.</b>	<i>No.</i>
	<b>000</b>	<b>000</b>
Weighted average number of shares in issue in the year	<b>44,447</b>	44,320
Effect of share options	<b>44</b>	-
<hr/>		
Diluted weighted average number of shares in issue in the year	<b>44,491</b>	44,320
<hr/>		
	<b>£'000</b>	<i>£'000</i>
Reported earnings attributable to ordinary shareholders	<b>9,520</b>	6,843
Gains and losses on available for sale financial assets	<b>(37)</b>	(170)
Amortisation of client relationships	<b>1,740</b>	1,712
Revenue costs relating to new investment teams	-	1,217
Financial Services Compensation Scheme Levy	<b>2,600</b>	686
Tax on adjusting items	<b>(1,205)</b>	(903)
<hr/>		
Adjusted earnings attributable to ordinary shareholders	<b>12,618</b>	9,385
<hr/>		
<b>Based on reported earnings</b>		
Basic earnings per share	<b>21.42p</b>	15.44p
<hr/>		
Diluted earnings per share	<b>21.40p</b>	15.44p
<hr/>		
<b>Based on adjusted earnings</b>		
Basic earnings per share	<b>28.39p</b>	21.18p
<hr/>		
Diluted earnings per share	<b>28.36p</b>	21.18p

## 9 DIVIDENDS PAID

Amounts recognised as distributions to equity shareholders in the year:

	<b>2011</b>	<i>2010</i>
	<b>£'000</b>	<i>£'000</i>
Final paid for 2010: 2.50p per share (2009: 6.65p)	<b>828</b>	2,375
Interim paid for 2011: 2.50p per share (2010: 2.20p)	<b>901</b>	813
Second interim : nil (2010: 5.00p)	-	1,974
<hr/>		
	<b>1,729</b>	5,162

In addition, the Directors are proposing a final dividend in respect of the year ended 31 March 2011 of 8.25p per share which will absorb an estimated £3.7 million of shareholders' funds. It will be paid on 3 August 2011 to shareholders who are on the register of members on 17 June 2011.

**10 INTANGIBLE ASSETS**

	<i>Goodwill</i>	<i>Client</i>	<i>Brand</i>	<i>Total</i>
	<i>£'000</i>	<i>relationships</i>	<i>costs</i>	<i>£'000</i>
<b>Cost</b>		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
1 April 2009	25,450	13,326	183	<b>38,959</b>
Acquisitions	-	493	-	<b>493</b>
Disposal	-	-	(183)	<b>(183)</b>
31 March 2010	25,450	13,819	-	<b>39,269</b>
Acquisitions	-	438	-	<b>438</b>
As at 31 March 2011	25,450	14,257	-	<b>39,707</b>
<b>Amortisation</b>				
1 April 2009	-	2,129	183	<b>2,312</b>
Amortisation during year	-	1,712	-	<b>1,712</b>
Disposal	-	-	(183)	<b>(183)</b>
31 March 2010	-	3,841	-	<b>3,841</b>
Amortisation during the year	-	1,740	-	<b>1,740</b>
31 March 2011	-	5,581	-	<b>5,581</b>
<b>Net book value</b>				
31 March 2011	25,450	8,676	-	<b>34,126</b>
31 March 2010	25,450	9,978	-	<b>35,428</b>
31 March 2009	25,450	11,197	-	<b>36,647</b>

None of the intangible assets have been pledged as security. Client relationships of £9 million include three client lists with an aggregate carrying value of £6 million being amortised over a remaining period of 6 to 7 years.

*Impairment tests for goodwill*

Goodwill is allocated to groups of cash generating units (CGUs) according to operating division as follows:

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Private Client division	<b>10,618</b>	10,618
Financial Services division	<b>13,308</b>	13,308
Charles Stanley Securities	<b>1,524</b>	1,524
	<b>25,450</b>	25,450

The recoverable amount of an individual CGU is determined by first calculating the fair value less costs to sell. These calculations are largely based on turnover multiples of between 1 and five as implied by recent transactions in the market or where appropriate, similar quoted businesses. When calculating the fair value less cost to sell key assumptions were stress tested to determine whether the calculations were sensitive to a reasonably possible change in these assumptions. The recoverable amount of a Financial Services CGU is supported by a five times turnover multiple. The Directors consider this assumption is appropriate based on market information; however, a reduction in this multiple would result in the carrying amount exceeding the recoverable amount. No other material differences were found.

For a small number of CGUs, where the fair value less cost to sell is lower than the carrying amount the recoverable amount is then determined based on value in use calculations. These calculations use pre-tax cash flow projections based on revenue and expense forecasts covering a five to seven year period. The main assumptions used in the forecast period are:

Growth rate 5%    Inflation 3%    Discount rate 10-12%

Management determined revenue and expense budgets based on past performance and its expectations of market developments.

The discount rate used relates to the risk of not achieving the projected income stream due to risks inherent in the industry the CGUs operate in. The rate used reflects current market assessments of these risks.

Based on these calculations there was no impairment to goodwill at 31 March 2011.

## 11 PROPERTY, PLANT AND EQUIPMENT

	<i>Freehold premises £'000</i>	<i>Long leasehold premises £'000</i>	<i>Short leasehold premises £'000</i>	<i>Office equipment and motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
1 April 2009	474	2,002	5,251	9,654	<b>17,381</b>
Additions	-	10	94	988	<b>1,092</b>
Disposals	-	-	-	(646)	<b>(646)</b>
31 March 2010	474	2,012	5,345	9,996	<b>17,827</b>
Additions	76	115	544	1,611	<b>2,346</b>
Revaluation	29	-	-	-	<b>29</b>
Disposals	-	-	-	(1,782)	<b>(1,782)</b>
31 March 2011	579	2,127	5,889	9,825	<b>18,420</b>
<b>Depreciation</b>					
1 April 2009	40	1,627	2,691	5,276	<b>9,634</b>
Charge for the year	10	27	441	2,266	<b>2,744</b>
Disposals	-	-	-	(621)	<b>(621)</b>
31 March 2010	50	1,654	3,132	6,921	<b>11,757</b>
Charge for the year	10	21	524	1,656	<b>2,211</b>
Disposals	-	-	-	(1,764)	<b>(1,764)</b>
31 March 2011	60	1,675	3,656	6,813	<b>12,204</b>
<b>Net book value</b>					
31 March 2011	519	452	2,233	3,012	<b>6,216</b>
31 March 2010	424	358	2,213	3,075	<b>6,070</b>
31 March 2009	434	375	2,560	4,378	<b>7,747</b>

Fixed assets include fully depreciated assets costing £5.5 million (2010: £6.7 million).

Freehold premises include £394,000 for a freehold property that was valued at 31 May 2007 at the current market value by GVA Grimley, a firm of independent chartered surveyors. The historical cost of the freehold was £189,321. The Directors consider that the value in use of the property exceeds its carrying value and consequently no impairment is required.

The Group leases various vehicles and equipment under non-cancellable finance lease agreements. The lease terms are between one and three years, and ownership of assets lie within the Group. Office equipment and motor vehicles include the following amounts where the Group is a lessee under a finance lease:

	<b>2011</b>	<i>2010</i>
	<b>£'000</b>	<i>£'000</i>
Cost – capitalised finance leases	<b>92</b>	654
Accumulated depreciation	<b>(65)</b>	(81)
Net book value	<b>27</b>	573

## 12 AVAILABLE FOR SALE FINANCIAL ASSETS

	<i>Listed</i>	<i>Unlisted</i>	<i>Total</i>
	<i>investments</i>	<i>investments</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
1 April 2009	2,808	3,392	<b>6,200</b>
Additions	2,454	30	<b>2,484</b>
Disposals	(2,592)	(9)	<b>(2,601)</b>
Revaluation in year	346	(3)	<b>343</b>
<b>31 March 2010</b>	<b>3,016</b>	<b>3,410</b>	<b>6,426</b>
<b>Additions</b>	<b>320</b>	-	<b>320</b>
<b>Disposals</b>	<b>(257)</b>	-	<b>(257)</b>
<b>Revaluation in year</b>	<b>50</b>	<b>(1,316)</b>	<b>(1,266)</b>
<b>31 March 2011</b>	<b>3,129</b>	<b>2,094</b>	<b>5,223</b>

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

Listed investments include a £2.0 million holding in Gilts which is pledged to Fortis Global Clearing NV.

Unlisted investments include the Group's holding of 6,030 shares in Euroclear plc for which no observable market data is available as to its value. In previous years the Directors estimated the value of this holding based largely on the Group's share of net assets. However Euroclear recorded a loss in 2010 and cut its dividend per share from E20.49 to E11.46. The Directors now feel that it is appropriate to estimate the value this holding on a dividend yield basis and therefore the investment has been valued at £2.0 million representing a £1.3 million reduction in fair value which has been taken to equity.

Previous revaluation now realised on disposal amounted to £28,000 (2010: £52,000).

**13 TRADE AND OTHER RECEIVABLES**

	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
Current:		
Trade receivables	<b>220,385</b>	184,142
Other receivables	<b>2,203</b>	1,048
Prepayments and accrued income	<b>2,132</b>	2,913
	<b>224,720</b>	188,103
<hr/>		
Non-current:		
Other receivables	<b>246</b>	200
Prepayments and accrued income	<b>1,185</b>	1,311
	<b>1,431</b>	1,511

**14 CASH AND CASH EQUIVALENTS**

	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
Cash at bank and in hand	<b>45,540</b>	36,617

**15 TRADE AND OTHER PAYABLES**

	<i>2011</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
Current:		
Trade payables	<b>220,308</b>	181,692
Other taxes and social security	<b>2,559</b>	3,627
Other payables	<b>3,068</b>	4,236
Accruals and deferred income	<b>4,678</b>	3,390
	<b>230,613</b>	192,945
<hr/>		
Non-current:		
Other payables – deferred consideration	-	900

Non-current deferred consideration of £900,000 has now become current and is included in current other payables.

## 16 BORROWINGS

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Current:		
Bank of England base rate redeemable loan	-	157
4.5% convertible redeemable loan note	<b>80</b>	172
Obligations under finance leases	<b>14</b>	514
	<b>94</b>	843
<hr/>		
Non-current:		
Obligations under finance leases	-	15

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

## 17 DEFERRED TAX (ASSET)/LIABILITIES

	<i>Revaluation</i>	<i>Retirement</i>	<i>Capital</i>	<i>Other</i>	<i>Total</i>
	<i>£ '000</i>	<i>benefit</i>	<i>allowances</i>	<i>timing</i>	<i>£'000</i>
		<i>liability</i>	<i>£'000</i>	<i>differences</i>	<i>£'000</i>
		<i>£'000</i>		<i>£'000</i>	
1 April 2009	817	(1,092)	(312)	-	(587)
Charge/(credit) to statement of comprehensive income	95	(297)	-	-	(202)
Charge to income statement	-	-	273	-	273
	<b>912</b>	<b>(1,389)</b>	<b>(39)</b>	<b>-</b>	<b>(516)</b>
<b>1 April 2010</b>					
<b>(Credit)/charge to statement of comprehensive income</b>	<b>(377)</b>	<b>515</b>	<b>-</b>	<b>-</b>	<b>138</b>
<b>Charge/(credit) to income statement</b>	<b>-</b>	<b>-</b>	<b>89</b>	<b>(245)</b>	<b>(156)</b>
	<b>535</b>	<b>(874)</b>	<b>50</b>	<b>(245)</b>	<b>(534)</b>
<b>31 March 2011</b>					

## 18 CALLED UP SHARE CAPITAL AND SHARE PREMIUM

	<i>Number of shares '000</i>	<i>Ordinary shares £'000</i>	<i>Share premium £'000</i>	<i>Total £'000</i>
Authorised shares with a par value of 25p each	80,000	20,000	-	20,000
<hr/>				
Allotted and fully paid:				
1 April 2009	44,143	11,035	1,873	12,908
Scrip dividend	405	101	(101)	-
<hr/>				
<b>31 March 2010</b>	<b>44,548</b>	<b>11,136</b>	<b>1,772</b>	<b>12,908</b>
Scrip dividend	170	43	(43)	-
Exercise of share options	308	77	686	763
Conversion of loan notes	34	9	76	85
<hr/>				
<b>31 March 2011</b>	<b>45,060</b>	<b>11,265</b>	<b>2,491</b>	<b>13,756</b>

During the year 169,716 (2010: 404,792) ordinary shares were issued fully paid as scrip dividends.

During the year 307,579 ordinary shares were issued fully paid for cash at £2.48 each following the exercise of options by employees. These shares had a nominal value of £76,895 and a total consideration of £762,796.

On 30 March 2011 33,935 ordinary shares were issued fully paid at £2.48 each in respect of convertible loan notes of £84,402.

### Share options and share based payment

On 31 March 2011 the following options have been granted and remain outstanding in respect of ordinary shares of 25p in the Group under the Group's Save As You Earn Scheme.

Date of grant	7 Mar 2011	19 Dec 2007
Exercisable during the six months commencing	1 May 2014	1 Feb 2011
Number of shares	820,495	11,757
Exercise price per share	£2.51	£2.48
Expected fair value per share	£0.79	£0.56

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

Share price at date of grant	£3.15	£2.74
Expected life	3.0 years	3.0 years
Expected volatility	28.57%	22.62%
Risk free rate	1.73%	4.63%
Expected dividend yield	3.10%	2.96%

The Group recognised total expenses of £46,000 (2010: £42,000) related to equity-settled share-based payment transactions.

## 19 RECONCILIATION OF NET PROFIT TO CASH GENERATED FROM OPERATIONS

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Profit before tax	<b>13,377</b>	10,271
Adjustments for:		
Depreciation	<b>2,211</b>	2,744
Amortisation of intangible assets	<b>1,740</b>	1,712
Write back of deferred consideration	<b>(454)</b>	-
Share options – value of employee services	<b>46</b>	42
Retirement Benefit Scheme	<b>(166)</b>	69
Dividend income	<b>(63)</b>	(88)
Interest income	<b>(444)</b>	(399)
Interest expense	<b>53</b>	22
(Profit)/loss on disposal of fixed assets	-	(12)
(Profit)/loss on disposal of available for sale financial assets	<b>(37)</b>	(170)
Changes in working capital:		
(Increase)/decrease in financial assets at fair value through profit and loss	<b>(95)</b>	89
(Increase)/decrease in debtors	<b>(36,537)</b>	67,573
Increase/(decrease) in creditors	<b>38,384</b>	(69,448)
Cash generated from operations	<b>18,015</b>	12,405

## 20 LEASE COMMITMENTS

### Operating leases

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Group and company		
Total commitments under leases at 31 March were:		
Operating leases – Land and buildings		
Not later than one year	<b>2,099</b>	2,029
Later than one but not later than five years	<b>6,467</b>	6,764
Later than five years	<b>2,702</b>	2,991
	<b>11,268</b>	11,784

## 21 RETIREMENT BENEFIT OBLIGATIONS

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

The Group also sponsors the Charles Stanley & Co Ltd Retirement Benefits Scheme (“the Scheme”), which is a funded defined benefit arrangement. A full actuarial valuation of the Scheme was carried out at 13 May 2008 and updated to 31 March 2011 by a qualified actuary, independent of the Scheme’s sponsoring employer. The major assumptions used by the actuary are shown below.

The Company currently pays contributions at the rate of 24.3% of pensionable pay plus £243,000 per annum. This rate is net of member contributions of 3% of pensionable pay (nil for Directors).

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

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

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair value of the Scheme's assets	<b>24,836</b>	21,696	16,163	17,956	18,672
Present value of defined benefit obligation	<b>(28,193)</b>	(26,652)	(20,057)	(19,908)	(20,193)
Deficit in scheme	<b>(3,357)</b>	(4,956)	(3,894)	(1,952)	(1,521)

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

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

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of assets at start of year	<b>21,696</b>	16,163
Expected return on assets	<b>1,409</b>	938
Actuarial gains	<b>805</b>	3,740
Contributions by employer	<b>1,020</b>	987
Contributions by plan participants	<b>77</b>	86
Benefits paid, death in service insurance premiums and expenses	<b>(171)</b>	(218)
Fair value of assets at end of year	<b>24,836</b>	21,696

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

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation at start of year	<b>26,652</b>	20,057
Total employer current service cost	<b>737</b>	672
Interest cost	<b>1,526</b>	1,322
Employee contributions	<b>77</b>	86
Actuarial (gain)/loss	<b>(628)</b>	4,733
Benefits paid, death in service insurance premiums and expenses	<b>(171)</b>	(218)
Defined benefit obligation at end of year	<b>28,193</b>	26,652

**Total expense recognised in the income statement**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	<b>737</b>	672
Interest on pension scheme liabilities	<b>1,526</b>	1,322
Expected return on pension scheme assets	<b>(1,409)</b>	(938)
Total expense	<b>854</b>	1,056

## Gains/(losses) recognised in statement of comprehensive income

	<b>2011</b>	<i>2010</i>
	<b>£'000</b>	<i>£'000</i>
Difference between expected and actual return on scheme assets:		
Amount	<b>805</b>	3,740
Percentage of scheme assets	<b>3%</b>	17%
Experience gains and losses arising on the scheme liabilities:		
Amount	<b>1,049</b>	105
Percentage of present value of scheme liabilities	<b>4%</b>	0%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount	<b>(421)</b>	(4,838)
Percentage of present value of scheme liabilities	<b>(1%)</b>	(18%)
<b>Total amount recognised in statement of comprehensive income:</b>		
Amount	<b>1,433</b>	(993)
Percentage of present value of scheme liabilities	<b>5%</b>	(4%)

The cumulative amount of actuarial losses recognised in the statement of comprehensive income since adoption of IAS19 is £4.0 million (2010: £5.4 million).

### Assets

	<b>2011</b>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<b>£'000</b>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Equities	<b>12,638</b>	10,291	7,671	9,142	10,989
Bonds	<b>7,481</b>	9,770	7,528	2,921	3,108
Other	<b>4,717</b>	1,635	964	5,893	4,575
	<b>24,836</b>	21,696	16,163	17,956	18,672

The fair values of the assets shown above at 31 March 2011 include £975,000 (2010: £575,134) 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:

	<b>2011</b>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>
Equities	<b>7.50%</b>	7.50%	6.75%	7.25%	6.75%
Bonds	<b>5.55%</b>	5.50%	4.75%	6.35%	5.50%
Cash	<b>3.25%</b>	4.30%	4.00%	4.25%	4.00%
Overall for scheme	<b>6.10%</b>	6.36%	5.65%	6.12%	5.78%

## Assumptions

	<b>2011</b>	2010	2009	2008	2007
	<b>% per</b>	% per	% per	% per	% per
	<b>annum</b>	annum	annum	annum	annum
Inflation	<b>3.40</b>	3.50	3.10	3.70	3.30
Salary increases	<b>3.00</b>	3.00	3.00	3.00	3.50
Rate of discount	<b>5.55</b>	5.66	6.50	6.35	5.50
Allowance for pension in payment increases of RPI or 5% p.a. if less	<b>3.35</b>	3.45	3.05	3.65	3.30
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	<b>3.40</b>	3.50	3.10	3.70	3.30

The Occupational Pensions (Revaluation) Order 2010 issued in July 2010 confirmed the government's intention to move to using the Consumer Price Index ("CPI") rather than the Retail Price Index ("RPI") as the inflation measure for determining the minimum pension increases to be applied to the statutory index-linked features of retirement benefits. Charles Stanley continued to use RPI in calculating the liability as at 31 March 2011.

The mortality assumptions adopted at 31 March 2011 imply the following life expectations at age 65:

Male retiring at age 65 in 2011	22.5 years
Female retiring at age 65 in 2011	25.0 years
Male retiring at age 65 in 2031	24.4 years
Female retiring at age 65 in 2031	26.8 years

### Best estimate of contributions to be paid to plan for the year ending 31 March 2012

The best estimate of contributions (employer and employee) to be paid to the plan for the year ending 31 March 2012 is £1,020,000 (2011: £990,000).

### 22 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 16 May 2011 the Group completed the acquisition of 100% of the issued share capital of Jobson James Financial Services Limited, a financial planning business based in Birmingham. The acquisition will contribute to Charles Stanley's strategic positioning of building a stronger presence in the Midlands.

Details of net assets acquired are as follows:

	<b>£'000</b>
Cash consideration	
Paid on date of acquisition	<b>1,600</b>
Deferred consideration – payable on first anniversary of completion	<b>200</b>
Deferred consideration – contingent upon achieving revenue targets over two years	<b>450</b>
<hr/>	
Total cash consideration	<b>2,250</b>
Fair value of assets acquired – provisional estimate	<b>(2,250)</b>
<hr/>	
	-

Final completion accounts are not available at the date of approval of the Group financial statements and accordingly no analysis of the acquired assets and liabilities is given. If Jobson James Financial Services Limited had been a member of the Group since 1 April 2010 it is expected that revenues would be £1.8 million higher, with profit before tax £0.3 million higher.