CHARLES STANLEY GROUP PLC

2012 ANNUAL REPORT AND ACCOUNTS

CHARLES STANLEY
2012

Sarah Woodcock is an investment relations manager in our CS Securities Division. She runs investor relations programmes for corporate and non-corporate clients. She is a senior member of the IR Society and a regular speaker at their hosted events.

Cover Photo:
Edward Shooter is an investment manager based in London. He manages investments for a range of clients including private individuals, charities and trusts.

FINANCIAL HIGHLIGHTS

Funds under management and administration £15.4 billion (2011: £14.5 billion) 6% increase

Revenue for the year £119.6 million (2011: £125.6 million) 5% decrease

Fees for the year £67.4 million (2011: £62.3 million) 8% increase

Reported profit before tax £8.5 million (2011: £13.4 million) 37% decrease

Adjusted profit before tax £12.5 million (2011: £17.7 million) 29% decrease

Reported earnings per share 13.12p (2011: 21.42p) 39% decrease

Adjusted earnings per share 19.84p (2011: 28.39p) 30% decrease

Total dividend 11.25p (2011: 10.75p) 5% increase

Acquisition of Jobson James Financial Services Limited in May 2011

We continue to attract good quality investment managers, individually and in teams, with substantial funds under management

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CHAIRMAN'S STATEMENT

Our revenue for the year ended 31 March 2012 was £119.6 million compared to the record figure of £125.6 million for the previous year. This has been achieved against the background of the most challenging economic and market conditions. Profit before tax was £8.5 million (2010-11: £13.4 million). The adjusted profit before tax was £12.5 million (2010-11: £17.7 million). This figure for adjusted pre-tax profit excludes the effect of amortisation and another very substantial payment to the Financial Services Compensation Scheme.

At the half-year we reported a marginal improvement in revenue compared with the first half of the previous year, and a 29% decline in profit before tax. Since then economic conditions have retreated back into recession at home, and uncertainty has re-doubled in Europe. This severely affected the propensity of our clients to undertake Stock Exchange transactions, and in January of this year we announced a sharp decline in commission income in our third quarter, to 31 December 2011, compared to the equivalent period of the previous year. This downturn has continued, but less aggressively, into our fourth quarter, from January to March this year.

It is particularly noteworthy that at the same time our fee income has continued to improve significantly, with a 12% increase in our fee income for investment management, and a 7% increase in income from administrative fees. This has gone a long way to mitigate the decline in commission income arising from clients' transactions.

It is also pleasing that we have achieved another significant increase in funds under management and administration especially as this was delivered in hostile market conditions. These rose by 6.0% during the period from £14.50 billion to £15.37 billion. Within this figure the funds under discretionary and advisory management rose by 7.8% from £7.20 billion to £7.76 billion and the funds under discretionary management alone have risen by 9.0% from £4.61 billion to £5.02 billion. This compares with a decline in the FTSE 100 Share Index over the same period of 2.4% and an increase in the APCIMS Balanced Portfolio Index - our principal benchmark - of 0.5%. The increase in funds under management is made up of market performance averaging 0.6% across clients' portfolios, and 7.2% in net incoming funds. Clients' discretionary funds now represent 64.7% of total managed funds, compared to 64.0% at 31 March 2011 and 61.2% at 31 March 2010.

During the year we have continued to attract high quality investment managers and brokers, individually and in teams, with substantial funds under management.

Jobson James Financial Services Limited, which we acquired in May 2011, has settled into the Group well and is now producing a positive contribution to our results.

In November last year we increased the interim dividend for 2011-12 by 10% to 2.75p net per share and we indicated at that time our intention to try and balance the gap between the interim and final dividends. In the light of these results the Directors now recommend an increase in the final dividend of 3.03%, from 8.25p to 8.50p net per share. Taken together with the interim dividend this will represent an increase of 4.67% in the total dividend for the year, at 11.25p (2010-11: 10.75p). The final dividend will be paid on 3 August 2012 to shareholders registered on 29 June 2012.

BUSINESS REVIEW

A more detailed analysis of our performance over the past year is set out in the Business Review and the Operating and Financial Review, which follow this statement. The Private Client and the Financial Planning divisions have performed well in view of the severity of the conditions which have been the most challenging of all since the start of the global economic collapse three years ago. Our securities division, too, has experienced another very difficult year. The market for corporate activity remains very muted, and the Group is far from alone in suffering from this.

We have made, and continue to make, savings in this area, and indeed throughout the Group more widely. But we recognise that, of all our different business streams, this is perhaps the most volatile. We have a first-class securities team which has made a substantial contribution to the Group in the past, and we believe that it will do so again. Our business model, as I have explained to shareholders in the past, is to build Charles Stanley on a broad waterfront across the financial sector, and we remain fully committed to supporting and developing our securities activities. Longer-term we anticipate that this should return to profitability when the market recovers, as it surely will. In the shorter-term, while present conditions continue, our aim is that it should retain its full functionality but seek to operate at break-even, if not better.

CHAIRMAN'S STATEMENT

FINANCIAL SERVICES COMPENSATION SCHEME

I complained strongly in my statement last year about the Financial Services Compensation Scheme, which requires your Company to fund compensation to clients of failed investment firms in wholly unrelated areas of business. In 2009-10 the bill for your company was £686,000, in 2010-11 it was £2.6 million, and in the latest year the figure is £1.6 million.

This represents a very substantial slice of our pre-tax profit. It was to be expected that increasingly aggressive regulatory oversight and intervention in the investment industry would follow in the wake of the economic and market failure which has stalked the global economy since 2008. This intense regulatory pressure across the financial services sector places a great burden on our resources, both financially and in the diversion of management resources. But there is little evidence that the increasingly intrusive and burdensome micro-management of investment companies has been successful in staving off some egregious examples of fraud and mismanagement, the cost of which is spread across the shareholders in financial service companies.

CORPORATE GOVERNANCE

The present board structure of the Group and its major subsidiary, Charles Stanley & Co. Limited, was put in place 15 years ago, following a transformational acquisition. We think that this has served our shareholders very well, - in a period when the Group has grown substantially in size.

We recognise that our governance structure must grow with our business in order to remain appropriate and effective. Accordingly we are re-shaping the Board of our main trading subsidiary, Charles Stanley & Co. Limited, with a number of planned internal promotions. At the same time, after a lengthy and testing search, and with the help of leading consultants, we have identified two non-executive Directors for appointment to the Board of Charles Stanley Group PLC. These are all subject to the approval of the FSA. Full details will be announced as soon as these appointments can be confirmed.

THE CHARLES STANLEY TEAM

What you see with these results is only the outward sign of a huge amount of dedicated and conscientious effort by everyone in the Charles Stanley team. As ever, our primary focus remains firmly directed towards our most valuable asset – our clients – and we concentrate our energies on upholding, and wherever possible raising still further, our standard of care. In challenging economic and market conditions this calls for even greater effort, and I am sure that shareholders would wish me to thank everyone in the Charles Stanley team for all the hard work that they have contributed so well during the year.

OUTLOOK

There is very little that I can add to the widely-publicised economic events that are overwhelming us all. The downturn has now lasted longer than that of the Great Crash in 1929, and until the problems of the eurozone are resolved it is hard to see how things can turn round again.

Despite this the corporate sector has continued to perform strongly, and dividends have continued to rise. But the stock market has remained flat throughout the past year and is now drifting downwards again.

The uncertainty over the future of the euro, the problems of Greece and Spain, and the implications of a total or partial collapse of the eurozone are all overhanging our economy and our markets.

Until this uncertainty is resolved, it is difficult to see what would trigger an upturn from the present depressed level of financial activity. At the same time I expect the regulatory pressures to continue to exert a downward influence on markets – with more demands on the Financial Services Compensation Fund, as a straight-through cost to our shareholders, more Directives from Europe and increasingly aggressive extra-territorial legislation from the United States.

At this point I usually express cautious optimism about the year ahead, but this year my confidence is inevitably more muted. Despite this I would point out that your Company remains in good shape to address this adverse environment. It is no accident of course that we are so well positioned, not just to weather this economic storm but to gain competitive advantage from it, thanks to our management culture of prudence that is reflected in a balance sheet which is both highly liquid and well capitalised.

This mix of prudent management culture and strong balance sheet has once again this year produced a pleasingly low rate of operational losses. I am sure that this is recognised by our clients, which, together with the quality of our service, explains why our client numbers continue to grow, as do our funds under management, in even the harshest of economic times.

Sir David Howard
Chairman

14 June 2012

BUSINESS REVIEW

OBJECTIVE

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

STRATEGY

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

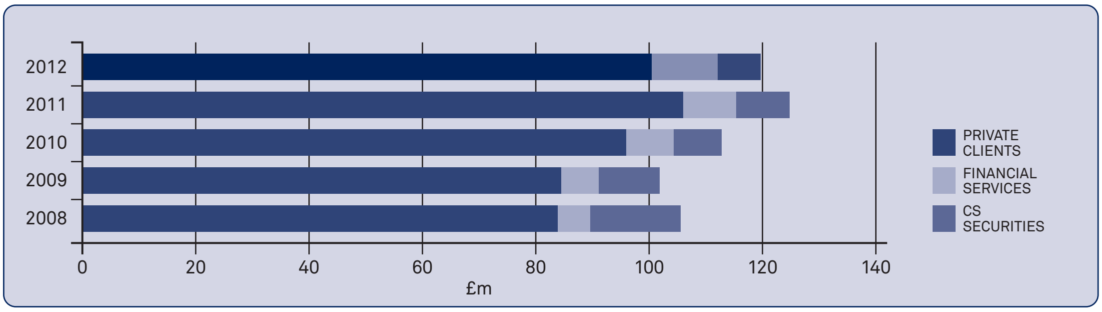
RESOURCES

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

BUSINESS REVIEW

The Group is organised into three operating divisions: Private Clients, Financial Services and Charles Stanley Securities. The split of revenue over these three divisions is shown in the following table and chart:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Private Clients	**100.5**	106.0	96.2	84.5	83.8
Financial Services	**11.6**	9.4	8.4	6.6	5.8
Charles Stanley Securities	**7.5**	10.2	10.4	10.7	15.9
Total revenue	**119.6**	125.6	115.0	101.8	105.5
Private Clients as % of total	***84.0%***	*84.4%*	*83.6%*	*83.0%*	*79.4%*



And the funds are split as follows:

	2012 £bn	Private Clients £bn	Financial Services £bn	**2011 £bn**	Private Clients £bn	Financial Services £bn
Managed funds	**7.76**	7.41	0.35	**7.20**	7.10	0.10
Non-managed funds	**7.61**	7.15	0.46	**7.30**	6.84	0.46
	15.37	14.56	0.81	**14.50**	13.94	0.56

Private clients

The core of our business is our Private Client division. This division provides investment management services to private investors, charities, and trusts from 33 branches and offices.

The services provided cover a number of different areas including:

Managed	discretionary portfolio management; advisory portfolio management;
Non-managed	advisory share dealing; execution only share dealing.

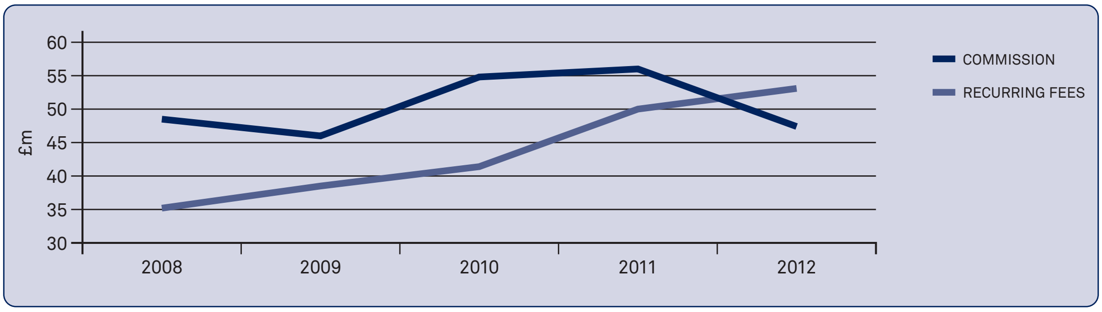
We charge for our services in two main ways:

– management and administration fees based on a percentage of funds and

– commission on transactions undertaken on behalf of clients.

At the half-year revenue was slightly ahead of the same period the previous year. But market sentiment collapsed in the autumn resulting in a sharp fall in transaction volumes. This led to a drop in commission income of £8.6 million from £56.0 million to £47.4 million. Fee income increased over the same period by 6.2% but this was not sufficient to offset the reduction in commission resulting in a 5.2% fall in total income from £106.0 million to £100.5 million.

	2012 **£m**	2011 £m	2010 £m	2009 £m	2008 £m
Commission	**47.4**	56.0	54.8	46.0	48.5
Recurring fees	**53.1**	50.0	41.4	38.5	35.2
Total income	**100.5**	106.0	96.2	84.5	83.7
Fees as % of total	***52.8%***	*47.2%*	*43.0%*	*45.6%*	*42.0%*



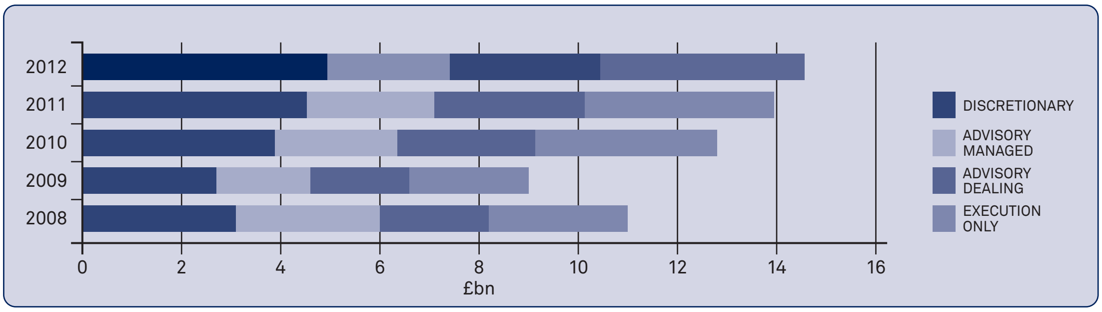
This had a greater impact on our non-managed than on our managed business as commission accounts for a higher proportion of the revenue generated by non-managed clients.

	2012 **£m**	2011 £m	2010 £m	2009 £m	2008 £m
Managed	**63.5**	61.9	53.7	45.2	44.4
Non-managed	**37.0**	44.1	42.5	39.3	39.4
Total income	**100.5**	106.0	96.2	84.5	83.8
Managed as % of total	***63.2%***	*58.3%*	*55.8%*	*53.5%*	*53.0%*

Fees are charged based on a percentage of funds held. During the year total funds under management and administration increased by 4.4% compared with a decrease in the FTSE 100 Index of 2.4% and an increase in the APCIMS Balanced Portfolio Index of 0.5%. The Group continues to attract discretionary funds, and we are pleased to see such funds now account for 33.9% of funds under management and administration (2011: 32.5%).

	2012 £ billion	2011 £ billion	Change %
Discretionary funds under management	**4.94**	4.53	9.0%
Advisory managed funds	**2.47**	2.57	(3.9%)
Total managed funds	**7.41**	7.10	4.4%
Advisory dealing funds	**3.03**	3.03	—
Execution only funds	**4.12**	3.81	8.1%
Total administered funds	**7.15**	6.84	4.5%
Total funds under management and administration	**14.56**	13.94	4.4%

Included in this increase in funds were additional ISA subscriptions during the year of £151 million (2011: £142 million) of which £94 million (2011: £84 million) were under management and £57 million (2011: £58 million) under administration.

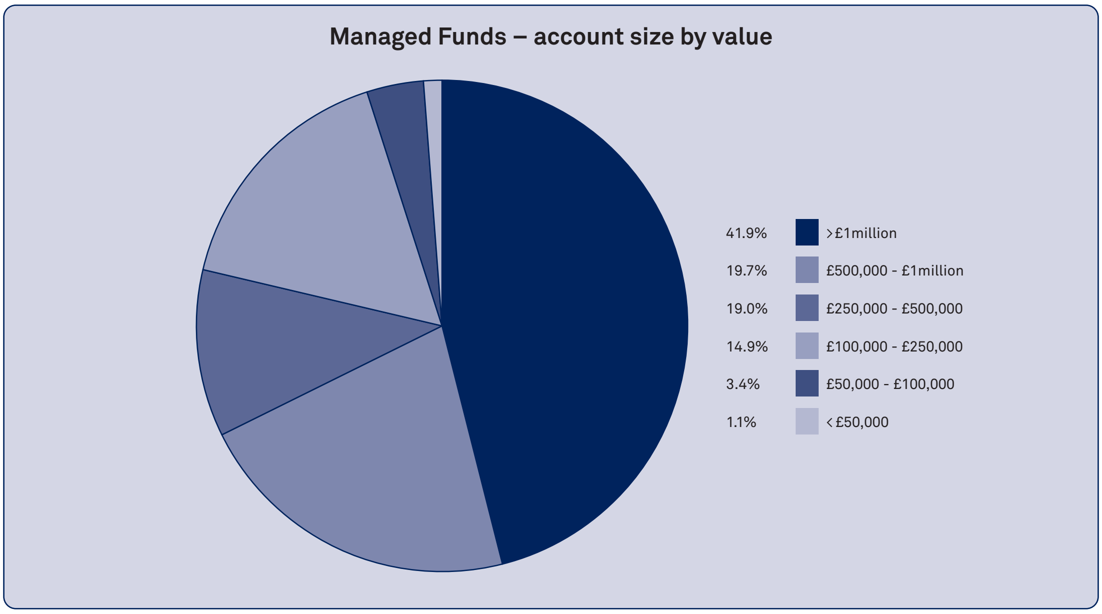


Managed clients

Funds under management have increased by 4.4% as shown in the table below.

	Discretionary managed £bn	Advisory managed £bn	Total £bn	Change %
Funds at 1 April 2011	4.53	2.57	7.10	
Inflows				
New clients of existing investment managers	0.37	0.07	0.44	
Clients of new investment managers	0.07	0.02	0.09	
Organic – new funds from existing clients	0.45	0.20	0.65	
Total inflows	**0.89**	**0.29**	**1.18**	**16.6%**
Outflows				
Lost clients	(0.28)	(0.27)	(0.55)	
Organic – withdrawal of funds from existing clients	(0.23)	(0.13)	(0.36)	
Total outflows	**(0.51)**	**(0.40)**	**(0.91)**	**(12.8%)**
Net inflow of funds	0.38	(0.11)	0.27	3.8%
Market movement	0.03	0.01	0.04	0.6%
Funds at 31 March 2012	**4.94**	**2.47**	**7.41**	
% increase year on year	9.0%	(3.9%)	4.4%	

Over 40% of our managed funds are held for clients with portfolios greater than £1 million as shown in the following chart.



The increase in funds under management has followed through into an increase of 12.4% in recurring fees.

	2012 Total £m	Disc £m	Adv £m	2011 Total £m	Disc £m	Adv £m	Change £m	Change %
Commission	**25.3**	17.8	7.5	**27.8**	18.9	8.9	**(2.5)**	(9.0%)
Recurring fees	**38.2**	27.4	10.8	**34.0**	23.5	10.5	**4.2**	12.4%
	63.5	45.2	18.3	**61.8**	42.4	19.4	**1.7**	2.8%
	£bn	£bn	£bn	**£bn**	£bn	£bn	**£bn**	%
Average funds	**7.26**	4.74	2.52	**6.77**	4.25	2.52	**0.49**	7.2%
	bps	bps	bps	**bps**	bps	bps	**bps**	%
Revenue margin	**0.87**	0.95	0.72	**0.91**	0.99	0.77	**(0.04)**	(4.4%)

Non-managed clients

Funds under administration have increased by 4.5%.

	Advisory dealing £bn	Execution only £bn	Total £bn
At 1 April 2011	3.03	3.81	6.84
Net outflow of funds	(0.07)	(0.05)	(0.12)
Net organic growth	0.05	0.34	0.39
Market movement	0.02	0.02	0.04
At 31 March 2012	**3.03**	**4.12**	**7.15**
% increase year on year	—	8.1%	4.5%

Net organic growth represents an inflow of funds from existing clients.

	2012 Total £m	Adv £m	Exe £m	2011 Total £m	Adv £m	Exe £m	Change £m	Change %
Commission	**22.1**	10.7	11.4	**28.2**	14.3	13.9	**(6.1)**	(21.6%)
Recurring fees	**14.9**	6.3	8.6	**15.8**	6.6	9.2	**(0.9)**	(5.7%)
	37.0	17.0	20.0	**44.0**	20.9	23.1	**(7.0)**	(15.9%)

Michael Clark
Director of Private Client Stockbroking

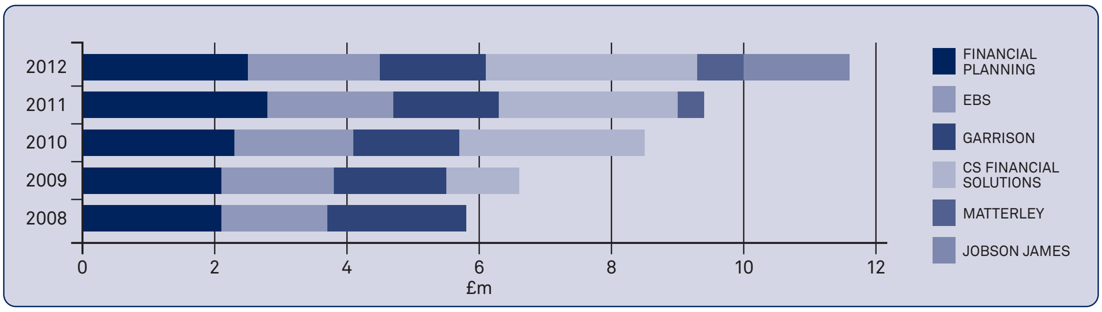
FINANCIAL SERVICES

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 ("CS Financial Solutions"), an employee benefits provider, During the year Jobson James Financial Services Limited ("Jobson James") was acquired and this will be integrated within the existing Charles Stanley Financial Planning and Wealth Management areas. Within this division as well, the Matterley Fund Management business has been consolidated over the past 12 months.

Total income for the division grew to £11.6 million from £9.4 million.

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Financial planning	**2.5**	2.2	2.3	2.1	2.1
EBS	**2.0**	1.9	1.8	1.7	1.6
Garrison	**1.6**	1.6	1.6	1.7	2.1
CS Financial Solutions	**3.2**	3.3	2.8	1.1	—
Funds management – Matterley	**0.7**	0.4	—	—	—
Jobson James	**1.6**	—	—	—	—
Total revenue	**11.6**	9.4	8.5	6.6	5.8

The comparative figures have been adjusted for the benefit consultancy business in Plymouth which was transferred from Financial Planning to CS Financial Solutions in 2012.



Financial Planning

The department produced a strong performance for the year with gross revenue of £2.5 million, representing an increase of 13.6% year-on-year.

The financial planning and wealth management service is offered out of offices in London, Southampton, Leeds and Edinburgh, as well as our subsidiaries in Liverpool, Plymouth and Birmingham.

Financial planning and wealth management teams have again put in a solid performance with increased revenues and are beginning to achieve more success with access to managing other intermediary assets.

EBS

Revenue increased during the year to £2.0 million from £1.9 million which reflects the income on the increased SIPP business introduced through Charles Stanley, the white label products and the third party administration product launched last year. The SIPPs under administration total 4,195 compared with 2,977 at the end of March 2011. This results in a net increase of 1,218 SIPPs. Over 800 of the new SIPPs have come via the third party administration route which finally launched late May 2011. The business has shown promise with numbers increasing month on month to the end of the tax year 2012.

We reported last year that HMRC had simplified the contribution rules to SIPPs and this has been reflected in a marked increase in average contributions received over the last twelve months.

We are supporting the Government's Apprentice Scheme with our initial apprentice having been offered and accepted a full-time role. We have just taken on another apprentice with a further candidate being considered for general administration duties. We are delighted to be able to participate in this initiative.

Garrison

New business was up 21% on the previous year though revenues overall were static. Cost cutting measures helped to maintain margins in a competitive environment. The loyalty bonus, which we will continue to offer, has now completed its second year and has proved successful in retaining existing clients.

CS Financial Solutions

CS Financial Solutions revenues have remained steady at £3.2 million for the year to March 2012 versus £3.3 million for the 12 months to March 2011. The process of amalgamating all of the Group's benefit consultancy business within this Company is now complete with the transfer of the business in our Plymouth office from Financial Planning. We now look forward to offering a uniform employee benefits service across our geographical reach.

Funds management – Matterley

During the year Charles Stanley's unit trust management department, Matterley, saw its funds under management grow from £130.6 million to £150.9 million. This growth of 15.5% in AUM compares to a fall of 2.4% in the FTSE 100 Index over the same period.

The department has now moved to a single unified administration structure with all of the funds on the IFDS platform, and this gives us an effective base to continue to develop, market and grow the business.

Each of our funds is either top quartile or second quartile over 1 year, and four out of five of the funds are rating A or better by Citywire. The Undervalued Assets fund is in the top decile of funds when compared against its peer group over the last 3 years.

	2012 **£m**	2011 £m	Growth
IM Matterley Regular High Income Fund	**42.8**	40.8	4.9%
IM Matterley Equity Fund	**8.3**	7.7	7.8%
IM Matterley International Growth Fund	**15.2**	18.7	(18.7%)
IM Matterley UK & International Fund	**48.6**	36.8	32.1%
IM Matterley Undervalued Assets Fund	**36.1**	26.7	35.2%

Quartile ranking over	1 year	3 years	5 years
IM Matterley Regular High Income Fund	1	2	1
IM Matterley Equity Fund	1	1	—
IM Matterley International Growth Fund	2	4	2
IM Matterley UK & International Fund	1	2	—
IM Matterley Undervalued Assets Fund	2	1	—

Jobson James

Charles Stanley, in May 2011, acquired Jobson James and is now integrating it into the enlarged Group and this is on track to enhance the client proposition with the implementation of a Wealth Management Service combining investment management and financial planning. It is anticipated that we will enhance revenues and profits through streamlining this process.

During the year, revenues were slightly reduced from £1.9 million to £1.8 million due in the main to difficult market conditions. However, funds under advice increased from £223 million to £245 million and with that recurring revenues were ahead of budget.

Our preparation and proposition for the Retail Distribution Review ("RDR") are on track and we see a bright future with huge potential for us to capitalise on the opportunities which lie ahead.

CHARLES STANLEY SECURITIES

Charles Stanley Securities, the Group's equity capital markets business focussed on providing advisory, broking and research services to the small and mid-cap sector, together with the Sutherlands agency bond trading business, continued to experience challenging market conditions during the year. This had an adverse impact on trading volumes and restricted opportunities for completing corporate finance transactions with institutional commissions generated declining by 36.6% and corporate finance revenue down by 4.7%.

	2012 **£m**	2011 £m
Commission	**4.4**	7.0
Fees	**3.1**	3.2
Total	**7.5**	10.2

Following discussions with a number of our institutional and corporate clients, and in order to better align the division with the structural changes in the UK broking market and requirements of our clients, Charles Stanley Securities has undertaken some restructuring to refocus on its core strengths. The strategy is to ensure that Charles Stanley Securities remains focussed on providing high quality advisory and broking services relevant to its corporate and institutional clients in the small and mid-cap sector.

In the last six months Charles Stanley Securities has been appointed to act on a retained basis for seven new corporate clients and it currently has an encouraging pipeline of new business opportunities.

The Board remains committed to maintaining its presence in the small and mid-cap broking sector. The sector has recently experienced considerable consolidation and the Board believes that opportunities remain for a securities business which has a reputation for providing high quality advice and service to its clients.

WG Partners, a specialist team advising companies in the Healthcare and Technology Sectors on corporate finance, M&A and capital raising options, commenced trading under the regulatory umbrella of Charles Stanley in 2011. WG Partners offers a complementary offering to CS Securities' institutional and corporate broking business. WG Partners is currently retained by four companies and advising on a number of corporate transactions.

Michael Lilwall
Director

OPERATING AND FINANCIAL REVIEW

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

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

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

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

The review covers the following areas:

- nature, aim, strategy and objectives of the business;
- results for the 2012 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 22 to 26.

NATURE, AIM, STRATEGY AND OBJECTIVES OF THE BUSINESS

Charles Stanley Group PLC has four trading companies, Charles Stanley & Co. Limited ("Charles Stanley"), EBS Management PLC ("EBS"), Garrison Investment Analysis Limited ("Garrison") and CS Financial Solutions Limited ("CS Financial Solutions"). Charles Stanley provides full service stockbroking, financial planning and benefit consultancy and small and mid-cap advisory and institutional broking. EBS provides specialist pensions administration services. Garrison markets unit trusts, open-ended investment company units and packaged financial products to private clients, both directly and in wrappers such as ISAs and pensions. CS Financial Solutions is an employee benefits provider.

In May 2011 the Group acquired Jobson James Financial Services Limited ("JJFS"). JJFS provides wealth management advice and services for both private and corporate clients.

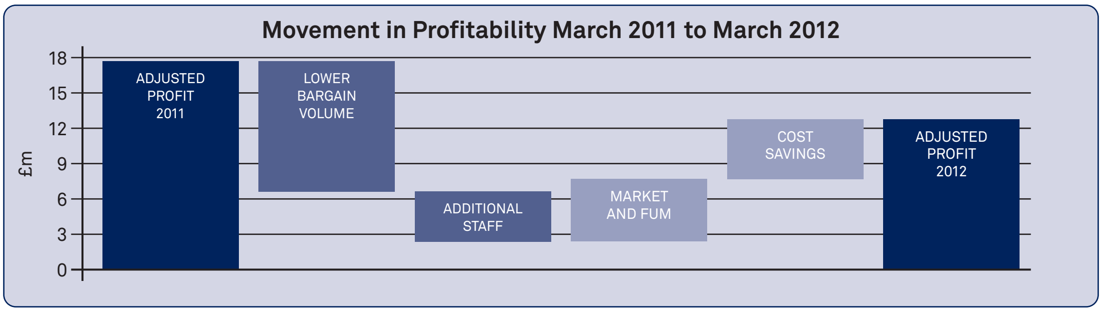
All five companies are regulated by the Financial Services Authority. The Group has 33 offices around the United Kingdom, and all revenue is earned in the United Kingdom. These offices are listed on page 103.

Our strategy and objectives are discussed in our business review on pages 7 to 14.

During 2012 total revenue for the Group decreased by 4.8% to £119.6 million from £125.6 million. Reported profit for the year of £8.5 million is stated after amortisation of £2.4 million (2011: £1.7 million) and FSCS levy of £1.6 million (2011: £2.6 million).

The financial impact of the FSCS levy, which arises from other industry failures, is wholly outside our control.

	2012 £m	2011 £m	Change £m	%
Revenue	**119.6**	125.6	(6.0)	(4.8%)
Administrative expenses	**(111.6)**	(112.7)	1.1	1.0%
Other income	**0.1**	0.1	—	—
Operating profit	**8.1**	13.0	(4.9)	(37.7%)
Net interest and finance income	**0.4**	0.4	—	—
Reported profit	**8.5**	13.4	(4.9)	(36.6%)
Ratio to revenue	***7.0%***	*10.7%*		
Add back:				
FSCS Levy	**1.6**	2.6	1.0	
Amortisation of customer relationships	**2.4**	1.7	(0.7)	—
Adjusted profit	**12.5**	17.7	(5.2)	(29.4%)
Ratio to revenue	***10.4%***	*14.1%*		



Revenue by division for the year is summarised below:

	2012 £m	2011 £m	Change £m	%
Private Clients	**100.5**	106.0	(5.5)	(5.2%)
Financial Services	**11.6**	9.4	2.2	23.4%
Charles Stanley Securities	**7.5**	10.2	(2.7)	(26.5%)
Total	**119.6**	125.6	(6.0)	(4.8%)

The Group seeks, over time, to alter the balance between commission and fee income increasingly in favour of fees. In 2011-12 the proportion of fee income (excluding corporate finance fees) to total revenue was 54.0% compared to 47.2% in 2010-11 and 43.4% the previous year.

ADMINISTRATIVE EXPENSES

Administrative expenses are summarised below:

	2012 £m	2011 £m	Change £m	%
Staff costs	**54.4**	50.2	(4.2)	(8.3%)
Depreciation	**2.1**	2.2	0.1	4.5%
Amortisation of intangible assets	**2.4**	1.7	(0.7)	(41.2%)
Other costs	**51.1**	56.0	4.9	8.8%
Total before FSCS levy	**110.0**	110.1	0.1	0.1%
FSCS Levy	**1.6**	2.6	1.0	38.5%
Total	**111.6**	112.7	1.1	1.0%
Allocated to:				
Private Client division	**62.0**	63.9	1.9	3.0%
Financial Services	**10.4**	9.2	(1.2)	(13.0%)
Charles Stanley Securities	**8.1**	9.2	1.1	12.0%
Total allocated to divisions and other income	**80.5**	82.3	1.8	2.2%
Unallocated	**31.1**	30.4	(0.7)	(2.3%)
	111.6	112.7	1.1	1.0%

Total costs before the FSCS Levy of £1.6 million have remained steady at £110.0 million. Staff costs are analysed in note 7. These have increased by 8.3% to £54.4 million from £50.2 million and represent 48.7% of our total costs (2011: 44.5%). Average employee numbers have risen by 6.6% to 796 from 747. During the year we recruited additional staff to strengthen our compliance and control functions.

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

Salary costs of client facing staff have risen and the ratio of the number of times these salaries are covered by revenue has changed.

	2012 £m	2011 £m	Change £m	%
Client facing staff salaries	**27.6**	25.1	2.5	10.0%
Total income to salary ratio	**4.3**	5.0	(0.7)	(14.0%)

Non-salary fixed costs have decreased slightly relative to revenue as follows:

	2012	2011	Change	%
Business support costs as % of revenue	**15.9%**	17.3%	1.4%	8.1%
Overhead costs as % of revenue	**11.0%**	10.3%	(0.7%)	(6.8%)
Total general fixed costs as % of income	**26.9%**	27.6%	0.7%	2.5%

Interest receivable of £0.4 million (2011: £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 £41.9 million as at 31 March 2012 (2011: £45.5 million). Interest rates have been held by the Bank of England at 0.5% for the year.

The tax charge of £2.6 million is analysed in note 10. This represents 30.6% of the Group's profit before tax of £8.5 million (2011: 29.1% of £13.4 million). The effective rate is higher than the UK standard rate of 26.0% 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 13.12p (2011: 21.42p). There was a slight dilution at 31 March 2012 of earnings giving diluted earnings per share of 13.08p. Further details on earnings per share are explained in note 12.

As indicated in the Chairman's Statement the final dividend for the year is recommended to be 8.50p in addition to the interim dividend of 2.75p giving a total dividend for the year of 11.25p.

At 31 March 2012 the Group had net assets of £81.6 million (2011: £82.1 million) equivalent to £1.80 per share (2011: £1.82 per share).

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

Indicator	Description	2012	2011	% change
Ratio of adjusted operating profit to revenue	Ratio of operating profit before amortisation and FSCS levy as a percentage of revenue	**10.1%**	13.8%	(26.8%)
Ratio of adjusted profit to revenue	Profit before gains or losses on available for sale financial assets, amortisation and FSCS levy as a percentage of revenue	**10.4%**	14.1%	(26.2%)
Adjusted earnings per share	Earnings before gains or losses on available for sale financial assets, amortisation and FSCS levy divided by weighted average number of shares in issue during the year	**19.84p**	28.39p	(30.1%)
Funds under management and administration	Valuation of client assets at the year end	**£15.4 bn**	£14.5 bn	6.0%
Discretionary funds under management	Valuation of discretionary client assets at the year end	**£5.0 bn**	£4.6 bn	8.9%
Staff turnover	Ratio of staff leavers to average staff during the year	**12.3%**	11.9%	(3.4%)
Fees	Value of non-commission income for Private Clients	**£53.1 m**	£50.0 m	6.2%

RISKS AND UNCERTAINTIES

During the year the Group has reviewed its governance structures concerning risk management and has made a number of key changes. The Group has established a separate Risk Committee (comprising three Directors of Charles Stanley Group PLC, three Directors of Charles Stanley & Co. Limited and other relevant Risk management personnel. Strategic consideration of forthcoming regulation remains with the Regulatory Review Committee (previously the Risk and Regulatory Review Group).

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

Credit risk

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

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

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

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

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

The Group has a Market Risk Working Group (comprising three Charles Stanley Group PLC Directors, Compliance Director, other Charles Stanley & Co. Limited Directors as deemed necessary and the Risk Manager) that reviews exposures to market counterparties and banks on a daily basis. The working group also sets exposure limits to individual market counterparties.

Market risk

This is the risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates. The Group only trades as principal for the purposes of executing client orders. Other principal positions may arise from dealing errors.

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

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

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

Operational risk

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

The Group has strengthened its management and measurement of operational risk during the period. It has increased the number of staff responsible for operational risk management and is rolling out a programme of increased assessment by the business units.

The Group's risk matrix uses the Basel II framework. There are several sub-categories of operational risk. These are:

- Clients, Products and Business Practices;
- Execution, Delivery and Process Management;
- Internal Fraud;
- External Fraud;
- Business Disruption and System Failures;
- Damage to Physical Assets; and
- Employment Practices and Workplace Safety

The Group is constantly reviewing its assessment of operational risk and whether changes are required either to procedures, risk mitigants or capital allocations. This is an ongoing process. Risks are assessed on an inherent (before the implementation of internal controls) and residual basis by reviewing both the likelihood and impact of a particular risk. These results are then assessed against the Group's risk appetite (defined as the level of risk it is prepared to accept in pursuit of its strategic goals).

The Group continues to improve its monitoring of operational risk given the changing activities and structure of the Group.

The Group's systems and controls are reviewed not only through internal procedures but also by the external auditors. Whilst the auditors do not conduct a full review of all the internal controls operating in the Group they do report on any significant weaknesses to the audit committee. The auditor's report is shown on pages 41 and 42.

Within operational risk we pay particular attention to employment risk. This risk is mitigated by employment contract provisions and competitive remuneration packages.

Liquidity risk

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

The Group maintains a mixture of cash and cash equivalents that is designed to meet the Group's operational and trading activities. The Group does not use the wholesale markets for any funding and is confident that it has sufficient liquidity for the foreseeable future. At 31 March 2012 the Group had £41.9 million in bank accounts and accordingly a high degree of liquidity.

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

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

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

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

Business risk

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

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

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

It is also assumed that the existing cost controls continue to operate effectively.

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

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

Regulatory risk

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

The Group's capital levels continue to remain well in excess of our regulatory requirements. We play an active role in industry groups such as APCIMS and are pro-actively engaging with the requirements of COREP, which will see the phased implementation of Basel III within the UK. The Group continues to monitor Financial Services Authority ("FSA") announcements closely for forthcoming regulatory developments.

The Group has been active in ensuring compliance with the requirements of the Retail Distribution Review, which is effective from 1 January 2013. It is Group policy to allocate capital to meet perceived regulatory risk if considered appropriate by the Board.

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. The Group has a forward looking agenda with regard to the requirements that we will need to implement for future changes.

Clients

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

Suppliers, contractors and creditors

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

Staff

The Group's relationship with its staff is set out in more detail in our corporate social responsibility report on pages 22 to 26.

James Rawlingson
Finance Director

14 June 2012

CORPORATE SOCIAL RESPONSIBILITY REPORT

This is the sixth corporate social responsibility ("CSR") report for the Group. The implementation and management of the CSR policy is recognised as a Group-wide responsibility and this report, made over the last 12 months, evidences the ongoing commitment to CSR at all levels of the business.

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

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

BUSINESS INTEGRITY

Corporate governance

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

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

The Group is an inaugural corporate member of the Chartered Institute of Securities and Investment ("CISI") and has signed up to its Code of Conduct. Core to this is the commitment to support success in CISI qualifications and to foster a culture of continuing professional development for employees.

Client care

We are committed to the highest standard of client care and support the FSA's Treating Customers Fairly regulatory framework. We work with our clients to ensure our relationships deliver investment performance, protection from inappropriate risk and communications that are clear, fair and not misleading.

Disclosure

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

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

PEOPLE

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

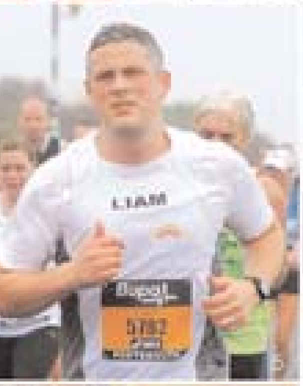
Employee involvement

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

To enable staff to become involved in the financial performance of the Group, participation in the Charles Stanley Save As You Earn Scheme and/or the Share Incentive Plan ("SIP") is encouraged. These schemes are open to all employees (with the exception of Sir David Howard) and the level of take up for both schemes is high. SIP membership for 2012 was 24.9% (2011: 25.6%). A new Save as You Earn Scheme was launched in November 2011 with 29.2% (51.7% of staff participated in the February 2011 Scheme) participating.





Our services for
Our offices

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CORPORATE SOCIAL RESPONSIBILITY REPORT

Training

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

The process to ensure minimum exam qualification in accordance with the FSA's Retail Distribution Review (RDR) is well advanced and the Group is not expecting any material issues to arise from this element of the RDR. Continuing Professional Development (CPD) continues to be an important part of staff development and all FSA regulated staff have completed their prescribed CPD obligation in the preceding year.

Benefits

The flexible benefits system called 'Choice' continues to be a success. Choice is an intranet accessible application which allows staff to select benefits which match their lifestyle. The Choice system has proved very popular, with 45% of all employees participating in one or more flexible benefits.

The benefits currently included in the Choice system are smart pension exchange, Denplan, charitable give-as-you-earn, extra death in service life cover, child care vouchers, Ride-2-Work and the ability to acquire additional annual leave. Within the past year the Group has introduced a salary sacrifice car scheme. While acknowledging a preference for staff to travel to work using public transport or cycle, it is recognised that these are not always suitable options, particularly in some regional locations. The salary sacrifice cars scheme is particularly effective for low CO2 emission vehicles and so encourages staff to move to more environmentally friendly vehicles.

CAPTIONS FOR PICTURES OPPOSITE

1. The Charles Stanley sailing team were winners of the 2011 Stock Exchange Regatta.
2. Charles Stanley's Junior ISA service was launched on 1st November 2011.
3. Charles Stanley's runners competed in the Standard Chartered Great City Race.
4. James Rawlingson, Group PLC Director, signing the contract to sponsor the Charles Stanley British Master Showjumping Event in 2012.
5. Liam Pryce-Jones, Southampton Branch Manager ran the Great South Run for the Charles Stanley Charity of the Year – The Rainbow Centre.
6. Mike Lilwall, Group PLC Director, presents the awards at the annual Charles Stanley Royal Solent Regatta in Yarmouth, Isle of Wight.
7. Jono Baker, Leeds Branch Manager continues the branch sponsorship of the all-conquering DarlingtonMowden Park Under 11's rugby team.
8. The Charles Stanley British Masters Showjumping Event in full flight.
9. Gary Teper, Director and Lady Valerie Howard, wife of Sir David Howard at the Eastbourne Client Reception in January 2012.
10. Toby Carpenter, Birmingham Branch Manager, takes questions at the Birmingham Client Reception.
11. Professor Jeremy Batstone-Carr, Director of Private Client Research presents at the Oxford Client Reception in February at the Ashmolean Museum.
12. Charles Stanley's runners competed in the Standard Chartered Great City Race.
13. Charles Stanley fielded several players at the Haksvs. Flaks netball tournament in aid of the Teens & Toddlers charity.
14. Charles Stanley's Bournemouth Office fielded a team at the Invesco Highland Challenge raising over £5,000 for the Mitchemp Trust.
15. Liam Pryce-Jones, Southampton Branch Manager ran the Great South Run for the Charles Stanley Charity of the Year – The Rainbow Centre.
16. Sir David Howard, Chairman and Chief Executive of Charles Stanley addresses a careers evening with the Officers' Association.
17. The Charles Stanley inspired Young Professionals Forum held numerous networking events throughout the year from cheese tasting at La Fromagerie to a tour of the Old Bailey.
18. The Charles Stanley Quiz Night in December 2011 raised 31800 for the Charles Stanley Charity of the Year.
19. Michael Clark, Group PLC Director, greeting guests at the Eastbourne Client Reception.

CORPORATE SOCIAL RESPONSIBILITY REPORT

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

To ensure the health and wellbeing of our workforce we also provide subsidised gym membership in London and a Ride-2-Work Scheme that allows employees to purchase bicycles at a reduced cost for the purpose of commuting. The Group provides an employee assistance programme. We also provide access to dedicated medical facilities in the London offices including annual health screening.

Disabled employees

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

Health and safety

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

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

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

Ethos

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

In addition to the above we also have policies in place to ensure that all employees can expect a working environment free from discrimination and harassment. We believe in informing and involving employees, and our retention rates are evidence of the loyalty of our employees. Staff losses were 12.3% for 2012 (2011: 11.9%) with gains of 16.1% (2011: 12.2%). Our turnover rate of 12.3% in 2012 is less than the average figure of 14.0% released by the CIPD (Source: CIPD Annual Survey Report 2011).

COMMUNITY

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

Schools

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

Charles Stanley also has fundraising activities for Lawdale School with the proceeds raised being used to arrange extracurricular activities for the children.

Charities

The Rainbow Centre for Conductive Education was chosen by a vote of all staff to be the annual charity of Charles Stanley for 2011/12 and the fundraising activities included quiz nights, cake sales, mobile phone recycling, golf days, donations for flu vaccinations, Pink Fridays and many more.

Through the hard work of the staff, their generous donations and the support of the Group £20,000 was raised for the Rainbow Centre. The annual charity for 2012/13 chosen by popular vote is DEBRA, the only UK charity providing support to people with EB (Epidermolysis Bullosa).

In addition to our Charity of the Year we offer our employees the opportunity to be sponsored by the Group if they are taking part in a fundraising activity. Some of the charities that our staff have raised money for are the Huntington's Disease

Association, Breast Cancer Research, the Cystic Fibrosis Trust, the Mitchemp Trust, the Alzheimer's Society, and the Riley Cameron Forget Me Not Fund (Leukemia and Lymphoma Research). The Group has also made charitable donations to the St Andrew's Youth Club, RNLI, the Sarcoma Trust, Walk the Walk, the Cystic Fibrosis Trust, Guide Dogs for the Blind, the National Maternity Support Foundation and many more. Many of our branches are also involved with local charities, taking part in and helping to organise fundraising events. These fundraising events have included hosting a charity rugby dinner in aid of the Birmingham Community Foundation, sponsoring the Mowden Park Youth Rugby Team, fundraising for the MS Society, Dogs' Trust, Macmillan Cancer Care and many more.

The Group now also offers employees the facility to give-as-they-earn in a tax efficient manner via the Charities Aid Foundation.

Business

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

ENVIRONMENT

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

Initiative

Over the past year refurbishment has taken place at a number of our offices and measures have been introduced wherever possible to increase energy efficiency and reduce energy consumption. Within our London offices the average electricity consumption per head during 2012 was 107.2kWh per month (2011: 170kWh) and the average gas consumption per head during 2012 was 8.14kWh per month (2011: 25kWh). We have also developed a number of initiatives to save costs and increase efficiency through reducing and managing resource use, for example we source re-use programmes for surplus equipment and we review our supply partners to ensure their policies are in line with ours. We currently use paper from sustainable sources for our main marketing and other publicly available documentation, and we aim to procure a greater proportion of recycled paper for photocopying and printing purposes in the future.

Commitment

Charles Stanley encourages recycling at all of our offices. Recycling is measured in volume. During the period April 2011 to March 2012, 2,413 sacks of paper were recycled. This resulted in a donation of £800 being made to the Castle Howard Arboretum Trust on behalf of Charles Stanley. We recognise that the business saves costs and increases efficiency through reducing and managing resource use.

We run a Ride-2-Work Scheme on an annual basis and this not only promotes a healthier lifestyle for our employees but also reduces the environmental impact of the journey to work for those employees who take part in the scheme. There were 11 new entrants to the Ride-2-Work Scheme in 2012 (2011: 8).

Investment

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

DIRECTORS AND COMPANY INFORMATION

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

DIRECTORS

Sir David Howard Bt. MA, DSc, FCSI (Hon)
Chairman and Managing Director
Sir David is 66. 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, as Chairman of the Council of City University and as President of the Chartered Management Institute, is an alternate member of the Takeover Panel and serves on the CREST Settlements Appeals Panel. He is a Director of APCIMS (the private client stockbrokers' trade association) and the Chartered Institute for Securities and Investment ("CISI") and chairs the CISI Examinations Board.

E Michael Clark FCSI
Michael Clark is 65 and became a member of the Stock Exchange in 1970. He joined Charles Stanley in 1976, became a partner in 1982 and a Director (on incorporation of the partnership) in 1988. He is responsible for London private client brokers, dealing and research.

Michael R I Lilwall BSc, FCSI (Dip)
Michael Lilwall is 54 and joined Charles Stanley as a Director in 1997. He is responsible for Charles Stanley Securities, the Financial Services division and takes an active role in business development for the Group. Previously he was Chief Executive of Shaw & Co. Limited, whose business was acquired by Charles Stanley in 1997. Prior to that he was a Director of Seymour Pierce Butterfield and Brewin Dolphin & Co. Limited.

James Rawlingson FCCA, MCSI
Finance Director
James Rawlingson is 44 and joined Charles Stanley as Finance Director in 2011. Previously he was the CFO for the Coutts Division where he held a portfolio of executive and non-executive directorships and prior to this held a global role in UBS Wealth Management based in Zurich. James originally qualified as an accountant whilst at Deloitte.

Secretary
Gary Teper LLB (Hons), MSc, MCISI

Company registration number
48796 (England and Wales)

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25 Luke Street, London, EC2A 4AR

Websites
www.charles-stanley.co.uk
- Corporate
- Investor relations

https://media.charles-stanley.co.uk
- Media Centre

www.fastrade.co.uk
- Internet trading

www.csysecurities.com
- Institutional sales
and corporate broking

www.ebsmanagement.co.uk
- SIPP and SSAS consultancy
and SIPP administration

www.fundchoice.co.uk
- Funds supermarket

www.csfinancialsolutions.co.uk
- Corporate benefits and employee wealth
management services

www.matterley.com
- Equity investment for retail
and institutional clients

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London, EC2Y 5ET

REPORT OF THE DIRECTORS

The Directors submit their report and financial statements for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

A review of the business is set out on pages 7 to 14.

DIVIDENDS

The Directors have declared and now recommend the following dividends in respect of the year ended 31 March 2012:

	2012 £	2011 £
Interim dividend paid on 31 December 2011 of 2.75p (2011: 2.50p)	1,243,939	1,115,893
Final dividend proposed of 8.50p (2011: 8.25p)	3,844,904	3,717,346
	5,088,843	4,833,239

The final dividend will be paid on 3 August 2012 to shareholders on the Company's register at close of business on 29 June 2012.

CHANGE OF CONTROL

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

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

SHARE CAPITAL

As at 31 March 2012, 45,234,163 fully paid ordinary shares of 25 pence were in issue and listed on the London Stock Exchange. The rights and obligations attaching to the Company's ordinary shares are as follows:

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

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Each of the Company's Directors (apart from Sir David Howard and James H Rawlingson) have options on 3,585 shares at £2.51 per share which are exercisable from 1 May 2014 at their discretion pursuant to Save-As-You Earn Option Provisions. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Code, the Companies Act 2006 and related legislation. The Company's Articles of Association may be amended by a special resolution of the Company's shareholders. Copies of the Articles of Association can be obtained from Companies House or by writing to the Company Secretary.

The Directors propose (Resolution 8 in the Notice of Meeting) to renew the authority granted to them at the Annual General Meeting held in 2011 to allot equity securities up to an aggregate nominal value of £3,680,000 (the 'section 551 authority'). If approved at the forthcoming Annual General Meeting, the authority will expire no later than 15 months from the date on which the resolution is passed, or at the conclusion of the Annual General Meeting to be held in 2013, whichever is the sooner.

The limited power granted to the Directors at last year's Annual General Meeting to allot equity shares for cash other than pro rata to existing shareholders expires no later than 30 October 2012. Subject to the terms of section 560 of the Companies Act 2006, the Directors recommend (Resolution 9 in the Notice of Meeting) that this authority should be renewed so as to give them the ability, until the Annual General Meeting to be held in 2013, to issue ordinary shares for cash, other than pro rata to existing shareholders, in connection with a rights issue or up to a limit of 5 per cent of the ordinary share capital issued at the date of this report. The Directors recommend that you vote in favour of Resolutions 8 and 9 to maintain the Company's flexibility in relation to future share issues.

A Special Resolution will also be proposed (Resolution 10 in the Notice of Meeting) to renew the Directors' limited authority last granted in 2011 to repurchase the Company's ordinary shares in the market. The authority will be limited to a maximum of 4,523,416 ordinary shares (being approximately 10 per cent of the Company's issued share capital at the date of this report) and also sets the minimum and maximum prices which may be paid. The authority will enable the Directors to respond promptly should circumstances arise in which they consider such a purchase would result in an increase in earnings per share and would be in the best interests of the Company.

DIRECTORS

Sir David Howard, Michael Clark and Michael Lilwall served as Directors throughout the year. Peter Hurst resigned as a Director on 31 August 2011. James Rawlingson was appointed a Director on 1 September 2011. The biographies are are set out on page 27. Michael Clark and Michael Lilwall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election by the members. The Board requests that the appointment of James Rawlingson is ratified.

Directors' interests in the shares of Charles Stanley Group PLC are disclosed in the Directors' remuneration report on page 35.

At 31 March 2012, the Directors had the authority to purchase 4,505,874 of ordinary shares in the capital of the Company. This authority was not exercised during the year. The Directors confirm that there are procedures in place to deal with Directors' conflicts and they have operated effectively.

TAXATION STATUS

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

PAYMENTS TO CREDITORS

It is the Group's policy to pay stockbroking creditors on settlement day or when stock has been delivered, whichever is later, and to pay suppliers in accordance with their payment terms. Amounts due to suppliers at the balance sheet date represent approximately 43 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 £36,236.

No political donations were made during the year.

SUBSTANTIAL SHARE INTERESTS

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

	No. of shares	
	14.6.12	31.3.12
John L S Howard	5,153,192	5,153,192
Schroders PLC and its associated companies	2,780,263	2,780,263
Queen Street Securities Limited (a company of which Sir David Howard is a director)	2,102,500	2,102,500
Aberforth Partners	3,504,978	3,504,978

As at 31 March 2012 the Company has received no notifications in accordance with chapter 5 of the Disclosure and Transparency Rules.

ESSENTIAL BUSINESS CONTRACTS

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

AUDITORS

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

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

By Order of the Board
Gary Teper
Secretary

14 June 2012

DIRECTORS' REMUNERATION REPORT

The Company is required by the Companies Act 2006 to prepare a Directors' remuneration report for the year ended 31 March 2012 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 26 July 2012.

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

UNAUDITED INFORMATION

Directors' remuneration

The pay and benefits for executive Directors are determined by Sir David Howard, Michael Clark, Michael Lilwall and James Rawlingson, taking into account individual performance and market conditions.

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

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

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

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

Policy on Directors' remuneration

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

While some firms within the Group are within the scope of the FSA Remuneration Code ("Rem Code"), the proportionality principle contained in the Rem Code rules requires the Company to comply with the Rem Code only in a way and to the extent that is appropriate to its size, internal organisation and the nature, the scope and the complexities of its activities. The Company falls within the lowest level of Rem Code categorisation (Tier 4), which means that it is not required to comply with some of the more prescriptive rules set out in the Rem Code such as deferral and retained shares.

The Group is also aware of its CRD III disclosures on remuneration requirements and these were published on its website in 2011. This information will be updated and published on the website in due course.

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 Code on Directors' remuneration in framing its remuneration policy.

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

DIRECTORS' REMUNERATION REPORT

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

In the event of death in service, a lump sum benefit equal to nine 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.

Two Directors have a money purchase scheme. Contributions to this scheme may be taken as salary at the option of the Director.

Share options
The Company currently does not operate Executive Option Schemes or Long-Term Incentive Plans. All option schemes currently in operation are open to all employees and Directors, except Sir David Howard, once they have met the necessary service requirements. Charles Stanley currently operates two Save As You Earn Schemes (the 2011 Scheme and the 2012 Scheme). Options were offered at a discount of 15% to the average of the mid-market closing price for the three days prior to the offer and are exercisable for a period of six months commencing three years after the saving contract commencement date. In common with similar schemes, the exercise of options under this scheme is not subject to any performance conditions.

Directors' contracts
Each of the Directors has a service contract except for Sir David Howard who has no service contract. No Director has a service contract for a duration of more than one year.

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

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

AUDITED INFORMATION

	Fees £	Salary £	Bonus £	Benefits in kind £	Total 2012 £	Total 2011 £
Emoluments						
Sir David Howard *(Chairman and Managing Director)*	5,250	298,605	85,400	37,014	426,269	420,170
Peter A Hurst *(Finance Director)*	—	116,823	—	2,797	119,620	365,973
E Michael Clark	—	307,540	85,400	3,796	396,736	389,358
Michael R I Lilwall	—	348,559	85,400	2,746	436,705	428,404
James H Rawlingson *(Finance Director)*	—	166,833	100,000	1,385	268,218	—
	5,250	1,238,360	356,200	47,738	1,647,548	1,603,905
2011	5,250	1,204,682	341,600	52,373	1,603,905	

Employee savings related share option schemes

At 31 March 2012

	Period of option	Exercise price	Number granted
E Michael Clark	March 2011 to May 2014	251p	3,585
Michael R I Lilwall	March 2011 to May 2014	251p	3,585
			7,170

At 31 March 2011

	Period of option	Exercise price	Number granted
Peter A Hurst	March 2011 to May 2014	251p	3,585
E Michael Clark	March 2011 to May 2014	251p	3,585
Michael R I Lilwall	March 2011 to May 2014	251p	3,585
			10,755

The market price of the ordinary shares at 31 March 2012 was 294p (2011: 312p) and the range during the year was 234p to 350p (2011: 187p to 317p).

Pension schemes

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

	Increase[2] in accrued pension excluding inflation £	Transfer[3] value of increase £	**Accrued[1] pension 2012 £**	Accrued[4] pension 2011 £	**Transfer value of accrued pension 2012 £**	Transfer value of accrued pension 2011 £	Increase[5] in value of Directors' benefits £
Sir David Howard	9,207	89,456	**114,229**	105,022	**2,727,759**	2,036,884	690,875
E Michael Clark	13,304	148,605	**142,487**	129,183	**3,214,937**	2,423,283	791,654
Peter A Hurst	7,550	52,057	**105,119**	97,569	**2,209,859**	1,784,145	425,514

Pension schemes (continued)

[1] The pension entitlement shown is that which would have been paid annually on retirement based upon Pensionable Service to the end of the financial year, excluding any future statutory entitlement to increases prior to retirement which would be due after the financial year end.

[2] The increase in the accrued pension during the financial year excludes the increase for inflation. The inflation rate used is that published by the Secretary of State for Social Security in accordance with Schedule 3 of the Pension Schemes Act 1993.

[3] The Transfer Value of the increase in entitlement during the financial year is shown net of the Director's own personal contributions to the Scheme over the financial year (if any). This value represents the cash equivalent of the increase in accrued benefits. For this purpose it is assumed that the benefit entitlement is increased until Normal Retirement Date in accordance with statutory levels on the notional basis that each director ceased Pensionable Service at the end of the financial year.

[4] The pension accrued at the end of the previous financial year is valued on the transfer value basis in force at the end of the previous financial year. The pension accrued at the financial year end is valued on the transfer value basis in force at the end of the financial year, where the pension accrued is calculated as per note 1.

[5] The increase in the value of the Director's benefits over the financial year is shown net of the Director's own personal contributions to the scheme over the financial year (if any). The increase has been calculated as the difference between the value of accrued benefits at the end of the financial year and the value of accrued benefits at the end of the previous financial year, where the values are calculated as per note 4. No allowance for price inflation has been included.

Directors' interests in ordinary shares

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

	Beneficially Held			Otherwise held		
	14.6.12	31.3.12	1.4.11	14.6.12	31.3.12	1.4.11
Charles Stanley Group PLC						
Sir David Howard	12,827,940	12,827,940	12,753,815	319,367	319,367	311,573
E Michael Clark	832,282	832,147	809,476	—	—	—
Michael R I Lilwall	114,974	114,839	109,168	—	—	—
Gryphon Investments PLC						
Sir David Howard	15,000	15,000	15,000	—	—	—

Related party transactions

The Directors undertake transactions in stocks and shares in the ordinary course of the Group's business for their own accounts. No amounts were owed by the Directors to the Group as at 31 March 2012. There were no material contracts between the Group and Directors.

APPROVAL

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

Gary Teper
Secretary

14 June 2012

CORPORATE GOVERNANCE

The benefits of good corporate governance continue to be recognised by Charles Stanley. The Directors remain committed to maintaining corporate governance standards and achieve this by compliance, wherever possible, with the best practice provisions of the Financial Reporting Council's UK Corporate Governance Code (the "Code") published in May 2010 which can be accessed at www.frc.org.uk/corporate/combinedcode.cfm.

The Code governs the relationship between the constituent parts of the Company, namely the board and its committees; relations with shareholders; and, accountability and audit. The current position of the Group in each of these areas is explained in the paragraphs below, together with the report of the Directors and the Directors' remuneration report on pages 32 to 35, describing how the principles are applied within the Group.

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and the Group at the end of the financial year and of the Group's profit or loss for the financial year. In preparing these financial statements the Directors are required to use the appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and confirm that all applicable accounting standards have been followed. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

THE BOARD AND ITS COMMITTEES

The board

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

The Company Board comprises four executive Directors, and a short biography of each can be found on page 27. Following the retirement of Peter Hurst as Finance Director and an evaluation of the skills and experience sought by the Board, an external advisory firm was appointed to undertake the search for a replacement. Subsequently, as a result of this search, James H Rawlingson was appointed as Finance Director on 1 September 2011.

The Company currently has no non-executive Directors (Combined Code A.1.3, A.4, A.4.1, A.4.2, B.1.1, B.1.2, B.2.1, B.2.3, B.3.2, and B.6.3). Whilst the Company recognises that non-executive Directors can add value, it is felt that the current composition of the Company Board is appropriate.

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

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

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

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

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

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

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

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

There is an induction programme for new Directors which typically involves meeting with the Chairman, key members of the senior mangement team and attendance at key Company sites. Where required, the Company Secretary provides guidance, or facilitates the provision of training in relation to Directors' individual duties under the Companies Act 2006 and on legal, regulatory and governance matters with which the Company, Board and individual Directors must comply.

Board meetings

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

There were 11 Combined Board meetings during the year and attendance was as follows:
David Howard 11; Peter Hurst 4; Michael Clark 11; Michael Lilwall 9; James H Rawlingson 9.

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

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

Board committees

The Company Board has established an audit committee with the role and responsibilities described in the Code C.3.2. Terms of reference for the audit committee have been developed and are subject to regular review. Membership of the committee comprises Gordon Montgomery FCA (independent Chairman), Michael Clark, Michael Lilwall and Gary Teper. There are no independent non-executive Directors on the committee. The committee is satisfied that Gordon Montgomery, who is neither a Director nor an employee of the Group, has recent and relevant financial experience as required by Code C.3.1. The committee meets on a quarterly basis. On invitation, senior management and external auditors attend the meetings to assist the committee in fulfilling its duties. The committee may also seek external professional advice at the Company's expense.

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

The role of the audit committee includes reviewing the independence and the nature of non-audit services supplied and non-audit fee levels relative to the audit fee. The committee is satisfied that the independence of the auditors has not been impaired by providing these services. Details of the auditors' fees are shown in note 8 of the financial statements on page 70.

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

The Company does not have a formal remuneration committee (D.2) or a formal nomination committee (B.2.1). Decisions on remuneration and appointments to the Board are made by the Company Board.

SHAREHOLDER RELATIONS

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

CORPORATE GOVERNANCE

INSURANCE

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

GOING CONCERN

The Directors have satisfied themselves that the Company and the Group have adequate resources to continue in business for the foreseeable future and that it is therefore appropriate for the financial statements for the year ended 31 March 2012 to have been prepared on a going concern basis.

COMPLIANCE WITH THE CODE

In relation to the Code it is confirmed that:

- the Group is headed by a combined Chairman and Chief Executive Officer (A.2). It is felt that this dual role provides stability whilst the partnership-style of decision making ensures that no one individual has unfettered decision making powers;

- the Company does not have any non-executive Directors on the Board (B.1) as it believes the current two-tier structure of the Group Board works effectively to best promote the interests of the shareholders as a whole;

- the Company has no nomination committee (B.2) as there are no non-executive Directors;

- the board and its committees do not undergo annual evaluations of their performance (B.6), instead performance is assessed on a continuous basis;

- performance-related elements do not form a significant proportion of the total remuneration package of executive Directors (D.1). However, the Company gives full consideration to Schedule A of the Combined Code when forming its remuneration policy;

- the Company does not have a formal remuneration committee (D.2) but the emoluments of Directors are the subject of appraisal by the Chairman and the Directors and take into account individual performance and market conditions;

- whilst the Company has established an audit committee with the roles and responsibilities described in the Code (C.3.2) which is chaired by an independent Chairman, and includes members with recent and relevant financial experience as described in the Code (C.3.1), the committee comprises mainly executive Directors (with the exception of the committee Chairman) and has no independent non-executive Directors as members, as prescribed by the Code (C.3.1). In all other respects it does however perform the functions of an audit committee as set out in the Code.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' reports include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board
Gary Teper
Secretary

14 June 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHARLES STANLEY GROUP PLC

We have audited the financial statements of Charles Stanley Group PLC for the year ended 31 March 2012 set out on pages 45 to 97. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on pages 36 to 39 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent Company financial statements and the part of the Directors remuneration report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of Directors’ remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or

- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors’ statement, set out on page 39, in relation to going concern;

- the part of the Corporate Governance Statement on pages 36 to 39 relating to the Company’s compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

- certain elements of the report to shareholders by the Board on Directors' remuneration.

Mike Peck (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc,
Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL

14 June 2012

FINANCIAL STATEMENTS CONTENTS

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 MARCH 2012

	Notes	2012 £'000	2011 £'000
Continuing operations			
Revenue	5	**119,636**	125,573
Administrative expenses	5	**(111,663)**	(112,687)
Other income	6	**89**	63
Operating profit	8	**8,062**	12,949
Finance income	9	**449**	444
Finance costs	9	**(67)**	(53)
Gains and losses on available for sale financial assets	9	**34**	37
Gains on disposal of property, plant and equipment	9	**4**	—
Profit before tax		**8,482**	13,377
Tax expense	10	**(2,553)**	(3,857)
Profit for the year attributable to equity shareholders		**5,929**	9,520

Earnings per share

Based on reported profit for the year			
Basic	12	**13.12p**	21.42p
Diluted	12	**13.08p**	21.40p

The notes on pages 52 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2012

	2012 £'000	2011 £'000
Profit for the year	**5,929**	9,520
Other comprehensive income		
Revaluation of property	**—**	29
Gains and losses on available for sale financial assets	**2**	(1,266)
Deferred tax on available for sale financial assets	**28**	377
Retirement benefit scheme actuarial deficit	**(2,705)**	1,433
Deferred tax on retirement benefit scheme actuarial deficit	**582**	(515)
Other comprehensive income net of tax	**(2,093)**	58
Total comprehensive income for the year attributable to equity shareholders	**3,836**	9,578

The notes on pages 52 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2012

	Notes	31 March 2012 £'000	31 March 2011 £'000
Assets			
Non-current assets			
Intangible assets	14	**34,604**	34,126
Property, plant and equipment	15	**6,832**	6,216
Deferred tax assets	16	**922**	534
Available for sale financial assets	17	**5,493**	5,223
Trade and other receivables	18	**1,219**	1,431
Total non-current assets		**49,070**	47,530
Current assets			
Trade and other receivables	18	**267,315**	224,720
Financial assets at fair value through profit or loss	19	**211**	170
Cash and cash equivalents	20	**41,910**	45,540
Total current assets		**309,436**	270,430
Total assets		**358,506**	317,960

The notes on pages 52 to 88 are an integral part of these consolidated financial statements.

	Notes	31 March 2012 £'000	31 March 2011 £'000
Equity			
Ordinary shares	21	**11,308**	11,265
Share premium	21	**2,545**	2,491
Revaluation reserve		**1,493**	1,463
Retained earnings		**66,283**	66,852
Total equity attributable to equity holders of the Company		**81,629**	82,071
Non-controlling interests		**53**	53
Total equity		**81,682**	82,124
Liabilities			
Non-current liabilities			
Trade and other payables	22	**500**	—
Retirement benefit obligations	24	**5,936**	3,357
Total non-current liabilities		**6,436**	3,357
Current liabilities			
Trade and other payables	22	**269,517**	230,613
Borrowings	23	**157**	94
Current tax liabilities		**714**	1,772
Total current liabilities		**270,388**	232,479
Total liabilities		**276,824**	235,836
Total equity and liabilities		**358,506**	317,960

Approved by the Board on 14 June 2012

Company registration number 48796 (England and Wales)

Sir David Howard James Rawlingson Directors

The notes on pages 52 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2012

	Share capital £'000	Share premium £'000	Re-valuation reserve £'000	Retained earnings £'000	Total £'000	Minority interests £'000	Total equity £'000
1 April 2011	**11,265**	**2,491**	**1,463**	**66,852**	**82,071**	**53**	**82,124**
Profit for the year	**—**	**—**	**—**	**5,929**	**5,929**	**—**	**5,929**
Other comprehensive income:							
Gains and losses on available for sale financial assets	**—**	**—**	**2**	**—**	**2**	**—**	**2**
Deferred tax on available for sale financial assets	**—**	**—**	**28**	**—**	**28**	**—**	**28**
Retirement benefit scheme actuarial deficit	**—**	**—**	**—**	**(2,705)**	**(2,705)**	**—**	**(2,705)**
Deferred tax on retirement benefit scheme actuarial deficit	**—**	**—**	**—**	**582**	**582**	**—**	**582**
Total other comprehensive income for the year	**—**	**—**	**30**	**(2,123)**	**(2,093)**	**—**	**(2,093)**
Total comprehensive income for the year	**—**	**—**	**30**	**3,806**	**3,836**	**—**	**3,836**
Dividends paid to equity shareholders	**—**	**—**	**—**	**(4,514)**	**(4,514)**	**—**	**(4,514)**
Scrip dividend	**33**	**(33)**	**—**	**—**	**—**	**—**	**—**
Share options – value of employee services	**—**	**—**	**—**	**139**	**139**	**—**	**139**
– issue of shares	**3**	**29**	**—**	**—**	**32**	**—**	**32**
Conversion of loan notes	**7**	**58**	**—**	**—**	**65**	**—**	**65**
31 March 2012	**11,308**	**2,545**	**1,493**	**66,283**	**81,629**	**53**	**81,682**

The notes on pages 52 to 88 are an integral part of these consolidated financial statements.

	Share capital £'000	Share premium £'000	Re-valuation reserve £'000	Retained earnings £'000	Total £'000	Minority interests £'000	Total equity £'000
1 April 2010	11,136	1,772	2,323	58,097	73,328	97	73,425
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 gain	—	—	—	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
Change in ownership of subsidiary	—	—	—	—	—	(44)	(44)
Dividends paid to equity shareholders	—	—	—	(1,729)	(1,729)	—	(1,729)
Scrip dividend	43	(43)	—	—	—	—	—
Share options – value of employee services	—	—	—	46	46	—	46
– issue of shares	77	686	—	—	763	—	763
Conversion of loan notes	9	76	—	—	85	—	85
31 March 2011	11,265	2,491	1,463	66,852	82,071	53	82,124

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from operations	25	**9,612**	18,015
Interest received	9	**449**	444
Interest paid	9	**(67)**	(53)
Tax paid		**(3,470)**	(3,906)
Net cash from operating activities		**6,524**	14,500
Cash flows from investing activities			
Acquisition of subsidiaries and other businesses		**(1,352)**	(800)
Acquisition of intangible assets		**(1,632)**	(1,001)
Purchase of property, plant and equipment	15	**(2,678)**	(2,346)
Proceeds from sale of property, plant and equipment		**6**	18
Purchase of available for sale financial assets	17	**(498)**	(320)
Proceeds from sale of available for sale financial assets		**264**	297
Dividends received	6	**89**	63
Net cash used in investing activities		**(5,801)**	(4,089)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	21	**32**	763
Cash outflow from change in debt and lease financing		**129**	(522)
Dividends paid to equity shareholders	13	**(4,514)**	(1,729)
Net cash used in financing activities		**(4,353)**	(1,488)
Net increase in cash and cash equivalents		**(3,630)**	8,923
Cash and cash equivalents at start of year		**45,540**	36,617
Cash and cash equivalents at end of year	20	**41,910**	45,540

The notes on pages 52 to 88 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

1 GENERAL INFORMATION

Charles Stanley Group PLC is the parent company of a group of companies ("the Group") which provides a range of investment and financial services within the United Kingdom.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements were authorised for issue by the Board of Directors on 14 June 2012.

2.1 Basis of preparation

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

These consolidated financial statements are presented in British pounds which is the Group's functional currency. All financial information presented in British pounds has been rounded to the nearest thousand.

2.1.1 Changes in accounting policy and disclosures

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 2011 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:

- IAS 24 'Related Party Disclosures' (revised 2009).

The following amendments were made as part of 'Improvements to IFRS (2010)':

- Amendments to IFRS 7 'Financial Instruments';
- Amendments to IAS 1 'Presentation of Financial Statements';
- Amendments to IAS 34 'Interim Financial Reporting'.

Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement' have been adopted in the current year but have had no material impact on these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.1 Changes in accounting policy and disclosures (continued)

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.

IAS 19 'Employee Benefits' is not yet adopted by the EU but is expected to become mandatory for the Group's consolidated financial statements for the year ending 31 March 2014. The amendments to IAS 19, if applied for the year ended 31 March 2012, would reduce profit after tax by approximately £154,000 and increase actuarial gains in other comprehensive income by the same amount. There would be no effect on total equity. The Group does not plan to adopt this standard early.

Endorsed and available for early adoption	*Effective date*
IFRS not yet endorsed by EU to IAS 1 'Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income'	1 July 2012
IFRS 10 'Consolidated Financial Statements'	1 January 2013
IFRS 11 'Joint Arrangements'	1 January 2013
IFRS 12 'Disclosure of Interests in Other Entities'	1 January 2013
IFRS 13 'Fair Value Measurement'	1 January 2013
IAS 19 'Employee Benefits (revised 2011)'	1 January 2013
IAS 27 'Consolidated and Separate Financial Statements (revised 2011)	1 January 2013
IAS 28 'Investments in Associates (revised 2011)	1 January 2013
Amendments to IFRS 7 'Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013
Amendments to IAS 32 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'	1 January 2014
IFRS 9 'Financial Instruments (2010)'	1 January 2015

2.2 Consolidation

(a) Subsidiaries

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

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

(b) Transactions and minority interests

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

2.3 Segment reporting

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

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax liabilities.

2.4 Foreign currency translation

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

2.5 Property, plant and equipment

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

Increases in the carrying amount arising on revaluation of freehold property are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

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

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

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

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

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

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

2.6 Intangible assets

(a) Goodwill

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

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

(b) Customer relationships

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

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

2.8 Non-current assets held for sale

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

2.9 Financial assets

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

2.9.1 Classification

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

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

(b) Loans and receivables

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

(c) Available for sale financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9.2 Recognition and measurement

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

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

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

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

2.10 Impairment of financial assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Trade receivables

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

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

2.12 Cash and cash equivalents

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

2.13 Segregated funds

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

2.14 Trade payables

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

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

2.15 Borrowings

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

2.16 Current and deferred income tax

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax(continued)

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

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

Deferred income tax is not provided on temporary timing differences arising on goodwill as the temporary timing difference will not reverse in the foreseeable future.

2.17 Employee benefits

2.17.1 Pension obligations

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

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

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

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

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

2.17.2 Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Payments made in advance of services being provided are treated as prepayments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Share-based payments

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

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

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

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

2.19 Revenue recognition

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

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

(a) Commission

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

(b) Fees

Investment management, administration and corporate finance retainer fees are recognised evenly over the period the service is provided. Corporate finance success fees are recognised when earned.

(c) Dividend income

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

(d) Interest income

Interest income is recognised using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Leases

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

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

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

2.21 Dividend distribution

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

2.22 Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment.

3 FINANCIAL RISK MANAGEMENT

Through its normal operations the Group is exposed to a number of risks, the most significant of which are market, credit and liquidity risks.

Market risk

This is the risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates. The Group only trades as principal for the purposes of executing client orders. Other principal positions may arise from dealing errors.

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

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

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

Equity risk

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

The Group has performed sensitivity analysis assessing the impact of a 10% increase or decrease in underlying equity prices. The results shown below are indicative of the impact at the year end.

i) Available for sale investments

Note 17 summarises the available for sale investments held at the year end date, and the disposals and fair value movements made in the year.

Approximately 40% of the Group's available for sale investments are unlisted. A 10% increase/decrease on the Group's investments would have an impact on reserves of £550,000 (2011: £522,000).

ii) Held for trading assets and liabilities

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

A 10% increase/decrease in equity prices on trading assets and liabilities would increase/decrease profit in the Income statement by £21,000 (2011: £17,000).

iii) Investment Management fees

A 10% increase/decrease in equity prices would increase/decrease profit on investment management fees in the Income statement by £2.1 million (2011: £2.0 million).

The Group does not hold derivatives on its own account.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign exchange risk

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

	2012 £'000	2011 £'000
Net assets		
Euros	**505**	464
US Dollars	**641**	505
Other currencies	**699**	913
	1,845	1,882

The Group's activities are primarily denominated in British pounds and it does not enter into forward exchange contracts for hedging anticipated transactions. The risk of adverse currency movements for settlement of non-GBP trades on behalf of clients is not borne by the Group. The Group is exposed to currency risk for settlement of non-GBP trade suppliers and miscellaneous income streams. At 31 March 2012 these totalled £37,906 (2011: £14,491).

Interest rate risk

The Group has interest bearing assets, principally in cash and cash deposits and available for sale financial assets, and liabilities including loan notes accruing interest at fixed rates. The Group views such exposure to interest rate fluctuations as immaterial. If interest rates had been 200 basis points higher profit for the year would have been £838,000 higher (2011: £911,000). If interest rates had been 200 basis points lower profit for the year would have been £449,000 lower (2011: £444,000).

Credit risk

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

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

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

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

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

The Group has a Market Risk Working Group (comprising three Charles Stanley Group PLC Directors, Compliance Director, other Charles Stanley & Co. Limited Directors as deemed necessary and the Risk Manager) that reviews exposures to market counterparties and banks on a daily basis. The working group also sets exposure limits to individual market counterparties.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Trade receivables represent monies due from clients and market counterparties. The risk department undertakes reviews of new accounts and periodically reviews all counterparties.

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

The following table of financial assets analyses amounts by ageing:

As at 31 March 2012	Neither due nor impaired £'000	Past due but not impaired 0-3 months £'000	3-6 months £'000	6-12 months £'000	Over 1 year £'000	Carrying value £'000
Trade and other receivables	**247,866**	**15,812**	**479**	**436**	**215**	**264,808**
Cash and cash equivalents	**41,910**	**—**	**—**	**—**	**—**	**41,910**
As at 31 March 2011						
Trade and other receivables	211,275	10,966	199	87	307	222,834
Cash and cash equivalents	45,540	—	—	—	—	45,540

Excluded from the above is a provision for impairment of receivables where amounts have been fully provided for of £346,000 (31 March 2011: £402,000).

Liquidity risk

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

The Group maintains a mixture of cash and cash equivalents that is designed to meet the Group's operational and trading activities. The Group does not use the wholesale markets for any funding and is confident that it has sufficient liquidity for the foreseeable future. At 31 March 2012 the Group had £41.9 million in bank accounts and accordingly a high degree of liquidity.

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

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

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

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

The Group's financial liabilities comprise trade and other payables and financial liabilities which are all repayable on demand or within three months.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

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

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

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

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

	2012 £'000	2011 £'000
Tier 1 capital resources		
Ordinary shares	**11,308**	11,265
Share premium	**2,545**	2,491
Retained earnings*	**66,108**	67,027
	79,961	80,783
Deduction – intangible assets	**(34,604)**	(34,126)
	45,357	46,657
Tier 2 capital resources		
Revaluation reserve	**1,493**	1,463
Total capital resources	**46,850**	48,120

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

Fair value of financial instruments

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, as prices) or indirectly (that is, dervived from prices).

Level 3 – Inputs for assets that are not based on observable market data (that is, unobservable inputs)

The table below presents the Company's assets that are measured at fair value at 31 March 2012.

As at 31 March 2012	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss	**211**	**—**	**—**	**211**
Available for sale financial assets	**3,399**	**—**	**2,094**	**5,493**
	3,610	**—**	**2,094**	**5,704**

As at 31 March 2011	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss	170	—	—	170
Available for sale financial assets	3,129	—	2,094	5,223
	3,299	—	2,094	5,393

The fair value of financial instruments traded in active markets is based on quoted market prices at balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and prices represent actual and regularly occurring market transactions on arms length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. Instruments in Level 1 comprise primarily London Stock Exchange equity investments and fixed income securities classified as held for trading and available for sale.

If one or more significant inputs are not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value the financial instruments include:

i) Quoted market prices

ii) Other techniques, such as discounting, are used to determine the fair value for the remaining financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 24.

Were the discount rate to differ by 10% from the management's estimates, the carrying amount of pension obligations would be an estimated £5.3 million higher or lower.

(d) Available for sale investments
Unlisted available for sale financial assets include an investment in Euroclear plc. The fair value of this investment has been estimated by the Directors based on the Group's share of net assets, dividend yield and the prices of similar companies discounted for liquidity. This is discussed in note 17.

(e) Financial Services Compensation Scheme
The arrangements put in place by the Financial Services Compensation Scheme ("FSCS") to protect depositors and investors from loss in the event of failure of financial institutions have resulted in significant levies that are largely out of the Group's control as they result from other industry failures.

For the year to 31 March 2012 the Group received invoices totalling £1.6 million in relation to the failures of Keydata, CF Arch Cru and MF Global. These charges have been included within administrative expenses in the financial statements for the year to March 2012.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Financial Services Compensation Scheme (continued)

There is considerable uncertainty over the level of future FSCS levies as this is dependent upon the cost to the FSCS of failure of other entities in the financial services industry. The FSCS announced in their April 2012 Outlook Statement that they propose to raise £265 million across all sub-classes for 2012/13 and it anticipates additional compensation cost to the investment management sector to cover the as yet unquantifiable cost failure claims relating to MF Global, Worldspreads and additional costs associated with CF Arch Cru and MF Global. We expect the FSCS levy for 2013 to be similar to that for 2012.

Furthermore FSCS has now agreed the interest terms of the £18 billion loan it took out in 2008/9 to cover the cost of five major depositors at LIBOR plus 100bp – an increase from LIBOR plus 30bp. We expect that the resultant higher annual costs to the FSCS will be reflected in the FSCS levies borne by the Group.

5 SEGMENT INFORMATION

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

	Private Clients £'000	Financial Services £'000	Charles Stanley Securities £'000	Sub-total £'000	Central costs £'000	Total £'000
Year ended 31 March 2012						
Commission	47,400	332	4,425	52,157	—	52,157
Fees						
Investment management	30,187	549	—	30,736	—	30,736
Administration	22,884	10,781	278	33,943	—	33,943
Corporate finance	—	—	2,800	2,800	—	2,800
	53,071	11,330	3,078	67,479	—	67,479
Total revenue	**100,471**	**11,662**	**7,503**	**119,636**	**—**	**119,636**
Administrative expenses	(61,992)	(10,447)	(8,121)	(80,560)	(31,103)	(111,663)
Other income	—	—	—	—	89	89
Operating profit	**38,479**	**1,215**	**(618)**	**39,076**	**(31,014)**	**8,062**
Segment assets	**268,631**	**14,655**	**14,271**	**297,557**	**60,949**	**358,506**
Segment liabilities	**241,891**	**999**	**15,865**	**258,755**	**18,069**	**276,824**

5 SEGMENT INFORMATION (CONTINUED)

	Private Clients £'000	Financial Services £'000	Charles Stanley Securities £'000	Sub-total £'000	Central costs £'000	Total £'000
Year ended 31 March 2011						
Commission	56,016	310	6,977	63,303	—	63,303
Fees						
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
Total revenue	**105,968**	**9,398**	**10,207**	**125,573**	**—**	**125,573**
Administrative expenses	(63,882)	(9,201)	(9,182)	(82,265)	(30,422)	(112,687)
Other income	—	—	—	—	63	63
Operating profit	42,086	197	1,025	43,308	(30,359)	12,949
Segment assets	234,967	14,317	6,763	256,047	61,913	317,960
Segment liabilities	214,012	—	6,354	220,366	15,470	235,836

6 OTHER INCOME

	2012 £'000	2011 £'000
Dividend income on available for sale financial assets	**89**	63

7 EMPLOYEE BENEFIT EXPENSE

The average number of persons employed (including Directors) during the year was 796 (2011: 747).

	2012 £'000	2011 £'000
Staff costs for the Group during the year:		
Wages and salaries	**45,593**	42,245
Social security costs	**4,824**	4,084
Share options – value of employee services	**139**	46
Pension costs		
Defined contribution plans	**3,004**	2,995
Defined benefit plan	**816**	854
	54,376	50,224

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

8 OPERATING PROFIT

	2012 £'000	2011 £'000
The following items have been included in arriving at operating profit:		
Depreciation of property, plant and equipment:		
Owned assets	**2,067**	2,204
Assets held under finance leases	**3**	7
Amortisation and impairment of customer relationships	**2,450**	1,740
Auditors' remuneration:		
Audit of the Company's annual accounts	**35**	20
Audit of the Company's subsidiaries	**220**	175
Services relating to taxation	**62**	70
All other services	**28**	25
Gains on financial assets at fair value through profit or loss	**(28)**	(28)
Gains on foreign currency exchange	**(207)**	(508)
Operating lease rentals payable	**2,308**	1,961
Financial Services Compensation Scheme levy	**1,688**	2,600

9 FINANCE INCOME – NET

	2012 £'000	2011 £'000
Interest income	**449**	444
Interest expense		
Interest payable on bank borrowings	**(14)**	(5)
Interest payable on other loans	**(52)**	(47)
Interest payable on finance leases	**(1)**	(1)
Interest and similar charges payable	**(67)**	(53)
Gains and losses on available for sale financial assets	**34**	37
Gains on disposal of property, plant and equipment	**4**	—
Finance income – net	**420**	428

10 TAX EXPENSE

	2012 £'000	2011 £'000
Analysis of charge in year		
Current taxation		
Continuing operations	**2,393**	3,954
Adjustment in respect of prior years	**(62)**	59
Deferred taxation		
Origination and reversal of temporary differences		
Continuing operations	**16**	(156)
Adjustment in respect of prior years	**206**	—
	2,553	3,857

In addition to the amount charged to the income statement, deferred tax of £28,000 (2011: 377,000) relating to the revaluation of the Group's available for sale financial assets has been credited directly to equity and deferred tax of £582,000 (2011: (£515,000) relating to the retirement benefit scheme actuarial deficit has been charged/(credited) directly to equity.

The aggregate current tax relating to items that have been (credited)/charged directly to equity is (£10,000) (2011: £41,000).

10 TAX EXPENSE (CONTINUED)

The tax charge for the year is higher than the standard rate of corporation tax in the UK of 26% (2011: 28%). The differences are explained below.

	2012 £'000	2011 £'000
Profit before tax	**8,482**	13,377
Profit multiplied by rate of corporation tax in the UK of 26% (2011: 28%)	**2,205**	3,746
Tax effects of		
Income not subject to tax	**(57)**	(13)
Expenses not allowed for tax	**253**	163
Adjustments in respect of prior years	**144**	59
Change in tax rate	**(1)**	17
Other adjustments	**9**	(115)
	348	111
Tax charge for the year	**2,553**	3,857

11 PROFIT FOR THE YEAR

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent Company profit and loss account. The profit for the parent Company for the year was £2,519,000 (2011: £3,000,000).

12 EARNINGS PER SHARE

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

	2012 No. 000	2011 No. 000
Weighted average number of shares in issue in the year	**45,173**	44,447
Effect of share options	**140**	44
Diluted weighted average number of shares in issue during the year	**45,312**	44,491
	£'000	£'000
Reported earnings attributable to ordinary shareholders	**5,929**	9,520
Gains and losses on available for sale financial assets	**(34)**	(37)
Gains on disposal of property, plant and equipment	**(4)**	—
Amortisaton and impairment of customer relationships	**2,450**	1,740
Financial Services Compensation Scheme Levy	**1,688**	2,600
Tax on adjusting items	**(1,066)**	(1,205)
Adjusted earnings attributable to ordinary shareholders	**8,963**	12,618
Based on reported earnings		
Basic earnings per share	**13.12p**	21.42p
Diluted earnings per share	**13.08p**	21.40p
Based on adjusted earnings		
Basic earnings per share	**19.84p**	28.39p
Diluted earnings per share	**19.78p**	28.36p

13 DIVIDENDS PAID

Amounts recognised as distributions to equity shareholders in the year:

	2012 £'000	2011 £'000
Final paid for 2011: 8.25p per share (2010: 2.25p)	**3,270**	828
Interim paid for 2012: 2.75p per share (2011: 2.50p)	**1,244**	901
	4,514	1,729

In addition, the Directors are proposing a final dividend in respect of the year ended 31 March 2012 of 8.50p per share which will absorb an estimated £3.8 million of shareholders' funds. It will be paid on 3 August 2012 to shareholders who are on the register of members on 29 June 2012.

14 INTANGIBLE ASSETS

	Goodwill £'000	Customer relationships £'000	Total £'000
Cost			
1 April 2010	25,450	13,819	39,269
Acquisitions	—	438	438
31 March 2011	**25,450**	**14,257**	**39,707**
Acquisitions	**—**	**2,928**	**2,928**
31 March 2012	**25,450**	**17,185**	**42,635**
Amortisation			
1 April 2010	—	3,841	3,841
Amortisation during year	—	1,740	1,740
31 March 2011	**—**	**5,581**	**5,581**
Amortisation during year	**—**	**2,300**	**2,300**
Impairment	**—**	**150**	**150**
31 March 2012	**—**	**8,031**	**8,031**
Net book value			
31 March 2012	**25,450**	**9,154**	**34,604**
31 March 2011	25,450	8,676	34,126
31 March 2010	25,450	9,978	35,428

None of the intangible assets have been pledged as security. During the year an investment manager left together with a number of clients that had formed part of one of these lists. A review was carried out resulting in an impairment of £150,000.

14 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill
Goodwill is allocated to groups of cash generating units ("CGUs") according to operating division as follows:

	2012 £'000	2011 £'000
Private Client division	**10,618**	10,618
Financial Services division	**13,308**	13,308
Charles Stanley Securities	**1,524**	1,524
	25,450	25,450

The recoverable amount of an individual CGU is determined by first calculating the fair value less costs to sell. 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.

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	10-16%

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

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

Based on these calculations there was no impairment to goodwill at 31 March 2012.

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold premises £'000	Long leasehold premises £'000	Short leasehold premises £'000	Office equipment and motor vehicles £'000	Total £'000
Cost					
1 April 2010	474	2,012	5,345	9,996	17,827
Additions	76	115	544	1,611	2,346
Revaluation	29	—	—	—	29
Disposals	—	—	—	(1,782)	(1,782)
31 March 2011	**579**	**2,127**	**5,889**	**9,825**	**18,420**
Acquisition	**—**	**—**	**—**	**10**	**10**
Additions	**36**	**234**	**692**	**1,716**	**2,678**
Disposals	**—**	**—**	**—**	**(443)**	**(443)**
31 March 2012	**615**	**2,361**	**6,581**	**11,108**	**20,665**
Depreciation					
1 April 2010	50	1,654	3,132	6,921	11,757
Charge for the year	10	21	524	1,656	2,211
Disposals	—	—	—	(1,764)	(1,764)
31 March 2011	**60**	**1,675**	**3,656**	**6,813**	**12,204**
Charge for the year	**13**	**46**	**565**	**1,446**	**2,070**
Disposals	**—**	**—**	**—**	**(441)**	**(441)**
31 March 2012	**73**	**1,721**	**4,221**	**7,818**	**13,833**
Net book value					
31 March 2012	**542**	**640**	**2,360**	**3,290**	**6,832**
31 March 2011	519	452	2,233	3,012	6,216
31 March 2010	424	358	2,213	3,075	6,070

Fixed assets include fully depreciated assets costing £7.5 million (2011: £5.5 million).

Freehold premises includes £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 approximates its carrying value.

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.

	2012 £'000	2011 £'000
Cost – capitalised finance leases	**145**	92
Accumulated depreciation	**(122)**	(65)
Net book value	**23**	27

16 DEFERRED TAX ASSETS/(LIABILITIES)

	Revaluation £'000	Retirement benefit liability £'000	Capital allowances £'000	Other timing differences £'000	Total £'000
1 April 2010	(912)	1,389	39	—	516
(Credit)/charge to statement of comprehensive income	377	(515)	—	—	(138)
(Credit)/charge to income statement	—	—	(89)	245	156
31 March 2011	**(535)**	**874**	**(50)**	**245**	**534**
Credit to statement of comprehensive income	**28**	**582**	**—**	**—**	**610**
Charge to income statement	**—**	**(31)**	**(81)**	**(110)**	**(222)**
31 March 2012	**(507)**	**1,425**	**(131)**	**135**	**922**

In preparing these financial statements UK deferred tax assets and liabilities have been calculated at 24% where the temporary timing difference is expected to reverse after 1 April 2012.

17 AVAILABLE FOR SALE FINANCIAL ASSETS

	Listed investments £'000	Unlisted investments £'000	Total £'000
Fair value			
1 April 2010	3,016	3,410	6,426
Additions	320	—	320
Disposals	(257)	—	(257)
Revaluation in year	50	(1,316)	(1,266)
31 March 2011	**3,129**	**2,094**	**5,223**
Additions	**498**	**—**	**498**
Disposals	**(230)**	**—**	**(230)**
Revaluation in year	**2**	**—**	**2**
31 March 2012	**3,399**	**2,094**	**5,493**

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. The Directors believe it is appropriate to value this holding on a dividend yield basis.

Previous revaluation now realised on disposal amounted to £11,000 (2011: £28,000).

18 TRADE AND OTHER RECEIVABLES

	2012 £'000	2011 £'000
Current		
Trade receivables	**261,616**	220,385
Other receivables	**2,977**	2,203
Prepayments and accrued income	**2,722**	2,132
	267,315	224,720
Non current		
Other receivables	**215**	246
Prepayments and accrued income	**1,004**	1,185
	1,219	1,431

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 £'000	2011 £'000
Current		
Listed investments	**211**	170

20 CASH AND CASH EQUIVALENTS

	2012 £'000	2011 £'000
Cash at bank	**41,910**	45,540

21 CALLED UP SHARE CAPITAL AND SHARE PREMIUM

	Number shares '000	Ordinary shares £'000	Share premium £'000	Total £'000
Authorised shares with a par value of 25p each	80,000	20,000	—	20,000
Allotted and fully paid:				
1 April 2010	44,548	11,136	1,772	12,908
Scrip dividend	170	43	(43)	—
Exercise of share options	308	77	686	763
Conversion of loan notes	34	9	76	85
31 March 2011	**45,060**	**11,265**	**2,491**	**13,756**
Scrip dividend	**136**	**33**	**(33)**	**—**
Exercise of share options	**13**	**3**	**29**	**32**
Conversion of loan notes	**26**	**7**	**58**	**65**
31 March 2012	**45,235**	**11,308**	**2,545**	**13,853**

The rights and obligations attaching to the Company's ordinary shares are set out in the report of the Directors on page 26.

During the year 136,007 (2011: 169,716) ordinary shares were issued fully paid following the issue of scrip dividends.

During the year 13,281 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 £3,320 and a total consideration of £29,617.

On 30 September 2011 26,135 ordinary shares were issued fully paid at £2.48 each in respect of convertible loan notes of £65,000.

Share options and share based payment

At 31 March 2012 the following options have been granted and remain outstanding in respect of ordinary shares of 25p in the Company under the Company's Save As You Earn Scheme.

Date of grant	20 Dec 2011	11 March 2011
Exercisable during the six months commencing	1 Feb 2015	1 May 2014
Number of shares	393,930	496,346
Exercise price per share	£2.34	£2.51
Expected fair value of option	£0.53	£0.79

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

Share price at date of grant	£2.63	£3.15
Expected life	3.0 years	3.0 years
Expected volatility	33.78%	28.57%
Risk free rate	0.51%	1.73%
Expected dividend yield	4.18%	3.10%

The Group recognised total expenses of £139,000 (2011: £46,000) related to equity-settled share-based payment transactions.

21 CALLED UP SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

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

	2012		2011	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
1 April	**832,252**	**£2.48**	362,013	£2.48
Exercised	**(13,281)**	**£2.48**	(307,579)	£2.48
Forfeited	**(322,625)**	**£2.51**	(42,677)	£2.48
Granted	**393,930**	**£2.34**	820,495	£2.51
31 March	**890,276**	**£2.43**	832,252	£2.51
Exercisable	**—**	**—**	11,757	£2.48

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

Year ended 31 March 2012

Grant date	Number exercised	Exercise date	Share price at exercise date
19 December 2007	1,887	12 Apr 2011	£3.10
	1,887	18 Apr 2011	£3.11
	3,411	13 May 2011	£3.16
	6,096	26 May 2011	£3.25

The weighted average share price at the date of exercise of share options was £3.19.

Year ended 31 March 2011

Grant date	Number exercised	Exercise date	Share price at exercise date
19 December 2007	277,190	1 Feb 2011	£3.04
	14,888	3 Feb 2011	£3.07
	9,840	4 Feb 2011	£3.12
	1,887	9 Feb 2011	£3.00
	1,887	18 Feb 2011	£3.03
	1,887	7 Mar 2011	£3.13

22 TRADE AND OTHER PAYABLES

	2012 £'000	2011 £'000
Current		
Trade payables	**257,756**	220,308
Other taxes and social security	**2,215**	2,559
Other payables	**4,381**	3,068
Accruals and deferred income	**5,165**	4,678
	269,517	230,613
Non current		
Other payables – deferred consideration	**500**	—

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 3.

23 BORROWINGS

	2012 £'000	2011 £'000
Current		
Bank of England base rate redeemable loan	**157**	—
4.5% convertible redeemable loan note 2011	**—**	80
Obligations under finance leases	**—**	14
	157	94

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

On 30 September 2011 £15,000 of the 4.5% fixed rate convertible redeemable unsecured loan note 2011 was redeemed and £65,000 was converted into fully paid ordinary shares at £2.48 per share. There was no material equity component in the convertible loan note. For more information about the group's exposure to interest rate risk, see note 3.

24 RETIREMENT BENEFIT OBLIGATIONS

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

The Group also sponsors the Charles Stanley & Co. Limited Retirement Benefits Scheme ("the Scheme"), which is a wholly funded defined benefit arrangement. A full actuarial valuation of the Scheme was carried out at 13 May 2008 and updated to 31 March 2012 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.

Assets

	2012 £'000	2011 £'000
Equities	**14,343**	12,638
Bonds	**5,973**	7,481
Other	**5,881**	4,717
Fair value of plan assets	**26,197**	24,836
Present value of defined benefit obligation	**(32,133)**	(28,193)
Deficit in scheme	**(5,936)**	(3,357)

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

	2012 £'000	2011 £'000
Fair value of assets at 1 April	**24,836**	21,696
Expected return on assets	**1,535**	1,409
Actuarial (losses)/gains	**(725)**	805
Contributions by employer	**942**	1,020
Contributions by plan participants	**75**	77
Benefits paid, death in service insurance premiums and expenses	**(466)**	(171)
Fair value of assets at 31 March	**26,197**	24,836

The fair value of the assets shown above include £944,000 (2011: £975,000) of shares in Charles Stanley Group PLC.

The actual return on the scheme assets over the year ended 31 March 2012 was £810,000 (2011: £2,214,000).

24 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2012 £'000	2011 £'000
Defined benefit obligation at 1 April	**28,193**	26,652
Total employer current service cost	**772**	737
Interest cost	**1,579**	1,526
Employee contributions	**75**	77
Actuarial loss/(gain)	**1,980**	(628)
Benefits paid, death in service insurance premiums and expenses	**(466)**	(171)
Defined benefit obligation at 31 March	**32,133**	28,193

Total expense recognised in the income statement

	2012 £'000	2011 £'000
Current service cost	**772**	737
Interest on pension scheme liabilities	**1,579**	1,526
Expected return on pension scheme assets	**(1,535)**	(1,409)
Total expense	**816**	854

Gains and losses recognised in statement of comprehensive income

	2012	2011	2010	2009	2008
Difference between expected and actual return on scheme assets:					
Amount (£'000)	**(725)**	805	3,740	(3,741)	(2,803)
Percentage of scheme assets	**(3%)**	3%	17%	(23%)	(16%)
Experience gains and losses arising on the scheme liabilities:					
Amount (£'000)	**473**	1,049	105	410	37
Percentage of present value of scheme liabilities	**2%**	4%	0%	2%	0%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:					
Amount (£'000)	**(2,453)**	(421)	(4,838)	1,283	2,188
Percentage of present value of scheme liabilities	**(8%)**	(1%)	(18%)	6%	12%
Total amount recognised in statement of comprehensive income:	**(2,705)**	1,433	(993)	(2,048)	(578)
Percentage of present value of scheme liabilities	**(8%)**	5%	(4%)	(10%)	(3%)

The cumulative amount of actuarial losses recognised in the statement of comprehensive income since adoption of IAS19 is £6.7 million (2011: £4.0 million).

24 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

History of scheme assets and obligations

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of the scheme's assets	**26,197**	24,836	21,696	16,163	17,956
Present value of defined benefit obligation	**(32,133)**	(28,193)	(26,652)	(20,057)	(19,908)
Deficit in scheme	**(5,936)**	(3,357)	(4,956)	(3,894)	(1,952)

Assumptions

	2012 % per annum	2011 % per annum	2010 % per annum	2009 % per annum	2008 % per annum
Inflation – RPI	**3.25**	3.40	3.50	3.10	3.70
Salary increases	**3.00**	3.00	3.00	3.00	3.00
Rate of discount	**5.05**	5.55	5.66	6.50	6.35
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.25**	3.35	3.45	3.05	3.65
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.25**	3.40	3.50	3.10	3.70

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 has used RPI in calculating liability for 2012.

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:

	2012 % per annum	2011 % per annum	2010 % per annum	2009 % per annum	2008 % per annum
Equities	**7.50**	7.50	7.50	6.75	7.25
Bonds	**5.55**	5.55	5.50	4.75	6.35
Cash	**3.25**	3.25	4.30	4.00	4.25
Overall for scheme	**6.10**	6.10	6.36	5.65	6.12

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

The best estimate of contributions (employer and employee) to be paid to the plan for the year ending 31 March 2013 is £933,000 (2012: £1,020,000).

The mortality assumptions adopted at 31 March 2012 imply the following life expectations at age 65:

Male retiring at age 65 in 2012	22.5 years
Female retiring at age 65 in 2012	24.6 years
Male retiring at age 65 in 2030	24.8 years
Female retiring at age 65 in 2030	27.0 years

25 RECONCILIATION OF NET PROFIT TO NET CASH GENERATED FROM OPERATIONS

	2012 £'000	2011 £'000
Profit before tax	**8,482**	13,377
Adjustments for		
Depreciation	**2,070**	2,211
Amortisation of intangible assets	**2,300**	1,740
Impairment of intangible assets	**150**	—
Write back of deferred consideration	**—**	(454)
Share options – value of employee services	**139**	46
Retirement benefit scheme	**(126)**	(166)
Dividend income	**(89)**	(63)
Interest income	**(449)**	(444)
Interest expense	**67**	53
Profit on disposal of property, plant and equipment	**(4)**	—
Profit on disposal of available for sale financial assets	**(34)**	(37)
Changes in working capital		
Increase in financial assets at fair value through profit or loss	**(41)**	(95)
Increase in receivables	**(42,222)**	(36,537)
Increase in payables	**39,369**	38,384
Net cash inflow from operations	**9,612**	18,015

26 LEASE COMMITMENTS

Operating leases

	2012 £'000	2011 £'000
Leases as lessee		
Total commitments under leases at 31 March were:		
Operating leases - land and buildings		
Not later than one year	**2,030**	2,099
Later than one but not later than five years	**5,498**	6,467
Later than five years	**1,823**	2,702
	9,351	11,268

Finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Not later than one year	**—**	14	**—**	14
Included in the financial statements as:				
Current liabilities (note 22)	**—**	—	**—**	14

27 CAPITAL COMMITMENTS

	2012 £'000	2011 £'000
Authorised but not contracted for	**—**	—

28 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	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Charles Stanley & Co. Limited	**—**	—	**25,489**	22,194
EBS Management PLC	**—**	—	**210**	—
EBS Pensioneer Trustees Limited	**—**	—	**2**	2
Gryphon Investments PLC	**—**	—	**924**	924
Sutherlands Group Limited	**—**	—	**265**	265
Garrison Investment Analysis Limited	**—**	200	**—**	—
	—	200	**26,890**	23,385

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

The parent Company received dividends totalling £2.0 million (2011: £2.0 million) from Charles Stanley & Co. Limited and £200,000 (2011: £200,000) from Garrison Investment Analysis Limited.

The parent Company received a management charge from Charles Stanley & Co. Limited of £2.75 million (2011: £2.4 million) during the year. Charles Stanley & Co. Limited received management charges from CS Financial Solutions Limited of £nil (2011: £50,000).

The Group's transactions with the Charles Stanley Retirement Benefits Scheme are described in note 24. At 31 March 2012 no monies were owed to or outstanding from the scheme (2011: nil).

Key management compensation

The compensation paid to key management is detailed below. Key management has been determined as the Directors of Charles Stanley & Co. Limited – the main trading subsidiary within the Group.

	2012 £'000	2011 £'000
Salaries and short-term employee benefits	**3,289**	3,272
Post employment benefits	**257**	365
Social security costs	**417**	357
	3,963	3,994

29 ACQUISITION OF SUBSIDIARY

On 13 May 2011 the Group completed the acquisition of 100% of the issued share capital of Jobson James Financial Services Limited, a financial planning business and wealth manager 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:

	£'000
Cash consideration	
Paid on date of acquisition	1,550
Paid in September 2011	225
Deferred consideration – payable in May 2012	250
– payable in August 2013	250
– payable in February 2014	250
Total cash consideration	2,525
Fair value of assets acquired:	
Intangible assets – customer relationships	2,257
Property, plant and equipment	10
Trade receivables	161
Cash and cash equivalents	423
Trade payables	(245)
Current tax liabilities	(81)
	2,525

The last two deferred consideration payments are contingent on performance. Depending on performance payments could range between nil and £500,000. No material adjustments were made to the book value of net assets before acquisition. Post acquisition revenues to 31 March 2012 were £1.6 million and post acquisition profits to 31 March 2012 were £46,000. If Jobson James Financial Services Limited had been a member of the Group since 1 April 2011 revenues would have been £279,000 higher and profit before tax £12,000 higher.

30 EVENTS AFTER THE END OF THE REPORTING PERIOD

Except as explained in note 4 regarding the FSCS Outlook published in April 2012 there have been no material events occurring between the end of the reporting period and the date of signing this report.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2012

	Notes	31 March 2012 £'000	31 March 2011 £'000
Assets			
Non-current assets			
Intangible assets	31	**17,444**	18,703
Deferred tax assets	32	**61**	74
Available for sale financial assets	33	**1,127**	1,077
Investments in subsidiaries	34	**38,647**	35,983
Total non-current assets		**57,279**	55,837
Current assets			
Trade and other receivables	35	**708**	904
Cash and cash equivalents	36	**254**	252
Total current assets		**962**	1,156
Total assets		**58,241**	56,993
Equity			
Ordinary shares	21	**11,308**	11,265
Share premium	21	**2,545**	2,491
Revaluation reserve		**155**	161
Retained earnings		**15,911**	17,767
Total equity		**29,919**	31,684
Liabilities			
Non-current liabilities			
Trade and other payables	37	**500**	—
Current liabilities			
Trade and other payables	37	**27,510**	24,868
Borrowings	38	**157**	251
Current tax liabilities		**155**	190
Total current liabilities		**27,822**	25,309
Total liabilities		**28,322**	25,309
Total equity and liabilities		**58,241**	56,993

Approved by the Board on 14 June 2012

Company registration number 48796 (England and Wales)

Sir David Howard James Rawlingson Directors

The notes on pages 92 to 97 are an integral part of these consolidated financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2012

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
1 April 2010	11,136	1,772	115	16,450	29,473
Profit for the year	—	—	—	3,000	3,000
Other comprehensive income:					
Gains and losses on available for sale financial assets	—	—	58	—	58
Deferred tax on available for sale financial assets	—	—	(12)	—	(12)
Total other comprehensive income for the year	—	—	46	—	46
Total comprehensive income for the year	—	—	46	3,000	3,046
Dividends paid to equity shareholders	—	—	—	(1,729)	(1,729)
Scrip dividend	43	(43)	—	—	—
Share options – value of employee services	—	—	—	46	46
– issue of shares	77	686	—	—	763
Conversion of loan notes	9	76	—	—	85
31 March 2011	**11,265**	**2,491**	**161**	**17,767**	**31,684**
Profit for the year	**—**	**—**	**—**	**2,519**	**2,519**
Other comprehensive income:					
Gains and losses on available for sale financial assets	**—**	**—**	**(14)**	**—**	**(14)**
Deferred tax on available for sale financial assets	**—**	**—**	**8**	**—**	**8**
Total other comprehensive income for the year	**—**	**—**	**(6)**	**—**	**(6)**
Total comprehensive income for the year	**—**	**—**	**(6)**	**2,519**	**2,513**
Dividends paid to equity shareholders	**—**	**—**	**—**	**(4,514)**	**(4,514)**
Scrip dividend	**33**	**(33)**	**—**	**—**	**—**
Share options – value of employee services	**—**	**—**	**—**	**139**	**139**
– issue of shares	**3**	**29**	**—**	**—**	**32**
Conversion of loan notes	**7**	**58**	**—**	**—**	**65**
31 March 2012	**11,308**	**2,545**	**155**	**15,911**	**29,919**

The notes on pages 92 to 97 form an integral part of these financial statements.

PARENT COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2012

	Notes	2012 £'000	2011 £'000
Cash flow from operating activities			
Cash generated from operations	39	**7,932**	2,855
Interest received		**3**	2
Interest paid		**(2)**	(9)
Tax paid		**(4)**	(1)
Net cash from operating activities		**7,929**	2,847
Cash flows from investing activities			
Acquisition of subsidiaries and other businesses		**(1,775)**	(845)
Purchase of intangible assets		**(1,632)**	(1,001)
Proceeds from sale of available for sale financial assets		**170**	195
Purchase of available for sale financial assets	33	**(204)**	(230)
Dividends received		**25**	25
Net cash used in investing activities		**(3,416)**	(1,856)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	21	**32**	763
Cash outflow from change in debt and lease financing		**(29)**	(32)
Dividends paid to shareholders	13	**(4,514)**	(1,729)
Net cash used in financing activities		**(4,511)**	(998)
Net increase in cash and cash equivalents		**2**	(7)
Cash and cash equivalents at start of year		**252**	259
Cash and cash equivalents at end of year	36	**254**	252

The notes on pages 92 to 97 are an integral part of these financial statements.

31 INTANGIBLE ASSETS

	Goodwill £'000	Customer relationships £'000	Total £'000
Cost			
1 April 2010	10,027	13,818	23,845
Acquisitions	—	439	439
Disposal	—	—	—
31 March 2011	**10,027**	**14,257**	**24,284**
Acquisitions	**—**	**674**	**674**
31 March 2012	**10,027**	**14,931**	**24,958**
Amortisation			
1 April 2010	—	3,839	3,839
Amortisation during year	—	1,742	1,742
31 March 2011	**—**	**5,581**	**5,581**
Amortisation during year	**—**	**1,783**	**1,783**
Impairment	**—**	**150**	**150**
31 March 2012	**—**	**7,514**	**7,514**
Net book value			
31 March 2012	**10,027**	**7,417**	**17,444**
31 March 2011	10,027	8,676	18,703
31 March 2010	10,027	9,979	20,006

32 DEFERRED TAX ASSETS

	2012 £'000	2011 £'000
Revaluation		
1 April 2011	**74**	(44)
Revaluation of available for sale financial assets	**8**	(12)
Other timing differences	**(21)**	130
31 March 2012	**61**	74

In preparing these financial statements UK deferred tax assets and liabilities have been calculated at 24% where the temporary timing difference is expected to reverse after 1 April 2012.

33 AVAILABLE FOR SALE FINANCIAL ASSETS

	Listed investments £'000	Unlisted investments £'000	Total £'000
Fair value			
1 April 2010	899	59	958
Additions	230	—	230
Disposals	(169)	—	(169)
Revaluation in year	58	—	58
31 March 2011	**1,018**	**59**	**1,077**
Additions	**204**	**—**	**204**
Disposals	**(140)**	**—**	**(140)**
Revaluation in year	**(14)**	**—**	**(14)**
31 March 2012	**1,068**	**59**	**1,127**

34 INVESTMENTS IN SUBSIDIARIES

	Note	Total £'000
Cost		
1 April 2010		48,731
Additions		45
31 March 2011		**48,776**
Acquisition of subsidiary	29	**2,525**
Share options		**139**
31 March 2012		**51,440**
Impairment		
1 April 2010		12,699
Impairment during the year		94
31 March 2011 and 31 March 2012		**12,793**
Net book value		
31 March 2012		**38,647**
31 March 2011		35,983
31 March 2010		36,032

34 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The percentage of issued capital of Group undertakings held is:

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

Note
1 Member of The London Stock Exchange and the London International Financial Futures and Options Exchange.
2 Regulated by The Financial Services Authority.
3 Shares held by Charles Stanley & Co. Limited.
4 Shares held by Sutherlands Group Limited.
5 Shares held by CS Financial Solutions Limited.
6 Incorporated in Scotland.
7 Acquired in May 2011.

Impairment test

To determine whether impairment exists, the carrying value of the investment is compared with the investment's recoverable amount determined using fair value less cost to sell on an annual basis at the year end.

35 TRADE AND OTHER RECEIVABLES

	2012 £'000	2011 £'000
Current		
Amounts due from Group undertakings	—	200
Other debtors	708	704
	708	904

36 CASH AND CASH EQUIVALENTS

	2012 £'000	2011 £'000
Cash at bank	254	252

37 TRADE AND OTHER PAYABLES

	2012 £'000	2011 £'000
Current		
Amounts owed to Group undertakings	26,750	23,385
Other payables	670	1,366
Accruals and deferred income	90	117
	27,510	24,868
Non current		
Other payables – deferred consideration	500	—

38 BORROWINGS

	2012 £'000	2011 £'000
Current		
Bank of England base rate redeemable loan	**157**	157
4.5% convertible redeemable loan note	**—**	80
Finance lease liabilities	**—**	14
	157	251

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

On 30 September 2011 £15,000 of the 4.5% fixed rate convertible redeemable unsecured loan note 2011 was redeemed and £65,000 was converted into fully paid ordinary shares at £2.48 per share. There was no material equity component in the convertible loan note.

39 RECONCILIATION OF NET PROFIT TO NET CASH GENERATED FROM OPERATIONS

	2012 £'000	2011 £'000
Profit before tax	**2,719**	3,073
Adjustments for		
Impairment of investment in subsidiaries	**—**	94
Amortisation of intangible assets	**1,783**	1,740
Impairment of intangible assets	**150**	—
Deferred consideration written back	**—**	(454)
Share options value of employee services	**—**	46
Dividend income	**(25)**	(25)
Interest income	**(3)**	(3)
Interest expense	**2**	9
Profit on disposal of available for sale financial assets	**(30)**	(26)
Changes in working capital		
Decrease in receivables	**196**	359
Increase/(decrease) in payables	**3,140**	(1,958)
Net cash inflow from operations	**7,932**	2,855

DIRECTORS OF CHARLES STANLEY GROUP PLC

Sir David Howard, Bt

E Michael Clark

Michael R I Lilwall

James H Rawlingson

DIRECTORS OF CHARLES STANLEY & CO. LIMITED

Name	Responsibility
Stephen C King	Head of Employee Benefits
Martina M Murphy	Finance
Philip C Nathan, MBE	Dealing
Macgregor Anderson	Head of Operations
Venetia J Malpas	Compliance
Gary Teper	Regional Network and Legal Services
Michael G Bennett	Information and Communications Technology

together with the Directors of Charles Stanley Group PLC.

FINANCIAL CALENDAR

14 June 2012	Results announced
27 June 2012	Ex-dividend date for final dividend
29 June 2012	Record date for final dividend
26 July 2012	Annual General Meeting
3 August 2012	Final dividend paid
November 2012	Interim results announced

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 112th Annual General Meeting of Charles Stanley Group PLC will be held at 25 Luke Street, London EC2A 4AR on 26 July 2012 at 11.00am, for the following purposes:

Ordinary resolution
Ordinary business

1. To receive and adopt the Accounts for the year ended 31 March 2012 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 32 to 35 of the Annual Report and Accounts.
4. To re-elect Edward Michael Clark as a Director.
5. To re-elect Michael Raymond Ian Lilwall as a Director.
6. To ratify the appointment of James Hedley Rawlingson as a Director.
7. To re-elect KPMG Audit Plc 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 8 being proposed as an ordinary resolution and resolutions 9 and 10 as special resolutions.

Resolution 8
THAT pursuant to section 551 of the Companies Act 2006 ("the 2006 Act")

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

PROVIDED THAT:

(i) the authority hereby conferred shall, subject to section 551 of the 2006 Act, be for a period expiring on the earlier of 15 months from the date of this resolution and the end of the 2013 Annual General Meeting of the Company unless renewed, varied or revoked by the Company in general meeting; and

(ii) the maximum nominal amount of relevant securities as aforesaid which may be allotted pursuant to such authority shall be £3,680,000.

(b) the Directors shall be entitled under the authority conferred hereby, or under any renewal thereof, to make at any time prior to the expiry of such authority, any offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry of such authority and to allot relevant securities accordingly; and

(c) the authority given by this resolution shall supersede and revoke any earlier authority given in respect of relevant securities as aforesaid.

Special resolutions
Resolution 9
THAT the Directors be and are hereby empowered pursuant to section 571 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) pursuant to the authority conferred by resolution number 8 in the Notice of Meeting as if section 561(1) of the 2006 did not apply to any such allotment provided that this power shall be limited:

(a) to the allotment (otherwise than pursuant to sub-paragraph (b) below) of equity securities, which are, or are to be, wholly paid up in cash up to an aggregate nominal amount of £552,000; and

(b) to the allotment of equity securities for cash in connection with a rights or other issue, which:

(i) is open for a period fixed by the Directors;

(ii) is made to the holders of the ordinary shares and (if in accordance with their rights or the Directors so determine) other equity securities of any class on the register on a fixed record date;

(iii) is in proportion to their then holdings of ordinary shares or (as the case may be) other equity securities of the class concerned (but so that any offer to holders of other equity securities of any class shall be on the basis of their rights to receive such offer failing which as if their holdings had been converted into or they had subscribed for shares on the basis then applicable); and

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

and shall expire at the earlier of 15 months from the date of this resolution and the end of the 2013 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 10
THAT the Directors be and are hereby generally and unconditionally authorised for the purposes of section 693 of the 2006 Act to make market purchases (within the meaning of section 693(2) of the 2006 Act) of ordinary shares of 25p each in the capital of the Company provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 4,523,416;

(b) the minimum price which may be paid for such shares is 25p;

(c) the maximum price (exclusive of expenses) which may be paid for any such share will not be more than 5% above the average of the middle market quotation for such shares as derived from the Daily Official List of the London Stock Exchange for the ten business days in respect of which the Daily Official List is published immediately preceding the day on which the share is to be purchased;

(d) the authority hereby conferred shall expire at the earlier of 15 months from the date of this resolution and the end of the 2013 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

14 June 2012

NOTICE OF MEETING

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights and to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Gary Teper on 020 7739 8200.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at 25 Luke Street, London, EC2A 4AR no later than 11.00am on Tuesday, 24 July. Submitting a completed form of proxy or other such instrument does not prevent a shareholder attending the meeting and voting in person.
3. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights ("a Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
4. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by the shareholders of the Company.
5. To be entitled to attend and vote at the Annual General Meeting (and for the purposes of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 11.00am on Tuesday, 24 July 2012 (or, in the event of any adjournment, 11.00am on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
6. As at 13 June 2012 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 45,234,163 ordinary shares carrying one vote each. Therefore, the total voting rights in the Company as at 13 June 2012 are 45,234,163.
7. Copies of the Directors' service agreements and a statement of Directors' transactions in shares of the Company are available for inspection at the Company's Registered Office during usual business hours on any business day from today until the conclusion of the Annual General Meeting. Copies will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
8. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous Meeting at which annual accounts or reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
9. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details on this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (i) above.

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

Resolution 1
The Directors will present the Report of the Directors, the Auditors' Report and the Accounts of the Company for the year ended 31 March 2012.

Resolution 2
The Directors will propose a final dividend of 8.50p.

Resolution 3
The Directors' remuneration report is included in the Annual Report and Accounts on pages 32 to 35.

Resolution 4
In accordance with the Company’s Articles of Association, Mr Edward Michael Clark retires and is eligible for, and is seeking re-appointment as a Director. Short biographical details of Mr Clark are set out on page 27 of the Annual Report and Accounts.

Resolution 5
In accordance with the Company’s Articles of Association, Mr Michael Raymond Ian Lilwall retires and is eligible for, and is seeking re-appointment as a Director. Short biographical details of Mr Lilwall are set out on page 27 of the Annual Report and Accounts.

Resolution 6
In accordance with the Company’s Articles of Association, the Board on behalf of Mr James Hedley Rawlingson is seeking ratification of his appointment as a Director. Short biographical details of Mr Rawlingson are set out on page 27 of the Annual Report and Accounts.

Resolution 7
KPMG Audit Plc have expressed their willingness to continue to act as auditors of the Company and resolution 7 proposes the re-appointment of that firm as the Company’s auditors and to authorise the Directors to determine the auditors’ remuneration.

Resolution 8 and 9
At the Annual General Meeting last year, as in previous years, shareholders passed resolutions giving the Directors authorisation, subject to a cap, to allot shares for cash or otherwise and further for limited disapplication of section 561 of the Companies Act 2006, empowering them to allot shares for cash or otherwise in accordance with statutory pre-emption rights in certain limited circumstances.

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

Resolution 10
Resolution 10 seeks authority for the Company to make market purchases of its own ordinary shares, which would otherwise be prohibited by the Companies Act 2006. The Directors believe that there may be times when it would be desirable to manage the Company’s capital by buying back shares. However, the Directors only intend to use the authority if they believe such purchases would be in the best interests of shareholders generally and would result in an increase in earnings per share. The resolution specifies the maximum number of shares that can be acquired (approximately 10% of the issued ordinary share capital of the Company as at 31 March 2012) 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.

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OUR OFFICES

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Bournemouth
BH1 2BY
01202 317788

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Hove
East Sussex
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01273 229880

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01473 297700

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NORWICH
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Norwich
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01603 665990

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42-46 Upper Parliament Street
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0115 958 0200

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01865 320000

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01752 666661

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SOUTHAMPTON
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