2015 ANNUAL REPORT & ACCOUNTS

MANAGING WEALTH FOR GENERATIONS

CHARLES STANLEY

Charles Stanley provides a full range of Investment Management, Financial Planning, Advisory and Execution-only services to private clients, trusts, charities and corporates. As at 31 March 2015 Charles Stanley managed and had funds under administration totalling £21.3 billion.

“2015 was a challenging year for the Group and the financial performance disappointing. However, significant changes have been made to the management team, our strategy redefined and targets set to restore the Group’s operating margin. There is a substantial programme of work ahead of us, but I have confidence that we have the right team of people across the Group to deliver our plans to continue to better our client offering, to improve shareholder returns and to provide a rewarding environment for staff.”

Sir David Howard
Chairman

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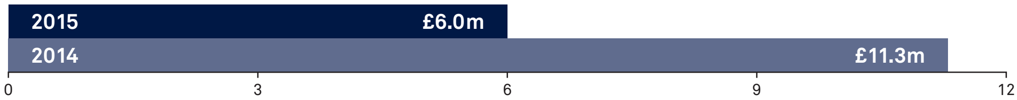
For more information visit www.charles-stanley.co.uk

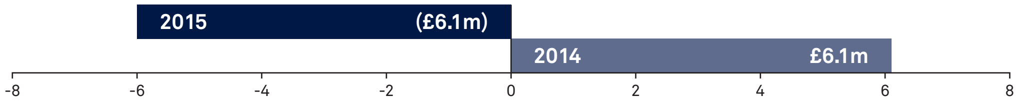
FINANCIAL HIGHLIGHTS

UNDERLYING PROFIT BEFORE TAX OF CONTINUING OPERATIONS



↓ 47%

REPORTED PROFIT/(LOSS) BEFORE TAX

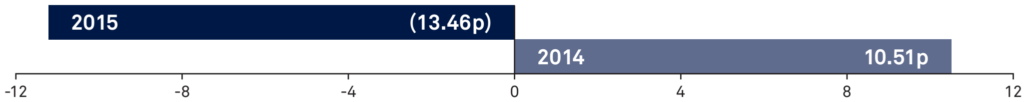


↓ 200%

UNDERLYING EARNINGS PER SHARE FROM CONTINUING OPERATIONS

↓ 47%

REPORTED EARNINGS PER SHARE

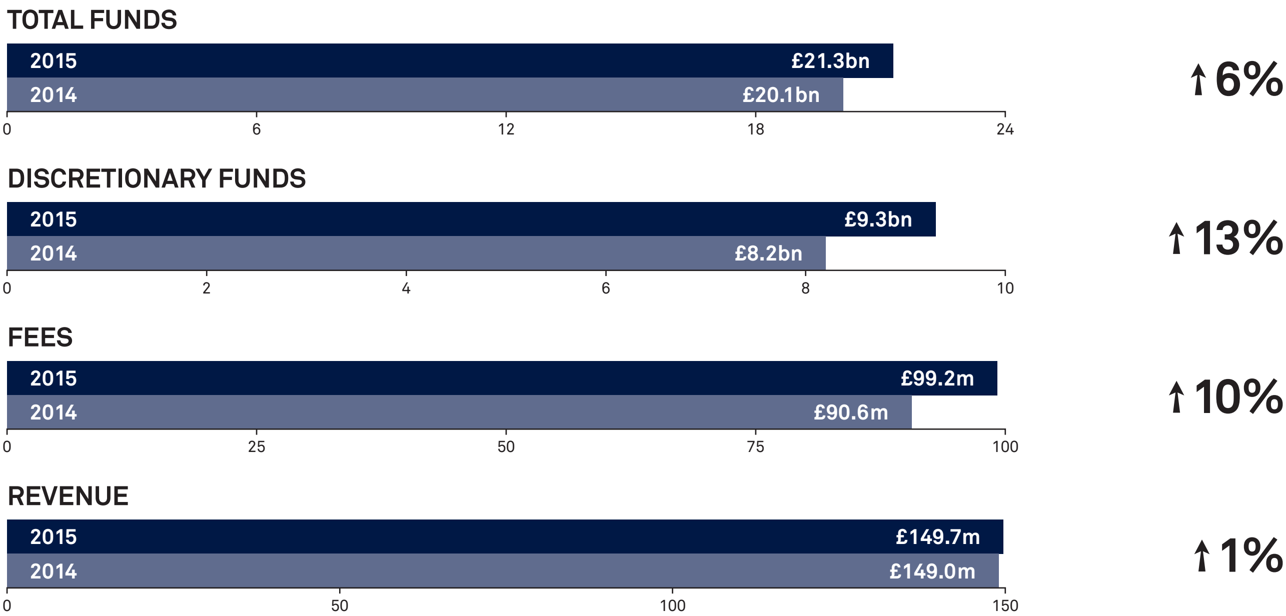


↓ 228%

TOTAL DIVIDEND

↓ 59%

BUSINESS HIGHLIGHTS



- Paul Abberley appointed Chief Executive Officer
- Senior management team reorganised
- Strategy redefined and refocused
- £15.8 million placing with existing institutional investors in April 2015

CHAIRMAN'S STATEMENT

SIR DAVID HOWARD

The year to 31 March 2015 has seen some of the most significant changes in Charles Stanley in the two centuries since the business was first established. While we marginally increased our revenue, our profits have been adversely impacted by the changes and we ended the year with a loss before tax of £6.1 million (2014: profit £6.1 million). After amending for adjusting items we recorded an underlying profit before tax of £4.2 million compared with £13.5 million the previous year.

Throughout the year our management and client-facing investment teams have been heavily engaged in the major programme to which I referred last year, of upgrading our systems and our record-keeping to meet the rising regulatory expectations across our area of the financial services sector. This has led to a substantial re-modelling of the interface with our extensive client base, which is moving forward on schedule to completion very shortly. The outcome is intended to reinforce our high-quality offer of service to our clients by ensuring we build and maintain a deep understanding of each client's circumstances and thus the suitability of the service provided. We are hugely appreciative of our clients' forbearance in what has been a very demanding process.

The decline in our profitability is essentially due to a combination of the rising costs associated with these changes, and, to an extent, the inevitable diversion of focus from business generation. But the upside is that we firmly believe that we have built a stronger base to take our business forward.

MANAGEMENT

These developments have coincided with some significant management changes and the initiatives described below have further enhanced the effectiveness of the Board. European legislation now dictates that the role of Chairman and Chief Executive Officer of financial services businesses should be separate. Accordingly, our Nomination Committee was tasked with seeking a new Chief Executive Officer. After a rigorous process the Board was delighted to appoint Paul Abberley to this role. Paul, who has held senior executive roles in the Aviva group, joined us in May last year as Chief Investment Officer, and was confirmed as our new Chief Executive Officer in December on receipt of approval from the FCA. I continue to serve as Non-executive Chairman.

In January 2015 we were further delighted to accept the recommendation of our Nomination Committee to appoint Ben Money-Coutts as our Chief Financial Officer (CFO), in place of James Rawlingson, who stepped down at that time, and to whom I should like to express the Board's thanks. Ben joined us in May 2013 and subsequently held senior positions in the Company prior to his appointment as Chief Financial Officer.

At our 31 March 2015 year-end Michael Clark stepped down as a Director, having served throughout the entire 27 years since Charles Stanley was transformed from a partnership to an incorporated company. Michael continues to be employed by the Group, and I should like to pay the warmest tribute to him on behalf of us all for his long service to Charles Stanley.

This has been a very busy and demanding year for my fellow Non-executive Directors, who, between them, chair our Remuneration, Audit, Nomination and Risk Committees and I should like to thank them warmly for their support of the Group. Their reports are set out on later pages.

Overall the Company's Board has been reduced in size and its committee structure streamlined, further enhancing its effectiveness during an important phase in the Company's development. Separately, a Chief Risk Officer (CRO) has been appointed and now leads an independent risk function.

STRATEGY

Historically our strategy has been to develop the business of the Group as evenly as possible across a broad waterfront of different business lines, though all essentially built around our core proposition of a high quality of investment management, advisory and administration services to a range of different (but complementary) client segments. Over the past couple of years this strategy has been finessed so that greater emphasis is now placed on developing the core business, while retaining and building only those ancillary businesses which directly support and feed into the core activity. Examples of the latter are our successful and growing EBS SIPP operation, and our expanding Financial Planning offering.

Charles Stanley Direct, our award-winning direct-to-client digital platform, has continued to build its client base and Assets under Administration, and this, too, is a key element in our strategy going forward. Clients of our Discretionary and Advisory services increasingly seek digital access to every aspect of their accounts. We believe that clients will welcome our planned strategic development of greater cross-functionality between these different elements of our service.

As a consequence of our increased focus and as announced previously, we have been progressing with the sale of our corporate broking division, Charles Stanley Securities, and our employee benefits business Charles Stanley Financial Solutions Ltd, both of which are not regarded as core. On 17 June 2015 the Group announced contracts had been exchanged with Panmure Gordon (UK) Limited regarding the sale of Charles Stanley Securities. Further announcements regarding the sale of Charles Stanley Financial Solutions Ltd will be issued in due course.

CAPITAL

A further area on which the Board has focused during the year has been the Group's capital position. The maintenance of high cash balances has always been a significant strategic objective, and although these remain high, the effect of reduced profitability and maintained dividends, has been to reduce these below target levels. At the year-end the cash balance stood at £28.5 million compared with £38.6 million a year earlier. So just after the year-end, in April 2015, the Group arranged a fund-raising which was fully taken up, predominantly by existing institutional shareholders, raising £15.8 million net of expenses. We are extremely grateful to our shareholders for their proactive support.

DIVIDEND

In light of the reported loss for the latest year, and in order not to dilute the newly increased capital, the Board has reluctantly decided to re-base its dividend payments. While the interim dividend, paid in November 2014, was maintained at 3.00p per share, it has been decided to recommend a final dividend of 2.00p per share, which compares with last year's final dividend of 9.25p. This was flagged to shareholders at the time of the fund-raising in early April, and is now confirmed as the Board's recommendation. We fully expect, once profitability picks up, to return to our previous pattern of steadily increasing dividends over time, with dividend cover of at least two times (as adjusted for the amortisation of intangibles).

EMPLOYEES

This has been a challenging year for everyone in the Group and this is my opportunity to say thank you to them all, on behalf of the Directors and shareholders, for coping with all the demands in such good spirit, in taking their Company – your Company – further ahead.

OUTLOOK

The changes in key management in the Group are bedding in well. We are going through a significant process of change so as to refocus Charles Stanley, ensuring the continued excellence of our client service and to place ourselves at the front of the regulatory curve. There is a substantial programme of work ahead of us but I believe that shareholders should have every confidence in the team that we have built to take this forward.

As always both the domestic and global economic conditions have a very significant effect on our business. Despite some obvious geopolitical risks, the broader outlook seems more benign than it has for several years. Growth has returned to our economy and to that of the USA, and there are better signs of an uptick in Europe too. True, the signals from China could herald a slow-down in world growth. The forthcoming UK referendum on Britain's EU membership creates some – but perhaps limited – uncertainty. On the other hand this could well turn out to be positive, with the chance of meaningful reforms giving a boost to growth across Europe.

While remaining, as always, very cautious, I think there are signs for a little more optimism in the year ahead.

Sir David Howard
Chairman

18 June 2015

CHIEF EXECUTIVE'S REPORT

PAUL ABBERLEY

Having been appointed Chief Executive Officer in late 2014 my immediate priorities have been threefold:

- Ensuring our staff continue to aim for the highest possible level of client delivery. Client service and outcomes form the bedrock upon which we will continue to grow Charles Stanley;
- Diagnose and address the near term deterioration in profitability; and
- Review, and as necessary, reshape our corporate strategy.

FINANCIAL PERFORMANCE

Several of the underlying elements of the Group's financial performance for the year ending 31 March 2015 were encouraging but the overall result was unsatisfactory.

Total Funds under Management and Administration (FuMA) grew 6.0% to £21.3 billion, revenues rose 0.5% to £149.7 million, but our underlying profit before tax fell from £13.5 million to £4.2 million and our actual reported profit turned from a profit before tax of £6.1 million in 2014 to a loss before tax of £6.1 million in 2015. This loss resulted in a decline in net assets attributable to equity shareholders to £68.9 million (2014: £83.4 million) and of our year-end cash balance from £38.6 million the preceding year to £28.5 million.

Underlying these disappointing numbers there are nevertheless some encouraging trends, most notably:

- 13.4% growth of Discretionary Funds under Management;
- 23.0% increase in fees generated from our Managed investment activities; and
- 35.0% growth of Charles Stanley Direct's Assets under Administration (AuA) on its core direct-to-client platform and 37.1% increase in revenues.

These figures give substance to the view that the core activities of the Group and quality of client service are fundamentally sound, but that much needs to be done to drive greater overall revenue growth and the productivity of our staff whilst ensuring tight control of our cost base.

KEY INITIATIVES FOR THE YEAR AHEAD

Implementation of the revised strategy will begin in earnest. We will focus exclusively on wealth management in the UK, and accordingly have already announced our intention to dispose of non-core operations.

We remain an investment-led firm and retain our commitment to providing genuinely bespoke investment management for our clients. We know our clients value a personal service, delivered by an empowered investment professional. Our investment offering will continue to extend to Advisory and Execution-only services in addition to the core Discretionary portfolio management.

Increasingly, our clients require advice and we are renewing our commitment to make such support available. Our Financial Planning staff will be combined into a single Financial Planning division, enlarged over time, and offering a high quality and consistent suite of services, focussing upon but not limited to, retirement and inheritance.

A number of our teams provide both specialist Asset Management products to clients and research support to our core Investment Management division. These units include PAN Asset Management, the Collectives Portfolios Service, the IHT portfolio service, Matterley funds, Discretionary Fund Management and the central Research function. They will now be restructured and combined into a single Asset Management division. This will allow for the cost-effective leveraging over a broad range of investment specialisms. Research support for our private client investment teams will be further enhanced. Asset management solutions will be offered to financial intermediaries and wholesale and institutional clients.

We will continue to provide a broad range of platforms and wrappers, reflecting the varying needs of our clients. These will include SIPP administration, delivered by our EBS unit.

Finally, while known for our personal service, we are also acutely aware that our clients require high quality digital access to our products and services. Indeed, whether by choice or because more practical, some will continue to use this route exclusively. Accordingly, we remain committed to our highly regarded Charles Stanley Direct offering. The innovative delivery developed within the platform will be leveraged across the Charles Stanley offering, benefitting all clients.

We expect the benefits from the implementation of the strategy to take a number of years to have full effect. We have set ourselves the primary financial objective of building our operating margin to at least 15% in 2018 and expect it to grow further beyond that.

In summary, we will be active at four points on the value chain and thus vertically integrated. Each point will be managed as a profit centre and thus Financial Planning, provision of Platforms and Wrappers, Investment Management and Asset Management will each contribute to the long term growth of both our profits and our margin. Implementation of the revised strategy will be a multi-year exercise, but meaningful progress will be delivered in the current financial year.

Paul Abberley
Chief Executive Officer

18 June 2015

STRATEGIC REPORT

NARRATIVE REPORTS

OUR BUSINESS

Charles Stanley remains one of the UK's leading independently owned private client investment management firms. We have a long heritage, dating back to 1792, which includes membership of the Stock Exchange under the Charles Stanley name since the 1850s. We manage and administer over £21.3 billion of assets on behalf of 80,577 clients, many of whom have been with us over decades or generations due to the excellence of our services and commitment to client care.

These principles of service will remain at the heart of everything we do. However, in recent times we have begun to take significant steps to refocus our business and realign our model with the changing requirements of our clients, our regulator and our market place. The desire to modernise the business has been evident in the changes we have made to our senior management team and by the commitment we have made to enact the recommendations of the Strategic Review of our business.

This Strategic Review, led by our new Chief Executive Officer, has involved a thorough analysis of our businesses with a view to identifying those which have the capacity to develop further and contribute to our overall vision of building Charles Stanley into the UK's leading Wealth Management Business by 2020. The benchmarks we employ to evaluate the extent to which we have achieved this vision shall be to seek top quartile, independently assessed performance in the following three key areas.

1. Client satisfaction;
2. Equity market rating (on a like-for-like basis with our peers); and
3. Staff engagement.

The timescale for the delivery of this vision demonstrates that we consider the process of redefining and then benefitting from our revised strategy as a major and long term project which will require considerable endeavour from our employees and perhaps some degree of patience from our shareholders.

Our core activity is to provide investment management services to an affluent private client base, although we very frequently act on behalf of charities, corporates and trusts. Over the past decade we have increasingly focused on a fully Discretionary fee paying service. Our Discretionary Managed client base now accounts for 43.7% of our clients' Funds under Management and Administration, up from 8.9% at the turn of the millennium. This trend can also be seen in the balance of our revenues which is now provided in the majority by fee-based income. To complement our investment management business we are refining the offering provided by various of our central Investment Management teams (Matterley Funds, PAN Asset Management, the Collectives Portfolio Service, IHT Portfolio Service, Discretionary Fund Management and the central Research Function) into an Asset Management division, which is a range of investment solutions emerging directly from our Investment Process. We are taking steps to improve and extend the scope of our Investment Process as a part of this exercise.

Alongside this, we also retain a strong commitment to providing a spectrum of services and regard our Advisory business and Execution-only services as an integral part of our Investment Management offering. Furthermore, we remain excited by the prospects for growth in the online self-directed market which Charles Stanley Direct services. We also believe the market place for Financial Planning services will develop considerably in the future and is one which fits naturally with our core competencies. Accordingly we are looking to develop further our Financial Planning offering as we can see this being both an increasingly integrated product but also as a source of new clients being introduced to the firm.

We believe we have a natural competitive advantage in these businesses which, when correctly leveraged, will offer a differentiated and superior service for our clients. By comparison, in the instance of Charles Stanley Securities and Charles Stanley Financial Solutions, although we have every confidence that both businesses are well positioned to serve their client bases, we have decided that they do not have the desired degree of commonality with our target market to justify continued ownership by the Group. Accordingly, we have announced our intention to dispose of these activities. The exchange of contracts with Panmure Gordon (UK) Limited for the sale of Charles Stanley Securities was announced to the market on 17 June 2015. The sale process of Charles Stanley Financial Solutions is still ongoing.

We rely upon our team of over 400 investment managers and financial planners located in offices through the country to deliver our services and products to our clients. We believe that a close personal relationship between adviser and clients is essential to the development of our business and is consistent with the reputation for client satisfaction that we enjoy. Geographical decentralisation supports this. We also remain committed to a truly bespoke service in which investment professionals achieve superior risk assessed performance by really listening to, and understanding, the needs and desires of, their clients.

We will continue to be investment-led and to regard a personal service as the heart of our offering. With this as our foundation we have taken considerable steps to respond to the changing needs of our customers and our regulators in delivering our investment solutions. This will inevitably lead to us developing a more targeted and differentiated investment management service. Over the last 18 months we have carried out a programme to understand the financial circumstances and investment objectives of our clients with a greater depth and rigour than ever before. Although this has involved an enormous commitment of our time and resources we believe that the quality of the portfolios that we will deliver as a result will strengthen the longevity of our client relationships over the medium to longer term. We are currently in the midst of a review and reorganisation of our investment process and the consequent tools that we are able to put at the disposal of our investment managers. This review will enhance the quality and extent of the general asset allocation guidance which is produced by the Group, and will be made available as a supporting framework from which our investment manager can design bespoke portfolios.

We are confident that the ingredients of the Charles Stanley business remain as attractive today as at any other point in our history, and that following the implementation of our Strategic Review we will be in an excellent position to drive greater value for all of our stakeholders.

OUR SERVICES

Investment Management

The core of our business is contained within our Investment Management Services division. This accounts for approximately 87.7% of the total assets. We manage and administer 81.2% of Group revenue. The services of our Investment Management division are provided by our investment managers via our network of regional branches and London Head Office.

Within our Investment Management division our flagship offering is Discretionary Investment Management. This is predominantly a fee-based service directed at private clients who wish to delegate the management of their investment portfolio to a recognised professional. Our investment managers create bespoke portfolios tailored to the individual objectives and personal risk tolerances of their clients. Our investment managers use their own investment expertise and experience, and a wealth of in-house research and tax efficient wrappers provided by the Group to manage client assets. We are currently upgrading our investment process with a view to providing our investment managers with an even stronger asset allocation framework to serve as the foundation for the bespoke portfolios they create.

Within our Discretionary Investment Management service we also offer our Collectives Portfolio Service and Pan Asset Management. Both are model-based services which provide clients a low cost method of gaining access to our investment process and expertise via exposure to collective investment vehicles as opposed to direct exposure to individual securities. These products are primarily aimed at clients with modest investible assets and for whom a fully bespoke portfolio is not cost effective. The model solutions are available to all of our investment managers and are also made selectively available to financial intermediaries via external investment platforms. We shall be making changes to the operation of our model-based services as part of the upgrading of our central investment proposition into an Asset Management division. We would expect this to be a considerable area of growth for the Group over time.

Within the Investment Management Services division we offer a full suite of Advisory, Dealing and Execution services. We provide Advisory Managed services to those clients who wish to have their investment portfolios managed by an investment professional but wish to retain the ultimate decision making power over individual investment decisions. We report the assets we manage within our Advisory Managed business together with the assets of our Discretionary Managed business and describe this as our Managed business.

We selectively offer an Advisory Dealing service to a number of individuals with a keen interest in and considerable experience of investment and markets. This remains an important part of our offering as it still accounts for £2.1 billion of our Funds under Management and Administration. Accordingly it is one which we will continue to offer to appropriate clients. Our Execution-only service provides a dealing, custody and administration service to clients who wish to make their investment decisions over all or part of their portfolio, and who accordingly require no advice. This service may be accessed via an Investment Manager, through a dedicated telephone-based dealing service or online via Charles Stanley Direct.

Across the Investment Management Service division we offer clients access to a variety of services and products which are designed to ensure the efficient administration of their portfolios both from a custodial and a tax perspective. We offer clients the opportunity to hold their investments with us via a Charles Stanley Nominee account or via CREST personal membership and offer clients a full cash management service. From a tax efficiency viewpoint, we also offer clients access to our in-house Individual Savings Accounts, Self-Invested Personal Pensions and Inheritance Tax Portfolio Service.

Charles Stanley Direct

Charles Stanley Direct has been developed in recent years to service the requirements of a growing customer base that wish to use an online platform to conduct aspects of their investment activities and are comfortable in making their decisions without access to advice. We believe that this group of clients will continue to grow. Since its launch in 2013, Charles Stanley Direct has attracted more than 20,000 accounts and now has well in excess of £1 billion of Assets under Administration.

Financial Planning

Our financial planners advise clients across the full spectrum of their needs with a particular expertise in the pensions, retirement and inheritance fields. The Financial Planning service is offered through our branch network and is delivered alongside an investment management service. We believe the financial planning market will continue to grow and is complementary to our core investment management activities. We will seek to roll out this service further and extend our team of Chartered Financial Planners accordingly.

OUR MARKETS

Charles Stanley operates solely within the UK's wealth management industry. This is a sizeable market place with over £737 billion of assets being administered by UK based Wealth Management institutions. The table below sets out the total assets managed by Charles Stanley and those we consider to be its immediate peers.

Firm	Total FuM £ billion
Brewin Dolphin	39.1
Brooks MacDonald	7.5
Charles Stanley Group PLC	21.3
Close Brothers AM	10.6
Investec Wealth Management Ltd	27.8
JM Finn	8.1
Quilters	17.5
Rathbone Brothers Plc	28.9
Smith and Williamson	16.0
Total	176.8

Figures based on latest audited accounts and other publicly available information. All are as at 31 March 2015, with the exception of Close Brothers AM which is as at 30 April 2015.

Despite its size the market remains highly fragmented with at least 180 firms in operation. The top 10 players control only 31% of the market place.

We believe the industry will continue to undergo rapid change. For example we estimate that the number of individuals with between £50,000 and £5 million of investible assets will increase 18% by 2018. This is partly evidence of the pace of retirement of the baby boomer generation gathering speed. The UK has an increasing number of elderly, with a disproportionate amount of wealth concentrated in individuals over 65 years old. This group is faced with making provision for long years of retirement as life expectancies continue to increase. This will inevitably increase the demand for investment management and financial planning services.

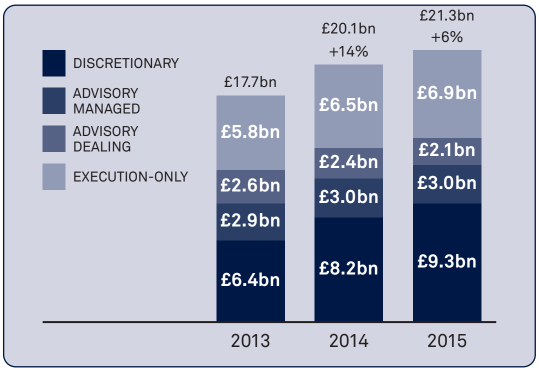
There is no doubt that the recent changes that have been made to pensions legislation both in regard to auto-enrolment and in the removal of the requirement for annuity purchases will increase the pool of capital available to the wealth management industry. We anticipate that we will need to extend the provision of our services to a changing client base and that the industry will respond to these trends with an evolving product suite.

Our industry is also confronting the challenges posed by the increasing technological requirements of our natural client base. Our clients are increasingly comfortable in handling their financial affairs on mobile devices and are managing sizeable transactions via this medium. There is an increasing demand for up to the minute online access to investment portfolios and the ability to trade remotely. Although we have developed a number of innovative solutions to these changing requirements it remains an ongoing challenge to ensure that the technological capabilities can service these needs, and ensure that access and transactions are carried out with the requisite levels of security.

Furthermore, the regulatory environment in which we operate has been rapidly developing and we anticipate that this trend will continue. We, like many others in the industry, have been investing heavily to ensure that our processes and systems place us in a position to comply with the increased regulatory scrutiny in which we manage our clients' money. We believe that the investment we have made will lead us to be in a better position to service our clients' needs.

KEY PERFORMANCE INDICATORS

Funds under Management and Administration



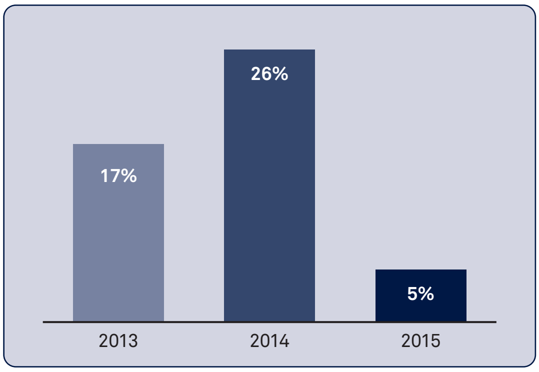
Definition

Total FuMA (Funds under Management and Administration) by services level.

Performance

Discretionary Funds have increased as a percentage of total funds from 40.8% to 43.7%.

Discretionary FuM inflows



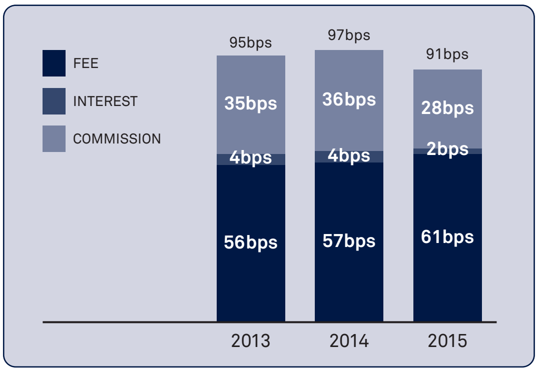
Definition

The value of net inflows as a percentage of opening FuM for our discretionary service.

Performance

Net inflow for the year was £0.4 billion against £1.69 billion in the previous year which included new investment management offices joining in Cardiff and Leicester.

Discretionary service yield



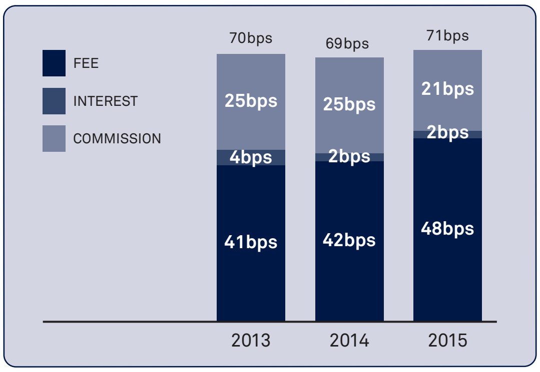
Definition

Total fee, interest and commission income measured as a percentage return on average annual FuM for Discretionary services within our Investment Management Services division.

Performance

Discretionary service yield declined 6bps in 2015 primarily due to an 8 bps decline in commission income more than offsetting a 4bps increase in fees.

Advisory Managed service yield



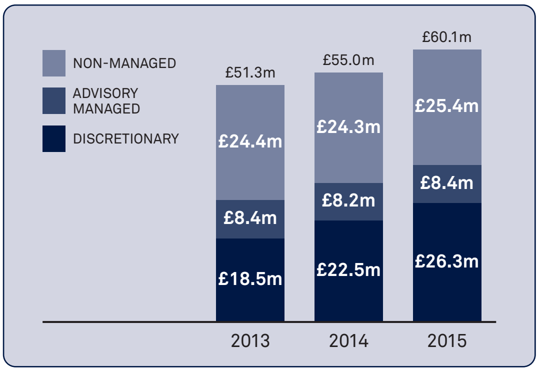
Definition

Total fee, interest and commission income measured as a percentage return on average annual FuM for Advisory Managed services within our Investment Management Services division.

Performance

Improvement in Advisory Managed yield was due to a 6bps increase in the fee yield income less a 4bps decline in commission yield.

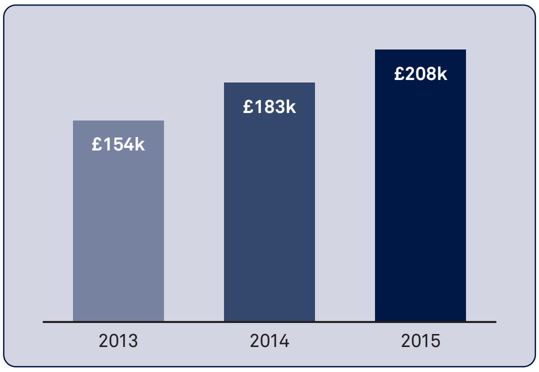
FuMA per CF30



Definition
Period end value of FuMA divided by the period end number of client facing professional Investment Managers and Financial Planning staff (CF30s).

Performance
The increased net inflow of Discretionary funds and market gains, as well as a decrease in the number of CF30s since prior year, led to a 9.3% increase in FuMA since the prior year to £60.1m.

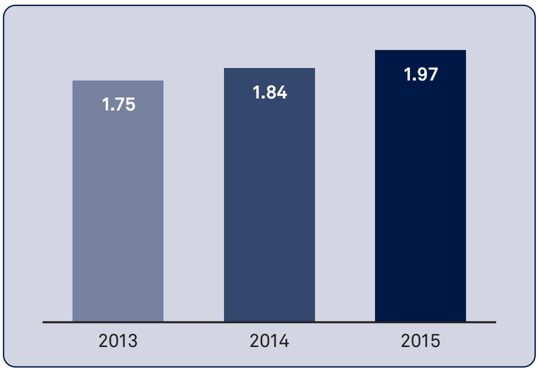
Discretionary income per CF30



Definition
Total fee and commission revenue from our Discretionary service divided by the period end number of CF30s.

Performance
The increased level of Discretionary FuM and resultant income together with a decrease in the number of CF30s since the prior year has resulted in a 13.7% rise in Discretionary income per CF30.

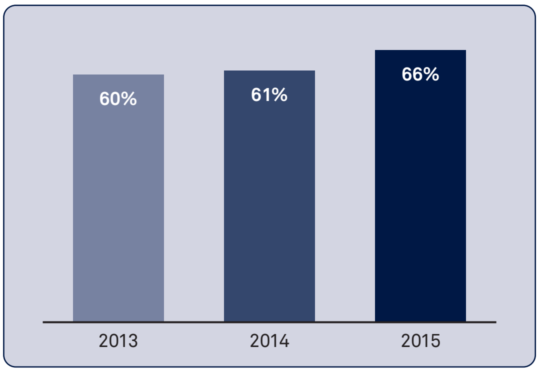
Support staff to CF30 ratio



Definition
The ratio of total non-client facing staff (support) to client facing staff (CF30s) at the period end.

Performance
The ratio of support staff to CF30s increased because more support staff were hired during the year to assist with client suitability assessments, and there has been a decrease in CF30s.

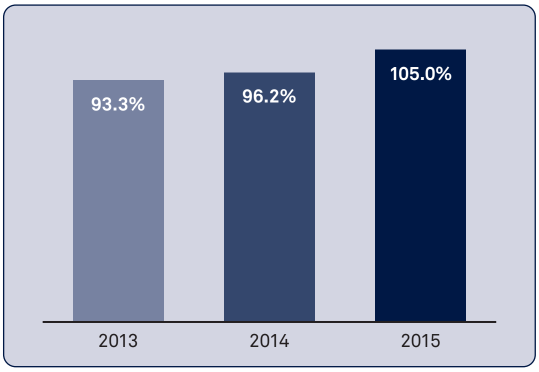
Fees to revenue ratio



Definition
Fee income as a percentage of total revenue (which comprises fee, commission income and interest).

Performance
The ratio shows that total fee income has increased as more clients have been moved to fee only tariffs.

Costs to revenue ratio



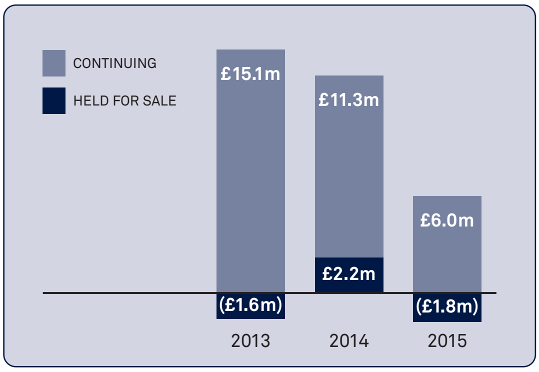
Definition

Total costs for the year as a percentage of revenue.

Performance

Costs rose by £13.7 million during the year, mainly as a result of increased staff head count and remuneration.

Underlying profit before tax*



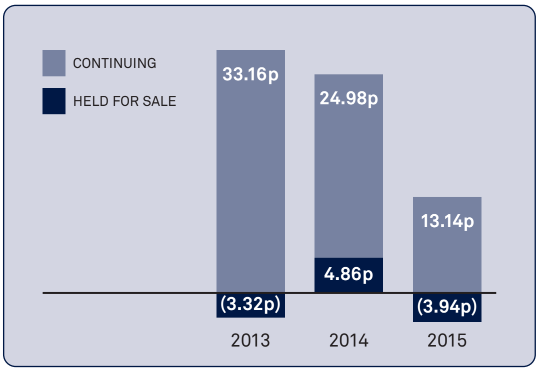
Definition

Group underlying profit before tax for continuing and Held for sale operations.

Performance

The underlying profit before tax margin declined in 2015 due to costs rising significantly faster than revenues.

Underlying earnings per share*



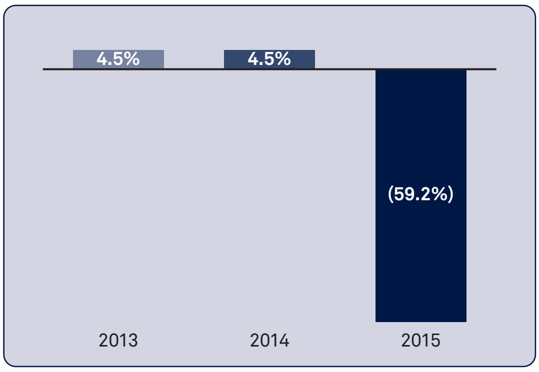
Definition

The percentage change in underlying earnings per share.

Performance

The decrease in underlying earnings per share since the prior year is due to a decrease in underlying profit before tax.

Dividend growth



Definition

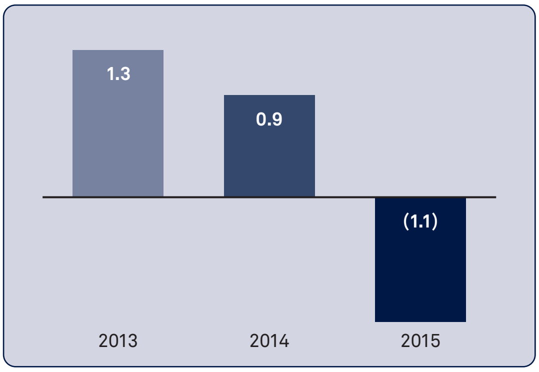
The percentage change in total annual dividend per share (interim and recommended final).

Performance

The Board is recommending a reduced final dividend of 2.00p (2014: 9.25p) as part of an initiative to rebase the dividend to a sustainable level.

*Excluding Financial Services Compensation Scheme Levy (£1.3 million), amortisation of client relationships (£1.8 million), Branch acquisition costs (£0.3 million), impairment of intangibles (£8.3 million), non-recurring professional costs (£0.1 million), reduction in deferred consideration (£0.3 million) and profit on sale of Fund asset (£1.2 million).

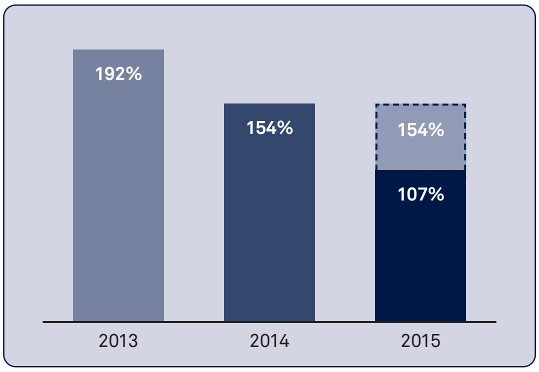
Dividend cover



Definition
The ratio of net profits to the total sum allotted in dividends to ordinary shareholders.

Performance
Dividend cover has reduced in recent years as the dividend was maintained despite falling earnings per share. The Board consider that this is not sustainable and has therefore recommended a reduced final dividend and rebasing of its dividend policy.

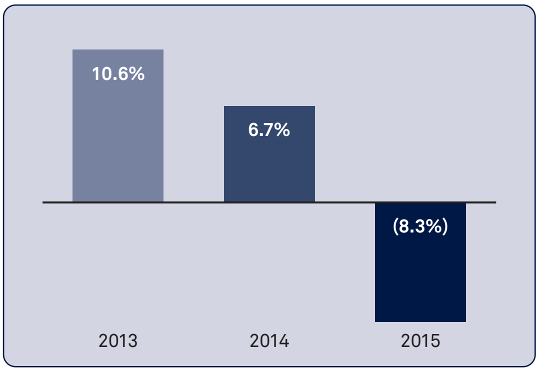
Capital adequacy ratio



Definition
The ratio, as a percentage of the Group's period end regulatory capital resources to its minimum total regulatory capital requirement.

Performance
As a result of the decline in the Group's capital adequacy ratio, a placing to raise £15.8 million was concluded in April 2015, which increased the Group's capital adequacy ratio from 107% to 154% on a pro-forma basis.

Return on capital employed



Definition
Net operating profit compared to capital employed (total assets less current liabilities).

Performance
The negative return on capital employed reflects the reported loss for the year.

CLIENT SURVEYS

Our objectives

We are committed to improving our relations with our clients and ensuring that our services meet and exceed their expectations.

Where we establish we are doing well, we will resolve to build upon success, and where not we will endeavour to improve.

We conduct client surveys to help monitor clients' satisfaction with our services and to help instruct us as to how we might adapt them to meet their requirements.

The surveys

Investment Management Services (IMS)

In 2013 we initiated half-yearly Client Investment Management Surveys. Summarised in the chart below is the proportion of positive responses received in relation to key questions asked about quality of service.

Financial Planning

Building on the Investment Management surveys delivered over the last couple of years for Investment Management clients, Charles Stanley Financial Planning initiated a client survey in 2015. The outcome to key questions contained in the survey is shown in the table below.

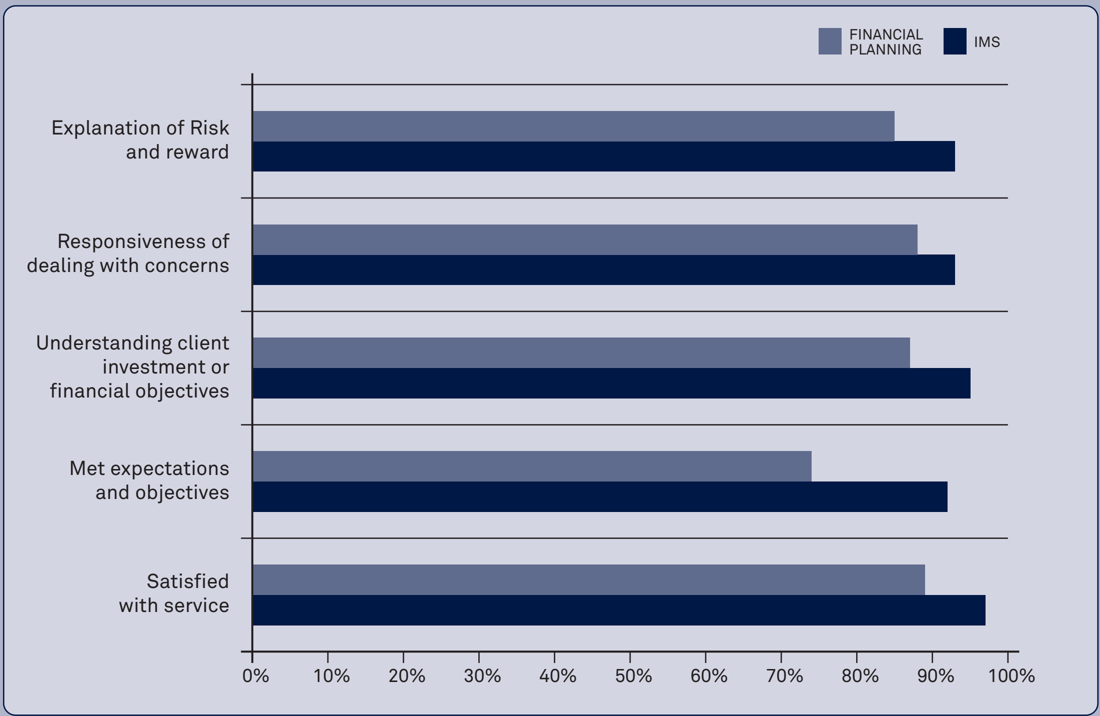
In summary

Investment Management Services (IMS)

The research highlighted overwhelming positive response with over 90% very positive or positive response in all the primary questions with a 10% improvement from the January 2014 survey.

Financial Planning

We received a 46% response rate. The overall responses were positive, suggesting our services are well received by clients.



REVIEW OF THE YEAR

Charles Stanley's performance

Whilst elements of Charles Stanley's financial performance for the year ended 31 March 2015 were encouraging, most notably the continued growth of our Funds under Management and Administration (FuMA), the growing proportion of Discretionary Managed funds, and the continued rapid growth of Charles Stanley Direct, other critical aspects of the Group's performance were disappointing, most obviously the deterioration of the operating margin owing to increased costs. These factors, together with a number of other charges, ultimately led to a reported pre-tax loss for the year of £6.1 million.

Funds under Management and Administration

Total Funds under Management and Administration at 31 March 2015 reached a new high of £21.3 billion, up 6.0% from £20.1 billion at 31 March 2014. Within this, Managed Funds increased 9.8% with Discretionary Funds up 13.4% to £9.3 billion and Advisory Managed Funds constant at £3.0 billion.

Administered Funds increased 1.1% and Advisory Dealing Funds declined to £2.1 billion. Nevertheless, we retain a strong commitment to providing an Advisory Dealing Service as part of our full spectrum offering, although we see it becoming a more specialist service for individuals with a keen interest in and considerable experience of investments and markets, and thus priced accordingly. Execution-only funds grew 6.2% to £6.9 billion with particularly strong growth of 15.5% through our direct-to-client platform, Charles Stanley Direct.

	2015	2014	Change	
	£bn	£bn	£bn	%
Discretionary	**9.3**	8.2	1.1	13.4%
Advisory Managed	**3.0**	3.0	—	—%
Total Managed	**12.3**	11.2	1.1	9.8%
Advisory Dealing	**2.1**	2.4	(0.3)	(12.5%)
Execution-only	**6.9**	6.5	0.4	6.2%
Total Administered	**9.0**	8.9	0.1	1.1%
Total Funds	**21.3**	20.1	1.2	6.0%
FTSE 100 Index	**6,773**	6,598	175	2.7%
WMA Stock Market Balanced Index	**3,684**	3,385	299	8.8%

Overview of financial performance

The Group's financial performance is shown below as split between its continuing activities and those of its businesses which are Held for sale (Charles Stanley Securities and Charles Stanley Financial Solutions). The table shows the underlying results along with the results on a statutory basis. The underlying performance includes adjustments widely used by our listed peer group and equity research analysts. A full breakdown of these adjustments is provided on pages 21 to 23.

2015	Continuing operations £m	Held for sale £m	Underlying performance £m	Adjusting items £m	Reported performance £m
Revenue	**141.0**	**8.7**	**149.7**	**—**	**149.7**
Costs	**(135.2)**	**(10.5)**	**(145.7)**	**(11.5)**	**(157.2)**
Other income	**0.1**	**—**	**0.1**	**—**	**0.1**
Operating contribution	**5.9**	**(1.8)**	**4.1**	**(11.5)**	**(7.4)**
Finance and other income	**0.1**	**—**	**0.1**	**1.2**	**1.3**
Profit/(loss) before tax	**6.0**	**(1.8)**	**4.2**	**(10.3)**	**(6.1)**
Pre-tax profit margin	**4.3%**	**(20.7%)**	**2.8%**	**—**	**(4.1%)**
Earnings per share	**13.14p**	**(3.94p)**	**9.20p**	**(22.66p)**	**(13.46p)**
2014					
Revenue	134.4	14.6	149.0	—	149.0
Costs	(123.6)	(12.4)	(136.0)	(7.4)	(143.4)
Other income	0.1	—	0.1	—	0.1
Operating contribution	10.9	2.2	13.1	(7.4)	5.7
Finance and other income	0.4	—	0.4	—	0.4
Profit before tax	11.3	2.2	13.5	(7.4)	6.1
Pre-tax profit margin	8.4%	15.1%	9.1%	—	4.1%
Earnings per share	24.98p	4.86p	29.84p	(19.33p)	10.51p

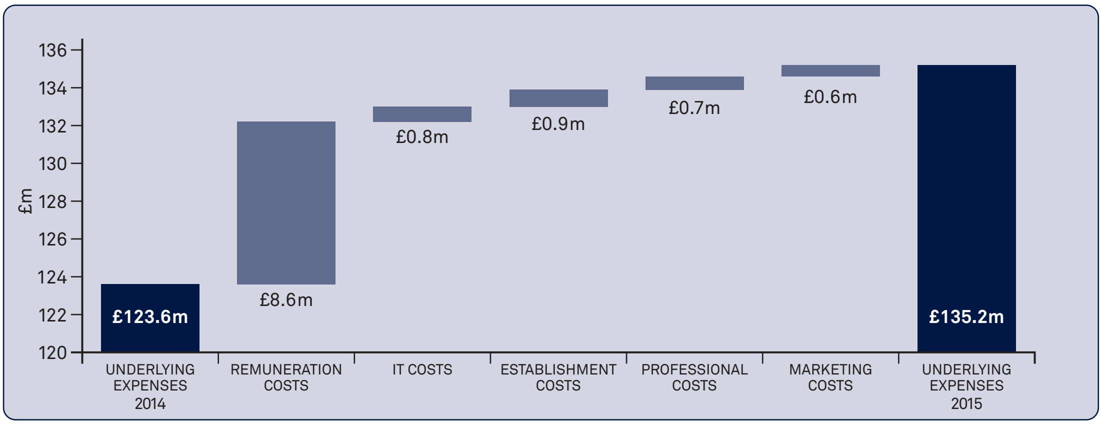
Group revenue

Group revenue from continuing activities increased by 4.9% to £141.0 million for 2015 from £134.4 million in 2014. Revenues of the Held for sale activities of Charles Stanley Securities and Charles Stanley Financial Solutions declined 40.4% largely as a result in a fall in corporate finance fees. As a consequence overall Group revenues were up 0.5% to £149.7 million from £149.0 million in the prior year.

A more detailed analysis of revenue by division is set out on page 24 of the divisional review.

Group underlying operating expenses

Group operating expenses from continuing activities increased 9.4% from £123.6 million in 2014 to £135.2 million in 2015. Approximately 74.0% of this increase was accounted for by headcount and associated remuneration increases, and 7.8% by establishment due to the Group taking an additional floor at its main London office. The expenses of the Held for sale activities declined 15.3% to £10.5 million largely due to a £3.7 million reduction in the variable remuneration paid to Charles Stanley Securities staff. Combined underlying operating expenses were £145.7 million (2014: £136.0 million).



Group underlying pre-tax profit margin

The Group's pre-tax profit margin for its core continuing operations fell from 8.4% for 2014 to 4.3% for 2015 and that of its Held for sale activities from 15.1% in 2014 to a negative margin of (20.7%) in 2015. In overall terms, the pre-tax profit margin fell from 9.1% to 2.8%. The main driver of this decline was the sharp increase in the cost base against relatively flat revenues. This level of profitability is unsustainable and the Board's highest single priority regarding financial performance is to restore the margin to at least 15% by no later than calendar year 2018.

Adjusting items

The Board considers the underlying profit before tax and earnings per share as a better reflection of business performance rather than looking at results on a statutory basis only. To calculate the underlying results we have excluded the items detailed below.

	2015 £m	2014 £m
Charles Stanley Direct and other investment one-off costs	**—**	1.3
Financial Services Compensation Scheme (FSCS) Levy	**1.3**	1.2
Amortisation of client relationships	**1.8**	2.5
Branch acquisition costs	**0.3**	2.4
Impairment of assets	**8.3**	—
Non-recurring professional costs	**0.1**	—
Reduction in deferred consideration	**(0.3)**	—
Sale of Fund asset	**(1.2)**	—
Adjusting items	**10.3**	7.4

FSCS Levy (£1.3 million)

The Group incurred FSCS Levy charges of £1.6 million for the period. During the year the FSCS was successful in recovering some of its costs in relation to claims made in previous years. As a result the Group received a rebate of £0.3 million of its 2011 Levy.

Amortisation of client relationships (£1.8 million)

Payments made to new investment managers and third parties for introduction of customer relationships that are judged to be intangible assets are capitalised. We amortise these intangibles over the useful life of the client relationship, which has been assessed to be 10 years. We have excluded amortisation charges for the client relationships from the underlying profit as it is a significant non-cash item.

Branch acquisition costs (£0.3 million)

The Group was joined by a team of investment managers in Leicester in October 2013. This led to various one-off costs due to their being in a start-up phase. No further acquisition costs are expected in relation to this branch.

Impairment of assets (£8.3 million)

The Board has conducted a thorough review of the carrying value of the goodwill relating to a number of assets and has decided it would be appropriate to write down the goodwill associated with a number of activities as summarised below:

	Impairment charge £m	Residual value £m
Charles Stanley Direct	3.0	5.2
Charles Stanley Financial Solutions (including Plymouth EB)	2.0	1.5
Durlacher	1.5	—
Truro	0.8	0.3
Pan Asset	0.3	0.9
Impairment of other assets	0.7	0.3
Total	8.3	8.2

Full details on the basis of these impairment charges can be found in note 14 and the Audit Committee report on pages 91 to 93.

Non-recurring professional costs (£0.1 million)

At the request of the Financial Conduct Authority (FCA), the Group engaged Ernst & Young to help review its processes for conducting client suitability assessments, make recommendations for their improvement, and subsequent validation testing to ensure changes made in line with these recommendations had been implemented and were working as intended. This process has now been concluded.

Reduction in deferred consideration (profit £0.3 million)

Last year as part of the acquisition of Pan Asset Capital Management Limited (PAN) an estimate based on the Funds under Management was made of the deferred consideration payable. The Funds under Management of PAN have since fallen and as a result the deferred consideration payable has decreased.

Sale of Fund asset (profit £1.2 million)

In September 2014 the Group sold the Matterley Undervalued Asset Fund to Miton Group for an initial consideration of £0.75 million. Based on the current level of assets in the fund, further deferred consideration of £0.45 million will be payable in December 2015 and has therefore been recognised through the income statement in the current financial year.

Taxation

Even though the Group is reporting a loss before tax, its continuing operations have a small taxable profit, hence a small tax expense of £0.04 million in relation to the current financial year (2014: expense £1.4 million). A full reconciliation of the tax charge on continuing activities is provided in note 12 of the financial statements. A tax credit of £0.3 million arises on the losses attributable to the discontinued activities and this is shown separately in note 11.

Earnings/(loss) per share

The basic loss per share for the year ended 31 March 2015 was (13.46p) compared with earnings of 10.51p in 2014. On an underlying basis for continuing operations, earnings per share fell 47.4% to 13.14p (2014: 24.98p).

Dividends

In view of the Group's trading performance for the year and the need to strengthen the Group's capital reserves, the Board has proposed a final dividend of 2.00p. Taken together with the interim dividend of 3.00p, this will represent a total dividend for the year of 5.00p (2014: 12.25p).

Divisional review

The Group is currently comprised of four operating divisions as summarised below:

Division	*Services provided*
Investment Management Services	Provision of investment services to individuals, companies, trusts and charities.
Financial Services	Financial planning and wealth management, SIPP and SSAS administration and employee benefits.
Charles Stanley Direct	Direct-to-client online investment service.
Charles Stanley Securities	Advisory, broking and corporate finance services for smaller and mid-cap UK listed companies. This business is Held for sale and treated as a discontinued activity.

NARRATIVE REPORTS

Charles Stanley Securities, and the employee benefits business, Charles Stanley Financial Solutions are both recognised as assets Held for sale.

The split of funds, revenue, underlying expenses and underlying operating profit/(loss) between the divisions, and also between continuing operations and Held for sale operations, is summarised in the following tables. A detailed review of each division is provided on pages 29 to 38.

Fund analysis

	2015				2014			
	Total £bn	IM Services £bn	Financial Services £bn	Charles Stanley Direct £bn	**Total £bn**	IM Services £bn	Financial Services £bn	Charles Stanley Direct £bn
Discretionary	**9.31**	8.63	0.68	—	**8.23**	7.56	0.67	—
Advisory managed	**2.97**	2.70	0.27	—	**2.99**	2.73	0.26	—
Advisory dealing	**2.05**	2.05	—	—	**2.39**	2.39	—	—
Execution-only	**6.92**	5.26	0.02	1.64	**6.48**	5.04	0.02	1.42
Total Funds	**21.25**	18.64	0.97	1.64	**20.09**	17.72	0.95	1.42

Revenue analysis

	2015 £m	2014 £m	Change £m	
Investment Management Services	**121.6**	117.3	4.3	3.7%
Financial Services	**15.1**	13.5	1.6	11.9%
Charles Stanley Direct	**4.8**	3.5	1.3	37.1%
Charles Stanley Securities	**8.2**	14.7	(6.5)	(44.2%)
Total revenue	**149.7**	149.0	0.7	0.5%
Continuing operations	**141.0**	134.4	6.6	4.9%
Held for sale	**8.7**	14.6	(5.9)	(40.4%)
Total revenue	**149.7**	149.0	0.7	0.5%

Underlying cost analysis

The underlying costs of each division including direct and allocated costs, but excluding one-off adjusting items detailed on page 21 are shown below:

	2015 £m	2014 £m	Change £m	
Investment Management Services	**(111.3)**	(101.6)	9.7	9.5%
Financial Services	**(17.8)**	(15.2)	2.6	17.1%
Charles Stanley Direct	**(6.7)**	(5.6)	1.1	19.6%
Charles Stanley Securities	**(9.9)**	(13.6)	(3.7)	(27.2%)
Total underlying costs	**(145.7)**	(136.0)	9.7	7.1%
Continuing operations	**(135.2)**	(123.6)	11.6	9.4%
Held for sale	**(10.5)**	(12.4)	(1.9)	(15.3%)
Total underlying costs	**(145.7)**	(136.0)	9.7	7.1%

Where possible, administrative expenses are charged directly to the division to which they are attributable. However, a significant proportion of the Group's administrative expenditure is incurred by middle and back office functions. Examples of these include our Operations, Finance, Information Technology, Compliance, Risk, Internal Audit, Marketing, Professional and Facilities departments as well as the costs associated with being a publicly listed company. Historically the Group has allocated some but not all of these expenses to the four operating divisions. In order to understand better the profitability of each division, the Board has conducted a full cost allocation exercise. Accordingly, the total administrative expenses of £157.2 million attributed to the operating divisions include £57.8 million of centrally allocated costs.

In 2014 £26.5 million of central costs were allocated to divisions and £23.4 million remained unallocated. These costs totalling £49.9 million have now been fully allocated to provide prior year comparatives. It should be noted that elements of the allocation are judgemental and that in the event a business or division is sold, any fixed or semi-variable costs that have been allocated to them would need to be reallocated to other areas (as they would, for example, in relation to the costs associated with being a publicly listed company).

Underlying profit/(loss) analysis

The underlying profit/(loss) for each division after taking account of central cost allocations, is shown in the following table:

	2015 £m	2014 £m	Change £m	
Investment Management Services*	**10.4**	15.8	(5.4)	(34.2%)
Financial Services	**(2.7)**	(1.7)	(1.0)	(58.8%)
Charles Stanley Direct	**(1.9)**	(2.1)	0.2	9.5%
Charles Stanley Securities	**(1.7)**	1.1	(2.8)	(254.5%)
Divisional operating profit	**4.1**	13.1	(9.0)	(68.7%)
Finance and other income	**0.1**	0.4	(0.3)	(75.0%)
Underlying profit before tax	**4.2**	13.5	(9.3)	(68.8%)
Continuing operations	**6.0**	11.3	(5.3)	(46.9%)
Held for sale	**(1.8)**	2.2	(4.0)	(181.8%)
Underlying profit before tax	**4.2**	13.5	(9.3)	(68.8%)

*Includes other income.

Investment Management Services (IMS)

Our Investment Management Services division lies at the centre of our business, accounting for 87.7% of total funds and 81.2% of Group revenue.

The services this division provides are summarised below:

Managed	Discretionary portfolio management Advisory portfolio management
Administered	Advisory share dealing Execution-only share dealing (excluding online services)

Investment Management income is generated from:

- Investment Management fees, which are based on a percentage of the value of clients' funds;
- Administration fees based on a combination of percentage of funds and fixed fees;
- Commissions charged on transactions undertaken on behalf of clients; and
- Interest turn on cash balances.

Year-on-year changes in the key performance indicators for our Investment Management Services division are shown in the table below:

	2015	2014
FuMA at 31 March	**£18.6bn**	£17.7bn
FuM at 31 March	**£11.3bn**	£10.3bn
Net revenue margin on Managed Funds	**86bps**	89bps
Commission Earning Bargains	**377,701**	465,024
FuMA per CF30	**£67.1m**	£62.8m
Direct Employment Cost Ratio	**50.1%**	46.8%

Funds under Management and Administration

FuMA is the main driver for the financial performance of the Investment Management Services division. Investment Management FuMA has increased by 5.1% from £17.7 billion at the beginning of the year to £18.6 billion at 31 March 2015. Managed Funds, comprising Discretionary Managed and Advisory Managed Funds, respectively changed by +13.1% and (0.01%), in part owing to a shift of Advisory Managed funds to the Discretionary service. This is expected to be a continuing pattern.

	Managed £bn	Administered £bn	Total £bn	Change %
Funds at 1 April 2014	10.3	7.4	17.7	
New investment managers	0.3	0.2	0.5	
Net inflow/(outflow) from existing clients	0.1	(0.8)	(0.7)	
Lost clients	(0.2)	(0.2)	(0.4)	
Net inflow/(outflow) of funds	0.2	(0.8)	(0.6)	(3.4%)
Market movement	0.8	0.7	1.5	8.5%
Funds at 31 March 2015	**11.3**	**7.3**	**18.6**	**5.1%**

Fund flows during the past financial year were substantially driven by market movement rather than net inflow of new funds. This was disappointing but we believe it was substantially accounted for by our investment managers being heavily engaged in the client suitability repapering exercise which has been a very major undertaking. Whilst ensuring the suitability of our services for our clients and alignment of their investment portfolios to their requirements is an ongoing undertaking, the upgrade programme we have been undertaking draws to its conclusion at the end of June 2015. We are hopeful that with the conclusion of this exercise, our investment managers will be able to focus more time on marketing activity. We can expect that this, along with the Group bringing greater focus to its overall marketing strategy (one of its key initiatives), will lead to increasing levels of new business.

Financial performance

The financial performance of the IMS division is detailed in the table below:

2015	Underlying profit before tax £m	Adjusting items £m	Reported profit before tax £m
Revenue	**121.6**	**—**	**121.6**
Costs	**(70.6)**	**(1.4)**	**(72.0)**
Other income	**0.1**	**—**	**0.1**
Operating contribution	**51.1**	**(1.4)**	**49.7**
Allocated costs	**(40.7)**	**(3.9)**	**(44.6)**
Operating profit	**10.4**	**(5.3)**	**5.1**
2014	£m	£m	£m
Revenue	117.3	—	117.3
Costs	(63.2)	(3.4)	(66.6)
Other income	0.1	—	0.1
Operating contribution	54.2	(3.4)	50.8
Allocated costs	(38.4)	(2.4)	(40.8)
Operating profit	15.8	(5.8)	10.0

IMS Revenues

The revenues of the IMS division comprise Investment Management fees, trading commission and interest turn. Revenue within IMS increased 3.7% to £121.6 million in 2015 from £117.3 million in the previous year. This can largely be attributed to the growth in Funds under Management over the period driven by market gains.

Income generated from Managed services is shown in the following table:

Income from Managed clients	**March 2015 Total**	Disc	Adv	**March 2014 Total**	Disc	Adv	Change	
	£m	£m	£m	**£m**	£m	£m	**£m**	%
Fees	**62.1**	48.9	13.2	**50.5**	39.4	11.1	**11.6**	23.0%
Commission	**28.3**	22.7	5.6	**31.3**	24.6	6.7	**(3.0)**	(9.6%)
Interest	**2.4**	1.9	0.5	**3.2**	2.8	0.4	**(0.8)**	(25.0%)
	92.8	73.5	19.3	**85.0**	66.8	18.2	**7.8**	9.2%
	£bn	£bn	£bn	**£bn**	£bn	£bn	**£bn**	%
Average funds	**10.8**	8.1	2.7	**9.6**	6.9	2.7	**1.2**	12.5%
	bps	bps	bps	**bps**	bps	bps	**bps**	%
Revenue margin	**86**	91	71	**89**	97	69	**(4.0)**	(4.5%)

The very healthy growth of 23.0% in fees from £50.5 million to £62.1 million in our Managed business was partially offset by a decline in commission of 9.6% from £31.3 million at the end of last year to £28.3 million in the current year. This trend has been driven by our focus on encouraging more clients toward a fee-paying Discretionary service at the expense of charging lower commission or none at all. Commission revenues further declined as a result of lower dealing activity. In overall terms, the volume of commission-earning bargains declined 18.8% year on year. Finally, interest turn on aggregated client cash balances, where we share with clients the benefits of wholesale rates that we can achieve on large balances (typically in excess of £1 billion at any one time) versus what can be achieved on individual small retail deposits, declined 25.0% on the prior year to £2.4 million. In the near term it is likely that this aspect of our revenues will decline further as we remain in a low interest rate environment, and few banks wish to take these deposits because of the high level of regulatory capital they are required to set aside against client cash.

Whilst our overall revenues from Managed business increased in 2015, our revenue margin on Funds under Management declined from 89bps to 85bps. This is a key performance indicator and one we will be seeking to improve upon in coming years. Although superficially we believe it does not appear to be out of step with our competitors, we believe it is low relative to the average size of client portfolio we manage.

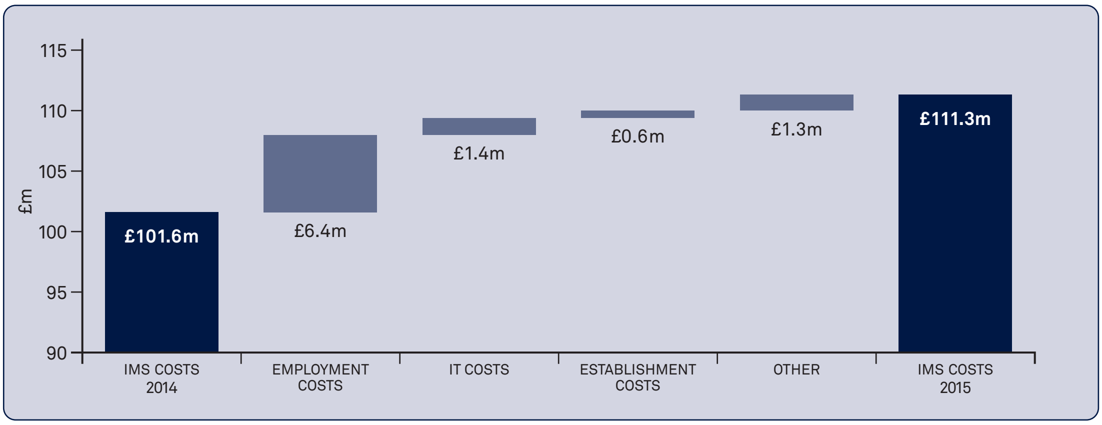
NARRATIVE REPORTS

The revenue performance of the administered element of our Investment Management division's business is summarised in the table below. This comprises Advisory Dealing and Execution-only services.
Total revenue fell 10.8% from £32.3 million in 2014 to £28.8 million in 2015. The drivers of this performance were similar to that of the Managed business, in this instance comprising higher fees and higher interest turn (because of higher average cash balances held by clients) offset by a marginal decrease in FuMA and commission income.

Income from administered clients	**March 2015 Total**	Adv	Exe	**March 2014 Total**	Adv	Exe	Change	
	£m	£m	£m	**£m**	£m	£m	**£m**	%
Fees	**9.2**	3.1	6.1	**8.6**	3.1	5.5	**0.6**	7.0%
Commission	**17.6**	5.6	12.0	**21.9**	8.0	13.9	**(4.3)**	(19.6%)
Interest	**2.0**	0.6	1.4	**1.8**	0.7	1.1	**0.2**	11.1%
	28.8	9.3	19.5	**32.3**	11.8	20.5	**(3.5)**	(10.8%)

IMS costs

IMS's underlying costs increased 9.5% during the year from £101.6 million to £111.3 million and including adjusting items they increased 8.6%. The major contributory elements to this increase of £9.7 million were employment costs (£6.4 million), IT costs (£1.4 million) and establishment costs (£0.6 million).



By far the most significant cost the division incurs is employment costs (as is the case for the entire Group) which rose to 50.1% of revenues from 46.8% in the prior year. Improving productivity of our investment management teams is a key area of focus for the Board. This can be achieved by increasing the FuMA managed by each investment manager; increasing the revenues charged on those assets, optimising the ratio of front office to middle and back office staff by improving and standardising workflow processes, and by revising compensation structures.

IMS operating profit

IMS achieved an underlying operating profit of £10.4 million, a decline of 34.2% since the prior year. This decline was caused by its increased cost base. Its operating margin was 8.6% compared to 13.5% in 2014.

Financial Services

The Financial Services division currently comprises a number of different activities including:

Business areas	*Services provided*
Financial Planning and Wealth Management	Financial Planning and Wealth Management across the full spectrum of client needs with a particular expertise in the fields of pensions, retirement and inheritance.
EBS Management PLC	Pensions administration both for Charles Stanley clients and for third parties.
Charles Stanley Pan Asset	Investment management services focused on asset allocation and passive investments.
Matterley	Fund management.
Charles Stanley Financial Solutions	Employee benefits consulting. This business is classified as Held for sale.

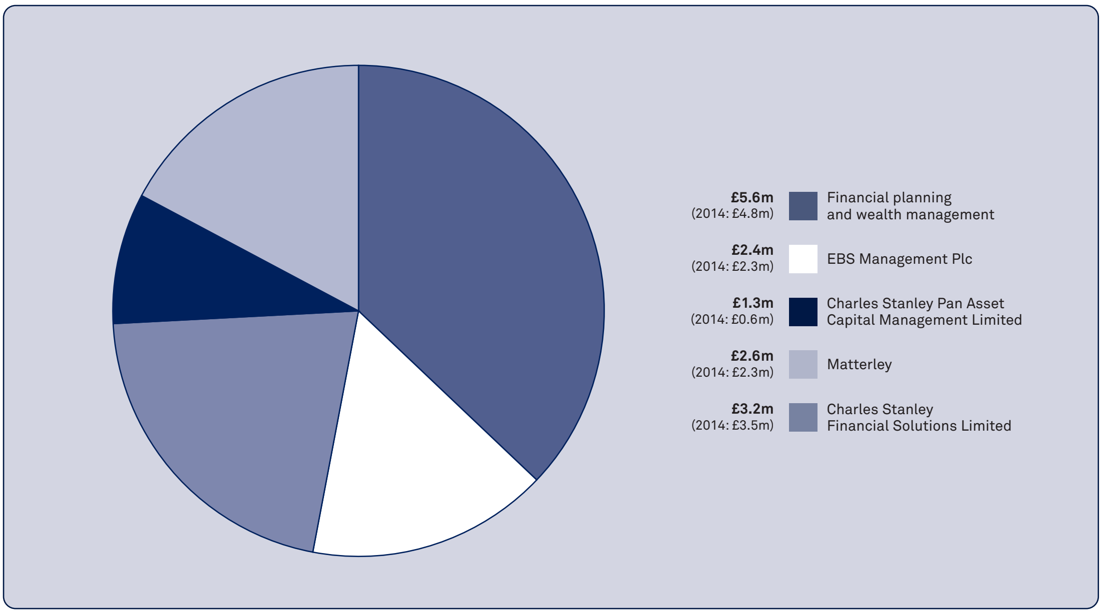
The trading performance of the Financial Services division is set out in the table below, where continuing operations have been identified separately.

2015	Underlying loss before tax £m	Total adjusting items £m	Reported loss before tax £m
Total (Continuing and Held for sale)			
Revenue	**15.1**	—	**15.1**
Costs	**(14.3)**	—	**(14.3)**
Other income	—	—	—
Operating contribution	**0.8**	—	**0.8**
Allocated costs	**(3.5)**	**(2.3)**	**(5.8)**
Operating loss	**(2.7)**	**(2.3)**	**(5.0)**
Continuing operations only			
Revenue	**11.9**	—	**11.9**
Costs	**(10.9)**	—	**(10.9)**
Other income	—	—	—
Operating contribution	**1.0**	—	**1.0**
Allocated costs	**(3.5)**	**(0.3)**	**(3.8)**
Operating loss	**(2.5)**	**(0.3)**	**(2.8)**

2014	Underlying loss before tax £m	Total adjusting items £m	Reported loss before tax £m
Revenue	13.5	—	13.5
Costs	(11.7)	—	(11.7)
Other income	—	—	—
Operating contribution	1.8	—	1.8
Allocated costs	(3.5)	(0.3)	(3.8)
Operating loss	(1.7)	(0.3)	(2.0)

Total revenue for the Financial Services division grew by 11.9% from £13.5 million to £15.1 million. This includes a full year of revenue for Charles Stanley Pan Asset which was acquired in December 2013. Excluding assets Held for sale (Charles Stanley Financial Solutions), revenues grew 19.0% to £11.9 million (2014: £10.0 million). An analysis of revenue by business is given on page 33.

Financial Services Division revenue



2015	Financial planning and Wealth Management £m	EBS Management £m	Charles Stanley Pan Asset £m	Matterley £m	Charles Stanley Financial Solutions £m	Total £m
Revenue	**5.6**	**2.4**	**1.3**	**2.6**	**3.2**	**15.1**
Direct costs	**(4.4)**	**(2.2)**	**(1.4)**	**(2.6)**	**(3.4)**	**(14.0)**
Operating contribution	**1.2**	**0.2**	**(0.1)**	**—**	**(0.2)**	**1.1**
Allocated costs						**(3.8)**
Underlying loss before tax						**(2.7)**
2014						
Revenue	4.8	2.3	0.6	2.3	3.5	13.5
Direct costs	(3.5)	(1.9)	(0.5)	(1.8)	(4.0)	(11.7)
Operating contribution	1.3	0.4	0.1	0.5	(0.5)	1.8
Allocated costs						(3.5)
Underlying loss before tax						(1.7)

Financial Planning and Wealth Management

The Financial Planning and Wealth Management department has increased its gross revenue by 16.7% over the year from £4.8 million to £5.6 million. This is a satisfactory result despite trail commission being replaced by adviser charging and customer agreed remuneration. We have addressed the issues raised by the RDR and believe the business is well placed to face the challenges presented, such as the changes to pension scheme regulations.

Direct costs in the business increased by £0.9 million to £4.4 million (2014: £3.5 million), as a result of increased employment costs arising from the recruitment of a number of senior financial planners into the division to grow the business. Consequently, the operating contribution has decreased by 7.7%.

EBS Management PLC

During 2015 EBS continued to achieve strong growth of schemes under administration, up 31.0% since 2014. Whilst this is the leading indicator of the health of the business, its revenues and profits lagged for two key reasons. First, the majority of the scheme growth came from lower margin white-labelled SIPPs which have had a negative impact on our average revenue per scheme under administration. We improved the pricing on a number of our schemes toward the end of the financial year which will drive revenues more strongly in the future. Secondly, we have had to recruit a number of additional staff to deal with both the sheer volume of additional schemes and all the changes brought about by the Government's overhaul of pension scheme legislation and flexibility of drawdown. In the upcoming year, the Group intends to invest in new systems for EBS at an estimated cost of approximately £0.4 million. With over 10,000 SIPPs and SSASs already under administration and with continued strong growth in scheme numbers despite almost no direct sales or marketing effort, EBS has the scale to merit this systems spend. The Board believes this investment will significantly improve EBS's operating efficiency, scalability and control environment, thereby supporting its continued development with significantly improved operating margins.

Charles Stanley Pan Asset Capital Management

Charles Stanley Pan Asset (PAN) made a full year's contribution of revenue for the first time in 2015 of £1.3 million, having been acquired in December 2013. Planned cost savings have begun to be realised now that the team has been integrated with the rest of the Group's Investment Management operations.

A proportion of the consideration for PAN was paid in December 2014 and a further amount is payable in June 2015. The amount payable is contingent upon PAN's FuMA being above £500 million. As at 31 December 2014, the FuMA was £488 million which was below the required amount, therefore no deferred consideration was paid on that date. As at 31 March 2015, PAN's FuMA was £512 million, upon which we anticipate £40,000 will be payable in June 2015. We will continue to monitor the FuMA up to the due date in June 2015.

Matterley

Matterley manages a range of open ended investment funds, predominantly targeted internally either toward smaller clients to provide them with proper asset diversification in a cost efficient fashion or to meet specific needs (for example the UK & International Growth Fund which is managed by our successful Court of Protection team).

During the year the Matterley Undervalued Assets Fund was sold to Miton Group for an initial consideration of £0.75 million and a deferred payment based on the Assets under Management (AuM) of the Fund. As at 31 March 2015, we have recognised a deferred payment of £0.45 million based on its AuM at that date.

Excluding the Undervalued Assets Fund, the Matterley funds have seen growth of 19.6% since the previous year, with notable growth in the UK & International Growth fund.

	March 2015 £m	March 2014 £m	Growth
FP Matterley Regular High Income Fund	**69.9**	59.5	17.5%
FP Matterley Equity Fund	**10.7**	10.7	—
FP Matterley International Growth Fund	**19.8**	16.7	18.6%
FP Matterley UK & International Growth Fund	**100.1**	80.7	24.0%
FP Matterley Undervalued Assets Fund	**—**	92.7	(100.0%)
Total	**200.5**	260.3	(23.0%)

Since the year-end, we have launched the Matterley Bond Opportunities Fund. This Fund, co-run by Peter Geikie-Cobb and Jeremy Palliser, aims to achieve a total return of 5-6%, combining both income and capital growth along with downside protection strategies. The Fund will invest predominantly in highly liquid investments and is an Absolute Return Bond Fund.

Charles Stanley Financial Solutions Limited

Charles Stanley Financial Solutions' revenues declined marginally during the year from £3.5 million in 2014 to £3.2 million in 2015.

Although we have every confidence that the business is well positioned to serve its client base, it faces potential headwinds in relation to the capping of pension charges and removal of pensions commissions from April 2016. We have decided that the company does not have the desired degree of commonality with our core Investment Management and Financial Planning services, so consequently it is now Held for sale.

Charles Stanley Direct

Charles Stanley Direct currently generates revenue from the following:

- Direct to client (D2C) platform;
- Manage Fidelity's share-trading contract; and
- Garrison business.

Charles Stanley Direct is our full service direct-to-client digital investment platform. It has been well received by the market since its launch in March 2013, and most recently won the Leading Innovator in Consumer Platforms award at the Aberdeen UK Platform Awards 2014. Since January 2015, the management structure has been overhauled and costs in the business have been closely reviewed. The period of high start-up costs has now passed and the operational gearing has been improved significantly.

Charles Stanley Direct's financial performance for the year ended 31 March 2015 is shown below:

2015	Underlying loss before tax £m	Adjusting items £m	Reported loss before tax £m
Revenue	**4.8**	**—**	**4.8**
Costs	**(4.7)**	**(0.1)**	**(4.8)**
Other income	**—**	**—**	**—**
Operating contribution	**0.1**	**(0.1)**	**—**
Allocated costs	**(2.0)**	**(3.8)**	**(5.8)**
Operating loss	**(1.9)**	**(3.9)**	**(5.8)**
2014	£m	£m	£m
Revenue	3.5	—	3.5
Costs	(2.8)	(1.3)	(4.1)
Other income	—	—	—
Operating contribution	0.7	(1.3)	(0.6)
Allocated costs	(2.8)	—	(2.8)
Operating loss	(2.1)	(1.3)	(3.4)

Revenues in the business have increased by 37.1% with some 7,141 new accounts opened in the year, taking the total to 20,595. Average client size is steadily improving at £63,000 per client. Underlying direct operating costs have increased year on year from £2.8 million in 2014 to £4.7 million; however, allocated costs have decreased by 28.6%. After allocated costs, the division reported an underlying operating loss of £1.9 million (2014: £2.1 million). The total Assets under Administration stood at £1.6 billion as at 31 March 2015 (2014: £1.4 billion).

Costs in the business have been significantly addressed in 2015 and stabilised and the website has been reworked in closer alignment with the Charles Stanley Group with new brochureware offering a cleaner message to new clients. The service is already seeing greater interaction and improved client journeys to registration as a result. New client acquisition is served by a digital marketing strategy encompassing paid search, display advertising, re-targeting and social media advertising as well as by internal broker and Garrison transfers.

The service desk in Edinburgh and the investment helpdesk in Beverley continue to handle significant numbers of client calls on a monthly basis, as well as handling a large amount of the administration functions for the service. Digital efficiencies continue to be sought in the service centre processes and this efficiency drive will continue in the upcoming financial year. The progress that has been made to date has been pleasing.

The Board has conducted a thorough review of the carrying value of the goodwill relating to Charles Stanley Direct and in particular its Garrison Investment Analysis business. It had been decided that an appropriate write down of goodwill associated with Charles Stanley Direct is £3.0 million leaving a residual value of £5.2 million.

Charles Stanley Securities

Charles Stanley Securities provides advisory, broking and corporate finance services for the smaller and mid-cap sector. It has experienced a decrease in revenue of 44.2% from £14.7 million in 2014 to £8.2 million in the current financial year primarily as a result of reduced corporate finance fees as well as lower secondary commissions in equity and bond trading. Although its costs have fallen as variable remuneration paid to staff has been reduced significantly, the decline in revenues has led to the division declaring a loss for the year of £1.7 million (2014: profit £1.1 million).

2015	Underlying profit/(loss) before tax £m
Total (Continuing and Held for sale)	
Revenue	**8.2**
Cost	**(8.2)**
Other income	**—**
Operating contribution	**—**
Allocated costs	**(1.7)**
Operating loss	**(1.7)**
Continuing operations	
Revenue	**2.7**
Costs	**(2.2)**
Other income	**—**
Operating contribution	**0.5**
Allocated costs	**(0.6)**
Operating loss	**(0.1)**

2014	£m
Revenue	14.7
Costs	(11.1)
Other income	—
Operating contribution	3.6
Allocated costs	(2.5)
Operating profit	1.1

As part of its strategic review of the Group, the Board concluded that Charles Stanley Securities was not a part of the core activities of the Group. In June the Group announced contracts had been exchanged with Panmure Gordon (UK) Limited for the sale of the divison excluding the Equities Trading business. For this reason the division is treated as a discontinued activity and included as an asset Held for sale in our accounts for the year ended 31 March 2015.

FINANCIAL POSITION

Charles Stanley & Co. Limited (CSC) is an IFPRU 125K Limited Licence firm regulated by the Financial Conduct Authority (FCA), and the consolidated regulatory capital position is shown as though the Group was subject to the same regime. At 31 March 2015, the Group had regulatory capital resources of £37.7 million as shown in the table below:

	2015 £'000	2014 £'000
Tier 1 capital resources	**67,291**	83,403
Prudential deduction*	**(29,561)**	(35,286)
Total capital resources	**37,730**	48,117

*Prudential deductions include all intangible assets and certain deferred tax assets.

The Group monitors a range of capital and liquidity statistics on a daily, weekly or monthly basis. The Group's internal risk appetite is to maintain capital levels of at least 125% of the regulatory capital requirement. Capital levels fell below this internal target level during the year to 31 March 2015, arising from adverse trading results and movements in the defined benefit pension scheme. The Group's capital position was strengthened following the capital-raising in April 2015, and the Group continues to monitor capital levels carefully. The Group maintained a surplus of regulatory capital at all times during the year.

As required under FCA rules, the Group maintains an Internal Capital Adequacy Assessment Process (ICAAP), which includes performing a range of stress tests to determine the appropriate level of regulatory capital and liquidity that the Group needs to hold. The last review conducted and signed off by the Board was in April 2015. The ICAAP process includes the performance of a number of stress tests to determine the appropriate levels of regulatory capital and liquidity that the Group needs to hold. Capital forecasts are performed monthly and take into account expected dividends and intangible asset acquisitions and disposals as well as expected trading results.

The Group's Pillar III disclosures are published annually on our website (www.charles-stanley.co.uk/investor-relations/pillar-3-disclosure) and provide further details about regulatory capital resources and requirements.

Intangible assets

Intangible assets arise principally from acquired Funds under Management and are categorised as client relationships. Goodwill arises on consolidation. At 31 March 2015, the total carrying value of intangible assets was £29.1 million (2014: £35.3 million). This figure includes £3.0 million disclosed as Held for sale assets. During the year £1.6 million in customer relationships and £2.6 million of internally generated software were capitalised. No goodwill was acquired during the year or in 2014.

Client relationship intangibles are amortised over the estimated useful life of the client relationship – 10 years.

Goodwill arising from business combinations is not amortised, but is subject to an annual impairment test. Following this review impairment charges have been allocated against goodwill, including £1.5 million in respect of the Durlacher business, £0.3 million in respect of PAN Asset, £2.0 million in respect of Charles Stanley Financial Solutions and the Plymouth employee benefits business, and £3.0 million in respect of Charles Stanley Direct.

Further details on the Group's intangibles are provided in note 14.

Capital expenditure

During the year the Group has continued to invest in its infrastructure, principally through the enhancement of ICT infrastructure through purchase of enhanced mainframe systems (£1.6 million) and the refurbishment of our offices (£0.9 million). Improving the systems continues to be a focus of the Group, whether through improving existing systems or investing in new ones.

Further details on the Group's capital expenditure are provided in note 15.

Defined benefit pension scheme

The Group operates one defined benefit pension scheme, which has been closed to new members for several years. Each year actuarial valuations are carried out based on the position at 31 March 2015.

The fall in discount rates used to value the scheme's liabilities has outweighed growth in asset prices during the year. As a result the scheme deficit increased to £13.1 million at 31 March 2015 (2014: £6.9 million).

The Group has established a working party to examine the extent that pension risk can be mitigated, and expects to take positive steps in this regard during the current financial year.

Further details on the Group's defined benefit pension scheme and the assumptions underpinning the valuation are provided in note 9.

Cash at bank

Risk targets have been set to help the Group monitor the bank balances (see risks and uncertainties below). The Group experienced downward pressure on its cash balances during the year, arising from the adverse trading results noted above. Bank balances are monitored daily and forecast to ensure they do not fall below £25 million. Cash balances were £28.5 million at 31 March 2015 and strengthened post year-end following the capital raising referred to above.

The Group regularly reviews the counterparties with whom it holds both client and its own monies and determines that all operations are in accordance with the policy set by the Treasury Committee.

RISKS AND UNCERTAINTIES

A Board Risk Committee comprising two independent Non-executive Directors was formed. In addition a Chief Risk Officer was appointed reporting to the Risk Committee and the Chief Executive Officer.

The Board has developed and approved a Risk Appetite Statement (RAS). The RAS is a core component to the Group's risk management framework and was developed taking into consideration the Group's strategic objectives, strategy and business plans. This new level of RAS articulation is driving the implementation of more robust risk monitoring and risk reporting process, which continue to evolve. As the Group implements these processes, the Board will periodically review the RAS to ensure that it continues to reflect the risk appetite of the Group.

The RAS sets out the Group's tolerance to various types of risk and includes both quantitative and qualitative measures against which management and Board monitor risk on a periodic basis.

Set out on the next two pages are the key risks relevant to the Group's long term performance.

RISK	DESCRIPTION
Financial risk	Charles Stanley is committed to maintaining its financial strength in order to support its business objectives, meeting its regulatory capital requirements and providing shareholders with an acceptable return on their investment.
Acquisition/ divestment risk	At present Charles Stanley has no acquisition plans; it is recognised that the Group may be subject to acquisition-related risks in the future. As the Group re-structures around its core wealth management strategy, certain peripheral activities and teams may be divested during 2015.
Customer outcome risk	Treating customers fairly and achieving the right outcome for our customers is of paramount importance to the Group.

	KEY MITIGANTS AND CONTROLS
	To achieve the Group's financial goals the following targets have been set: ■ Return on Equity – 4% for 2016 rising to 7% in 2017; ■ Cash balances – £25m; ■ Regulatory Capital – 125% of the requirement + pension risk; and ■ Dividend Cover – 2x earnings per Ordinary Share. These are monitored by the Board on a regular basis.
	Any proposed acquisition should offer an immediate and sustainable increase in the Group's market share in the local or national market and have minimal execution risks associated with it and allow the Group to maintain conservative levels of liquidity and capital. A number of specific quantitative and qualitative parameters are used to assess the appropriateness of potential new acquisitions and divestments: ■ Target operational cash breakeven point should not be expected to exceed 18 months; ■ Number of "significant" acquisitions should not generally exceed three deals per 18 months; ■ The target company should not be involved in any potential or existing litigation, which the Group's management consider to be unmanageable or which could impact on the Group's reputation and/or acquisition criteria; and ■ Divestments should fit in with the Group's strategy and aim to maximise the profit and loss impact whilst reducing the Group's capital requirements. In particular, attention should be paid to any long term risks and liabilities which might remain after the divestment.
	All clients are risk-profiled to ensure the Group clearly defines, agrees and manages its clients' portfolios in accordance with these risk profiles and investment objectives. Suitability is a major focus for the Group which has quality assurance processes in place to assess suitability reviews performed by its investment managers. Careful monitoring of investment decision making against the risk profile helps to ensure it achieves appropriate and suitable outcomes. The Group measures these outcomes in a number of ways including: ■ Number and nature of complaints; ■ Internal client suitability file reviews; and ■ Customer surveys.

RISK	DESCRIPTION
Operational risk	Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group operates in a business environment that is subject to significant technological, regulatory and economic changes.
Fraud risk	Fraud is one of the key risks the Group is exposed to and it includes, but is not limited to, incidents such as the following: external cyber-attacks, identity fraud and broker fraud. Charles Stanley is part of a cross-industry effort to combat fraudulent activity. Data-sharing initiatives have provided us with valuable intelligence to assist us in protecting our franchise and our clients.
Financial crime risk	Financial crime risk is the risk of reduction in earnings and / or value, through financial or reputational loss, associated with financial crime and failure to comply with related regulatory obligations. These losses may include censure, fines or the cost of litigation. This includes risks associated with money laundering, market abuse, sanctions breaches, fraud, bribery and adverse media through monitoring of the client base.
People risk	The Group recognises that its reputation and financial success is dependent on the performance of its people. Charles Stanley personnel establish and maintain close relationships with its clients and the loss of key personnel can have a significant impact on the Group from an operational, reputational and financial perspective.
Credit and counterparty risk	Charles Stanley is exposed to credit risk through the potential failure of its clients or counterparties to fulfil their contractual obligations.

	KEY MITIGANTS AND CONTROLS
	Insurance cover is in place, which is reviewed on an annual basis to ensure that the amount of cover is appropriate to manage the impact of operational losses against the Group's capital reserves. The Group records and monitors its operational losses and near misses. Management is required to notify the Board of all significant operational incidents. Furthermore, management regularly reports to the Board in relation to the total dealing and trading losses.
	The Group operates a number of IT platforms which have controls in place designed to prevent cyber-attacks, phishing and other relatively common occurrences. Whilst the Group has no appetite for any fraud-related incident, it recognises that certain attempts at fraud (i.e. those relating to external fraud) may be outside of its control. Consequently, specific risk parameters in relation to fraud are in place, which drive monitoring and reporting to the Board: ■ In relation to internal fraud, the Board will be made aware of all instances of internal fraud attempts (whether successful or not) and any incidents; and ■ In relation to external fraud, the Board will be made aware of any unusual (but unsuccessful) external fraud attempt as well as all successful attempts.
	The Compliance Committee serves as the principal forum for reviewing and challenging the management of financial crime risk including the overall strategy and performance and engagement with financial crime authorities. The Compliance Committee is accountable for ensuring that, at Group level, financial crime risks are effectively identified and managed within risk appetite and that strategies for financial crime prevention are effectively coordinated and implemented across the Group.
	Charles Stanley has historically had low levels of staff turnover but key departures may be symptomatic of more fundamental issues within the organisation that require attention. Senior level departures will consequently trigger a formal exit review assessment.
	The Group's Treasury Committee is responsible for the initial assessment and ongoing monitoring of deposit taking counterparties and the Board has defined the following criteria, which govern how management manages the Group's credit and counterparty risk: ■ Assets will only be placed and maintained with counterparties (i.e. authorised institutions or groups) that are deemed to be financially sound as determined by Charles Stanley's Treasury Committee; ■ Client and Group cash held at any individual counterparty group or authorised institution should not exceed its respective counterparty limit set by the Treasury Committee unless a written approval has been provided by the Treasury Committee; The Market Exposure Committee (MEC) is responsible for the Group's market exposure. In particular it is responsible for counterparty limits for the purpose of trading; ■ Counterparties with no set trading limits will be assessed on an individual basis at the time of the trade by the MEC; and ■ Breaches of any of these counterparty trading limits without approval will be escalated immediately to the MEC.

RISK	DESCRIPTION
Market risk	Charles Stanley does not undertake any propriety trading other than that arising from incidental dealing errors and therefore takes no market risk. Losses in relation to dealing errors are captured as operational losses.
Pension risk	Charles Stanley continues to support a defined benefit (DB) pension scheme which accordingly exposes the firm to pension risk. The scheme is closed to new members and is regularly reviewed for viability.
Regulatory risk	Charles Stanley operates in a heavily regulated financial services sector. Compliance with regulation is paramount to the Group, and management recognises that the Group undertakes numerous control-related activities to manage the Group's regulatory risk.
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 its existing client base, which could possibly lead to financial loss.
Conduct risk	The Group's conduct starts with 'the tone at the top' which is reflected in the standard of conduct which employees and associates hold themselves to. Conduct risk has been a major theme across the financial services industry and is at the heart of everything the Group does.

KEY MITIGANTS AND CONTROLS
N/A
The pension deficit level is monitored regularly and currently stands at £13.1 million. Macroeconomic factors (e.g. long term bond yields) are also monitored and persistently negative macroeconomic trends that could impact on the DB scheme's investment performance are reported to the Board. The Risk Committee has set up a working group to take appropriate steps to mitigate future liabilities.
Management monitors developments in regulation, assesses the impact on the business and implements any changes that will be required to meet those requirements and ensure that the Group's capital levels meet or exceed the regulatory requirements. Periodic reviews are conducted internally to reduce the likelihood of significant regulatory breaches, which could result in regulatory censure or fines.
The risk is monitored and managed by an emphasis on compliance with all aspects of relevant regulation.
In order to evidence good conduct the Board has established a governance framework flowing down to the Board committees and management processes which are designed to ensure that appropriate controls, checks and balances are in place with safety valves where decisions and processes can be challenged.

FUTURE DEVELOPMENTS

Charles Stanley has an enviable track record in relation to the quality and breadth of its private client wealth management services, its commitment to innovation and the scale of its operations. However, as the financial results for the past financial year show, its strategy and business model has failed to keep pace profitably with the challenges the external environment has posed in the form of increased competition, greater complexity in achieving clients' financial requirements and increased regulation.

Although the basic steps to return the Group to a sustainable level of profitability are not complex focus on core strengths, eliminate loss making activities, increase revenues and control costs – the timescale for enacting them is likely to be a number of years because both client and staff relationships have to be managed sensitively. Moving too quickly on certain aspects will raise just as many risks as moving too slowly.

Having made changes to the management team, strengthened our balance sheet and defined our strategy, our focus over the next twelve months will be on execution. In particular we will:

- Review our pricing architecture in conjunction with our service levels;
- Review our compensation and incentivisation arrangements to ensure alignment of interests between client outcomes, shareholder returns and staff engagement;
- Work to improve the co-ordination of the range of our activities, both front and back office, to improve client service and drive operating efficiencies; and
- Dispose of our non-core activities, Charles Stanley Securities and Charles Stanley Financial Solutions.

CORPORATE AND SOCIAL RESPONSIBILITY

The Corporate and Social Responsibility Report on pages 75 to 80 includes information on environmental matters, employees, charitable motives and community issues.

Approval

This report in its entirety has been approved by the Board of Directors and signed on its behalf by:

Paul Abberley Chief Executive Officer	Ben Money-Coutts Chief Financial Officer

18 June 2015

DIRECTORS' REPORT

The Directors submit their report and financial statements for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company and its Group undertakings operate as investment companies and provide investment management services, financial planning, pension administration and corporate finance advice. The Company is a public limited company listed on the London Stock Exchange. A review of the business is set out on pages 10 and 11 in the Strategic Report, which is incorporated by reference into this report.

DIVIDENDS

The Directors have declared and now recommend the following dividends in respect of the year ended 31 March 2015:

	2015 £	2014 £
Interim dividend paid on 31 December 2014 of 3.00p (2014: 3.00p)	1,370,069	1,357,411
Final dividend proposed of 2.00p (2014: 9.25p)	919,239	4,223,200
	2,289,308	5,580,611

In April 2015 the Group undertook a fund raising which raised £15.8 million. This increased the fully paid ordinary shares to 50,565,652 that will be eligible for the final proposed dividend.

The final dividend will be paid on 5 August 2015 to shareholders on the Company's register at close of business on 26 June 2015.

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 2015, 45,961,935 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 FCA 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; and
- no person holds securities in the Company carrying special rights with regard to control of the Company.

CONTROLLING SHAREHOLDER

Sir David Howard, his family and connected interests are able to exercise votes over more than 30% of the total issued capital they are deemed to be a controlling shareholder under the Listing Rules (LR) of the Financial Conduct Authority. In accordance with the requirements of the LR the Board confirms that:

1. the Company has entered into a Relationship Agreement as required by LR 9.2.2AR (2)(a) (the Agreement);
2. (i) the Company has complied with the independence provisions included in the Agreement during the period under review;

   (ii) so far as the Company is aware, the independence provisions included in the Agreement have been complied with during the period under review by the controlling shareholder and or any of its associates; and

(iii) so far as the Company is aware, the procurement obligation included in the Agreement has been complied with during the period under review by the controlling shareholder.

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 Executive Directors has options as detailed in the Directors' Remuneration Report on page 72, which are exercisable from January 2018 should the options vest subject to the performance conditions pursuant to the Long Term Incentive Scheme. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance 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 15 in the Notice of Meeting) to renew the authority granted to them at the Annual General Meeting held in 2014 to allot equity securities up to an aggregate nominal value of £4,213,804 (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 2016, whichever is the earliest.

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 2015. Subject to the terms of section 560 of the Companies Act 2006, the Directors recommend (Resolution 16 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 2016, 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 10% of the ordinary share capital issued at the date of this report.

The Directors recommend that you vote in favour of Resolutions 15 and 16 to maintain the Company's flexibility in relation to future share issues.

DIRECTORS

The Directors of the Company at the year-end were Paul Abberley, Michael Clark, Michael Lilwall, Anthony Scott, Gary Teper, Sir David Howard*, Bridget Guerin** and David Pusinelli**. Ben Money-Coutts became a Director on 10 June 2015. Other than for Michael Clark (who resigned on 31 March 2015) their biographies are set out on pages 51 and 52. James Rawlingson resigned as a Director of the Company on 7 January 2015. In accordance with the UK Corporate Governance Code, all the Directors have agreed to voluntarily retire from the Board at the Annual General Meeting and, being eligible, will offer themselves for re-election by the members. Paul Abberley, Anthony Scott and Ben Money-Coutts will be standing for election by the members.

* Non-executive Chairman from 1 January 2015

**Independent Non-executive Directors

All Directors have received continuing professional development training during the year regarding matters pertaining to their roles and responsibilities as Directors. The content of such training is kept under constant review, responding to changing needs as they are identified.

Directors' interests in the shares of Charles Stanley Group PLC are disclosed in the Directors' Remuneration Report on page 74.

At 31 March 2015, the Directors had the authority to purchase 4,562,824 of ordinary shares in the capital of the Company. This authority was not exercised during the year.

From 1 October 2008, a Director has had a statutory duty to avoid a situation in which he or she has, or can have, an interest that conflicts or possibly may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other Directors. The Articles of Association include the relevant authorisation for Directors to approve such conflicts.The Directors confirm that there are procedures in place to deal with Directors' conflicts and they have operated effectively through the year. None of the Directors had, either during or at the end of the year, any material interest in any contract of significance with the Company or its subsidiaries.

TAXATION STATUS

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

POLITICAL DONATIONS AND EXPENDITURE

There were no political donations or expenditure by any Group company (2014: £nil).

REPORT ON GREENHOUSE GAS EMISSIONS

Details of the Group's emissions are contained in the Corporate Social Responsibility Report on page 79.

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.

SUBSTANTIAL SHARE INTERESTS

As at 31 March 2015 the substantial interests in shares of Charles Stanley Group PLC were:

	No. of shares at 31.3.15	% of total voting rights
Sir David Howard	10,707,719	23.29
John L S Howard	4,710,515	10.24
Aberforth Partners LLP	3,299,439	7.18
J O Hambro Capital Management Limited	2,874,474	6.25
Schroder Investment Management	2,828,713	6.15
Liontrust Asset Management	2,450,542	5.33
Queen Street Securities Limited (a company of which Sir David Howard is a Director)	2,102,500	4.57

On 17 April 2015, the Company issued 4,596,000 ordinary shares in a placing. As a result the substantial interests in the shares of Charles Stanley Group PLC are as follows:

	No. of shares at 27.5.15	%of total voting rights
Sir David Howard	10,707,719	21.17
Aberforth Partners LLP	5,803,588	11.48
John L S Howard	4,710,515	9.32
Schroder Investment Management	3,103,713	6.14
J O Hambro Capital Management Limited	3,059,047	6.05
Liontrust Asset Management	2,695,544	5.33
Queen Street Securities Limited (a company of which Sir David Howard is a Director)	2,102,500	4.16

The Company received one notification in accordance with FCA Disclosure and Transparency Rule 5.1.2:

The Wellcome Trust Limited, as Trustee of the Wellcome Trust (part of the Aberforth Partners LLP holding listed above) on 17 April 2015 had increased its holding to 3.20% of the issued share capital.

AUDITORS

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.

CORPORATE GOVERNANCE STATEMENT

Rule DTR 7.2.1 of the Disclosure and Transparency Rules requires the Group's disclosures on Corporate governance to be included in the Directors' report. This information is presented on page 81 and the information in that section is incorporated by reference into this Directors' report and is deemed to form part of this report.

By Order of the Board
Julie M Ung
Secretary

18 June 2015

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.

EXECUTIVE DIRECTORS

Paul Abberley BA (Hons) (appointed 19 December 2014)
Paul Abberley, 56, was appointed to the Board and became Chief Executive Officer, following regulatory approval on 19 December 2014. A graduate of Keble College, Oxford, Paul joined Charles Stanley as Chief Investment Officer in June 2014. Prior to this appointment Paul was the interim Chief Executive Officer of Aviva Investors Holdings Ltd and Aviva Investors Global Services Ltd, and a member of the Aviva Group Executive Committee, leading a series of strategic realignments with Aviva Investors Holdings Ltd where he had worked since 2008. Prior to Aviva Investors, Paul spent eight years at ABN AMRO Asset Management as Chief Investment Officer for the Company's Fixed Income and Investment Solutions Division as well as being Chairman of the Company's London Board and a member of the Global Executive Management Team.

Michael Lilwall BSc (Hons), Chartered FCSI
Michael Lilwall, 57, joined Charles Stanley as a Director in 1997. He is responsible for the Financial Services Division, Charles Stanley Securities and Charles Stanley Direct. He takes an active role in business development for the Group. Previously he was Chief Executive Officer 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.

Ben Money-Coutts BA (Hons), ACA (appointed 10 June 2015)
Ben Money-Coutts, 53, was appointed as Chief Financial Officer on 19 March 2015 and following regulatory approval was appointed as a Director on 10 June 2015. Ben joined Charles Stanley in May 2013 from Saltus Partners LLP where, since 2007, he had been a Partner, Chief Financial Officer and Chief Operating Officer. Prior to Saltus LLP Ben was Head of Corporate Broking at Bridgewell Securities. He qualified as an ACA at Arthur Andersen, worked at Charterhouse from 1987 to 2000 and was then a Corporate Finance Managing Director at ING Barings from 2000 to 2003. His role at Charles Stanley in the past 18 months has included acting as Chief Operating Officer of the Charles Stanley Financial Services division and separately as interim Group Head of Compliance.

Anthony Scott Chartered FCSI
Anthony Scott, 50, joined Charles Stanley in June 1999 after a career in the Army, which he left as a Captain, and seven years working for the Swire Group in the Far East. He was appointed to the Board of Charles Stanley & Co. Limited in July 2012 and then Charles Stanley Group PLC in April 2014 as Head of Investment Management for the Group. Anthony has worked in the Asset Management department since he joined Charles Stanley and prior to this appointment managed a team of six, looking after charities, private clients and the Inheritance Tax Portfolio Service. In his spare time he is Deputy Chairman of St. Andrew's Club, the world's oldest established youth club, based in Westminster.

Gary Teper LLB (Hons), MSc, MCSI
Gary Teper, 42, joined Charles Stanley in November 1998. In 2000 he was appointed Group Company Secretary, in 2005 he was appointed a Director of Charles Stanley & Co. Limited and in July 2012 he was appointed to the Board of Charles Stanley Group PLC. Gary is a qualified solicitor and has an MSc in Financial Regulation. He is responsible for the branch network and Legal, Human Resources (HR) and Training functions.

NON-EXECUTIVE DIRECTORS

Sir David Howard Bt. MA, DSc, FCSI (Hon)
Non-executive Chairman
Sir David, 69, joined Charles Stanley in 1967. He became Managing Partner in 1971, Managing Director in 1988 and Chairman in 1999. He was Lord Mayor of London in 2000-2001. He has served as a Director of the Chartered Institute for Securities & Investment (CISI) and on Stock Exchange, CREST and LIFFE committees. He has also served as a Director of the Financial Services Skills Council, as Chairman of the Council of City University, as President of the Chartered Management Institute and as Chairman of the CISI Examinations Board. He is an alternate member of the Takeover Panel and serves on the CREST Settlements Appeals Panel. He is a Director of The Wealth Management Association (the private client stockbrokers' trade association).

NON-EXECUTIVE DIRECTORS


SIR DAVID HOWARD


BRIDGET GUERIN


DAVID PUSINELLI

EXECUTIVE DIRECTORS


PAUL ABBERLEY


MICHAEL LILWALL


BEN MONEY-COUTTS


ANTHONY SCOTT


GARY TEPER

Bridget Guerin MA (Cantab)
Independent Non-executive Director
Bridget Guerin, 53, joined Charles Stanley as a Non-executive Director in September 2012. She has over 30 years of experience in the financial services industry, most recently serving as a Director of Matrix Group Limited. Prior to that Bridget was Marketing Director of Schroder Unit Trusts Limited. Bridget is Chair of the Charles Stanley Group Remuneration and Risk Committees. Other appointments include Mobeus Income & Growth VCT, Schroder Income Growth Fund PLC, Cantab Quantitative Fund, Cantab Core Macro Fund and Cantab Capital LTIP Limited. She is also a member of the York Race Committee and a trustee of the York Racecourse Pension Fund.

David Pusinelli MA (Oxon), ACA
Independent Non-executive Director
David Pusinelli, 58, joined Charles Stanley as a Non-executive Director in September 2012. He is the Senior Independent Director and Chairman of both the Audit and Nomination Committees. David has extensive experience within the financial services sector, qualifying as an ACA at Coopers & Lybrand before joining Close Brothers Group plc in 1986. From 2002 to 2008 he served on the main Board of Close Brothers as Director of Corporate Development. He also held Directorships in the asset management, banking, corporate finance and securities divisions.

James Rawlingson resigned as a Director of the Company on 7 January 2015. Michael Clark resigned as a Director of the Company at the year-end on 31 March 2015.

Secretary
Julie M Ung

Company registration number
48796 (England and Wales)

Registered office
25 Luke Street, London, EC2A 4AR

Websites
www.charles-stanley.co.uk
- Our main site
- Investor relations

www.csysecurities.com
- Institutional sales and corporate broking

www.cs-d.co.uk
- Online trading funds and shares

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

www.charles-stanley.co.uk/employee-benefits
- Corporate benefits and employee wealth management services

www.charles-stanley.co.uk/matterley
- Equity investment for retail and institutional clients

www.charles-stanley.co.uk/intermediaries
- Intermediary focused discretionary investment management

www.garrison.co.uk
- Investment products on an execution only basis and VCTs

www.charles-stanley.co.uk/pan-asset
- Passive asset allocation advice

Registrars
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Northern House, Woodsome Park,
Fenay Bridge,
Huddersfield, HD8 0GA

Principal bankers
Bank of Scotland
New Uberior House,
11 Earl Grey Street,
Edinburgh EH3 9BN

Auditors
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Chartered Accountants
15 Canada Square,
London, E14 5GL

Brokers
Canaccord Genuity
88 Wood Street,
London, EC2V 7QR

Peel Hunt LLP
Moor House,
120 London Wall,
London, EC2Y 5ET

DIRECTORS' REMUNERATION REPORT

Dear Shareholder

I am pleased to introduce the Remuneration Report for the financial year ended 31 March 2015.

The Remuneration Committee aims that our Directors' remuneration should:

- be aligned with the interests of shareholders, with a significant proportion of Executive Director remuneration being performance-related to areas which impact shareholder value;
- be competitive, but not excessive in relation to other relevant peer companies;
- take into account Group-wide pay and employment conditions; and
- not encourage the taking of risks which fall outside the Board's risk appetite.

At last year's Annual General Meeting (AGM), to reflect the new regulations, we tabled a new remuneration policy for shareholder approval which was designed to support these underlying aims. We were very pleased to receive strong support for this policy (with in excess of a 99% vote in favour).

Key new features of this policy included (i) a re-designed annual bonus plan and (ii) an entirely new long-term share-based incentive arrangement (i.e. the Performance Share Plan (PSP)).

Launching both of these new incentive arrangements would, even in the normal course, have presented challenges.

However, last year was not a "normal" year for Charles Stanley. There were a number of Directorship changes, all of which had ramifications from a remuneration perspective. In April 2014, Anthony Scott was appointed to the Board. In December 2014 Paul Abberley was appointed Chief Executive Officer, with Sir David Howard becoming Non-executive Chairman. In January 2015 Ben Money-Coutts assumed the role of interim Chief Financial Officer following the resignation of James Rawlingson. Ben's appointment as a main Board Director was formally approved by the FCA and he was appointed to the Board on 10 June 2015. Lastly, Michael Clark stepped down from the Board on 31st March 2015.

In addition, a significant amount of time and resources have been devoted during the year to improving investment management systems and controls. This project, together with challenging market conditions, resulted in a notable fall in commission income which in turn has contributed to a significant decline in profits.

It has been in this context that the Committee has approached the key decisions it has taken in connection with remuneration. These key decisions have included:

- agreeing the packages of Paul Abberley, Ben Money-Coutts and Anthony Scott;
- agreeing the fees for Sir David Howard as Non-executive Chairman;
- granting the first tranche of awards under the PSP. For various reasons, it was not possible to grant these awards until later in the financial year than was originally intended. In addition, it was agreed that Paul Abberley should receive an award over shares worth 100% of salary to reflect his appointment as Chief Executive Officer, with the other Executive Directors receiving awards over 50% of salary. These awards vest based on a blend of EPS and margin targets described in last year's Report which are tested based on performance delivered in 2016/17 and which are explained more fully in this Report;
- determining the outturn for 2014/15 under the main Executive Director bonus plan – annual bonus was based on adjusted PBT performance. No annual bonuses were paid to the Executive Directors for the year under this plan, although Anthony Scott received a payment under a legacy incentive arrangement in place prior to his appointment to the Board; and
- agreeing that there will be no increases to base salaries for the 2015/2016 financial year.

Finally, as I mention above, shareholders approved our remuneration policy at the last AGM. However, reflecting recent Board changes (e.g. Sir David Howard becoming the Non-executive Chairman) and to provide more general flexibility we are proposing to revise our policy with the primary change being to clarify the position on Non-executive Directors receiving benefits up to a prescribed cap of £25,000 per annum. The full policy incorporating the proposed change is set out below and will be proposed for vote at the 2015 AGM (with the implementation section of the report also to be voted on).

I hope you find this Report clear and will support the approach taken by the Committee. However, I would welcome any comments you may have.

Bridget Guerin
Remuneration Committee Chairman

18 June 2015

INTRODUCTION

We have presented this Report to reflect the reporting requirements on remuneration matters for companies, particularly Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report also describes how the Board has complied with the provisions set out in the UK Corporate Governance Code relating to remuneration matters.

At our 2015 AGM we will be holding two votes relating directly to this report: a vote on the Directors' Remuneration Policy as set out in the policy section of this Report, and a vote on the implementation section of this Report. The auditors have reported on certain parts of this Report and stated whether, in their opinion, those parts of the Report have been properly prepared in accordance with the Companies Act 2006. Those sections of the Report which have been subject to audit are clearly indicated.

DIRECTORS' REMUNERATION POLICY

Key features of the policy

The Directors' remuneration policy as set out in this section of the Report will take effect for all payments made to Directors from the date of the AGM on 31 July 2015 and replaces the policy for which shareholder approval was sought at the 2014 AGM (albeit that the only material change concerns Non-executive Directors benefits). The remuneration policy for Executive Directors is summarised in the table on page 70, along with the policy regarding Non-executive Directors' fees.

How the Committee takes account of wider pay issues when setting the policy

When setting Executive Director remuneration, the Committee takes into account Group-wide pay and employment conditions, along with market and commercial factors (although, reflecting prevailing commercial practice, the Committee does not consult with employees in preparing the Policy or its implementation). For example, when determining any base salary increases for Executive Directors, the Committee reviews the average Group-wide increase, paying particular attention to the senior manager population. The annual bonus opportunity of the Executive Directors is similar in a number of respects to the "discretionary" bonus opportunity of a significant number of other Group staff in that both personal performance and overall Group profitability shape payouts. However, only the Executive Directors' bonuses are subject to individual caps, mandatory share deferral and clawback/malus. Executive Directors are eligible to participate in the full range of Group benefits offered to employees. In addition, they are eligible for certain remuneration to which other employees are not eligible. For example, Executive Directors may receive a salary supplement in lieu of pension, which is not available to all other employees. In addition, Executive Directors are eligible to participate in the PSP, participation in which is not intended to be extended widely. However, all employees are eligible to participate in the all-employee share schemes described in the table below.

How shareholders' views are taken into account when setting the policy

Each year the Committee will take into account the approval levels of remuneration-related resolutions at the previous AGM when reviewing the current policy. More generally, the Committee will also seek to build an active and productive dialogue with investors on developments in the remuneration aspects of corporate governance and any changes to the Group's executive pay arrangements. In addition, in line with the Investment Association's Guidelines on responsible investment disclosure, the Committee is comfortable that the incentive structure for Executive Directors does not raise any environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

The Policy and the FCA Remuneration Code

The Committee will regularly review its remuneration policies to ensure compliance with the principles of the Remuneration Code of the UK financial services regulator, as applicable to Charles Stanley. The remuneration policy is designed to be consistent with the conservative management of risk and the sustained, long-term performance of the Group. The Committee believes that the remuneration policies neither encourage, nor reward, inappropriate risk-taking.

ELEMENT AND PURPOSE	POLICY AND OPERATION	OPPORTUNITY
Base salary This is the core element of pay and reflects the individual's role and position within the Group, with some adjustment to reflect their capability and contribution.	Base salaries are considered with account taken of levels paid by companies of similar size and complexity. However, the Committee does not strictly follow benchmark data but instead uses it as a reference point in considering, in its judgment, the appropriate level having regard to other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities. Base salary is paid monthly in cash.	Base salary levels will be formally reviewed at such times as the Committee considers appropriate. If any increases are made, it is expected that they will be in line with general workforce increases (save where a higher increase is necessary to reflect a significant change in role and/or responsibilities). Any base salary increases normally take effect from 1 October.
Benefits To provide other benefits valued by recipient.	Provide market competitive benefits in kind.	Details of the current benefits provided can be found to the right. The Committee reserves discretion to introduce new benefits where it concludes that it is in the interests of the Group to do so, having regard to the particular circumstances and to market practice. The Committee will monitor overall benefit costs and will ensure that they do not increase by more than the Committee considers to be appropriate in all the circumstances.

*This section does not technically form part of the policy and is for information only.

PERFORMANCE MEASURES	IMPLEMENTATION OF POLICY*
N/A	No increases to base salaries were made in 2014/2015 and none are proposed for 2015/2016. 2015/16 base salaries for the Executive Directors are as follows:
N/A	The benefits received by the Executive Directors comprise a car allowance, private medical cover and telephone. No changes were made to this element of remuneration in 2014/2015 and none are proposed for 2015/2016.

Paul Abberley	Michael Lilwall	Ben Money-Coutts	Gary Teper	Anthony Scott
£300,000	£273,700	£225,000	£230,000	£215,000

ELEMENT AND PURPOSE	POLICY AND OPERATION	OPPORTUNITY
Pension To aid retention and remain competitive within the market place.	Provide a competitive level of post-retirement benefits. The Executive Directors participate in money purchase arrangements. Contributions have been made into a SIPP for Anthony Scott and are taken as a salary supplement by other Directors.	Contributions to the pension arrangements may be reviewed when considered appropriate by the Committee.
Annual Bonus To incentivise Executive Directors to deliver against annual performance targets.	Annual bonus levels and the appropriateness of measures are reviewed annually to ensure they continue to support the Group's strategic goals. Bonus outcomes are paid in one tranche (less any deferred share award) following the year end. Any bonus earned in excess of 50% of salary under the main bonus plan is to be deferred into shares for a period of three years. During the period until vesting of deferred share awards, the numbers of shares awarded are increased by the value of dividends notionally payable in respect of the vesting shares. Malus/clawback provisions apply to amounts deferred which can be reduced in later years in exceptional circumstances such as (i) material misstatement of accounts, (ii) action that causes material reputational damage to the Group, and/or (iii) in the event of material regulatory censure.	To reflect the Group's strategic objective of driving growth and improved quality of profits, the core annual bonus plan is structured as a "profit pool" under which an agreed percentage of adjusted PBT can be distributed to the Executive Directors, with a portion of this distribution based upon performance against individual targets. There is a cap of 6% of adjusted PBT that can be allocated to the pool. In addition, no Executive Director may receive a bonus in excess of 100% of their salary under this plan. Due to the profit pool nature of the bonus, there is no prescribed amount of bonus that is payable for any particular level of performance. Adjusted PBT is defined as PBT adding back bonus pool accrual, the FSCS or similar levy and, in exceptional circumstances, any other items the Committee consider appropriate to reflect the underlying financial performance of the Group.

PERFORMANCE MEASURES	IMPLEMENTATION OF POLICY*
N/A	No changes were made to pension arrangements in 2014/15 and none are anticipated for 2015/16. The Executive Directors receive the following payments: Michael Lilwall – 25% of base salary Paul Abberley – 20% of base salary Ben Money-Coutts – 20% of base salary Anthony Scott – 20% of base salary Gary Teper – 20% of base salary
The performance measures applied may be financial or non-financial and corporate, divisional or individual. The annual bonus remains a discretionary arrangement and the Committee reserves discretion to adjust the out-turn should it consider that to be appropriate (albeit within the limits set out in this policy table).	**2014/15 Annual Bonus** At the start of the year the Remuneration Committee determined that the overall size of the bonus pool available for distribution under this plan to the Executive Directors was to be between 3% and 6% of adjusted PBT. 50% of this bonus pool was to be allocated across all the Executive Directors on an equal basis. The remaining 50% of the bonus pool (or such lesser amount as the Committee considered appropriate) was to be allocated to each Executive Director based upon their performance against pre-set individual performance objectives. As there was no adjusted profit no annual bonus pool was accrued or paid for 2014/15 under this plan. For information, the objectives against which the Directors were individually measured included effective contribution at Board level, the integration of a range of business units and the delivery of the project to revisit each client's objectives and circumstances (suitability). In addition to the above, and reflective of the Company's policy on internal recruits, Anthony Scott was entitled to participate in a legacy profit sharing arrangement relating to his previous role as an active Investment Manager prior to joining the Board and reflecting his continuing client relationship management responsibilities. He received a payment under this legacy arrangement which is described more fully below. **2015/16 Annual Bonus** The bonus will be operated in a similar manner to 2014/15 (i.e. a profit pool will be created worth up to 6% of adjusted profit which will be distributed based, in part, on performance against individual objectives). Given the nature of the individual objectives, they are considered commercially sensitive and are accordingly not disclosed in this Report (although they will relate to their contributions to delivering the targeted improvement in profitability and the delivery of the detailed plans built to guide the implementation of the corporate strategy). Further information regarding these targets will be included in next year's Report. Anthony Scott will also continue to participate in his legacy profit sharing arrangement for 2015/16 and 2016/17 (albeit at reducing levels of entitlement) at which point he will fully transition to the main board plan (with his legacy arrangement ceasing). Any payments he receives under this legacy plan may be taken into account when determining his bonus entitlement under the main plan.

ELEMENT AND PURPOSE	POLICY AND OPERATION	OPPORTUNITY
Long-Term Incentives To incentivise delivery of sustained performance over the long term, the Company operates the "Charles Stanley Performance Share Plan" (PSP).	Awards under the PSP may be in the form of nil-cost options, conditional awards (rights to receive shares for nil-cost) or cash-based "phantom" awards. During the period until vesting of awards, the numbers of shares awarded are increased by the value of dividends notionally payable in respect of the vesting shares. Awards previously granted but not yet vested, and shares received following vesting, can be reduced/reclaimed in exceptional circumstances such as (i) material misstatement of accounts, (ii) actions that cause material reputational damage to the Group, and/or (iii) in the event of material regulatory censure.	The formal limit under the PSP is 100% of salary (and 200% in exceptional cases). The Committee expressly reserves discretion to make such awards as it considers appropriate within these limits. Actual grant levels may be determined by reference to individual performance in the prior year, with vesting then based upon performance against three year targets. At a threshold level of performance against these three year targets, 20% of an award is capable of vesting.
Shareholding Guidelines To encourage share ownership by the Executive Directors and ensure their interests are aligned with investors.	Executive Directors are required to retain 50% of shares (net of tax) which vest under the PSP or bonus deferral until such time that they hold a specified value of shares. Once the shareholding guideline has been met, individuals are expected to retain these levels as a minimum. The Committee will review shareholding annually in this context.	100% of salary for the Executive Directors.

PERFORMANCE MEASURES	IMPLEMENTATION OF POLICY*
The Committee will set performance conditions for each annual PSP award which may relate to financial and/or share price performance and which will have the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders.	**2014/15 Awards** Awards were made over shares worth up to 50% of salary under the PSP to Messrs Lilwall, Money-Coutts, Scott and Teper, with Paul Abberley receiving an award of 100% of salary. 50% of each award will vest subject to adjusted EPS targets, with 50% subject to operating margin targets, each measured over a three year period to 31 March 2017. Further details of the targets that applied to the awards are set out in the Implementation Report. **2015/16 Awards** Awards will be made with similar targets to the 2014/15 Awards (albeit using absolute EPS targets, rather than percentage growth targets for 50% for each award to provide greater transparency). Further details of the targets that will apply to the awards are set out in the Implementation Report.

ELEMENT AND PURPOSE	POLICY AND OPERATION	OPPORTUNITY
All-employee share plans To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the shareholders.	Executive Directors are able to participate in all-employee share plans on the same terms as other Group employees.	**Sharesave** – individuals may save up to a maximum of £250 (or such amount permitted by the HMRC approved limit) each month for a fixed period of three or five years. At the end of this period, they may use their savings to buy shares in the Company at a discount currently capped at 15% (although the rules permit 20%) of the market price set at the launch of each scheme. **Share Incentive Plan** – individuals may purchase, out of their pre-tax salary, shares in the Company up to a value of £150 per month (or such amount permitted by the HMRC approved limit). Free shares worth up to £3,000 (or such amount permitted by the HMRC approved limit) can also be granted each year. Also, the rules of the Plan allow matching shares to be granted based on the number of shares purchased (although the Company does not currently operate the free share and matching elements of the Plan).
Non-executive Director fees	The fees paid to the Non-executive Directors aim to be competitive with other fully listed companies which the Board consider to be of equivalent size and complexity. Fee levels are periodically reviewed by Board. However, the Company does not adopt a quantitative approach to pay positioning and exercises judgment as to what it considers to be reasonable in all the circumstances as regards quantum. Additional fees are paid to Non-executive Directors who chair a Board Committee or who have other additional responsibilities (such as being Senior Independent Director). Non-executive Directors do not participate in the annual bonus or share incentive arrangements. Non-executive Directors may also receive benefits within prescribed limits as to value.	Fees are paid monthly in cash. Fee levels for Non-executive Directors are reviewed annually and are only expected to increase in line with market norms and to take account of additional time commitments and responsibilities. The annual limit on benefits is £25,000. The cap on fees payable to Non-executive Directors for their services is £0.45 million per annum. This will accommodate the appointment of additional Non-executive Directors to strengthen the balance of the Board.

PERFORMANCE MEASURES	IMPLEMENTATION OF POLICY*
Consistent with normal practice, these awards are not subject to performance conditions.	
N/A	In 2014/15, the following fee structure was in place:

In 2014/15, the following fee structure was in place:

- Base fee was £40,000 (increased to £42,500 on 1st January 2015 in recognition of the fact that the workload has increased following the appointment of the Non-executive Directors to the Charles Stanley & Co Board which meets monthly)
- additional fees were as follows:

NED	Chairing Remuneration Committee	Chairing Audit Committee	Chairing Risk Committee	Senior Independent Director
Bridget Guerin	£5,000 (increased to £7,500 on 1st January 2015 to reflect workload)	–	£7,500	–
David Pusinelli	–	£7,500	–	£7,500

David Pusinelli also received additional fees for undertaking the role of Chairman of the Nominations Committee from 1 July 2014 at an annualised rate of £5,000. From 1 January 2015 Sir David Howard became Non-executive Chairman and receives an annual fee of £125,000. Sir David will take over from David Pusinelli as Chairman of the Nomination Committee immediately following the 2015 AGM, for which he will receive no additional fees.

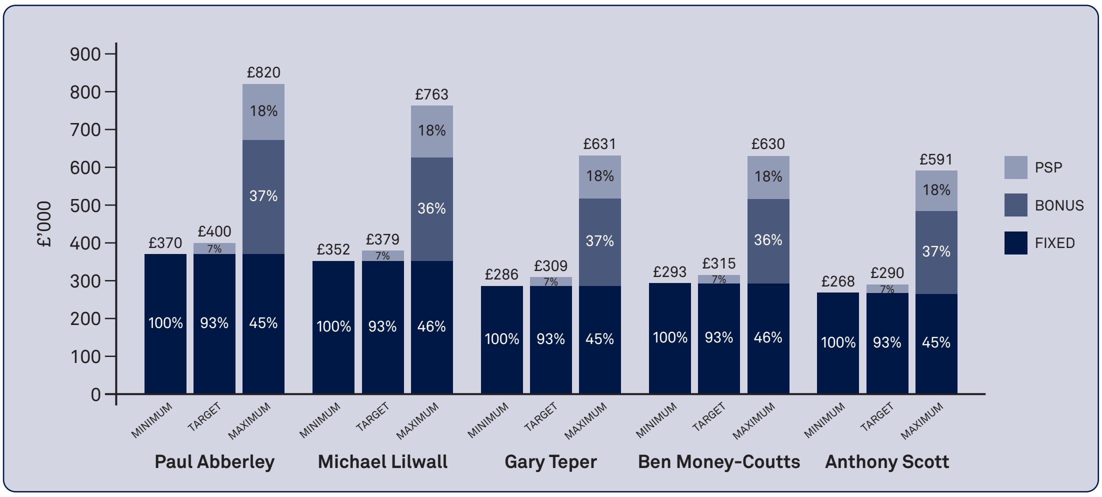
2015/16

No changes are proposed to the above fee arrangements.

How the policy shapes actual Executive Directors' pay

Our remuneration policy results in a significant portion of the Executive Directors' pay being dependent on performance. The charts below demonstrate this, showing how their pay will vary based on different levels of performance (with increases in share price and dividend re-investment ignored for these purposes) i.e.:

- "minimum performance" – this assumes that performance is such that no annual bonus is warranted (due to no profit being generated in a particular year) and no PSP awards vest (due to the minimum performance threshold not being reached). Therefore, Executive Directors only receive their fixed pay (i.e. salary, benefits and pension);
- "on target performance" – this assumes a "target" level of performance, resulting in threshold vesting of PSP awards (i.e. 20% of an award over a "target" award of 50% of salary). As the annual bonus is based on a profit pool and, therefore, has no prescribed "on target" opportunity, to reflect the approach adopted last year we have valued the bonus based on the actual payment under the plan for the prior year (i.e. zero). Fixed pay remains unchanged;
- "maximum performance" – this assumes a very strong level of performance, resulting in full vesting of PSP awards at the proposed 2015/16 level and a maximum bonus payout of 100% of salary. Fixed pay also remains unchanged.



Discretions retained by the Committee in operating the incentive plans

The Committee will operate the annual bonus plan and PSP according to their respective rules and subject to the limits/other provisions set out in the policy table above. The Committee retains discretion, consistent with market practice, in a limited number of respects, in relation to the operation and administration of these plans. These discretions include, but are not limited to, the following:

- the selection of participants;
- the timing of grant of an award/bonus opportunity;
- the size of an award/bonus opportunity (subject to the overall plan limits set out in the policy table);
- the setting of PSP and bonus performance targets and the determination of performance against such targets and resultant vesting/bonus payouts;
- discretion required when dealing with a change of control or restructuring of the Group;

- determination of the treatment of leavers based on the rules of the plans and the appropriate treatment chosen (as summarised in the table on page 66 below); and
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends).

Under the rules of both the PSP and annual bonus plan and reflecting general market practice, the Committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. material acquisition, share issue and/or divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy. Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

The Directors' service contracts

Executive Directors

Paul Abberley, Ben Money-Coutts, Anthony Scott and Gary Teper have service contracts containing a notice period of six months and a payment in lieu of notice clause limited to base salary only. Michael Lilwall has a service contract containing a notice period of 12 months and a payment in lieu of notice clause limited to base salary only. There are no other special provisions in these contracts relating to compensation for loss of office, nor are there any clauses in contracts amending employment terms and conditions on a change of control.

In the event of the employment of an Executive Director being terminated, the Committee will pay due regard to (i) best practice (ii) the circumstances surrounding the termination and (iii) the Executive Director's duty to mitigate his/her loss, while also adhering to the relevant contractual terms.

All Executive Directors are subject to annual re-election. Executive Directors may take on external appointments, subject to prior approval by the Board. The fees from such appointments (where relevant) are retained by the Director concerned. During the year, Sir David Howard acted as a Director of the The Wealth Management Association and of the Chartered Institute for Securities and Investment, for which he received no fee.

Sir David Howard relinquished his executive duties and became Non-executive Chairman on 1 January 2015. Sir David received no payment in respect of loss of office/employment.

James Rawlingson ceased to be a Director of Charles Stanley Group PLC and its subsidiaries on 7 January 2015. The payments Mr Rawlingson received are disclosed in the implementation report.

Michael Clark resigned as a Director of Charles Stanley Group PLC and its subsidiaries on 31 March 2015 but is expected to continue to be an employee until 31 March 2016. It is expected that Mr Clark will receive no payment in respect of loss of office/employment.

Sir David Howard, Mr Rawlingson and Mr Clark did not participate in the 2014/15 annual bonus and did not receive a PSP award.

Non-executive Directors

The Non-executive Directors do not have service contracts, but instead have Letters of Appointment for an initial three year term, subject to annual re-election by the Company's shareholders. Either party can terminate the Letter of Appointment on giving three months' written notice. There are no special provisions in the Letters of Appointment for compensation in the event of loss of office.

Legacy arrangements

For the avoidance of doubt, in approving this policy report, authority is given to the Company to honour any commitments entered into with current or former Directors. Details of any payments to former Directors will be set out in the relevant report going forward as required by the new Regulations.

Travel and hospitality

While the Committee does not consider these form part of benefits in the normal usage of that term, we have been advised that corporate hospitality (whether paid for by the Company or another) and business travel for Directors (and occasionally their families) may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies.

Our approach to remuneration on recruitment

The Group's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the skill sets required to deliver our strategic aims.

The following represents guidelines considered reasonable by the Committee in relation to securing an appropriate candidate whose appointment would be in shareholders' best interests.

- In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to look to the general policy for Executive Directors as set out in the policy table on page 55 and structure a package in accordance with that policy.
- Base salaries will be set based on the individual's role and experience, with consideration given to internal relativities.
- Benefits will be provided in line with those offered to other employees at the similar level. In the case of new Executive Directors, individuals will be given a choice of either participation in a defined contribution pension or a cash allowance in lieu of pension.
- Ignoring any special recruitment buy-out arrangements which may prove to be necessary, the annual bonus or long-term incentive arrangements will operate (including the maximum award levels) as detailed in the policy table in relation to any newly appointed Director.
- For an internal appointment, any variable pay element or arrangement that exists in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate. For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate and/or make a contribution towards legal fees in connection with agreeing employment terms.
- A new Executive Director will not, save in exceptional circumstances, be offered a service contract with a notice period in excess of one year.
- Where it is necessary to make a special recruitment-related buy-out award to an external candidate, the Company will not pay more than is, in the view of the Committee, necessary and will in all cases seek, in the first instance, to deliver any such buy-out awards under the terms of the existing incentive pay structure as outlined in the policy table. It may, however, be necessary in some cases to make such special buy-out awards on terms that are more bespoke than the existing incentive plans in order to secure a candidate, which may require reliance upon Listing Rule 9.4.2. All such special buy-out awards will be appropriately disclosed and will take account of all relevant factors. For example, the commercial value of the buy-out award will reflect the commercial value of the amount forfeited from the previous employer, with the performance conditions and the potential timing of vesting also taken into account.
- For the avoidance of doubt, the maximum amounts for incentive pay as stated in the policy will not apply to special buy-out awards. The Committee has not placed a maximum limit on any such buy-out awards as it is not considered to be in shareholders' interests to set any expectations for prospective candidates regarding such awards. However, as stated above, the commercial value of the amount forfeited from the previous employer will be reflected in the quantum of such award.

Our policy on Executive Directors leaving Charles Stanley

In practice, the facts surrounding any termination do not always fit neatly into defined categories for "good" or "bad" leavers. Therefore, it is appropriate for the Committee to consider the suitable treatment on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatment which the Committee may choose to apply under the discretions available to it under the terms of any incentive plans. The potential treatments on termination under these plans are summarised below.

INCENTIVES	GOOD LEAVER	BAD LEAVER	EXCEPTIONAL EVENTS
	If a leaver is deemed to be a 'good leaver'; e.g. leaving through redundancy, serious ill health or death or otherwise at the discretion of the Committee.	If a leaver is deemed to be a 'bad leaver'; typically voluntary resignation or leaving for disciplinary reasons.	e.g. change in control.
Annual bonus	Pro-rated bonus, with any deferred shares vesting.	No awards made, with deferred shares lapsing (unless the Committee determines otherwise).	Pro-rated bonus, with any deferred shares vesting.
PSP	Will receive a pro-rated award subject to the application of the performance conditions at the normal measurement date or on cessation (as determined by the Committee). Committee discretion to disapply pro-rating. Awards can be clawed back for a breach of post cessation obligations.	All awards will normally lapse.	Will receive a pro-rated award subject to the application of the performance conditions at the date of the event. Committee discretion to disapply pro-rating.

The Company has power to enter into settlement agreements with executives and to pay compensation to settle potential legal claims. In addition, and consistent with market practice on termination of an Executive Director's employment, the Company may pay a contribution towards the individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees would be disclosed as part of the detail of termination arrangements. Should it become necessary to make additional payments in respect of such professional fees that were not ascertained at the time of reporting, the Company may do so up to a level of a further £10,000. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

DIRECTORS' REMUNERATION REPORT

IMPLEMENTATION REPORT – UNAUDITED INFORMATION

The Remuneration Committee's main responsibilities during the year

The Terms of Reference of the Committee (chaired by Bridget Guerin, with David Pusinelli the other member) are available at www.charles-stanley.co.uk/committees. During 2014/15 the Committee's main responsibilities were to:

- Determine the remuneration arrangements for the new Executive Directors;
- Monitor the remuneration arrangements of the Executive Directors;
- Monitor Executive Directors' performance and to recommend PSP awards based on this performance to the Board;
- Determine and recommend to the Board the remuneration policy and the approval of all elements of pay for the Chairman of the Board and the other Executive Directors; and
- Prepare this Directors' Remuneration Report.

The Committee meets twice a year but more frequently if required. During 2014/15, eight Committee meetings were held and details on attendance at meetings are set out in the Corporate Governance Report on page 84. None of the Committee members has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-Directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his or her own remuneration.

How the Remuneration Committee sought advice

The Committee received independent remuneration advice during the year from its appointed advisers, FIT Remuneration Consultants LLP (FIT). FIT is a member of the Remuneration Consultants Group (the professional body for such consultants) and adheres to its code of conduct. FIT provided no other services to the Group, and accordingly the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of 2014/15 were £32,997 (2013/14: £48,000) (exclusive of VAT). FIT's fees were charged on the basis of the firm's standard terms of business for advice provided. The Committee also consulted with Sir David Howard and Paul Abberley (save in respect of matters relating directly to their own remuneration) and the Group's HR function.

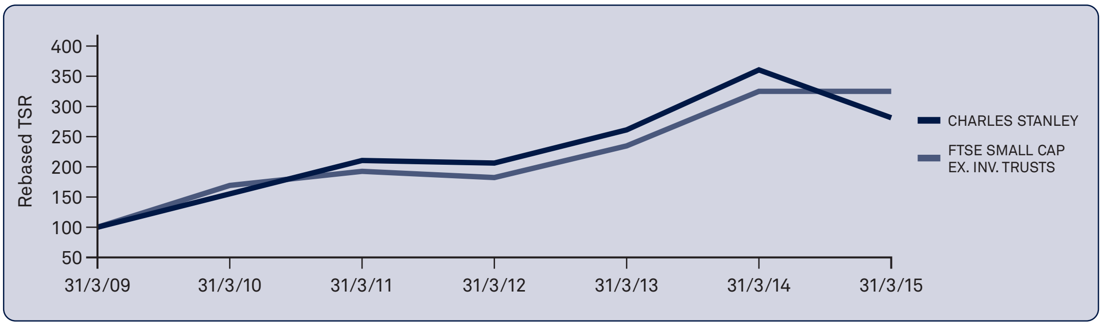
How remuneration compares to other payments

The table below shows the total pay for all of Charles Stanley's employees compared to other key distributions made by the Company:

	FY 2014/15	FY 2013/14	% CHANGE
Employee costs	£56,498,000	£54,240,000	4.2%
Dividends	£2,289,308	£5,580,611	(59.0%)

Review of past performance

The graph below shows the value by 31 March 2015, on a total shareholder return basis, of £100 invested in the Company on 31 March 2009 compared with the value of £100 invested in the FTSE SmallCap Index (excluding investment trusts). This Index is considered to be an appropriate comparator for this purpose as it is a broad equity index of which the Company is a constituent.



The table below shows the total remuneration figure for Sir David Howard and Paul Abberley over the same six year period. The total remuneration figure includes the annual bonus paid in each of these years. The new Regulations require this table to state proportion of annual bonus paid and long-term incentive vesting in each relevant year as a percentage of the maximum available. However:

- the Group did not operate with a maximum bonus opportunity until 2014/15; and
- No long-term incentive plan vested during these years.

Consequently, we have simply included the total remuneration in each of the relevant years, while also setting out details of the bonus each actually received based on performance in these years (the bonus level for 2014/15 being 0%).

FINANCIAL YEAR	FY14/15	FY13/14	FY12/13	FY11/12	FY10/11	FY09/10
Sir David Howard single figure of total remuneration	£290,173	£413,639	£430,878	£610,409	£448,950	£530,923
Annual bonus paid	£nil	£72,800	£89,200	£85,400	£85,400	£78,400
Paul Abberley single figure of total remuneration	£165,000	–	–	–	–	–
Annual bonus paid	£nil	–	–	–	–	–

These amounts are calculated using the same methodology as that used to produce the single figure table. This includes a value for pensions that is based upon the increase in the Director's accrued pension in the year, which is a significant cause of the variance across the six year period for Sir David Howard.

How any change in pay of the Chief Executive Officer between 2013/14 and 2014/15 compared to the wider workforce

In accordance with the new regulations, we must disclose the percentage change in the certain elements of the Chief Executive Officer's pay (namely salary, taxable benefits and annual bonus) compared to the average percentage change in the same pay elements for all employees. This information is set out below:

	SALARY	BENEFITS	ANNUAL BONUS
Sir David Howard	0%	2%	(100%)
All-employee average	0%	2%	(100%)

Sir David Howard's pay has been used for the above table and prorated to a full year in an executive position in order to aid comparability.

How our shareholders voted at the AGM 2014

Of the 79.9% of the issued share capital votes cast to approve the Directors' Remuneration Policy and the Directors' Remuneration Report for the year ended 31 March 2014 at the 2014 AGM held on 1 August 2014:

	For		Against		Abstain	
	No.	%	No.	%	No.	%
To approve Directors' Remuneration Policy	36,429,717	99.81	20,677	0.05	50,059	0.14
To approve the Directors' Remuneration Report for the year ended 31 March 2014	36,390,797	99.70	15,677	0.04	93,989	0.26

IMPLEMENTATION REPORT – AUDITED INFORMATION
What the Directors earned in 2014/15

	Salary/ Fees £'000	Benefits £'000	Annual Bonus £'000	Long-term incentives £'000	Pension £'000	Total £'000
2015						
Chairman						
Sir David Howard[1]	263	27	—	—	—	290
Executive Directors						
Paul Abberley[2]	125	5	—	—	35	165
Michael R I Lilwall	274	13	—	—	68	355
Anthony Scott[3]	215	12	119[6]	—	43	389
Gary Teper	230	15	—	—	46	291
James H Rawlingson[4]	177	10	—	—	35	222
E Michael Clark[5]	301	14	—	—	—	315
Non-executive Directors						
David Pusinelli	59	2	—	—	—	61
Bridget Guerin	52	3	—	—	—	55
Total	1,696	101	119	—	227	2,143

	Salary/ Fees £'000	Benefits £'000	Annual Bonus £'000	Long-term incentives £'000	Pension £'000	Total £'000
2014						
Chairman						
Sir David Howard	307	34	73	—	—	414
Executive Directors						
Michael R I Lilwall	274	13	73	—	68	428
Gary Teper	230	14	73	—	46	363
James H Rawlingson	230	13	73	—	46	362
E Michael Clark	301	13	73	—	—	387
Non-executive Directors						
David Pusinelli	55	—	—	—	—	55
Bridget Guerin	45	—	—	—	—	45
Total	1,442	87	365	—	160	2,054

1 Became Non-executive Chairman on 1 January 2015
2 Appointed to the Board on 19 December 2014.
3 Appointed to the Board on 9 April 2014.
4 Departed from the Board on 7 January 2015. In accordance with the terms of his service agreement Mr Rawlingson received a payment in lieu of salary of £115,000 for which he was entitled during his notice period together with £43,100 relating to contractual benefits to which he was entitled during his notice period (i.e. pension contribution, accrued holiday payment and modest other benefits). In addition and in line with the Company's policy that the Company will pay due regard to the circumstances surrounding a termination (e.g. to avoid legal claims), the Committee agreed to pay a further payment of £30,000 in respect of loss of office. A contribution of £2,500 was made towards Mr Rawlingson's legal fees again in accordance with the Company's policy.
5 Resigned from the Board on 31 March 2015.
6 This payment was made pursuant to a legacy profit sharing entitlement relating to Mr Scott's previous role as an active investment manager prior to joining the Board and which will, in accordance with the Company's policy on internal recruits and reflecting his continuing client relationship management responsibilities, continue for 2015/16 and 2016/17.

Benefits

An explanation of the benefits received by the Executive Directors can be found in the policy table on page 55. In summary, the benefits received by Executive Directors comprise a car allowance, private medical cover and telephone.

For the Non-executive Directors amounts reported relate to expenses such as travel and accommodation expenditure incurred on Group business. While these payments are the reimbursement of expenses and not benefits per se, they are included as being a payment which is subject to tax. Sir David Howard also receives benefits relating to provision of a car.

Annual bonus outcomes for 2014/15

No annual bonuses were paid to Executive Directors in 2014/2015 under the main plan as there was no reported profit.

As described above, Anthony Scott received a payment pursuant to a legacy profit sharing arrangement relating to his prior role as an active investment manager before joining the Board and reflecting his continuing client relationship management responsibilities. The precise terms of this arrangement are commercially sensitive and therefore will not be disclosed.

Pensions

The current Executive Directors participate in money purchase arrangements. Contributions have been made into a SIPP for Anthony Scott and are taken as a salary supplement by the other Directors. Details of the levels of pension arrangements can be found in the summary policy table on page 70.

Messrs Howard and Clark are members of the Group's defined benefit pension scheme which provides for a pension equal to 1/60th of final salary (as defined) for each year of pensionable service up to a maximum of 40/60ths. The scheme has a normal retirement age of 65.

Both of these Directors have now passed the age of 65 but neither is drawing a pension from it. Instead their pension entitlement is accumulating by a figure determined in each case on advice from the scheme's actuaries. In the event of death in service, a lump sum benefit equal to nine times Michael Clark's basic annual salary at the date of death is payable to him. This mirrors similar arrangements for the employees of Charles Stanley & Co Ltd.

More specific detail of the retirement benefits is provided below:

	Increase in accrued pension excluding inflation £	Transfer value of increase £	**Accrued[a] pension 2015 £**	Accrued[a] pension 2014 £	**Transfer value of accrued pension 2015 £**	Transfer value of accrued pension 2014 £	Increase in value of Directors' benefits £
Sir David Howard	—	—	**153,025**	143,896	**3,410,000**	2,870,000	540,000
E Michael Clark	—	—	**178,471**	166,801	**4,172,000**	3,465,000	707,000

a) The accrued pension entitlement shown is that which would have been paid annually on retirement based upon pensionable service to the end of the financial year (or date of leaving the pension scheme if earlier), excluding any future statutory entitlement to increases prior to retirement which would be due after the financial year.

Sir David Howard and E Michael Clark are both above their respective normal retirement dates. The accrued pension entitlement shown in respect of these two members as at 31 March 2014 is at their respective normal retirement dates and not at their age on 31 March 2014. We have amended the accrued pension entitlement shown in respect of these two members as at 31 March 2015 to be at their age on 31 March 2015 and not at their respective normal retirement dates. The increase in the accrued pension entitlement over the period is due to late retirement factors being applied to their benefits.

b) The value of remuneration for the year ending 31 March 2015 excludes allowance for any late retirement factors applied to benefits.

c) Directors in the scheme do not pay contributions. The value of remuneration is calculated using a modified version of HM Revenue and Customs' tax rules for pension savings. The calculation methodology is laid out in the regulations. Normal retirement date means an age specified in the pension scheme rules (or otherwise determined) as the earliest age at which, while the individual continues to accrue benefits under the pension scheme, entitlement to a benefit arises a) without consent (whether of an employer, the trustees or managers of the scheme or otherwise), and b) without an actuarial reduction, but disregarding any special provision as to earlier repayment on grounds of ill health, redundancy or dismissal. Disclosure of benefits has been made in accordance with the Large and Medium-sized companies and Groups (Accounts and Reports) Regulations 2013 for Directors' pension disclosures.

Share awards

Save As You Earn

In 2014/15, the Company operated three Save As You Earn Schemes, which were open to all employees and Executive Directors, except Sir David Howard, once they have met the necessary service requirements. 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.

As at 31 March 2015, no Directors held interests under the Save As You Earn Schemes.

Performance Share Plan

As explained in the Directors' remuneration policy, shareholder approval was granted for the new PSP at the Company's Annual General Meeting held on 1st August 2014. The following awards were granted under the plan on 9th January for all Executive Directors. PSP awards were made at the following levels: Mike Lilwall, Ben Money-Coutts, Anthony Scott and Gary Teper received PSP awards of 50% of their salary; Paul Abberley received 100% of his salary.

The three year performance period for these awards will be measured following the year ended 31 March 2017.

	At 31 March 2014	Granted	**At 31 March 2015**	Share price at grant	Exercise price	Exercise period begins	Exercise period ends
Paul Abberley	—	91,463	**91,463**	328p	N/A	Jan 2018	Jan 2021
Michael R I Lilwall	—	41,723	**41,723**	328p	N/A	Jan 2018	Jan 2021
Ben Money-Coutts	—	34,299	**34,299**	328p	N/A	March 2018	March 2021
Anthony Scott	—	32,774	**32,774**	328p	N/A	Jan 2018	Jan 2021
Gary Teper	—	35,061	**35,061**	328p	N/A	Jan 2018	Jan 2021

All of the awards are unvested. During the year ended 31 March 2015, the highest mid-market price of the Company's shares was 490.5p and the lowest mid-market price was 292.50p. At 31 March 2015 the share price was 372.50p.

The performance conditions applying to the above Awards relate to (1) growth targets adjusted in Earnings per Share for 50% of the Award, and (2) margin targets for the other 50% of the Award. The details of these targets are shown in the tables below:

Adjusted EPS Growth target to 31 March 2017	Portion of award vesting
Above 25% p.a.	100%
Between 15% - 25% p.a.	Pro-rata on straight-line basis between 20% and 100%
15% p.a.	20%
Below 15% p.a.	0%

Margin at 31 March 2017	Portion of award vesting
Above 12%	100%
Between 8% - 12%	Pro-rata on straight-line basis between 20% and 100%
8%	20%
Below 8%	0%

For both the EPS and margin targets, the profit figure used will be the Group's reported profit adding back the FSCS (or similar) levy and adjusted for any other items that the Committee believe are required to ensure that the Group's true underlying financial performance is being measured.

The Committee approved these performance measures as they are directly linked to the objectives of driving growth and improved quality of profits, thereby enhancing shareholder value and providing a clear "line of sight" for participants between performance and reward.

The performance conditions applying to the 2015 Awards will also relate to (1) absolute targets in Earnings per Share for 50% of the Award, and (2) margin targets for the other 50% of the Award, both measured based on performance in 2017/18. The details of these targets are shown in the tables below:

Adjusted EPS target for year-ended 31 March 2018	Portion of award vesting
Above 25 pence	100%
Between 20 - 25 pence	Pro-rata on straight-line basis between 20% and 100%
20 pence	20%
Below 20 pence	0%

Margin for year-ended 31 March 2018	Portion of award vesting
Above 15%	100%
Between 10% - 15% p.a.	Pro-rata on straight-line basis between 20% and 100%
10%	20%
Below 10%	0%

Directors' Interests

As explained in the Directors' Remuneration Policy, the Executive Directors are subject to Share Ownership Guidelines and they are required to retain 50% of shares (net of tax) which vest under the PSP or bonus deferral arrangement until such time as they hold shares worth 100% of salary. There is no requirement for Non-executive Directors to hold shares in the Company. The shareholdings of each Director, together with whether they would have achieved the guideline requirements by 31 March 2015 (only including shares beneficially owned i.e. excluding unvested share awards and shares "otherwise held") are as follows:

	Beneficially held as at 31 March 2015	Beneficially held as at 31 March 2015 or retirement if earlier	Share ownership guideline satisfied?
Sir David Howard	12,810,219	12,810,219	Yes
Paul Abberley[1]	—	—	No
Michael R I Lilwall	120,219	120,219	Yes
Anthony Scott[3]	26,756	26,756	No
Gary Teper	40,921	40,921	Yes
Bridget Guerin	—	—	N/A
David Pusinelli	—	—	N/A
E Michael Clark[4]	837,633	837,633	Yes
James H Rawlingson[5]	1,272	1,272	No

On 17 April 2015, the Company issued 4,596,000 ordinary shares in a capital raising, which raised £15.8 million net of expenses, the Directors were given the option to participate in the placing. A number of the Executive Directors also participate in the Company's monthly SIP. Therefore, the Directors' interests at the date of this report are as follows:

	Beneficially held as at 18 June 2015	Beneficially held as at 18 June 2015 or retirement if earlier	Share ownership guideline satisfied?
Sir David Howard	12,810,219	12,810,219	Yes
Paul Abberley[1]	7,042	7,042	No
Michael R I Lilwall	125,334	125,334	Yes
Ben Money-Coutts[2]	5,320	5,320	No
Anthony Scott[3]	40,957	40,957	Yes
Gary Teper	41,082	41,082	Yes
Bridget Guerin	—	—	N/A
David Pusinelli	—	—	N/A
E Michael Clark[4]	837,750	837,633	Yes
James H Rawlingson[5]	1,272	1,272	No

[1]Appointed to the Board on 19 December 2014
[2]Appointed to the Board on 10 June 2015
[3]Appointed to the Board on 9 April 2014
[4]Departed from the Board on 31 March 2015
[5]Departed from the Board on 7 January 2015

The Directors are not permitted to hold their shares in hedging arrangements or as collateral for loans without the express permission of the Board. No Director has entered into any such arrangements.

Approval

This report in its entirety has been approved by the Committee and the Board of Directors and signed on its behalf by:

Bridget Guerin
Remuneration Committee Chairman

18 June 2015

CORPORATE SOCIAL RESPONSIBILITY REPORT

This is the ninth annual 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 and the wider network of stakeholders to whom the Group has a responsibility. For this reason, the Directors 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 biannually to review and develop policy 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, where practical, 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. More details can be found in the Corporate Governance Report on page 81.

The Group is an inaugural corporate member of the Chartered Institute for 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 integrity, ethical behaviour and of continuing professional development for employees.

Client care

We are committed to the highest standard of client care and support the FCA'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 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. Conscious of our obligations under the Bribery Act 2010 and other associated rules and regulations, we take a zero tolerance approach to bribery and corruption. We carry out periodic risk assessments to determine exposure to the possibility of these risks and update our policies and procedures to mitigate them. We have strict Anti-Bribery and Gifts and Hospitality policies in place, which are reviewed regularly as well as High Level Principles for Procurement.

PEOPLE

The Group acknowledges that the reputation and success of Charles Stanley is due to the services 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 from diverse backgrounds and cultures, to create a vibrant working environment that thrives on new ideas and creative thinking.

Employee involvement

Charles Stanley recognises the importance of ensuring that staff are kept informed of the latest developments within the business and our internal public relations team provides regular email updates on all major events or initiatives. Our interactive intranet site is constantly updated and staff have the opportunity to make suggestions via the 'suggestion box' feature. We try to consult with staff on any occasion where we feel that their interests may be affected and we arrange forums for discussion between staff and senior management. All staff must participate in the appraisal system and dialogue with line managers is actively encouraged.

To enable staff to become involved in the financial performance of the Group, participation in the Charles Stanley Save As You Earn Scheme (SAYE Scheme) and/or Share Incentive Plan (SIP) is encouraged. These schemes are open to all employees (with the exception of Sir David Howard, Bridget Guerin and David Pusinelli) with good take up for both schemes. SIP membership for 2015 was 22.5% (2014: 22.7%). A new SAYE Scheme is launched each year, and 50% of all eligible staff now participate in at least one SAYE scheme.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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.

Continuing Professional Development (CPD) is recognised as an important part of staff development. All FCA authorised staff who provide retail advice to clients hold a Statement of Professional Standing (SPS) in line with the FCA's requirements. This means they adhere to the CISI Code of Conduct, FCA APER requirement and must achieve their CPD requirement each year.

Similarly, non-FCA authorised staff are encouraged to gain appropriate professional qualifications for their roles and are required to undertake sufficient and relevant continuing professional development to ensure that their skills are up to date. Our interactive learning and development website provides great access to materials and resources enabling their career progression.

Benefits
The flexible benefits system called "Choice" continues to be a success. Choice is an intranet access application which allows staff to self-select benefits which match their lifestyle. The Choice system has proved very popular, with 79% (2014: 60%) 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, childcare vouchers, and the ability to acquire additional annual leave. We have also introduced some new benefits for 2015 including a mobile phone scheme, cancer screening and the option to apply for a discount card with the Gourmet Society. All these benefits offer savings through salary sacrifice. The Choice benefits are in addition to the standard benefits we provide

CAPTIONS FOR PICTURES ON PAGE 76

1. Maria Kilby from the Exeter Office and Simonetta Dixon from Charles Stanley London greeted guests at the Exeter Seminar 2014.
2. Matthew Guy, Senior Investment Manager in London Asset Management chats to guests at the Charles Stanley organised YP Forum event on HMS Belfast.
3. Anthony Scott, Director, addresses the 2014 Charles Stanley Investment Management Conference.
4. Katie Tasker receives her award from Lord Mayor, Alan Yarrow, for the highest score in the CISI's Portfolio Construction Theory examination.
5. Sir David Howard, Chairman, greets The Princess Royal at the Grand Military Cup 2014.
6. The Standard Chartered Great City Race saw a record entry of Charles Stanley participants. Laura Moon, Laura King and Laura Maslen are pictured.
7. After 26 years Rosemary Hall (centre) celebrated her retirement with former colleagues Glenys Saunders (who started on the same day as Rosemary in 1988 and retired in 2004) and Jannet White (who retired in 2011 having worked at Charles Stanley since 1969).
8. Camilla Brierley, Investment Manager in London Asset Management, attends the annual Market Counterparties event in December 2014.
9. Ria Shepheard of the Oxford office with the fabulous Michael Turner stag sculpture at the CLA Game Fair at Blenheim Palace.
10. Charles Stanley Cowes Classic Week 2014 enjoyed stunning weather. Here, Magnus Wheatley from Charles Stanley London helms his Daring Class yacht.
11. Hugo Sparks, Product Manager of Charles Stanley Direct, hosted the annual client day for the service in 2014.
12. The Guildford Pancake race was popular again with members of the Guildford office, Intermediary Sales and the Marketing Team all attending.
13. HMS Belfast, moored on the Thames was the setting for the YP Forum summer party – a wet affair!
14. Charles Stanley's Guildford office again hosted a client event at the Birtley House Sculpture Garden.
15. Paul Abberley assumed the role of Chief Executive Officer in December 2014.
16. Philip Greenman, Branch Manager of the Exeter Office addresses clients and guests at a reception at Darts Farm.
17. Sir David Howard, Chairman, welcomes clients and guests at the opening of the new Charles Stanley Cardiff office.
18. Ben Money-Coutts, Chief Financial Officer, chatting with guests in the (warm!) Charles Stanley marquee at the CLA Game Fair 2014.
19. Charles Stanley won the Stock Exchange Sailing Regatta in 2014 with the winning crew of Nigel Odling, Mike Lilwall and Magnus Wheatley who is lifting the Kemyss Betty Trophy.
20. The Charles Stanley Direct sponsored Bike Bath, which was again a great success with, riders of all ages and abilities competing.

for all our employees including interest-free season ticket loans, above average contributions to pensions, private medical insurance, 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, First Assist, which offers a confidential helpline providing advice on a wide range of health and wellbeing issues. 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 are identical to that of other staff members.

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.

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 our employees and we consistently strive to improve our staff retention rates. Staff losses were 11.35% (2014: 9.1%), with gains of 17.52% (2014: 17.9%).

The Company is a Living Wage employer having made a commitment to meet the living wage for all staff and principal contractors who work on the premises.

Diversity policy

Equality of respect and recognition is central to how we treat each other at Charles Stanley and to how we treat all of those with whom we do business. The Group recognises the value of a diverse and skilled workforce and of maintaining an inclusive and collaborative workplace culture that will engender sustainability and excellence of service to our clients.

The Group has a clearly defined diversity policy which is reflected in our recruitment processes, flexible working options and equal opportunities policy. The Group has a strong commitment to ensuring that all our staff meet our high standards; a key factor in this is making sure that employees are selected from the widest pool of talent possible.

Currently approximately 14% of our trainees are female and, while not imposing any form of discrimination, we continued to try to raise this proportion over the year to 40%. The Group is aware of the European Commission recommendations on gender diversity and acknowledges that Boards perform better when they include people of different backgrounds, skill sets and perspectives. At 31 March 2015, women make up 41.0% of all Charles Stanley employees, 12.5% of the Board is female and 33.3% of the Non-executive Directors are female (above the European Commission's recommendation).

Whilst we believe that we are successful in implementing our diversity policy, we acknowledge that the diversity of our workforce can always improve and we are open to new initiatives to encourage it.

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 nationally, as a sustainable and responsible business leader.

Schools

One of our stronger community links continues to be Lawdale Primary School which is co-ordinated by the Tower Hamlets Business Education Partnership. Since 2007 a group of London-based employees volunteer to visit the school on a weekly basis to assist the children with their reading. The school has confirmed that the pupils on the scheme improved their reading and comprehension at double the rate of those who are not part of any scheme. Charles Stanley is keen to have a positive impact on the local community and continues to develop initiatives for local involvement.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Charities

Delete Blood Cancer UK was chosen by a staff vote to be the Charles Stanley's Charity of the Year for 2014/15. This charity aims to increase the pool of lifesaving stem cell donors for those diagnosed with blood cancer. Through the hard work and generosity of the staff, £15,000 was raised for the charity.

Our Charity of the Year for 2015/16, again chosen by popular vote, is Great Ormond Street Hospital Children's Charity. This charity raises money to provide world class care for the hospital's young patients and their families, by contributing to the rebuilding and refurbishment of the hospital, supporting ground breaking research and providing accommodation for parents. We anticipate another successful year of fundraising.

In addition to our Charity of the Year, the Group is committed to sponsoring individual staff members who are taking part in fundraising for charity. There are also various charity events held throughout the year across our branch network.

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

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.

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 staff are notified of any changes that are made. In the past year, the Group has introduced an interactive health and safety training portal, which ensures staff are inducted in, and are regularly reminded of current Health and Safety regulations and our Policy.

Mandatory Greenhouse Gas report results

This report details Charles Stanley's Greenhouse Gas (GHG) emissions for the 12 months ending 31 March 2015.

Using an operational approach Charles Stanley Group identified all of the activities and facilities for which it is responsible that generate carbon emissions and reported on the material GHG emissions. Scopes 1 and 2 activity data were identified and collected and provided to independent consultant, Carbon Clear.
The validity and completeness of the data were checked both in-house and by Carbon Clear and used to calculate the GHG emissions for the Charles Stanley Group. The calculations performed follow the ISO-14064-1:2006 standard and give absolute and intensity factors for the Group's emissions.

The results show that total gross GHG emissions in the period were comprised of the following:

Direct Emissions (Scope 1) amounted to 79.4 tonnes of CO2e or 4% of Charles Stanley's total GHG emissions (2014: 117.3 tonnes); and

Indirect Emissions (Scope 2) amounted to 2,172.2 tonnes of CO2e or 96% of Charles Stanley's total GHG emissions (2014: 1,761.2 tonnes).

Environmental initiatives

During the past year all electricity procured across the property portfolio have been transferred to 'green' renewable energy sources. The properties with half-hourly reporting electricity meters have been monitored and plant running times reduced or plant shut down when not essential to reduce energy consumption and operating energy cost. We assess the environmental policy of our principal contractors and aim to source products from sustainable suppliers. All our marketing and publicity documentation is made from sustainably sourced paper and we recycle almost 60% of all waste produced in our London offices. We also organise specialist recycling of light tubes and batteries. Our offices benefit from motion sensor lights which help to save energy consumption and we operate an automated shutdown process which ensures all monitors are switched off overnight.

We utilise a software application which allows Board and Committee papers to be distributed electronically, eliminating the need for printing lengthy Board packs and thus saving resources. Our printers include the pull printing feature which requires user authentication at the printer station in order to retrieve documents. Research shows that this methodology significantly reduces the amount of paper wasted by unwanted printing, as well as increasing security and efficiency. Charles Stanley remains committed to seeking out new and innovative ways to reduce our environmental impact.

Commitment

Charles Stanley continues to 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 scheme this year (2014: 23).

Charles Stanley continues to build on its efforts to encourage recycling at all of our offices, by encouraging all staff to separate recyclable waste from general waste. This has resulted in a significant decrease in the amount of waste being sent to landfill. We recognise that the business saves costs and increases efficiency through reducing and managing resource use, and that we have a responsibility to promote environmentally friendly business practices as part of our commitment to the local community and our wider network of stakeholders. Ultimately, we aim to ensure that a responsible environmental policy is implemented consistently across our entire branch network.

Investment

Finally, whilst the overall investment policy of the Group is concerned solely with obtaining the best return for clients, in addition to the financial analysis that occurs as part of normal investment procedures, we also offer our clients a completely bespoke, socially responsible investment service which takes into account their personal preferences in relation to environmental and ethical matters.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE

The Directors recognise the benefits of good corporate governance and are committed to a high standard of compliance with the provisions of the UK Corporate Governance Code 2012 (the Code). The Directors ensure that the Company keeps up to date with all corporate governance developments and best practice wherever practical. A copy of the Code may be viewed at www.frc.org.uk.

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 Directors' Report (pages 48 to 50), the Directors' Remuneration Report (pages 53 to 74) and Strategic Report (pages 9 to 47), describing how the principles are applied within the Group.

THE BOARD AND ITS COMMITTEES

The Group has a two-tier management structure which comprises the Board of the parent Company, Charles Stanley Group PLC (the Board) and the Board of its primary operating subsidiary, Charles Stanley & Co. Limited. There are four companies within the Group that are regulated by the Financial Conduct Authority (the FCA).

At the beginning of the financial year the Board comprised nine Directors, being the Chairman, six Executive Directors and two Non-executive Directors. During the year Sir David Howard relinquished the position as Chief Executive Officer to comply with the requirement of separating the roles of Chairman and Chief Executive Officer under the Capital Requirements Directive of the European Union (CRD IV). Sir David remains on the Board as Non-executive Chairman. Paul Abberley was appointed to the Board on 19 December 2014, and became the Company's Chief Executive Officer. James Rawlingson resigned as a Director of the Company on 7 January 2015. The Company announced on 19 March 2015 that Ben Money-Coutts had been appointed as Chief Financial Officer and would became a Director of the Company upon receipt of regulatory approval by the FCA, which was granted on 10 June 2015.

Michael Clark resigned as a Director of the Company on 31 March 2015.

The Company falls within the definition of a "smaller company" within the Code, for which the Code provides that there should be "at least two independent Non-executive Directors".

Two of the Non-executive Directors, David Pusinelli and Bridget Guerin, have been determined by the Board to be independent. David Pusinelli is the Senior Independent Director. Sir David Howard is not considered to be independent. The Non-executive Directors provide a robust, independent element on the Board and they constructively challenge and examine the performance of management. They bring well-considered and constructive opinions, skill and knowledge to Board discussions.

In January 2015, an Executive Committee, reporting to the Board of Charles Stanley & Co. Limited was formed. The Committee meets weekly to manage the day-to-day running of the Company. The Executive Committee consists of the Executive Directors, the Chief Risk Officer, the Head of Distribution and the Chief Operating Officer. The Head of Compliance attends the meetings on request, but is not a member of the Committee to ensure that the role remains independent from the executive management of the Company.

The Company maintains a formal schedule of matters which require direct Board oversight and/or approval. This schedule is approved by the Board annually. The matters for which approval is retained by the Board include:

- Overall management of the Group;
- Setting of Group strategy and long-term objectives;
- Reviewing Group performance;
- Annual operating and capital expenditure budgets and any material changes to them;
- Changes to capital or corporate structure;
- Internal controls and risk management;
- Interim and Annual report and accounts and financial statements;
- Approval of the dividend policy and declaration or recommendation of dividends;
- Major capital projects, material contracts, major investments or disposals;

- Changes to Board composition;
- Remuneration policy and any introduction of or changes to share incentive plans; and
- Material litigation.

In addition to the scheduled Board meetings, at which strategy is periodically reviewed and debated, all the members of the Board (including the Non-executive Directors) as well as the remaining members of the Executive Committee took part in a full day meeting in May 2015 to discuss and develop the Group's strategic objectives. The objectives having been set and prioritised, there followed a significant programme of debate and engagement amongst Directors and senior managers to develop and articulate the Group's strategic priorities in more extensive detail.

The FCA has been conducting a major policy initiative to raise the standards surrounding the suitability of investment advice and management provided to private clients, trusts and charities, and the completeness of the record-keeping. In common with a number of regulated companies in the same field this has occupied a considerable amount of our management time. We have re-shaped elements of our governance structure to meet this challenge, creating appropriate working groups, and a governance committee comprising the Board of Directors so as to supervise the process.

Other Board initiatives during the year include:

- Major reorganisation of the Group's Boards and Committees;
- The recruitment of a Chief Executive Officer to split Sir David Howard's dual role;
- Recruitment of a Chief Risk Officer and the creation of an independent Risk department, reporting jointly to the CEO and the Risk Committee;
- Establishment of an Executive Committee; and
- Oversight of the sale process for Charles Stanley Securities and Charles Stanley Financial Solutions.

Changes within the Group structure

Much of the Group's detailed operational activity is conducted by the principal subsidiary Charles Stanley & Co. Limited, both by its Board and by its range of committees. This includes oversight of the other group subsidiary companies, which work together collectively to offer a variety of services to our client base, so as to produce optimal customer outcomes. Part of the growth of the Group derives from the acquisition of good quality complementary businesses, and unless there is a particular reason to retain the separate identity of the acquired business our approach is to absorb it into an existing subsidiary and wind down what remains. This is in line with our policy of seeking always to simplify the Group structure.

The business of our subsidiary Charles Stanley Pan Asset Capital Management Limited has now been successfully absorbed into Charles Stanley & Co. Limited, and its authorisation by the FCA has been withdrawn.

Development

Appropriate training and induction is made available to newly appointed Directors, taking into account any previous experience they may already have as Directors of a public limited company or otherwise. Training sessions are undertaken for the entire Board and individually as appropriate.

Board effectiveness review

In December 2013 the Board appointed CMS Cameron McKenna LLP to conduct a formal review of its effectiveness, and this took the form of interviews with a number of Directors, extensive study of Board and management papers (including minutes of the committee meetings), and attendance at Group and subsidiary Board meetings. This incorporated the views of the Non-executive Directors on the performance of the Chairman. The table on page 83 shows the key points raised in this review in relation to both the Charles Stanley Group PLC Board (CSG) and the Charles Stanley & Co Limited Board (CSC) and the actions that the Company has taken.

KEY ISSUES FROM THE REVIEW	ACTION TAKEN
Joint Chairman/Chief Executive Officer Role	
To consider whether the Group would benefit from two separate roles.	Paul Abberley was appointed as Chief Executive Officer on 19 December 2014 and Sir David Howard became Non-executive Chairman with effect from 1 January 2015.
Management Structure of the Group	
Appointment of an additional independent Non-executive Director (NED).	One recommended candidate is now at final interview stage.
NED meetings to be held.	Non-executive Directors' meetings are held quarterly without Executive Directors present.
CSC Board given full authority to fulfil its regulatory obligations.	An Executive Committee created as a formal Committee of the Board to receive and review matters arising and to take decisions within the scope of its Terms of Reference. The Committee reports regularly to the Board which acts as final arbiter.
Reduce the size of the CSC Board to assist with the effectiveness of its decision making and appoint NEDs to the Board.	The Charles Stanley & Co. Limited Board (CSC) reduced in size from 13 to 5 Executive Directors and three Non-executive Directors.
Board Processes	
Improved structure of Board meetings.	Both Boards have the same membership. Greater oversight of detail falls to the Executive Committee to review and make decisions on behalf of the CSC Board within this scope of its Terms of Reference.
Clearer process for making decisions that are not within the course of ordinary business.	Procedure implemented for providing information ahead of Board meeting to give the Board more time to review and consider the proposal.
Board Information	
Improvement of management information provided to the Boards.	The management information has been significantly upgraded.
Succession Planning	
A formal succession planning process needs to be implemented.	The Nomination Committee is responsible for the succession planning process in relation to Non-executive Directors and Executive Directors. The Executive Committee will manage the process below this level.
Delegation of accountability and responsibility	
Clear allocation of responsibility. Accountability of Board members.	Currently under review by the Chief Executive Officer.
ICAAP	
ICAAP to be embedded into risk framework and decision making process.	ICAAP is owned by the Charles Stanley Group PLC Board (CSG) who have delegated the review process to the Chief Risk Officer.
Risk Management	
To recruit a Head of Risk and establish a risk management function.	Peter Kelk was appointed as Chief Risk Officer in November 2014. Risk reporting has been improved and a Risk Committee, reporting to the CSG Board, was created in July 2014.

Appointment of Directors

The appointment of the Directors is governed by the Company's Articles of Association, the Companies Act 2006 and other applicable regulations and policies, and is subject to recommendation by the Nomination Committee. The Directors' service agreements or letters of appointment are available from the Company Secretary for inspection. In accordance with the Articles of Association Directors are elected by the shareholders of the Company in general meeting, or, if appointed by the Board between general meetings, confirmed by the shareholders at the subsequent general meeting. Although the Code does not provide that Directors of smaller companies need submit themselves for re-election annually the policy of the Company is that they should do so, and accordingly five Directors seek the support of shareholders for their re-election at the forthcoming Annual General Meeting. Being the first Annual General Meeting since their formal appointment Paul Abberley, Ben Money-Coutts and Anthony Scott offer themselves for election. Biographies of each of the Directors (including Paul Abberley) are set out on pages 51 and 52.

The number of meetings of the Board and of its committees attended by each of the Directors during the year is shown below.

After due consideration, the Chairman confirms that in his view all the Directors continue to perform effectively and demonstrate commitment to the role, and he recommends that all Directors be re-elected by shareholders.

Director	**Charles Stanley Group PLC Board**	
	Possible attendance	Actual attendance
Sir David Howard[1]	10	10
Paul Abberley	3	3
Michael Lilwall	10	10
Gary Teper	10	10
Anthony Scott	10	9
David Pusinelli[2]	10	10
Bridget Guerin[3]	10	9
E. Michael Clark	10	9
James Rawlingson	7	7

	Audit Committee		**Nomination Committee**	
	Possible attendance	Actual attendance	Possible attendance	Actual attendance
Sir David Howard[1]	N/A	N/A	4	4
Bridget Guerin[2]	8	8	4	4
David Pusinelli[3]	8	8	4	4

	Remuneration Committee		**Risk Committee**	
	Possible attendance	Actual attendance	Possible attendance	Actual attendance
Sir David Howard[1]	N/A	N/A	N/A	N/A
Bridget Guerin[2]	9	9	3	3
David Pusinelli[3]	9	9	3	3

[1]Chairman of Charles Stanley Group PLC
[2]Chairman of the Audit and Nominations Committees
[3]Chairman of the Remuneration and Risk Committees

Directors' conflicts of interest

The Board has a policy and effective procedures for managing and, where appropriate, approving conflicts or potential conflicts of interest. Directors are invited periodically to confirm or amend any conflicts of interest and are encouraged to report these as and when they arise. A Register of Conflicts is held by the Company Secretary and a log of all conflicts raised is maintained and updated accordingly. All Directors are aware that it is their responsibility to raise and update any conflicts of interest they may have.

Committees of the Board

The Board had four standing committees at the end of the year: the Nomination Committee, Remuneration Committee, Risk Committee and the Audit Committee. These Committees have written terms of reference, which are reviewed regularly and any amendments are approved by the Board. Minutes of all Board Committee meetings are reviewed by the Board. The terms of reference of the Audit, Nomination and Remuneration Committees can be viewed on the Company's website, together with Committee membership.

The Chairman and Non-executive Directors meet frequently throughout the year without Executive Directors present, but these meetings are either informal or in the context of other committee meetings. Similarly, while the three Non-executive Directors meet frequently and on their own during the year this arrangement is informal. To meet Code provision A.4.2, more formal meetings are being held by the Non-executive Directors with and without the Non-executive Chairman.

All the Committees are able to call on independent professional advisers if they consider it necessary.

Audit Committee

The Audit Committee comprises the two independent Non-executive Directors, David Pusinelli and Bridget Guerin. It is chaired by David Pusinelli, who qualified as an ACA at Coopers & Lybrand and has extensive experience within the financial services sector. The Board is satisfied that he has recent and relevant financial experience. A report from the Audit Committee is set out on pages 90 to 93 of this Report.

Remuneration Committee

The Remuneration Committee comprises the two independent Non-executive Directors, David Pusinelli and Bridget Guerin. It is chaired by Bridget Guerin. A report from the Committee is set out on pages 53 to 74 of this Report. This includes a description of the proposals to include significant performance-related elements in the remuneration package of the Executive Directors, which, for the year under review, broadly reflected corporate rather than individual performance. Principle D.1 of the Code provides that remuneration should be structured to link rewards both to corporate and individual performance. The PSP award, outlined in the report of the Remuneration Committee, was implemented during the year.

Risk Committee

Following the recommended actions of the Board Effectiveness Review, the Board Risk Committee was created in July 2014. Its composition and responsibilities are detailed on pages 87 and 88 of this Report.

Nomination Committee

Composition and responsibilities

The Committee chaired by David Pusinelli comprises Sir David Howard (Non-executive Chairman), and the two independent Non-executive Directors, David Pusinelli and Bridget Guerin.

A report from the Nomination Committee is set out on page 89.

Diversity

The Group is committed to extending the proportion of female employment and representation. 12.5% of the Board is female. Further details about diversity in the Company are contained in the report on Corporate Social Responsibility on pages 75 to 80.

Company Secretary

The Company Secretary is responsible for advising the Board on all Corporate Governance matters as well as ensuring good information flows within the Board and its Committees. All Directors have access to the services of the Company Secretary and may take, if necessary, independent professional advice at the Company's expense.

The Company has granted indemnities to all of its Directors (and Directors of subsidiary companies) on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force just after the end of the financial year ended 31 March, and remain in force at the date of this report.

Insurance

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

Relationship with shareholders

The Company places great importance on communication with shareholders and aims to keep shareholders informed by regular communication. Directors meet regularly with the Company's institutional investors, analysts and financial press. The Company's website is kept up-to-date with investor relations material, including annual and interim reports, and these are also distributed to anyone expressing an interest in the Company. The Board is provided with regular feedback following meetings with shareholders. The Company welcomes all shareholders to its AGM, with the opportunity to ask questions formally at the meeting or more informally with all members of the Board afterwards. The Company's policy is to announce at the AGM the number of proxy votes cast on resolutions.

Going concern

The Directors have satisfied themselves that the Group has 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 2015 to have been prepared on a going concern basis.

Compliance with the principles and provisions of the Code

At the start of 2015, as detailed above, Sir David Howard stepped down as Chief Executive Officer allowing the Company to comply with the Code provisions and CRD IV. As a result of Sir David Howard stepping down as Chief Executive Officer and the succession by Paul Abberley, the Company now complies with the provisions of the Code.

RISK COMMITTEE REPORT

The Board established the Risk Committee during the first half of this year to provide centralised oversight and advice in relation to the risk exposure of the Group and its risk appetite. The roles and responsibilities of the Risk Committee as well as its activities over the last year are set out in this report.

The Risk Committee is comprised of two independent Non-executive Directors – Bridget Guerin (Chairman) and David Pusinelli. The Committee meets at least four times a year with additional meetings being scheduled as deemed necessary. The meetings are attended by the Chief Risk Officer (CRO) and any other employees as and when required. In the past year, attendees included the Head of Compliance and the Chief Executive Officer.

The CRO reports to the Committee on a number of matters including:

- Issues arising from the Enterprise Risk Management Committee which is chaired by the CRO;
- ICAAP related matters;
- Internal Audit findings and recommendations;
- Any policy breaches and proposed actions; and
- Any other key risk issues that require the attention and input from the Risk Committee.

Following recent revisions to the Group's governance structure, the Committee has reviewed its terms of reference and these have been approved by the Board.

Committee responsibilities:
Responsibilities of the Risk Committee include:

- Reviewing and providing challenge to the ICAAP to ensure that the overall risk appetite, tolerance and strategy remain appropriate for the Company;
- Ensuring the Risk Management function has adequate resources and appropriate access to information to enable it to perform its function effectively;
- Approving the annual Compliance plan;
- Reviewing the Group's risk exposure and adherence with the Group's risk appetite and any management action;
- Advising and providing relevant information to other Committees and the Board on risk management issues including proposed changes to strategic direction;
- Oversight and sanction of the Group's risk and control management framework; and
- Reviewing material breaches and assessing the adequacy of proposed management action.

Committee activities:
The Risk Committee has undertaken the following key activities over the last year:

- Appointment of the CRO;
- Approval of appropriate resources for the new dedicated Risk function;
- Defined the role and responsibilities of the Committee through the Terms of Reference;
- Reviewed and monitored management responsiveness to internal audit findings and recommendations in conjunction with the Audit Committee; and
- Reviewed the role and responsibilities of the Enterprise Risk Management (ERM) Committee which is chaired by the CRO and attended by the Chief Executive Officer, Head of Compliance and other staff as necessary.

Risk Management Framework:
The Risk Management Framework (RMF) allows the organisation to identify, assess, manage and monitor risks that the Group faces in relation to the execution of its business objectives and strategy. The Group uses the three lines of defence model to manage risk and provide assurance to management and the Board of the level of effectiveness of the Group's control environment.

- The Board has overall responsibility for ensuring that risk is appropriately managed in the Group through a robust control environment. Any risk events or areas of concern that have arisen in the business are initially brought to the ERM Committee and escalated, as appropriate, firstly to the Executive Committee (ExCo) followed by the Board;

- The Risk Committee is an oversight committee and is responsible for ensuring that risk monitoring and escalation to the Board/ExCo operates appropriately within the agreed framework. The CRO provides the Risk Committee with a report of all risk related activities and concerns;
- The risk department has set up a series of rolling business and support area reviews through which the ERM Committee brings in business and department heads for detailed deep dive reviews of risks associated with their business or activity. This ensures that every area of the Group has undergone scrutiny at least annually which supplements the regular risk reporting provided by all departments to the risk team;
- The risk department provides a monthly report to the ERM Committee which includes current issues and a series of metrics. Risk also prepares an ICAAP risk monitoring report for the Board on a monthly basis; and
- As part of the annual ICAAP process, senior management participate in workshops to identify key scenarios and stress test parameters. The risk appetite of the Group is set by the Board.

NOMINATION COMMITTEE REPORT

MEMBERSHIP AND MEETINGS

The Committee comprises myself as Chairman, Sir David Howard (Non-executive Chairman of the Board) and Bridget Guerin, an independent Non-executive Director who chairs the Risk and Remuneration Committees. In addition, the Chief Executive Officer attends meetings by invitation and the Company Secretary acts as secretary to the Committee. The Committee held four regular meetings during the year and all three members attended all four meetings.

ROLE AND RESPONSIBILITIES OF THE COMMITTEE

The Committee is responsible for reviewing the composition of the Board and Board Committees to ensure they are properly constituted and balanced in terms of skills, experience and diversity. In particular, the Committee manages the search process for new Directors and recommends to the Board the appointment of such Directors as well as considering succession planning more widely.

MAIN ACTIVITIES DURING THE YEAR

The principal focus of activity has been considering and responding to the Board Effectiveness Review commissioned in the previous year (referred to in more detail on page 82) as well as the implications of CRD IV in terms of the combining of roles of Chairman and Chief Executive Officer.

One of the conclusions of this review was that corporate governance could be both simplified and strengthened by conforming the memberships of the Boards of both Charles Stanley Group PLC and Charles Stanley & Co. Limited, the principal regulated subsidiary in the group. As a result, certain Executive Directors of the subsidiary resigned from that Board and Bridget Guerin and I were appointed as Non-executive Directors.

As a further consequence, Sir David Howard stepped down as Chief Executive Officer last September and the Committee initiated the process for appointing his successor. An independent external search consultancy, Crewdson & Partners, was retained for the appointment and both internal and external candidates interviewed. This led to the recommendation that Paul Abberley be appointed as Chief Executive Officer last December.

Following the resignation of James Rawlingson as Chief Financial Officer last January, the Committee considered the options for his succession and concluded, after a careful review of his qualifications, that the role was best filled by a strong internal candidate, Ben Money-Coutts, who was appointed as Chief Financial Officer with effect from 19 March 2015 and appointed to the Board following regulatory approval from the FCA on 10 June 2015.

The Committee considered the benefits of diversity, including gender, during these deliberations on these positions, which were filled by the most qualified candidates based on merit. The Committee is mindful of the benefits of diversity and 12.5% of the Board is female. Further details about diversity are contained in the report on Corporate Social Responsibility on pages 75 to 80.

David Pusinelli
Nomination Committee Chairman

18 June 2015

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE CHAIRMAN'S INTRODUCTION

The past year has seen significant changes in the oversight and control functions of Charles Stanley. Key changes have been made to the Board membership, Board roles and the Group's various committee structures. Both our Compliance and Finance Departments have been restructured and a Risk Department under a CRO has been established. Finally, the processes surrounding client take-on and suitability assessment have been substantively revised. As well as conducting its regular activities, the Audit Committee has played an active part in ensuring these changes have taken place in a measured way to deliver substantially enhanced governance and controls.

ROLE, RESPONSIBILITIES AND MEMBERSHIP OF THE COMMITTEE

The role and responsibilities of the Committee are set out in terms of reference which are reviewed annually and approved by the Board.

The Committee comprises the independent Non-executive Directors, being myself as Chairman and Bridget Guerin. The Board is satisfied that we have recent and relevant financial experience. I am a chartered accountant and both Bridget and I have extensive experience of the financial services industry. We met on eight occasions during the year. The Chairman, Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and external audit partner and manager attend most meetings by invitation. The Head of Compliance attends when required.

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The Committee has established an annual cycle of work to ensure all responsibilities are duly discharged. Each of our meetings has addressed a number of standing agenda items, plus additional current matters such as reports issued by Internal Audit since the previous Committee meeting. The work undertaken within the Committee during the year principally fell into the following three main areas:

1 Internal controls

- Reviewed and agreed the scope of the risk-based audit plan as proposed by Internal Audit;
- Considered reports from the internal auditors and their assessment of relevant mitigating controls;
- Monitored progress in resolving audit issues raised in audit reports;
- Reviewed the resources of the internal audit function and agreed the costs; and
- Considered the effectiveness of the Audit Committee.

2 External audit

- Considered and approved the audit approach, and scope of the audit work;
- Reviewed reports on audit findings;
- Reviewed and approved the policy on the independence of the external auditors;
- Considered the independence of the auditors with particular focus on the nature of non-audit work as well as the mix of audit and non-audit fees;
- Considered the recommendations of the UK Corporate Governance Code regarding external audit; and
- Considered letters of representation given to the external auditors by management.

3 Accounting, tax and financial reporting

- Reviewed the annual financial statements;
- Considered all significant financial reporting judgements;
- Considered the appropriateness of preparing the annual financial statements on a going concern basis; and
- Reviewed principal disclosures in the financial statements with particular regard to those areas subject to significant financial reporting judgements.

INTERNAL AUDIT

The provision of internal audit activities has been outsourced to Grant Thornton. This provides flexible resourcing and ensures access to a full range of audit expertise across the Group's businesses.

The audit plan is approved annually in advance by the Committee. We maintain a rolling three-year plan to ensure all critical areas of the business are covered over this period then overlay a risk assessment to determine the prioritisation of the internal audit plan for the coming year.

The annual budget for the internal audit function is agreed between me and the Chief Financial Officer having regard to the planned scope of work. The cost of any ad hoc or additional work required over the course of the year is also reviewed and agreed by the Committee and the Chief Financial Officer as it arises.

The Committee reviews Internal Audit reports considering the effectiveness of mitigating controls and proposed actions to address any issues found. Particular attention has been paid during the year to ensuring that all proposed management actions arising are tracked to completion on a timely basis.

A total of 13 reports were undertaken by Internal Audit and reviewed by the Committee this year. Major topics covered included a number of reviews of our client take-on processes and suitability assessments which have been substantially upgraded over the past 18 months; a review of the effectiveness of the Group Compliance function; and a review of our CASS procedures to ensure that they are in line with the current requirements of the FCA.

EXTERNAL AUDITORS

Performance and effectiveness of our external auditor

During the year we have reviewed the effectiveness of KPMG who are our external auditors. Whilst the review highlighted several ways of improving communication between the firm and KPMG, we remain very satisfied with the performance and effectiveness of the audit services received.

Non-audit services

We have reviewed the independence and the nature of non-audit services supplied by KPMG and non-audit fee levels relative to the audit fee. Our prior approval is required where the fee for an individual non-audit service is expected to exceed £50,000. Fees for non-audit services paid to the auditor should not, in aggregate, exceed 100% of the audit fee or £360,000 in any year without our prior written approval.

We recognise that, given their knowledge of the business, there are often advantages in using the external auditor to provide certain non-audit services. Fees other than for audit or assurance payable to KPMG in 2015 were £85,975 (2014: £677,000).

We have reviewed the safeguards to independence that have been put in place by KPMG in undertaking the non-audit engagements throughout the year and are satisfied that these are appropriate. The safeguards and terms of engagement were reviewed and approved by us prior to KPMG commencing work.

We agreed the external auditor's fees (which are shown in note 3 to the consolidated financial statements) and reviewed the audit engagement letter. We also had discussions with the external auditor with no management present to provide an opportunity for any concerns to be raised and discussed.

Audit tender

Under the UK Corporate Governance Code, audits should be subject to tender at least once every ten years. KPMG was appointed as the group auditor for the 2011 year end as a result of a competitive tender process and the Committee intends to conduct an audit tender process again before the tenth anniversary thereof.

SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT COMMITTEE

Following discussions with both management and the external auditor the Committee has determined that the following areas form the key risks to misstatement of the annual financial statements:

1. Impairment of goodwill;
2. Impairment of intangible and other non-financial assets;
3. Available for sale assets and other receivables;
4. Risk of losses arising from litigation;
5. Pension deficit; and
6. Assets Held for sale and discontinued operations.

Impairment of goodwill

Goodwill has arisen over many years, principally from the acquisition of subsidiaries, and typically represents the difference between the total cost of acquisition and the fair values of the assets of the acquired business. Goodwill is shown at a value of £16.0 million (2014: £25.5 million) on the balance sheet and is detailed in note 14.

We have considered the review of goodwill which is performed by management annually or earlier if an erosion of goodwill is suspected.

The review requires that impairment is made if the recoverable amount is less than its carrying value. The policy adopted is first, to calculate fair value less cost to sell and to consider value in use only if the carrying value fails this first test. The majority of the goodwill (£9.1 million) relates to private client investment management businesses acquired and no impairment is considered necessary in relation to these other than in relation to the Durlacher business.

Last year, the Durlacher business, which was primarily an options trading business, accounted for £1.5 million of goodwill. The Group ceased this option trading business during the current year and transferred all the assets under management to a third party for nil consideration. Accordingly this goodwill has been written off in its entirety.

Charles Stanley Direct accounted for £5.2 million (2014: £8.2 million) of goodwill. This business comprises our on-line investment service and includes the former direct businesses known as Garrison and Fastrade which have been subsumed into the Charles Stanley Direct cash generating unit.

Charles Stanley Direct is an award winning platform, continues to grow its core assets and revenues at a healthy rate and is trending toward profitability. Nevertheless, considerable judgment is required to quantify future revenue flows and profitability and the conclusion has been made that it would be appropriate to write down the value of its attributable goodwill by £3.0 million.

Charles Stanley Financial Solutions and the employee benefit business run out of Plymouth account for £1.5 million of the total goodwill balance (2014: £3.5 million). The Board has announced that it has signed Heads of Agreement to sell Charles Stanley Financial Solutions Ltd which is consequently now Held for sale. The goodwill attributed to these businesses has been written down by £2.0 million to take account respectively of the anticipated proceeds and expenses of sale and future trading prospects of the Plymouth business.

Impairment of intangible and other non-financial assets

The Committee considers that the principal area for review is the impairment of client lists brought to the firm following the acquisition of individual or teams of investment managers. These were valued at £7.3 million as at 31 March 2015 (2014: 8.6 million). These assets are amortised over their useful life, which causes them to be reflected on the balance sheet as decreasing in value each year.

The Committee has looked for evidence of impairment in light of the loss of any senior investment managers that may indicate the risk of outflow of clients and associated funds under management. During the second half of the year the Truro team, whose customer list had a carrying value of £1.1 million at the half year, left to join a rival firm. Whilst a number of Truro clients have now transferred to other Charles Stanley branches, the Board has considered it appropriate to write down the value of this customer list by 75% to £0.3 million and an impairment charge of £0.7 million has been recognized.

The Committee has also reviewed evidence prepared by management which monitors the causes of the underlying rate of loss of clients. During the year, the closure of client accounts stayed low and the main cause of lost clients remained death which erodes the client base by 3% to 4% each year.

The Committee considered the useful lives of the customer lists acquired under a business combination and those acquired on an ongoing basis. The Committee determined that it was not appropriate to continue to recognise a difference in the useful lives and accordingly decided that all customer lists should be amortised over a 10 year period, being a conservative reflection of actual experience.

Part of the consideration payable for Charles Stanley Pan Asset Capital Management is contingent on certain AuM targets being achieved, which the Group now considers unlikely. Accordingly, the deferred consideration has been reduced and an impairment charge has been recognised to reduce the corresponding intangible asset to £1.1 million (from £1.4 million).

Available for sale assets and other receivables

During the year the Group impaired the value of its investment and loan in Masterlist by writing it down from £1.0 million to £0.25 million. The £0.75 million impairment charge is included in the consolidated income statement.

Risk of losses arising from litigation

Risk of losses from litigation is dealt with in note 29.

The Committee recognises that all commercial enterprises are at risk of losses arising from litigation, either because the firm loses the legal case or from material legal costs arising, and that this can be material to the financial statements. Accordingly, management performs a review of actual and potential sources of litigation at the financial year end and during the period leading up to the signing of the annual financial statements.

A competitor company has taken legal action against the Group over the recruitment of a number of individuals associated with the opening of the Leicester branch. The competitor alleges, amongst other things, losses of £1.6 million. Charles Stanley has lodged a defence both against the basis of the claim and its amount.

The Committee recognises that management has discussed this case with their legal advisers and has also taken action to mitigate any potential losses arising either from an adverse finding or from significant legal costs by making a settlement offer. Accordingly the Committee has noted that the accounts contain a provision for £250,000. Based on legal advice obtained, this appears a fair estimate of liability relating to this litigation although there remains a risk that the provision estimate is materially understated.

Pension

The pension fund continues to show a deficit according to the latest IAS 19R actuarial valuation. This year the deficit is valued at £13.1 million and this is further detailed in note 9. The Committee has reviewed the most recent actuarial valuation and has noted the conclusions of KPMG's specialists on the nature of the assumptions used by the actuaries. The recovery plan that was proposed and agreed following the 2011 valuation was reviewed, and the conclusion made that the recovery plan remains appropriate. Notwithstanding this the Board has set up a working group to review further options for mitigating future defined benefit pension liabilities.

Whilst the government announced a change in July 2010 permitting benefit augmentation in private sector occupational pension schemes to be based on CPI, the Committee is satisfied that the defined benefit obligation can continue to be calculated on RPI on the basis that the Trust Deed states a requirement only to use a government approved index.

Assets Held for sale and discontinued operations

The Committee considered the treatment of the Charles Stanley Securities and the Charles Stanley Financial Solutions businesses in light of the Group's strategic decision to dispose of both businesses. The Committee considered the relevant IFRS standards and determined that both businesses should be categorised as Held for sale and that Charles Stanley Securities as a major reporting line should be disclosed as a discontinued operation.

Approval

This report in its entirety has been approved by the Committee and the Board of Directors and signed on its behalf by:

David Pusinelli
Audit Committee Chairman

18 June 2015

DIRECTORS' RESPONSIBILITIES

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 the law the Directors have prepared 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 appropriate;
- 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 and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible 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 Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply 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.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and responsibilities are listed in the Corporate Governance Report confirm that, to the best of their knowledge:

- the Group and parent company financial statements, which have been 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;
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; and
- the Strategic Report and financial statements include a fair review of the development and performance of the business and the position of the Group 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
Julie M Ung
Secretary

18 June 2015

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

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Charles Stanley Group PLC for the year ended 31 March 2015 set out on pages 101 to 156. 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 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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 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.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Carrying amount of goodwill allocated to CS Direct (£5.2 million)

Refer to page 91 (Audit Committee Report), page 150 (accounting policy) and pages 125 to 126 (financial disclosures).

The risk

The consolidated statement of financial position includes a significant goodwill balance. The carrying amount of goodwill could be materially misstated if inappropriate judgements and estimates were used by the Directors in calculating the recoverable amount for each cash generating unit ('CGU') as part of their impairment assessment. Whilst this risk exists over the overall goodwill balance, the more significant risk attaches to the goodwill relating to CS Direct and, therefore, this CGU was the focus of our audit procedures in this area.

The CS Direct CGU, which accounts for £5.2m of the total goodwill balance, represents an early stage separate business segment that, whilst growing the assets administered on its platform, is currently unprofitable. Furthermore, CS Direct includes business previously undertaken through Garrison, the discount financial intermediary subsidiary that, prior to the integration into CS Direct, had shown a decline in trading revenues. CS Direct also has a second legacy income stream which is now expected to cease in 2017. In these circumstances, forecasting future revenue and net cash inflows is particularly subjective and there is an increased risk that there could be a material difference between the forecast revenues used to determine the recoverable amount and the actual revenues earned. Assessing the recoverable amount therefore requires judgement and, as a result, there is a higher risk that goodwill may be overstated. The Directors have used a value in use approach and have impaired this asset by £3m as at 31 March 2015 reflecting more conservative cash inflow forecasts as a result of declining legacy revenues and slower growth projections on core platform business.

Our response

Our audit procedures included testing the Group's assessment of the recoverable amount by comparing the Group's assumptions, including revenue and cost growth rates, and discount rates, to externally derived data as well as our own assessments based on our knowledge of the Group and the industry. We examined the revenue and cost projections of the three component parts of CS Direct, confirming whether the projections for the two legacy elements tailed off appropriately and whether the growth projections for the core online platform, particularly its terminal value, were supported by current trends. We have compared the discount rate applied to peer analysis and our own assessment. We also undertook sensitivity analysis and stress testing of each assumption.

We also assessed whether the Group's disclosures in note 14 appropriately reflected the risks inherent in the valuation of goodwill.

Valuation of defined benefit pension liability: £13.1 million

Refer to page 93 (Audit Committee Report), page 147 (accounting policy) and pages 116 to 120 (financial disclosures).

The risk

Significant estimates are made in valuing the Group's post-retirement defined benefit scheme and relatively small changes in assumptions and estimates used to value the group's net pension deficit can have a significant effect on the results and financial position of the Group.

Our response

Our audit procedures included using the support of our own actuarial specialists to challenge the key assumptions and estimated inputs used in the calculation of the pension liability. The key assumptions and estimates we tested included the discount rate, RPI inflation, salary growth and life expectancy. This included a comparison of key assumptions against externally derived data and our benchmark ranges for similar schemes.
We also tested the valuation of the scheme's assets by reference to the most recent scheme valuation report and applying market return assumptions for the year ended 31 March 2015.

We also considered the adequacy of the Group's disclosure in respect of the sensitivity of the liability to these assumptions.

Provision for legal disputes: £250,000

Refer to page 93 (Audit Committee Report), page 147 (accounting policy) and page 144 (financial disclosures).

The risk

The Group is currently in dispute with Brewin Dolphin plc in relation to certain matters regarding the departure of investment managers from Brewin Dolphin plc and subsequent employment by Charles Stanley Group PLC. Brewin Dolphin plc is alleging breach of contract and economic loss and claiming certain costs. Management has provided £250,000 in respect of the claim. At the date of this audit report the legal process of discovery of facts continues between the two parties. Consideration of the outcome of current legal disputes is highly subjective and requires considerable audit judgement. There remains a risk that the Group's provision estimate is materially understated if all information currently available is not included in the estimate or if further information comes to light that substantially weakens the Group's case and the court finds in favour of the litigant.

Our response

Our audit procedures included detailed discussion with executive management to understand the facts and circumstances surrounding the dispute. We reviewed correspondence between the litigant and the Group to understand and assess the nature of the claim. This included consideration of potential points of law, claims regarding causation and claims of potential losses by the litigant. In addition we read the legal opinion obtained by management from Queen's Counsel and considered the results of this in forming our conclusion.

We also considered the adequacy of the Group's disclosures in note 29 in respect of this matter.

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

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £750,000. It was determined with reference to a benchmark of Group revenue (in the prior year a materiality of £700,000 was determined with reference to a benchmark of profit before tax). We consider Group revenue to be a more appropriate benchmark in the current year as the Group has incurred losses. Revenue is one of the principal considerations for members of the Company in assessing the financial performance of the Group. Materiality represents 0.5% of Group revenue.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £40,000 in addition to other audit misstatements that we believe warranted reporting on qualitative grounds.

We have audited five Group components, covering 100% of Group revenues, Group profit before taxation and Group assets. Materiality for those components ranged from £28,000 to £636,000.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

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

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 48, in relation to going concern;
- the part of the Corporate Governance Statement on pages 81 to 86 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities
As explained more fully in the Directors' Responsibilities Statement set out on page 94, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Michael Peck (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL

18 June 2015

ACCOLADES 2014/15

Bespoke Discretionary Management

Charles Stanley has received a Defaqto 5 Star Rating for its Bespoke Discretionary Management

PanDynamic Model Portfolios

Charles Stanley Pan Asset has received a Defaqto 5 Star Rating for its PanDynamic Model Portfolios

PanAsset Model Portfolios

Charles Stanley Pan Asset has received a Defaqto 5 Star Rating for its PanAsset Model Portfolios

Collectives Portfolio Service

Charles Stanley has received a Defaqto 5 Star Rating for its Collectives Portfolio Service

DFM Model Portfolio Service

Charles Stanley has received a Defaqto 5 Star Rating for its DFM Model Portfolio Service

Collectives Portfolio Service

Charles Stanley has received a Defaqto 5 Star Rating for its Collectives Portfolio Service

Best Wealth Manager for Inheritance Tax & Succession Planning

Leading in Consumer Platforms Winner

FINANCIAL STATEMENTS CONTENTS

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 MARCH 2015

	Notes	2015 £'000	2014 £'000
Continuing operations			
Revenue	1	**144,264**	137,895
Administrative expenses	1	**(141,875)**	(134,856)
Impairment of intangible assets and investments	1	**(8,277)**	—
Other income	2	**132**	140
Operating (loss)/profit	3	**(5,756)**	3,179
Gain on sale of business		**1,200**	—
Finance income	4	**185**	483
Finance costs	4	**(75)**	(85)
Net finance income	4	**110**	398
(Loss)/profit before tax		**(4,446)**	3,577
Tax expense	12	**(413)**	(783)
(Loss)/profit from continuing operations		**(4,859)**	2,794
Discontinued operations			
(Loss)/profit from discontinued operations	11	**(1,287)**	1,963
(Loss)/profit for the year attributable to equity shareholders		**(6,146)**	4,757

Earnings per share

Basic	5	**(13.46p)**	10.51p
Diluted	5	**(13.46p)**	10.42p

Earnings per share continuing operations

Basic	5	**(10.64p)**	6.17p
Diluted	5	**(10.64p)**	6.12p

The notes on pages 110 to 156 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2015

	Notes	2015 £'000	2014 £'000
(Loss)/profit for the year		**(6,146)**	4,757
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of property, plant and equipment	15	**—**	(67)
Related tax	16	**—**	16
Remeasurement of the defined benefit obligation	9	**(5,950)**	2,290
Related tax	16	**1,189**	(677)
		(4,761)	1,562
Items that are or may be reclassified to profit or loss			
Available for sale financial assets – net change in fair value	17	**(407)**	136
Available for sale financial assets – reclassified to profit or loss	17	**560**	140
Related tax	16	**70**	33
		223	309
Other comprehensive income for the year, net of tax		**(4,538)**	1,871
Total comprehensive income for the year attributable to owners of the Company		**(10,684)**	6,628

The notes on pages 110 to 156 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2015

	Notes	**31 March 2015 £'000**	31 March 2014 £'000
Assets			
Intangible assets and goodwill	14	**26,097**	35,286
Property, plant and equipment	15	**13,287**	13,749
Net deferred tax assets	16	**2,558**	1,282
Available for sale financial assets	17	**7,054**	7,300
Trade and other receivables	18	**419**	1,467
Non-current assets		**49,415**	59,084
Trade and other receivables	18	**267,494**	212,737
Financial assets at fair value through profit or loss	19	**100**	117
Assets Held for sale	13	**4,190**	—
Cash and cash equivalents	20	**28,453**	38,567
Current assets		**300,237**	251,421
Total assets		**349,652**	310,505

The notes on pages 110 to 156 are an integral part of these consolidated financial statements.

	Notes	31 March 2015 £'000	31 March 2014 £'000
Equity			
Share capital	21	**11,490**	11,314
Share premium	21	**4,139**	2,597
Revaluation reserve		**2,706**	2,483
Retained earnings		**50,559**	67,009
Equity attributable to owners of the Company		**68,894**	83,403
Non-controlling interests		**24**	24
Total equity		**68,918**	83,427
Liabilities			
Trade and other payables	22	**—**	116
Borrowings	23	**1,824**	1,970
Employee benefits	9	**13,087**	6,933
Non-current liabilities		**14,911**	9,019
Trade and other payables	22	**265,123**	217,135
Borrowings	23	**150**	150
Current tax liabilities	12	**152**	774
Liabilities Held for sale	13	**398**	—
Current liabilities		**265,823**	218,059
Total liabilities		**280,734**	227,078
Total equity and liabilities		**349,652**	310,505

Approved by the Board on 18 June 2015

Company registration number 48796 (England and Wales)

Paul Abberley　　Ben Money-Coutts　　Directors

The notes on pages 110 to 156 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2015

	Share capital £'000	Share premium £'000	Re-valuation reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
1 April 2014	**11,314**	**2,597**	**2,483**	**67,009**	**83,403**	**24**	**83,427**
Loss for the year	**—**	**—**	**—**	**(6,146)**	**(6,146)**	**—**	**(6,146)**
Other comprehensive income:							
Revaluation of property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Deferred tax on property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Revaluation of available for sale financial assets							
– net loss from change in fair values	**—**	**—**	**(407)**	**—**	**(407)**	**—**	**(407)**
– net profit on disposal transferred to profit or loss	**—**	**—**	**560**	**—**	**560**	**—**	**560**
Deferred tax on available for sale financial assets	**—**	**—**	**70**	**—**	**70**	**—**	**70**
Defined benefit plan actuarial losses	**—**	**—**	**—**	**(5,950)**	**(5,950)**	**—**	**(5,950)**
Deferred tax on defined benefit plan actuarial losses	**—**	**—**	**—**	**1,189**	**1,189**	**—**	**1,189**
Total other comprehensive income for the year	**—**	**—**	**223**	**(4,761)**	**(4,538)**	**—**	**(4,538)**
Total comprehensive income for the year	**—**	**—**	**223**	**(10,907)**	**(10,684)**	**—**	**(10,684)**
Dividends paid	**—**	**—**	**—**	**(5,593)**	**(5,593)**	**—**	**(5,593)**
Share options – value of employee services	**—**	**—**	**—**	**50**	**50**	**—**	**50**
– issue of shares	**176**	**1,542**	**—**	**—**	**1,718**	**—**	**1,718**
31 March 2015	**11,490**	**4,139**	**2,706**	**50,559**	**68,894**	**24**	**68,918**

The notes on pages 110 to 156 are an integral part of these consolidated financial statements.

	Share capital £'000	Share premium £'000	Re-valuation reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
1 April 2013	11,309	2,549	2,225	65,882	81,965	53	82,018
Profit for the year	—	—	—	4,757	4,757	—	4,757
Other comprehensive income:							
Revaluation of property, plant and equipment	—	—	(67)	—	(67)	—	(67)
Deferred tax on property, plant and equipment	—	—	16	—	16	—	16
Revaluation of available for sale financial assets							
– net gain from change in fair values	—	—	136	—	136	—	136
– net profit on disposal transferred to profit or loss	—	—	140	—	140	—	140
Deferred tax on available for sale financial assets	—	—	33	—	33	—	33
Defined benefit plan actuarial gains	—	—	—	2,290	2,290	—	2,290
Deferred tax on defined benefit plan actuarial gains	—	—	—	(677)	(677)	—	(677)
Total other comprehensive income for the year	—	—	258	1,613	1,871	—	1,871
Total comprehensive income for the year	—	—	258	6,370	6,628	—	6,628
Dividends paid	—	—	—	(5,429)	(5,429)	(29)	(5,458)
Share options – value of employee services	—	—	—	186	186	—	186
– issue of shares	5	48	—	—	53	—	53
31 March 2014	11,314	2,597	2,483	67,009	83,403	24	83,427

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2015

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash generated from operating activities	27	**948**	17,343
Interest received	4	**110**	324
Interest paid	4	**(75)**	(85)
Tax paid		**(711)**	(2,384)
Net cash from operating activities		**272**	15,198
Cash flows from investing activities			
Acquisition of subsidiaries and other businesses		**—**	(1,208)
Acquisition of intangible assets	14	**(4,243)**	(2,272)
Proceeds from disposal of Fund asset	26	**750**	—
Purchase of property, plant and equipment	15	**(2,865)**	(10,552)
Purchase of available for sale financial assets	17	**(471)**	(2,479)
Proceeds from sale of available for sale financial assets		**445**	2,644
Dividends received	2	**132**	140
Net cash used in investing activities		**(6,252)**	(13,727)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	21	**1,718**	53
Cash inflow from debt and lease financing		**—**	2,120
Repayment of borrowings		**(146)**	—
Dividends paid	6	**(5,593)**	(5,458)
Net cash used in financing activities		**(4,021)**	(3,285)
Net decrease in cash and cash equivalents		**(10,001)**	(1,814)
Cash and cash equivalents at start of year		**38,567**	40,381
Cash and cash equivalents at end of year		**28,566**	38,567
Cash and cash equivalents shown in current assets		**28,453**	38,567
Cash classified as assets Held for sale	13	**113**	—
Cash and cash equivalents at end of year		**28,566**	38,567

The Group has elected to present a Consolidated Statement of Cash Flows that analyses all cash flows in total, i.e. including both continuing and discontinued operations; amounts relating to discontinued operations are disclosed in note 11.

The notes on pages 110 to 156 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 OPERATING SEGMENTS

The Group currently has four strategic divisions which are its reportable segments. These segments are the basis on which the Group reports its performance to the Board, which is the Group's chief operating decision maker. The operations of each division are described below:

Division	Operations
Investment Management Services	Provision of investment services to individuals, companies, trusts and charities;
Financial Services	Financial planning and wealth management, SIPP and SSAS administration and employee benefits;
Charles Stanley Direct	Direct-to-client investment service including online dealing; and
Charles Stanley Securities	Advisory, broking and corporate finance services for smaller and mid-cap UK listed companies.

The Group has exchanged contracts with Panmure Gordon (UK) Limited for the sale of the Charles Stanley Securities division. The agreement is for the whole division apart from the equity trading business (CSS Equity Trading), which will stay in the Group. Charles Stanley Securities apart from the equity trading business has been classified as discontinued operations.

	Continuing operations						
	Investment Management Services £'000	Financial Services £'000	Charles Stanley Direct £'000	CSS Equity Trading £'000	Central £'000	Discontinued operations £'000	Total £'000
Year ended 31 March 2015							
Fees							
Investment management	**56,558**	**1,689**	**—**	**—**	**—**	**—**	**58,247**
Administration	**19,224**	**13,021**	**3,982**	**45**	**—**	**120**	**36,392**
Corporate finance	**—**	**—**	**—**	**—**	**—**	**4,536**	**4,536**
	75,782	**14,710**	**3,982**	**45**	**—**	**4,656**	**99,175**
Commission	**45,809**	**408**	**858**	**2,670**	**—**	**770**	**50,515**
Total revenue	**121,591**	**15,118**	**4,840**	**2,715**	**—**	**5,426**	**149,690**
Administrative expenses	**(72,030)**	**(14,274)**	**(4,841)**	**(2,243)**	**(57,855)**	**(5,964)**	**(157,207)**
Other income	**132**	**—**	**—**	**—**	**—**	**—**	**132**
Operating contribution	**49,693**	**844**	**(1)**	**472**	**(57,855)**	**(538)**	**(7,385)**
Allocated costs	**(44,623)**	**(5,817)**	**(5,760)**	**(564)**	**57,855**	**(1,091)**	**—**
Operating profit	**5,070**	**(4,973)**	**(5,761)**	**(92)**	**—**	**(1,629)**	**(7,385)**
Segment assets	**267,940**	**6,909**	**7,198**	**1,974**	**63,600**	**2,031**	**349,652**
Segment liabilities	**(240,123)**	**(1,200)**	**(80)**	**(6,249)**	**(33,082)**	**—**	**(280,734)**

1 OPERATING SEGMENTS (CONTINUED)

	Continuing operations						
	Investment Management Services £'000	Financial Services £'000	Charles Stanley Direct £'000	CSS Equity Trading £'000	Central £'000	Discontinued operations £'000	Total £'000
Year ended 31 March 2014							
Fees							
Investment management	44,592	885	—	—	—	—	45,477
Administration	19,534	12,254	2,727	368	—	109	34,992
Corporate finance	—	—	—	—	—	10,157	10,157
	64,126	13,139	2,727	368	—	10,266	90,626
Commission	53,203	424	753	3,155	—	867	58,402
Total revenue	**117,329**	**13,563**	**3,480**	**3,523**	**—**	**11,133**	**149,028**
Administrative expenses	(66,622)	(11,727)	(4,077)	(4,514)	(49,908)	(6,592)	(143,440)
Other income	140	—	—	—	—	—	140
Operating contribution	50,847	1,836	(597)	(991)	(49,908)	4,541	5,728
Allocated costs	(40,801)	(3,791)	(2,787)	(537)	49,908	(1,992)	—
Operating profit	10,046	(1,955)	(3,384)	(1,528)	—	2,549	5,728
Segment assets	212,211	12,530	12,115	4,347	67,144	2,158	310,505
Segment liabilities	(189,364)	(1,289)	(204)	(2,471)	(33,750)	—	(227,078)

The revenue split between the divisions for the prior year has been amended from last year to better reflect the allocation of income in the current year.

The costs that have been allocated to the divisions for the prior year has been changed to reflect the new cost allocation methodology put in place in the current year.

2 OTHER INCOME

	2015 £'000	2014 £'000
Dividend income on available for sale financial assets	**132**	140

3 OPERATING PROFIT

	2015 £'000	2014 £'000
The following items have been included in arriving at the results:		
Depreciation of property, plant and equipment:		
Owned assets	**3,150**	2,707
Amortisation and impairment	**10,358**	2,747
Impairment of equity investment	**500**	—
Impairment of loan	**250**	—
Auditors' remuneration:		
Audit of the Company's annual accounts	**80**	73
Audit of the Company's subsidiaries	**210**	240
Services relating to taxation	**41**	49
Other assurance services	**60**	81
All other services	**46**	628
Gains on financial assets at fair value through profit or loss	**(29)**	75
Gains on foreign currency exchange	**(76)**	20
Loss on sale of fixed assets	**178**	—
Operating lease rentals payable	**2,829**	2,301
Financial Services Compensation Scheme Levy	**1,317**	1,200

4 NET FINANCE INCOME

	2015 £'000	2014 £'000
Interest income	**110**	324
Gains and losses on available for sale financial assets	**75**	159
Finance income	**185**	483
Interest payable on bank borrowings	**(4)**	(11)
Interest payable on other loans	**(71)**	(74)
Finance costs	**(75)**	(85)
Net finance income	**110**	398

5 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 underlying earnings per share. "Underlying earnings" represent earnings before one-off costs, FSCS Levy and amortisation of customer relationships. This measure is also followed by the analyst community as a benchmark of the Group's ongoing performance.

	2015 No. 000	2014 No. 000
Weighted average number of shares in issue in the year	**45,655**	45,243
Effect of share options	**66**	420
Diluted weighted average number of shares in issue during the year	**45,721**	45,663
	£'000	£'000
Reported earnings attributable to ordinary shareholders	**(6,146)**	4,757
Charles Stanley Direct and other investment one-off costs	**—**	1,278
Amortisation of customer relationships	**1,800**	2,440
Financial Services Compensation Scheme Levy	**1,317**	1,200
Branch acquisition costs	**259**	2,417
Non-recurring professional fees	**99**	—
Sale of Fund asset	**(1,200)**	—
Impairment of assets	**8,277**	—
Reduction in deferred consideration	**(348)**	—
Tax on adjusting items	**(2,143)**	(1,687)
Underlying earnings attributable to ordinary shareholders	**1,915**	10,405
Based on reported earnings		
Basic earnings per share	**(13.46p)**	10.51p
Diluted earnings per share	**(13.46p)**	10.42p
Based on underlying earnings		
Basic earnings per share	**4.19p**	23.00p
Diluted earnings per share	**4.19p**	22.79p

6 DIVIDENDS PAID

Amounts recognised as distributions to the owners of the Company in the year:

	2015 £'000	2014 £'000
Final paid for 2014: 9.25p per share (2013: 9.00p)	**4,223**	4,072
Interim paid for 2015: 3.00p per share (2014: 3.00p)	**1,370**	1,357
	5,593	5,429
Amount paid by subsidiary to non-controlling interests in the year	**—**	29

7 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 £1,827,000 (2014: £5,675,000).

8 SHARE-BASED PAYMENT ARRANGEMENTS

Share options and share-based payment

The Group recognised total expenses of £50,000 (2014: £186,000) related to equity-settled share-based payment transactions.

Long term incentive plan

During the period, the Board approved the implementation of a new employee share award scheme, the Long-term Incentive Plan. Details of the general terms of this plan are set out in the remuneration committee report on page 59. Vesting will be subject to performance conditions set by the Remuneration Committee. The performance conditions relate to the financial performance of the Group. The awards will be treated as Equity settled share-based payments. Shares will be granted to the holders, at no additional cost, when the awards vest, subject to performance conditions.

Date of grant	9 January 2015
Expected life of awards	3 years
Fair value at grant date	£3.28
Total awards at beginning of period	—
Number granted during period	310,320
Number vested during period	—
Number lapsed during period	—
Number exercised during period	—
Votal awards outstanding at end of period	310,320

Save as you earn scheme

At 31 March 2015 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	23 Dec 2014	18 Dec 2013	19 Dec 2012	20 Dec 2011
Exercisable during the six months commencing	1 Feb 2018	1 Feb 2017	31 Jan 2016	1 Feb 2015
Number of shares	98,522	62,632	150,666	8,074
Exercise price per share	£2.70	£4.11	£2.48	£2.34
Expected fair value of option	£0.65	£1.26	£0.69	£0.53

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

Share price at date of grant	£3.25	£5.08	£3.00	£2.63
Expected life	3.0 years	3.0 years	3.0 years	3.0 years
Expected volatility	26.32%	27.90%	32.67%	33.78%
Risk free rate	0.85%	1.17%	0.30%	0.51%
Expected dividend yield	3.77%	2.36%	3.75%	4.18%

8 SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

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

	2015 Number of shares	**2015** Weighted average exercise price	2014 Number of shares	2014 Weighted average exercise price
1 April	**1,056,712**	**£2.70**	958,910	£2.45
Exercised	**(704,414)**	**£2.44**	(21,566)	£2.49
Forfeited	**(132,457)**	**£3.64**	(43,558)	£2.57
Granted	**100,053**	**£2.70**	162,926	£4.11
31 March	**319,894**	**£2.88**	1,056,712	£2.70
Exercisable	**—**	**—**	—	—

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

Year ended 31 March 2015

Grant date	Number exercised	Exercise date	Share price at exercise date
20 December 2012	225	4 Apr 2014	£4.91
20 December 2011	4,644	4 Apr 2014	£4.91
11 March 2011	318,539	1 May 2014	£4.74
11 March 2011	47,319	13 May 2014	£4.73
11 March 2011	20,076	17 June 2014	£4.23
11 March 2011	1,434	20 June 2014	£4.20
11 March 2011	6,453	1 July 2014	£4.22
11 March 2011	3,585	29 July 2014	£3.45
11 March 2011	3,585	26 Aug 2014	£3.47
11 March 2011	2,012	8 Oct 2014	£3.05
20 December 2012	3,580	20 Oct 2014	£3.04
20 December 2011	2,318	29 Dec 2014	£3.25
20 December 2011	3,126	29 Dec 2014	£3.25
20 December 2011	1,235	2 Jan 2015	£3.25
20 December 2011	231,994	2 Feb 2015	£3.35
20 December 2011	3,215	2 Feb 2015	£3.35
20 December 2011	26,975	12 Feb 2015	£3.40
20 December 2011	10,366	12 Feb 2015	£3.40
20 December 2011	4,522	27 Feb 2015	£3.35
20 December 2011	661	13 Mar2015	£3.35
20 December 2011	4,261	20 Mar 2015	£3.77
20 December 2011	3,876	27 Mar 2015	£3.74
20 December 2011	413	27 Mar 2015	£3.74
	704,414		£4.12

The weighted average share price at the date of exercise of share options was £4.12.

8 SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

Year ended 31 March 2014

Grant date	Number exercised	Exercise date	Share price at exercise date
11 March 2011	1,832	19 Apr 2013	£3.90
11 March 2011	1,075	8 July 2013	£4.02
20 December 2011	1,786	10 Sep 2013	£4.61
11 March 2011	2,888	9 Oct 2013	£4.52
11 March 2011	3,087	7 Nov 2013	£4.52
20 December 2011	404	7 Nov 2013	£4.52
11 March 2011	3,087	22 Jan 2014	£5.02
11 March 2011	1,314	22 Jan 2014	£5.02
20 December 2011	441	22 Jan 2014	£5.02
11 March 2011	5,652	31 Jan 2014	£5.00
	21,566		£4.69

The weighted average share price at the date of exercise of share options was £4.69.

9 EMPLOYEE BENEFITS

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 "plan"), which is a funded defined benefit arrangement. This is a separate trustee-administered fund holding the pension plan assets to meet long term pension liabilities for some 74 past and 30 present employees. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation following retirement.

The plan is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the plan are required to act in the best interests of the plan's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation. It is policy that at least one third of all trustees should be nominated by the members.

A full actuarial valuation is currently being carried out as at 13 May 2014 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the Group and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using conservative, as opposed to best estimate actuarial assumptions.

The actuarial valuation at 13 May 2011 showed a deficit of £1,989,000. The Group has agreed with the trustees that it will aim to eliminate the deficit over a period of 7 years from 13 May 2012 by the payment of annual contributions of £315,000 in respect of the deficit. In addition and in accordance with the actuarial valuation, the Group has agreed with the trustees that it will pay 25.5% of pensionable earnings in respect of the cost of accruing benefits and will meet expenses of the plan and levies to the Pension Protection Fund. Member contributions are payable at a rate of 3% (except for Directors) and this is included within the rate of 25.5%.

9 EMPLOYEE BENEFITS (CONTINUED)

For the purposes of IAS 19 the preliminary results of the actuarial valuation as at 13 May 2014, which was carried out by a qualified actuary, has been updated on an approximate basis to 31 March 2015. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

Amounts included in the statement of financial position

	2015 £'000	2014 £'000	2013 £'000
Fair value of plan assets	**30,778**	29,893	29,833
Present valuation of defined benefit obligation	**(43,865)**	(36,826)	(38,809)
Deficit in scheme	**(13,087)**	(6,933)	(8,976)
Impact of asset ceiling	**—**	—	—
Liability to be recognised	**(13,087)**	(6,933)	(8,976)
Deferred tax	**2,617**	1,387	2,064
Net liability to be recognised	**(10,470)**	(5,546)	(6,912)

The present value of plan liabilities is measured by discounting the best estimate of future cash flows to be paid out by the plan using the projected unit credit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

The projected unit credit method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The accumulated benefit obligation is an alternative actuarial measure of the plan liabilities, whose calculation differs from that under the projected unit credit method in that it includes no assumption for future earnings increases. In assessing this figure for the purpose of these disclosures, allowance has been made for future statutory revaluation of benefits up to retirement. At the balance sheet date the accumulated benefit obligation was £43,865,000.

All actuarial gains and losses are recognised in the year in which they occur in the consolidated statement of other comprehensive income (page 102).

The Group has reviewed the implications of the guidance provided by IFRIC 14 and has concluded that it is not necessary to make any adjustments to the IAS19 figures in respect of an asset ceiling or Minimum Funding Requirements as at 31 March 2015.

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

	2015 £'000	2014 £'000
Fair value of assets at 1 April	**29,893**	29,833
Interest income	**1,324**	1,280
Return on plan assets	**490**	928
Contributions by employer	**716**	805
Contributions by plan participants	**49**	57
Benefits paid, death in service insurance premiums and expenses	**(1,694)**	(3,010)
Fair value of assets at 31 March	**30,778**	29,893

The actual return on the scheme assets over the year ended 31 March 2015 was £1,814,000 (2014: £2,208,000).

9 EMPLOYEE BENEFITS (CONTINUED)

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

	2015 £'000	2014 £'000
Defined benefit obligation at 1 April	**36,826**	38,809
Current service cost	**610**	707
Interest cost	**1,634**	1,677
Employee contributions	**49**	57
Actuarial gains due to scheme experience	**(1,041)**	(882)
Actuarial gains due to changes in demographic assumptions	**(531)**	—
Actuarial loss due to changes in financial assumptions	**8,012**	(532)
Benefits paid, death in service insurance premiums and expenses	**(1,694)**	(3,010)
Defined benefit obligation at 31 March	**43,865**	36,826

There have been no plan amendments, curtailments or settlements in the year.

Defined benefit costs recognised in the income statement

	2015 £'000	2014 £'000
Current service cost	**610**	707
Net interest costs	**310**	397
Total	**920**	1,104

Defined benefit costs recognised in statement of comprehensive income

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Return on plan assets	**490**	928	1,581	(725)	805
Experience gains arising on the scheme liabilities	**1,041**	882	271	473	1,049
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	**531**	—	—	—	—
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	**(8,012)**	532	(4,668)	(2,453)	(421)
Adjustment related to previous years	**—**	(52)	—	—	—
Total amount recognised in statement of comprehensive income	**(5,950)**	2,290	(2,816)	(2,705)	1,433

9 EMPLOYEE BENEFITS (CONTINUED)

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Equity	**23,749**	21,676	16,837	14,343	12,638
Bonds	**6,073**	5,832	6,519	5,973	7,481
Cash	**956**	2,385	6,477	5,881	4,717
Total assets	**30,778**	29,893	29,833	26,197	24,836

Assumptions

	2015 %	2014 %	2013 %	2012 %	2011 %
Inflation – RPI	**3.10**	3.40	3.50	3.25	3.40
Salary increases	**2.20**	3.00	3.00	3.00	3.00
Rate of discount	**3.20**	4.50	4.45	5.05	5.55
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.30**	3.60	3.50	3.25	3.35
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.10**	3.40	3.50	3.25	3.40

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 the liability for 2015.

The mortality assumptions adopted at 31 March 2015 are 100% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2013 converging to 1.50% p.a. These imply the following life expectancies:

	Life expectancy at age 65
Male retiring in 2015	22.7 years
Female retiring in 2015	24.7 years
Male retiring in 2035	24.9 years
Female retiring in 2035	27.0 years

The fair value of assets shown above includes £1.0 million (2014: £1.3 million) of shares in Charles Stanley Group PLC. None of the other fair values include any property occupied by, or other assets used by the Group. All of the scheme assets have quoted market prices in an active market with the exception of the trustee's bank account balance.

It is the policy of the trustees and the Group to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the process to measure and manage risks inherent in the plan investment strategy are documented in the plan's Statement of Investment Principles.

There are no asset-liability matching strategies currently being used by the plan.

9 EMPLOYEE BENEFITS (CONTINUED)

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25%	Increase by 4.9%
Rate of inflation	Increase of 0.25%	Increase by 1.4%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.2%

The sensitivities shown are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, salary growth and pension increases. The average duration of the defined benefit obligation at the period ended 31 March 2015 is 20 years.

The plan typically exposes the Group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future income statements. This effect would be partially offset by an increase in the value of the plan's bond holdings, and in qualifying death in service insurance policies that cover the mortality risk. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The best estimate of contributions to be paid by the Group to the plan for the period commencing 1 April 2015 is £745,000.

10 EMPLOYEE BENEFIT EXPENSES

The average number of persons employed (including Directors) during the year was 960 (2014: 872).

	Continuing operations		Discontinued operations	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Staff costs for the Group during the year:				
Wages and salaries	**51,754**	47,685	**4,744**	6,554
Social security contributions	**5,365**	5,166	**529**	548
Share-based payments	**48**	173	**2**	13
Pension costs				
Defined contribution plans	**3,677**	2,990	**465**	429
Defined benefit plan	**920**	1,104	**—**	—
	61,764	57,118	**5,740**	7,544

11 DISCONTINUED OPERATIONS

Results from discontinued operations

In June 2015 the Group announced to the market that contracts had been exchanged with Panmure Gordon (UK) Limited regarding the sale of Charles Stanley Securities (excluding the Equity Sales Trading operation). Charles Stanley Securities was not previously classified as a discontinued operation. The comparative consolidated income statement has been restated to show the discontinued operation separately from continuing operations.

	2015 £'000	2014 £'000
Revenue	5,426	11,133
Expenses	(7,055)	(8,584)
Results from operating activities	(1,629)	2,549
Income tax credit/(expense)	342	(586)
(Loss)/profit for the year	(1,287)	1,963

Earnings per share from discontinued operations

	2015	2014
Basic	(2.82p)	4.34p
Diluted	(2.82p)	4.30p

Cash flows (used in)/from discontinued operations

	2015 £'000	2014 £'000
Net cash used in operating activities	(1,502)	2,398
Net cash flow for the year	(1,502)	2,398

Effect of disposal on the financial position of the Group

	2015 £'000	2014 £'000
Intangible assets	1,524	1,524
Trade and other receivables	507	634
Net assets and liabilities	2,031	2,158

12 TAX EXPENSE

	2015 £'000	2014 £'000
Analysis of charge in year		
Current taxation		
Current year	419	1,249
Adjustment in respect of prior years	14	3
Deferred taxation		
Origination and reversal of temporary differences		
Current year	(20)	(191)
Adjustment in respect of prior years	—	(278)
Tax expense on continuing operations	413	783

In addition to the amount charged to the income statement, deferred tax of £70,000 (2014: (£33,000)) relating to the revaluation of the Group's available for sale financial assets has been charged/(credited) directly to equity, £nil (2014: £16,000) relating to the Group's revaluation of freehold property has been charged/(credited) directly to equity, and deferred tax of £1,189,000 (2014: £677,000) relating to the retirement benefit scheme actuarial deficit has been credited directly to equity.

Reductions in the UK corporation tax rate from 23% to 21% (effective 1 April 2014) and to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly.

The deferred tax asset at 31 March 2015 has been calculated based on the rate of 20%, as substantively enacted at the balance sheet date.

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below.

	2015 £'000	2014 £'000
Profit before tax from continuing operations	(4,446)	3,577
Profit multiplied by rate of corporation tax in the UK of 21% (2014: 23%)	(934)	823
Tax effects of		
Income not subject to tax	(36)	(70)
Expenses not allowed for tax	154	218
Share based payments	90	(123)
Adjustments in respect of prior years	14	(217)
Effect of change in tax rate on deferred tax	—	(58)
Intangible asset amortisation and impairments	1,309	—
Other adjustments	(184)	210
	1,347	(40)
Tax charge for the year	413	783

13 DISPOSAL GROUP HELD FOR SALE

In April 2015 the Group announced that a Heads of Terms Agreement had been signed regarding the sale of Charles Stanley Financial Solutions Limited. Charles Stanley Financial Solutions has been presented as a disposal group Held for sale.

Impairment losses of £0.7 million for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in impairment of intangible assets in the consolidated income statement. The impairment losses have been applied to reduce the carrying amount of goodwill within the disposal group.

At 31 March the disposal group was stated at the lower of the carrying amount and fair value less costs to sell and comprised the following assets and liabilities:

	2015 £'000
Intangible assets	1,550
Deferred tax assets	3
Trade and other receivables	493
Cash and cash equivalents	113
Assets Held for sale	2,159
Trade and other payables	396
Current tax liabilities	2
Liabilities Held for sale	398

In June 2015 the Group announced to the market that contracts had been exchanged with Panmure Gordon (UK) Limited regarding the sale of Charles Stanley Securities (excluding the Equity Sales Trading operation). Charles Stanley Securities has been presented as a disposal group Held for sale.

At 31 March the disposal group was stated at the lower of the carrying amount and the fair value less costs to sell and comprised the following assets.

	2015 £'000
Intangible assets	1,524
Trade and other receivables	507
Assets Held for sale	2,031

There were no liabilities.

14 INTANGIBLE ASSETS

	Goodwill £'000	Customer relationships £'000	Internally generated software £'000	Total £'000
Cost				
1 April 2013 (restated)*	25,450	17,481	915	43,846
Purchased in the year	—	2,272	—	2,272
Acquired through a business combination	—	1,400	—	1,400
Transfer from office equipment and motor vehicles	—	—	625	625
31 March 2014	**25,450**	**21,153**	**1,540**	**48,143**
Purchased in the year	**—**	**1,616**	**2,627**	**4,243**
Transfer to assets Held for sale	**(3,943)**	**—**	**—**	**(3,943)**
31 March 2015	**21,507**	**22,769**	**4,167**	**48,443**
Amortisation				
1 April 2013	—	10,110	—	10,110
Amortisation during the year	—	2,440	307	2,747
31 March 2014	**—**	**12,550**	**307**	**12,857**
Impairment during the year	**6,380**	**1,148**	**—**	**7,528**
Amortisation during the year	**—**	**1,800**	**1,030**	**2,830**
Transfer to assets Held for sale	**(869)**	**—**	**—**	**(869)**
31 March 2015	**5,511**	**15,498**	**1,337**	**22,346**
Net book value				
31 March 2015	**15,996**	**7,271**	**2,830**	**26,097**
31 March 2014	25,450	8,603	1,233	35,286
31 March 2013	25,450	7,371	915	33,736

None of the intangible assets have been pledged as security.

*see note 14 c) below

a) Goodwill

Goodwill is allocated to the Group's operating divisions as follows:

	2015 £'000	2014 £'000
Investment Management Services	**9,105**	10,556
Financial Services	**1,644**	5,123
Charles Stanley Direct	**5,247**	8,247
Charles Stanley Securities	**—**	1,524
	15,996	25,450

14 INTANGIBLE ASSETS (CONTINUED)

a) Goodwill (continued)
The recoverable amounts of goodwill allocated to the Cash Generating Unit (CGU) are determined by first calculating the fair value less cost to sell. If the fair value less cost to sell is found to be lower than the carrying amount the recoverable amount is then determined based on value in use calculations. The fair value less cost to sell calculations are largely based on a percentage of Funds under Management. Where this approach is not appropriate a turnover multiple is used.

The rates used are those implied by recent transactions in the market or, where appropriate, similar quoted businesses. When calculating the fair value less cost to sell, key assumptions were stress tested to determine whether the calculations were sensitive to a reasonably possible change in these assumptions.

The value in use calculations use pre-tax cash flow projections based on revenue and expense forecasts.

i) *Investment Management Services*
Following the strategic decision to cease providing Execution-only access to traded options, the Group assessed the recoverable amount of the Durlacher business. As a result, an impairment charge of £1.5 million has been recognised. The impairment charge was allocated fully to goodwill, reducing the Durlacher carrying value to nil, and is included in impairment of intangible assets and investments in the consolidated income statement. The recoverable amount of the Durlacher business was assessed as nil as the business has been shut down.

ii) *Financial Services*
During the year the Group confirmed that negotiations had been ongoing regarding the sale of the Charles Stanley Financial Solutions business to a third party. As at 31 March 2015 a Heads of Terms Agreement has been signed. The recoverable amount has been calculated based on the key elements of the agreement. As a result an impairment charge of £0.9 million has been recognised. The impairment charge was allocated fully to goodwill, reducing the Charles Stanley Financial Solutions goodwill to £1.5 million, and is included in impairment of intangible assets and investments in the consolidated income statement. The goodwill of Charles Stanley Financial Solutions has been reclassified as assets Held for sale. The Plymouth employee benefits (EB) business has not been included as part of the sale of Charles Stanley Financial Solutions. The Group assessed the recoverable amount of the Plymouth EB business. As a result an impairment charge of £1.1 million has been recognised. The impairment charge was allocated fully to goodwill, reducing the Plymouth EB carrying value to nil, and is included in impairment of intangible assets and investments in the consolidated income statement.

14 INTANGIBLE ASSETS (CONTINUED)

iii) *Charles Stanley Direct*
The recoverable amount of the CGU was assessed based on the projected revenue and profitability of the business over the next four years. The three different revenue streams of the business (Direct-to-client; Fidelity; Garrison) were assessed. The Fidelity and Garrison revenue streams are forecast to reduce towards 2018 and 2019. The direct-to-client stream is forecast to continue growing Assets under Administration, client account numbers and thus ultimately revenue.
A value in use calculation was performed using the forecast profitability of the division over the next four years. The forecast profitability assumed certain inflows of FuM based on recent historical fund inflows. The carrying amount of the CGU was determined to be higher than the recoverable amount and an impairment charge of £3.0 million has been recognised. The impairment charge was allocated fully to goodwill, reducing the Charles Stanley Direct carrying value to £5.2 million, and is included in impairment of intangible assets and investments in the consolidated income statement.

The key assumptions used in the valuation were as follows:

Discount rate	12%
Funds under Management growth rate	18% compound growth rate (over a 5 year period)

Operating costs to remain relatively stable over the period

iv) *Charles Stanley Securities*
The CGU has been recognised at the lower of:

- fair value less costs to sell
- carrying value

The fair value less cost to sell of the CGU was greater than its carrying value. The carrying value is supported by the expected proceeds from the sale of the business. The carrying value of Charles Stanley Securities (£1.5 million) has been reclassified as assets Held for sale.

b) Customer relationships
Purchases of customer relationships relate to payments made to investment managers and third parties for the introduction of customer relationships.

During the year the Truro business left the Group to join a rival firm. The Group performed a review on the likelihood of retaining the Truro clients. The Group determined that it was unlikely that a significant portion of those clients would be retained and as such an impairment charge of £0.8 million has been recognised to reduce the Truro intangible asset to £0.3 million.

A proportion of the consideration payable for Charles Stanley Pan Asset Capital Management is contingent upon certain AuM targets being achieved. The Group performed a review on the likelihood that the target levels will be achieved. The Group determined that it was unlikely that the targets will be achieved and as a result both the deferred consideration has been reduced and also an impairment charge has been recognised to reduce the Charles Stanley Pan Asset Capital Management intangible asset to £0.9 million (from £1.2 million).

c) Internally generated software
The cost and accumulated amortisation for the prior year were reclassified to include internally generated software, which had been reclassified from office equipment, included in property, plant and equipment. This reclassification has represented the substance of internally generated software, which is software designed, developed and commercialised by the Group.

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 2013	615	2,361	6,173	12,688	21,837
Additions	4,423	308	3,000	2,821	10,552
Transfer to internally generated software	—	—	—	(625)	(625)
Revaluation	(109)	—	—	—	(109)
Disposals	—	—	—	(17)	(17)
31 March 2014	**4,929**	**2,669**	**9,173**	**14,867**	**31,638**
Additions	**59**	**—**	**792**	**2,014**	**2,865**
Disposals	**—**	**(1,648)**	**(2,066)**	**(19)**	**(3,733)**
31 March 2015	**4,988**	**1,021**	**7,899**	**16,862**	**30,770**
Depreciation					
1 April 2013	88	1,775	4,037	9,341	15,241
Charge for the year	77	74	915	1,641	2,707
Disposals	(42)	—	—	(17)	(59)
31 March 2014	**123**	**1,849**	**4,952**	**10,965**	**17,889**
Charge for the year	**127**	**84**	**981**	**1,958**	**3,150**
Disposals	**—**	**(1,625)**	**(1,912)**	**(19)**	**(3,556)**
31 March 2015	**250**	**308**	**4,021**	**12,904**	**17,483**
Net book value					
31 March 2015	**4,738**	**713**	**3,878**	**3,958**	**13,287**
31 March 2014	4,806	820	4,221	3,902	13,749

Property, plant and equipment include fully depreciated assets of £10.5 million (2014: £10.4 million) which are still in use.

Freehold premises includes £285,000 for a freehold property that was valued 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.

Additions to freehold premises in 2014 relates to the acquisition of freehold property which is subject to a charge as security for a bank loan (see note 23).

Certain balances within office equipment and motor vehicles were reclassified in the prior year to internally generated software (see note 14.c).

16 NET DEFERRED TAX ASSETS

	Employee benefits £'000	Share-based payments £'000	Deferred capital allowances £'000	Tax losses forward and other timing differences £'000	Total £'000
Deferred tax assets					
1 April 2013	2,064	301	(36)	—	2,329
Acquired through a business combination	—	—	—	240	240
Recognised in profit or loss					
Current year	—	152	29	—	181
Prior year	—	—	220	—	220
Change in rate	—	40	—	—	40
	—	192	249	—	441
Recognised in other comprehensive income					
Current year	(677)	—	—	—	(677)
31 March 2014	**1,387**	**493**	**213**	**240**	**2,333**
Acquired through a business combination	**—**	**—**	**—**	**—**	**—**
Recognised in profit or loss					
Current year	**41**	**(410)**	**134**	**—**	**(235)**
Prior year	**—**	**—**	**—**	**—**	**—**
Change in rate	**—**	**(23)**	**(10)**	**—**	**(33)**
Transfer to assets Held for sale	**—**	**—**	**(3)**	**—**	**(3)**
	41	**(433)**	**121**	**—**	**(271)**
Recognised in other comprehensive income					
Current year	**1,189**	**—**	**—**	**—**	**1,189**
31 March 2015	**2,617**	**60**	**334**	**240**	**3,251**

On the acquisition of a subsidiary in the prior year the Group recognised a deferred tax asset relating to tax losses forward of £240,000. The fair value assessment at acquisition was based on current forecasts for that business. There is a further potential tax asset of £578,000 not recognised in these financial statements.

16 NET DEFERRED TAX ASSETS (CONTINUED)

	Intangible assets £'000	Property plant and equipment £'000	Available for sale financial assets £'000	Total £'000
Deferred tax liabilities				
1 April 2013	(136)	(23)	(675)	(834)
Acquired through a business combination	(294)	—	—	(294)
Recognised in profit or loss				
Current year	10	—	—	10
Change in rate	18	—	—	18
	28	—	—	28
Recognised in other comprehensive income				
Current year	—	16	33	49
31 March 2014	**(402)**	**(7)**	**(642)**	**(1,051)**
Recognised in profit or loss				
Current year	**280**	**—**	**—**	**280**
Change in rate	**8**	**—**	**—**	**8**
	288	**—**	**—**	**288**
Recognised in other comprehensive income				
Current year	**—**	**—**	**70**	**70**
31 March 2015	**(114)**	**(7)**	**(572)**	**(693)**
Net deferred tax assets				
31 March 2015				**2,558**
Net deferred tax assets				
31 March 2014				1,282

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 20% (2014: 21% or 20%) depending on when the relevant timing difference unwinds.

17 AVAILABLE FOR SALE FINANCIAL ASSETS

	Listed investments £'000	Unlisted investments £'000	Total £'000
Fair value			
1 April 2013	3,554	3,483	7,037
Additions	2,479	—	2,479
Disposals	(2,492)	—	(2,492)
Revaluation in year	(10)	286	276
31 March 2014	**3,531**	**3,769**	**7,300**
Additions	**471**	**—**	**471**
Disposals	**(370)**	**—**	**(370)**
Revaluation in year	**153**	**—**	**153**
Impairment	**—**	**(500)**	**(500)**
31 March 2015	**3,785**	**3,269**	**7,054**

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 our clearing house.

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 £62,000 (2014: £140,000).

During the year the Group revalued and impaired its equity investment in Masterlist. The valuation was based on the Net Asset Value of the operating entity of Masterlist. As a result, the shares owned by the Group have been impaired to nil. The £0.5 million impairment charge is included within impairment of intangible assets and investments in the consolidated income statement.

18 TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Current		
Trade receivables	**255,981**	200,519
Other receivables	**6,481**	7,794
Prepayments and accrued income	**5,032**	4,424
	267,494	212,737
Non current		
Convertible loan	**250**	535
Other receivables	**169**	169
Prepayments and accrued income	**—**	763
	419	1,467

See note 22 (trade and other payables) for further details on other receivables.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 £'000	2014 £'000
Current		
Listed investments	**100**	117

20 CASH AND CASH EQUIVALENTS

	2015 £'000	2014 £'000
Cash at bank and in hand	**28,453**	38,567

21 CAPITAL AND RESERVES

	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 2013	*45,236*	11,309	2,549	13,858
Exercise of share options	*21*	5	48	53
31 March 2014	**45,257**	**11,314**	**2,597**	**13,911**
Exercise of share options	**705**	**176**	**1,542**	**1,718**
31 March 2015	**45,962**	**11,490**	**4,139**	**15,629**

The rights and obligations attaching to the Company's ordinary shares are set out in the report of the Directors on page 48.

During the year 704,414 ordinary shares were issued fully paid for cash at an average price of £2.44 each following the exercise of options by employees. These shares had a nominal value of £176,104 and a total consideration of £1,717,637.

In April 2015 the Group undertook a capital raising. 4,596,000 shares were issued at £3.55 per share. These shares had a nominal value of £1,149,000 and a total consideration of £16,315,800.

22 TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Current		
Trade payables	**246,372**	191,836
Other taxes and social security	**3,147**	3,204
Other payables	**6,658**	8,211
Deferred consideration	**40**	272
Accruals and deferred income	**8,946**	13,612
	265,123	217,135
Non current		
Other payables – deferred consideration	**—**	116

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

The Group has received a small number of claims from individuals claiming to be former clients. Such claims are subject to close scrutiny by the Group and its insurers, with payments being made if considered valid following investigation. An amount of £2.3 million has been included within other payables, together with an insurance indemnification asset within other receivables of the same amount (note 18). The Directors do not consider there to be a net liability based on the experience to date other than the excess under the insurance policy which has been already charged to the Income Statement.

23 BORROWINGS

	2015 £'000	2014 £'000
Current		
Bank loan	**150**	150
	150	150
Non-current		
Bank loan	**1,824**	1,970

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

The bank loan is secured by property disclosed in note 15. The loan is repayable in 20 quarterly instalments with the final balance due on 18 August 2018. It bears interest at 2.75% per annum above the Bank of England base rate (currently 0.5%).

24 FAIR VALUES AND RISK MANAGEMENT

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

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.

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 50% of the Group's available for sale investments are unlisted. A 10% increase/decrease in the Group's investments would have an impact on reserves of £705,000 (2014: £701,000).

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 of trading assets and liabilities would increase/decrease profit in the Income statement by £10,000 (2014: £12,000).

iii) Investment Management fees

A 10% increase/decrease in equity prices would increase/decrease profit on investment management fees in the Income statement by £3.9 million (2014: £3.2 million).

24 FAIR VALUES AND 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:

	2015 £'000	2014 £'000
Net assets		
Euros	**195**	229
US Dollars	**490**	551
Other currencies	**391**	1,065
	1,076	1,845

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 2015 these totalled £23,629 (2014: £73,775).

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 £571,060 higher (2014: £771,000). If interest rates had been 200 basis points lower profit for the year would have been £110,000 lower (2014: £325,000).

Credit risk

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

The Group 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 Exposure Committee (MEC) (comprising three Charles Stanley Group PLC Directors and other Charles Stanley senior managers as deemed necessary) that reviews exposures to market counterparties on a daily basis. The Committee also sets exposure limits to individual market counterparties.

24 FAIR VALUES AND 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 investment grade credit rating. 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:

	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
As at 31 March 2015						
Trade and other receivables	**254,706**	**6,630**	**799**	**421**	**75**	**262,631**
Cash and cash equivalents	**28,453**	**—**	**—**	**—**	**—**	**28,453**
As at 31 March 2014						
Trade and other receivables	175,407	31,234	536	1,251	54	208,482
Cash and cash equivalents	38,567	—	—	—	—	38,567

Excluded from the above are assets of £339,300 (2014: £665,000) for which provision of £339,300 has been made (2014: £665,000).

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 2015 the Group had £28.5 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 using only 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.

24 FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

Capital risk management

The Group has an internal capital adequacy assessment process, as required by the Financial Conduct Authority (FCA), which it uses to manage capital. This assessment is Group-wide and covers current and 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 analysis of the requirements as calculated using both Pillar 1 and Pillar 2 methodologies. Any change 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 FCA regulatory requirements was maintained during the year.

The regulatory capital resources of the Group at 31 March 2015 calculated in accordance with FCA definitions were as follows:

	2015 £'000	2014 £'000
Tier 1		
Ordinary shares	**11,490**	11,314
Share premium	**4,139**	2,597
Retained earnings	**50,559**	67,009
Other reserves	**1,103**	2,483
	67,291	83,403
Prudential deductions	**(29,561)**	(35,286)
Total capital resources	**37,730**	48,117

In April 2015 the Group undertook a capital raising, the details of which are disclosed in note 21.

24 FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments

a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Carrying amount	Note	Held for trading £'000	Loans and receivables £'000	Available for sale £'000	Other financial liabilities £'000	Total £'000
As at 31 March 2015						
Financial assets measured at fair value						
Available for sale investments	**17**	**—**	**—**	**7,054**	**—**	**7,054**
Financial assets at fair value through profit and loss – listed investments	**19**	**100**	**—**	**—**	**—**	**100**
Financial assets at fair value through profit and loss – deferred consideration	**18**	**—**	**450**	**—**	**—**	**450**
Total		**100**	**450**	**7,054**	**—**	**7,604**
Financial assets not measured at fair value						
Trade and other receivables	**18**	**—**	**262,181**	**—**	**—**	**262,181**
Cash and cash equivalents	**20**	**—**	**28,453**	**—**	**—**	**28,453**
Total		**—**	**290,634**	**—**	**—**	**290,634**
Financial liabilities measured at fair value						
Contingent consideration	**22**	**—**	**—**	**—**	**40**	**40**
Total		**—**	**—**	**—**	**40**	**40**
Financial liabilities not measured at fair value						
Borrowings	**23**	**—**	**—**	**—**	**1,974**	**1,974**
Trade and other payables	**22**	**—**	**—**	**—**	**265,792**	**265,792**
Total		**—**	**—**	**—**	**267,766**	**267,766**

Fair value	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 31 March 2015					
Financial assets measured at fair value					
Available for sale investments	**17**	**3,785**	**—**	**3,269**	**7,054**
Financial assets at fair value through profit and loss – listed investments	**19**	**100**	**—**	**—**	**100**
Financial assets at fair value through profit and loss – deferred consideration	**18**	**—**	**—**	**450**	**450**
Total		**3,885**	**—**	**3,719**	**7,604**
Financial liabilities measured at fair value					
Contingent consideration	**22**	**—**	**—**	**40**	**40**
Total		**—**	**—**	**40**	**40**

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

24 FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

Fair values and risk management

Carrying amount	Note	Held for trading £'000	Loans and receivables £'000	Available for sale £'000	Other financial liabilities £'000	Total £'000
As at 31 March 2014						
Financial assets measured at fair value						
Available for sale investments	17	—	—	7,300	—	7,300
Financial assets at fair value through profit and loss	19	117	—	—	—	117
Total		117	—	7,300	—	7,417
Financial assets not measured at fair value						
Trade and other receivables	18	—	208,482	—	—	208,482
Cash and cash equivalents	20	—	38,567	—	—	38,567
Total		—	247,049	—	—	247,049
Financial liabilities measured at fair value	22	—	—	—	388	388
Total		—	—	—	388	388
Financial liabilities not measured at fair value						
Borrowings	23	—	—	—	2,120	2,120
Trade and other payables	22	—	—	—	217,135	217,135
Total		—	—	—	219,255	219,255

Fair value	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 31 March 2014					
Financial assets measured at fair value					
Available for sale investments	17	3,531	—	3,769	7,300
Financial assets at fair value through profit and loss	19	117	—	—	117
Total		3,648	—	3,769	7,417
Financial liabilities measured at fair value					
Acquired during the year	22	—	—	388	388
Total		—	—	388	388

24 FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

b) Measurement of fair values

i) Valuation techniques and significant unobservable inputs

Financial instruments measured at fair value

The table below analyses recurring fair value measurements for financial assets.

These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

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, derived from prices).

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

Performance condition	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value
Equity Securities: Euroclear	The fair value is determined by considering the dividend yield where the expected dividend is determined	Expected dividend growth rate, which includes an adjustment for currency volatility (45%)	The estimated fair value would increase if the expected dividend growth rate was higher
Financial instruments not measured at fair value			
Trade and other receivables	Discounted cash flows	Not applicable	
Cash and cash equivalents	Discounted cash flows	Not applicable	
Borrowings	Discounted cash flows	Not applicable	
Trade and other payables	Discounted cash flows	Not applicable	
Deferred consideration	Percentage of funds under management	Management view that clients will not leave	The deferred consideration would decrease if funds under management were lower

There were no transfers between any of the levels of the fair value hierarchy during the year ended 31 March 2015.

24 FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

ii) Level 3 fair values

Details of the determination of Level 3 fair value measurements are set out below.

	Equity securities-available for sale £'000
Balance at 1 April 2014	3,769
Total unrealised gains and losses for the period included in profit or loss	
Impairment	(500)
Total gains and losses for the period included in other comprehensive income:	
Net change in fair value of available-for-sale financial assets	—
Balance at 31 March 2015	**3,269**

The Group has an established control framework with respect to the measurement of fair values. 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 instrument grouped under level 3 include discounting future cash flows and calculating the dividend yield. All valuations performed are presented to the Group Executive Directors for final approval. Significant valuation issues are reported to the Group Audit Committee.

Equity securities – available for sale

The level 3 balance comprises amounts relating to holdings in unlisted investments. At 31 March 2015 these unlisted investments had a fair value of £3.3 million (31 March 2014: £3.8 million). Included within this balance is the Group's holding of 6,030 Euroclear plc shares with a fair value of £3.1 million (31 March 2014: £3.1 million).

This fair value has been determined using a valuation technique that used significant unobservable inputs.

This was because the shares are not listed on an exchange. During the year, Euroclear conducted a tender process for the buy-back of its shares. The successful bidders ranged in prices from €640-€790 per share. The Group's bid was unsuccessful as the price tendered was above the maximum accepted of price of €790 per share. The Group's current valuation of Euroclear values the shares at €720, the mid-range point in the range.

For the Euroclear investment a 1% increase/decrease in the expected dividend yield would increase/decrease other comprehensive income in the statement of changes in equity by £20,000 (31 March 2014: £20,000).

Contingent consideration

The level 3 balance comprises an amount payable on the acquisition of Evercore Pan Asset Capital Management Limited (PAN) and an amount due for the sale of the Matterley Undervalued Asset Fund to Miton Group.

At 31 March 2015 the fair value of the deferred consideration for the acquisition of PAN was £40,057.

The fair value is determined using a percentage of PAN's Funds under Management.

24 FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

The significant unobservable input is management's view that no further clients will leave which would decrease PAN's Funds under Management, which in turn would reduce the contingent consideration payable.

A 1% increase/decrease in Funds under Management would increase/decrease contingent consideration by £0.01 million.

For the sale of the Matterley Undervalued Asset Fund an initial consideration of £0.75 million was paid on completion of the transaction in December. Further consideration will be paid subject to the overall level of funds transferred to Miton Group.

At 31 March 2015 the fair value of the deferred consideration to be received was £0.45 million. The fair value is determined by estimating the total Funds under Management as at December 2015 and is payable then.

The significant unobservable input is management's view that the Funds under Management won't move into a higher banding which as per the agreement will mean a further £0.1 million will be due.

A 1% increase in the anticipated value of funds transferred would increase the deferred consideration recognised by £0.1 million and a 1% decrease would have no impact.

25 LIST OF SUBSIDIARIES

The percentage of issued capital of Group undertakings held is:

Name of company	Activity	Note	Ordinary shares
Gryphon Investments Limited	Investment company		98%
Charles Stanley & Co. Limited	Investment managers	(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	(5)	100%
Sutherlands Research Limited	Dormant	(4) (5)	89%
Alpha Trustees Limited	Dormant		100%
Garrison Investment Analysis Limited	Financial Intermediary	(2)	100%
Charles Stanley Financial Solutions Limited	Financial Intermediary	(2)	100%
Charles Stanley (Trustees) Limited	Nominee company		100%
Jobson James Financial Services Limited	Dormant	(2)	100%
Charles Stanley Pan Asset Capital Management Limited	Investment managers	(2)	100%

Note
1 Member of The London Stock Exchange and the London International Financial Futures and Options Exchange.
2 Regulated by The Financial Conduct Authority.
3 Shares held by Charles Stanley & Co. Limited.
4 Shares held by Sutherlands Group Limited.
5 Incorporated in Scotland..

26 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The Group holds fund management contracts over various investment funds (all open-ended investment companies). These investment funds invest capital received from investors in a portfolio of assets in order to provide returns to those investors from capital appreciation of those assets, income from those assets or both. The investment funds are financed through the issue of units to the investors. The Group's objective is to generate fees from managing assets on behalf of third parties. The net assets of each fund are detailed below:

	2015 £m	2014 £m
FP Matterley Regular High Income Fund	**69.9**	59.5
FP Matterley Equity Fund	**10.7**	10.7
FP Matterley International Growth Fund	**19.8**	16.7
FP Matterley UK & International Growth Fund	**100.1**	80.7
FP Matterley Undervalued Fund	**—**	92.7
PanDYNAMIC Defensive	**7.0**	6.9
PanDYNAMIC Balanced	**21.4**	19.9
The MOTIM Fund	**12.2**	10.4
The Helm Investment Fund	**12.8**	15.1
Total	**253.9**	312.6

Included in the consolidated statement of financial position is accrued income of £0.48 million (2014: £0.47 million) relating to fees recognised which have not yet been received. These represent the Group's maximum exposure to loss in the funds.

The following table presents the Group's total income from unconsolidated structured entities in the income statement for the year ended 31 March 2015.

	2015 £'000	2014 £'000
FP Matterley Regular High Income Fund	**564**	510
FP Matterley Equity Fund	**80**	100
FP Matterley International Growth Fund	**142**	106
FP Matterley UK & International Growth Fund	**925**	695
FP Matterley Undervalued Fund	**512**	622
The MOTIM Fund	**55**	17
The Helm Investment Fund	**54**	17
Total	**2,332**	2,067

All the above income relates to the annual management charge.

On 8 September 2014 an agreement was reached to sell Matterley Undervalued Asset Fund to Miton Group. Initial consideration of £0.75 million was paid on completion of the transaction in December.

Further detail is provided in note 24.

27 RECONCILIATION OF NET PROFIT TO CASH GENERATED FROM OPERATIONS

	2015 £'000	2014 £'000
(Loss)/profit before tax	**(6,075)**	6,126
Adjustments for		
Depreciation	**3,150**	2,707
Amortisation and impairment of assets	**11,108**	2,747
Share-based payments – value of employee services	**50**	186
Retirement benefit scheme	**204**	247
Dividend income	**(132)**	(140)
Interest income	**(110)**	(324)
Interest expense	**75**	85
Profit on disposal of available for sale financial assets	**(75)**	(159)
Loss on disposal of property, plant and equipment	**178**	—
Profit on disposal of Fund asset	**(750)**	—
Changes in working capital:		
Decrease in financial assets at fair value through profit or loss	**17**	54
(Increase)/decrease in receivables	**(54,960)**	48,331
Increase/(decrease) in payables	**48,268**	(42,517)
Net cash inflow from operations	**948**	17,343

28 OPERATING LEASES

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. Total commitments under these leases at 31 March were:

	2015 £'000	2014 £'000
Not later than one year	**2,772**	2,487
Later than one but not later than five years	**5,313**	6,778
Later than five years	**1,219**	1,877
	9,304	11,142

29 CONTINGENT LIABILITIES

A competitor company has taken legal action against the Group in relation to staff who chose to leave them and join Charles Stanley, claiming losses of £1.6 million plus legal costs. The Group has lodged a robust defence both in relation to the merits of the claim itself and the quantum of the claim. Nevertheless, the Group has recognised a provision of £0.25 million (2014: £0.25 million) in respect of this potential liability. Significant judgement has had to be exercised in assessing the possible outcome of the claim and there is a risk that the ultimate loss will be greater than this amount due to the inherent uncertainty of litigation,

A recent ruling by the European Court of Justice indicated that under the European Working Time Directive, 'normal pay' for the purposes of calculating statutory holiday pay includes contractual commission as well as basic salary. The UK Employment Tribunal considered the implications for UK employers under the Working Time Directive 1998 and, as expected, has ruled in a similar manner to the European Courts of Justice, although it has also ruled that non-guaranteed overtime payments should be included for the purposes of calculating holiday pay entitlements. The decision by the UK Employment Tribunal is currently subject to appeal and, as yet, no hearing date has been set to consider it. Based on this information and advice to date, the Group does not expect the impact to be material. However, in the event that analysis, judgements and/or appeals are determined to ultimately be different, the Group may be exposed to a material additional liability.

30 COMMITMENTS

At 31 March 2015 capital expenditure authorised and contracted for but not provided in the financial statements amounted to nil (2014: nil).

31 POST BALANCE SHEET EVENTS

In April the Group announced plans to raise £15.8 million net of expenses by way of a share placing to institutional investors. The Group's brokers placed 4,596,000 shares at 355p per share. The placing shares represented just under 10% of the current issued ordinary share capital of the Group. The placing shares were admitted for trading on the main market for listed securities of the London Stock Exchange on the 17th April 2015.

In May 2015 the Group signed a Heads of Terms Agreement with Panmure Gordon (UK) Limited regarding the sale of Charles Stanley Securities (excluding the Equity Sales Trading) operation. On 17 June 2015 the Group announced to the market that contracts had been exchanged, subject to certain conditions being met. The final sale price is capped at £6.5 million.

Also in April 2015 the Group signed a Heads of Agreement regarding the sale of Charles Stanley Financial Solutions Limited to its management team.

32 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.

	2015 £'000	2014 £'000
Salaries and short-term employee benefits	**3,713**	4,481
Post-employment benefits	**129**	143
Share-based payments	**8**	—
Social security costs	**570**	615
	4,420	5,239

33 REPORTING ENTITY

Charles Stanley Group PLC (the Company) 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 United Kingdom. The address of its registered office is 25 Luke Street, London EC2A 4AR.

34 BASIS OF ACCOUNTING

The Group's consolidated financial statements and the Parent Company 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 Directors assessed the going concern of the Group in light of its current trading performance. The Directors looked at the forecasts covering the 18 month period from 31 March 2015 to 30 September 2016 and applied stress tests for adverse scenarios, which had been determined as part of the ICAAP process. As a result it was determined that the Group has enough liquidity to cover all anticipated payments. The Directors also considered the regulatory capital of the Group and determined that based on the forecasts, the Group has sufficient regulatory capital for the foreseeable future.

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Further details are contained in the Corporate Governance Report on page 81.

Certain comparative figures have been amended to conform with current period presentation.

Details of the Company and the Group's accounting policies, including changes during the year, are included in notes 38 and 39.

The consolidated financial statements were authorised for issue by the Board of Directors on 18 June 2015.

35 FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements and the Parent Company 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 unless otherwise indicated.

36 USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, and the Parent Company financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are reviewed on an ongoing basis taking account of historical experience and future expectations.

36 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

36.1 Intangible assets and goodwill (note 14)

This should be read in conjunction with note 14.

For the purposes of impairment testing, the Company and the Group value goodwill and client relationships based on the valuation of individual units making up the relevant intangible asset in accordance with the accounting policy set out in note 36. These fair value calculations require the use of assumptions which are set out in more detail in note 17.

During the period the Group assessed the recoverable amount of the Durlacher business and the Charles Stanley Financial Solutions business. As a result impairment charges of £1.5 million and £0.9 million respectively were recognised.

The Plymouth employee benefits (EB) business has not been included as part of the sale of Charles Stanley Financial Solutions. The Group assessed the recoverable amount of the Plymouth EB business. As a result an impairment charge of £1.1 million has been recognised.

The recoverable amount of the Charles Stanley Direct goodwill was assessed based on the projected revenue and profitability. Two of the three different revenue streams are forecast to decline over the next 2-3 years, while the third stream (direct-to-client) is forecast to continue to grow Assets under Administration and client accounts. The carrying amount of the Charles Stanley Direct goodwill was determined to be higher than the recoverable amount and an impairment charge of £3.0 million has been recognised.

The impairment charges were allocated fully to goodwill and are included in impairment of intangible assets and investments in the consolidated income statement. For further details on these impairments refer to note 14.

The Group also performed a review of the deferred consideration payable on the acquisition of Pan Asset Capital Management. As a result the deferred consideration payable has been reduced by £0.3 million and an impairment charge has been recognised to reduce the Pan Asset Capital Management intangible asset.

It was concluded that no other impairments to the carrying value of goodwill or intangible assets are required.

During the period the Group reassessed the useful life of client lists acquired. As a result the Group determined that the useful life of client lists acquired should be in line with client lists that are acquired under a business combination and so the useful life of client lists acquired was changed to 10 years. The impact of this for the current reporting period is that costs are proportionally lower by £0.4 million, and this is included within administrative expenses in the consolidated income statement.

The Group performed a review on the likelihood of retaining the Truro clients after the business left the Group to join a rival firm. The Group determined that it was unlikely that a significant portion of those clients would be retained and as such an impairment charge of £0.8 million has been recognised.

36.2 Revenue recognition (note 1)

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

36 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

36.3 Retirement benefit obligations (note 9)

In consultation with its actuary the Company and the Group make estimates about a number of long term trends and market conditions to determine the value of the deficit on its retirement benefit scheme. These long term forecasts and estimates are highly judgemental and subject to the risk that actual events may be significantly different from those forecast.

The valuation performed as at 31 March 2015 resulted in an increase in the actuarial deficit of £6m which has been reflected in these financial statements.

36.4 Available for sale assets and other receivables (note 17)

Unlisted available for sale financial assets include an investment in Euroclear plc. The fair value of this investment has been estimated by the Directors using dividend yield.

During the year, the value of the investment and loan in Masterlist was reviewed based on the net asset value of the operating entity. As a result, the value was impaired by £0.75 million from £1.0 million to £0.25 million.

No new information has become available that would require a change in the valuation of any further unlisted investments.

36.5 Legal action (note 29)

A competitor company has taken legal action against the Group. Charles Stanley has lodged a defence against the claim. The legal process in relation to this action is continuing and considerable uncertainty exists in relation to the possible outcomes. Significant judgement has therefore had to be exercised in assessing the likely economic impact, if any, to the Group.

37 BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis 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.

38 CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Group has consistently followed the same accounting policies, presentation and methods of computation in these consolidated financial statements as applied in the Group's consolidated financial statements for the year ended 31 March 2014.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 April 2014.

a) IFRS 10 Consolidated Financial Statements

As a result of IFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. Adoption of IFRS 10 did not change the Group's determination of control over any of its subsidiaries.

38 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

b) IFRS 11 Joint Arrangements

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Adoption of IFRS 11 has not impacted the Group financial statements as the Group does not have interests in joint arrangements.

c) IFRS 12 Disclosures of Interests in Other Entities

The Group has adopted the amendments of IFRS 12 relating to the disclosure of interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a result, the Group has included disclosures of its holdings in unconsolidated structured entities (see note 26).

d) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (2013)

The Group has adopted the amendments to IAS 36 (2013). As a result, the Group has expanded its disclosures of recoverable amounts when they are based on fair values less costs of disposals and an impairment is recognised. Refer to note 14 for further details.

The Group is assessing the potential impact on its consolidated financial statements resulting from the following new standards, which are currently not yet effective and are not yet endorsed by the EU.

a) IFRS 9 Financial Instruments

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and measurement. It includes revised guidance on the classification and measurement of financial instruments. IFRS 9 is only effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

b) IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is only effective for periods beginning on or after 1 January 2018, with early adoption permitted.

39 SIGNIFICANT ACCOUNTING POLICIES

39.1 Consolidation

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.

39 SIGNIFICANT ACCOUNTING POLICIES (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.

39.2 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.

39.3 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.

39.4 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.

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 36.1).

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.

39 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

39.5 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 estimated at ten years.

(c) Internally generated software

Computer software which is not an integral part of the related hardware or has been developed internally by the Group is recognised as an intangible asset when the Group is expected to benefit from future use of the software and the costs are reliably measurable. Computer software costs recognised as assets are amortised using the straight line method over their useful lives (3 years).

39.6 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 cost 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.

39.7 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.

39 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

39.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the 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.

39.8.1 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.

(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.

39.8.2 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 on available for sale assets".

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.

39 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

39.9 Impairment of financial assets

The Group assesses 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.

39.10 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 as 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.

39.11 Cash and cash equivalents

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

39.12 Segregated funds

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

39.13 Trade payables

Trade payables consist 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.

39.14 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.

39 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

39.15 Current and deferred income tax

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

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

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

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

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

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.

39.16 Employee benefits

39.16.1 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 net charge to the income statement mainly comprises the service cost and the net interest on the net defined benefit asset or liability and is presented in operating expenses.

39 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

Remeasurements of the defined benefit obligation 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.

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.

39.16.2 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.

39.17 Share-based payments

The Group operates various equity-settled share based payments schemes. There is a Save As You Earn scheme and a Long Term Incentive Plan under which the entity receives services from employees as consideration for equity instruments (share options or share awards) of the Group. The fair value of the employee services received in exchange for the grant of the share options or share awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options or share awards granted on the grant date:

- 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 share options or share awards that are expected to vest.

The total employee 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 share options or share awards that are expected to vest based on the non-market 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 share options or share awards 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 share options or share awards are exercised.

39 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

39.18 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.

39.19 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 are depreciated over the shorter of the useful life of the asset and the lease term.

39.20 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.

39.21 Investments in subsidiaries

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

39 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

39.22 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as Held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the opinion had been discontinued from the start of the comparative year.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2015

	Notes	31 March 2015 £'000	31 March 2014 £'000
Assets			
Intangible assets and goodwill	40	**12,874**	16,103
Deferred tax assets	41	**56**	323
Available for sale financial assets	42	**1,550**	1,366
Investments in subsidiaries	43	**39,321**	40,343
Non-current assets		**53,801**	58,135
Trade and other receivables	45	**1,294**	894
Held for sale	44	**716**	—
Cash and cash equivalents	46	**366**	340
Current assets		**2,376**	1,234
Total assets		**56,177**	59,369
Equity			
Ordinary shares	21	**11,490**	11,314
Share premium	21	**4,139**	2,597
Revaluation reserve		**281**	209
Retained earnings		**11,022**	14,738
Total equity		**26,932**	28,858
Liabilities			
Trade and other payables	47	**—**	116
Non-current liabilities		**—**	116
Trade and other payables	47	**29,245**	30,393
Current tax liabilities		**—**	2
Current liabilities		**29,245**	30,395
Total liabilities		**29,245**	30,511
Total equity and liabilities		**56,177**	59,369

Approved by the Board on 18 June 2015

Company registration number 48796 (England and Wales)

Paul Abberley Ben Money-Coutts Directors

The notes on pages 160 to 165 are an integral part of these consolidated financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2015

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
1 April 2013	11,309	2,549	227	14,306	28,391
Profit for the year	—	—	—	5,675	5,675
Other comprehensive income:					
Gains and losses on available for sale financial assets	—	—	(34)	—	(34)
Deferred tax on available for sale financial assets	—	—	16	—	16
Total other comprehensive income for the year	—	—	(18)	—	(18)
Total comprehensive income for the year	—	—	(18)	5,675	5,657
Dividends paid to equity shareholders	—	—	—	(5,429)	(5,429)
Share options – value of employee services	—	—	—	186	186
– issue of shares	5	48	—	—	53
31 March 2014	**11,314**	**2,597**	**209**	**14,738**	**28,858**
Profit for the year	**—**	**—**	**—**	**1,827**	**1,827**
Other comprehensive income:					
Gains and losses on available for sale financial assets	**—**	**—**	**90**	**—**	**90**
Deferred tax on available for sale financial assets	**—**	**—**	**(18)**	**—**	**(18)**
Total other comprehensive income for the year	**—**	**—**	**72**	**—**	**72**
Total comprehensive income for the year	**—**	**—**	**72**	**1,827**	**1,899**
Dividends paid to equity shareholders	**—**	**—**	**—**	**(5,593)**	**(5,593)**
Share-based payments					
– value of employee services	**—**	**—**	**—**	**50**	**50**
– issue of shares	**176**	**1,542**	**—**	**—**	**1,718**
31 March 2015	**11,490**	**4,139**	**281**	**11,022**	**26,932**

The notes on pages 160 to 165 form an integral part of these financial statements.

PARENT COMPANY STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2015

	Notes	2015 £'000	2014 £'000
Cash flow from operating activities			
Cash generated from operations	48	**5,528**	9,148
Interest received		**2**	2
Net cash from operating activities		**5,530**	9,150
Cash flows from investing activities			
Acquisition of subsidiaries and other businesses		**—**	(1,458)
Purchase of intangible assets		**(1,616)**	(2,271)
Proceeds from sale of available for sale financial assets		**309**	288
Purchase of available for sale financial assets	42	**(355)**	(360)
Dividends received		**33**	32
Net cash used in investing activities		**(1,629)**	(3,769)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	21	**1,718**	53
Dividends paid to shareholders	6	**(5,593)**	(5,429)
Net cash used in financing activities		**(3,875)**	(5,376)
Net increase in cash and cash equivalents		**26**	5
Cash and cash equivalents at start of year		**340**	335
Cash and cash equivalents at end of year	46	**366**	340

The notes on pages 160 to 165 are an integral part of these financial statements.

40 INTANGIBLE ASSETS AND GOODWILL

	Goodwill £'000	Customer relationships £'000	Total £'000
Cost			
1 April 2013	10,027	15,226	25,253
Acquisitions	—	2,271	2,271
31 March 2014	**10,027**	**17,497**	**27,524**
Acquisitions	**—**	**1,616**	**1,616**
31 March 2015	**10,027**	**19,113**	**29,140**
Amortisation			
1 April 2013	—	9,247	9,247
Amortisation during year	—	2,174	2,174
31 March 2014	**—**	**11,421**	**11,421**
Impairment during the year	**2,511**	**800**	**3,311**
Amortisation during year	**—**	**1,534**	**1,534**
31 March 2015	**2,511**	**13,755**	**16,266**
Net book value			
31 March 2015	**7,516**	**5,358**	**12,874**
31 March 2014	10,027	6,076	16,103
31 March 2013	10,027	5,979	16,006

Details of the annual impairment assessment can be found in note 14.

41 DEFERRED TAX ASSETS

	2015 £'000	2014 £'000
Revaluation		
1 April 2014	**323**	97
Revaluation of available for sale financial assets	**(18)**	15
Other timing differences	**(249)**	211
31 March 2015	**56**	323

Deferred tax assets and liabilities are calculated using an effective tax rate of 20% (2014: 21% or 20%).

42 AVAILABLE FOR SALE FINANCIAL ASSETS

	Listed investments £'000	Unlisted investments £'000	Total £'000
Fair value			
1 April 2013	1,189	59	1,248
Additions	360	—	360
Disposals	(208)	—	(208)
Revaluation in year	(34)	—	(34)
31 March 2014	**1,307**	**59**	**1,366**
Additions	**355**	**—**	**355**
Disposals	**(261)**	**—**	**(261)**
Revaluation in year	**90**	**—**	**90**
31 March 2015	**1,491**	**59**	**1,550**

43 INVESTMENTS IN SUBSIDIARIES

	Total £'000
Cost	
1 April 2013	51,604
Acquisitions	1,726
Share options	186
31 March 2014	**53,516**
Acquisitions	**—**
Share options	**42**
Transfer to Held for sale	**(716)**
31 March 2015	**52,842**
Impairment	
1 April 2013 and 31 March 2014	13,173
Charge for the year	**348**
31 March 2015	**13,521**
Net book value	
31 March 2015	**39,321**
31 March 2014	40,343
31 March 2013	38,431

44 DISPOSAL GROUP HELD FOR SALE

In April 2015 the Group announced to the market that a Heads of Terms Agreement had been signed regarding the sale of Charles Stanley Financial Solutions Limited to its management team. Charles Stanley Financial Solutions has been presented as a disposal group held for sale.

At 31 March the disposal group was stated at fair value less cost to sell and comprised the following assets and liabilities:

	2015 £'000	2014 £'000
Investment in subsidiaries	**716**	—
Assets held for sale	**716**	—

45 TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Current		
Amounts due from Group undertakings	**1,290**	890
Other debtors	**4**	4
	1,294	894

46 CASH AND CASH EQUIVALENTS

	2015 £'000	2014 £'000
Cash at bank	**366**	340

47 TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Current		
Amounts owed to Group undertakings	**28,930**	29,869
Other payables	**301**	502
Accruals and deferred income	**14**	22
	29,245	30,393
Non current		
Other payables – deferred consideration	**—**	116

48 RECONCILIATION OF NET PROFIT TO NET CASH GENERATED FROM OPERATIONS

	2015 £'000	2014 £'000
Profit before tax	**1,413**	5,458
Adjustments for		
Amortisation of intangible assets	**1,534**	2,174
Impairment of intangible assets	**3,311**	—
Dividend income	**(33)**	(32)
Interest income	**(2)**	(2)
Profit on disposal of available for sale financial assets	**(48)**	(80)
Changes in working capital		
Increase in receivables	**262**	114
(Decrease)/increase in payables	**(909)**	1,516
Net cash inflow from operations	**5,528**	9,148

49 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	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Charles Stanley Financial Solutions Limited	**—**	—	**250**	250
Charles Stanley & Co. Limited	**—**	—	**28,119**	29,055
EBS Management PLC	**190**	190	**—**	—
EBS Pensioneer Trustees Limited	**—**	—	**2**	2
Gryphon Investments PLC	**—**	—	**294**	297
Sutherlands Group Limited	**—**	—	**265**	265
Garrison Investment Analysis Limited	**1,100**	700	**—**	—
	1,290	890	**28,930**	29,869

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 £4.0 million (2014: £4.0 million) from Charles Stanley & Co. Limited, £400,000 (2014: £400,000) from Garrison Investment Analysis Limited and £nil (2014: £400,000) from EBS Management PLC.

The parent Company received a management charge from Charles Stanley & Co. Limited of £2.1 million (2014: £2.8 million) during the year. Charles Stanley & Co. Limited paid management charges to Charles Stanley Financial Solutions Limited of £nil (2014: £300,000).

The Group's transactions with the Charles Stanley Retirement Benefits Scheme are described in note 9. At 31 March 2015 no monies were owed to or outstanding from the scheme (2014: nil).

FIVE YEAR RECORD

INCOME STATEMENT Year ended March	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Revenue	**149,690**	149,028	127,567	119,636	125,573
Administrative expenses	**(157,207)**	(143,440)	(118,991)	(111,663)	(112,687)
Other income	**132**	140	82	89	63
Results from operating activities	**(7,385)**	5,728	8,658	8,062	12,949
Gain on sale of Fund asset	**1,200**	—	—	—	—
Net finance income	**110**	398	402	420	428
(Loss)/profit before tax	**(6,075)**	6,126	9,060	8,482	13,377
Tax expense	**(71)**	(1,369)	(2,307)	(2,553)	(3,857)
(Loss)/profit attributable to owners of the Company	**(6,146)**	4,757	6,753	5,929	9,520
Basic earnings per share (pence)	**(13.46)**	10.51	14.93	13.12	21.42
Diluted earnings per share (pence)	**(13.46)**	10.42	14.87	13.08	21.40
Dividend per share (pence)	**5.00**	12.25	11.75	11.25	10.75

DIRECTORS OF CHARLES STANLEY GROUP PLC

Executive	Non-executive
Paul Abberley (CEO) (appointed 19 December 2014)	Sir David Howard, Bt (Chairman)
Michael R I Lilwall	Bridget E Guerin
Ben Money-Coutts (appointed 10 June 2015)	David C Pusinelli
Anthony C Scott (appointed 9 April 2014)	
Gary Teper	
James H Rawlingson (resigned 7 January 2015)	
E Michael Clark (resigned 31 March 2015)	

FINANCIAL CALENDAR

18 June 2015	Results announced
25 June 2015	Ex-dividend date for final dividend
26 June 2015	Record date for final dividend
31 July 2015	Annual General Meeting
5 August 2015	Final dividend paid

CHARLES STANLEY
OUR OFFICES

BATH
26 Queen Square
Bath
BA1 2HX
01225 878999

BIRMINGHAM
55 Calthorpe Road
Edgbaston
Birmingham
B15 1TH
0121 2346700

BOURNEMOUTH
2 Westover Road
Bournemouth
BH1 2BY
01202 317788

CAMBRIDGE
Ravenscroft House
56-63 Regent Street
Cambridge
CB2 1AB
01223 316726

CARDIFF
7/8 Park Place
Cardiff
CF10 3DP
02921 670330

CIRENCESTER
14 The Wool Market
Cirencester
GL7 2PR
01285 885311

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Bridport Road
Poundbury
Dorchester
Dorset
DT1 3QY
01305 251155

EASTBOURNE
14 Hyde Gardens
Eastbourne
East Sussex
BN21 4PR
01323 437440

EDINBURGH
2 Multrees Walk
St Andrew Square
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0131 5501200

EXETER
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Southernhay West
Exeter
EX1 1TS
01392 453600

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01483 230810

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01473 297700

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01983 520922

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Leeds
LS1 2HL
0113 2005230

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St George Street
Leicester
LE1 1QG
0116 366 6200

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Quay Street
Manchester
M3 3JZ
0161 8280200

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Norwich
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01603 665990

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01865 320000

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Plymouth
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01752 666661

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0118 9022800

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023 80381800

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Hamilton House
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Southend-on-Sea
Essex
SS1 1EF
01702 221700

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01892 557100

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01202 882820

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0207 7398200

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EC2A 1NT

EBS Management PLC

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Garrison Investment Analysis Limited

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Charles Stanley