CHARLES STANLEY

Towards holistic wealth management

Annual report and accounts 2019

Who we are

Charles Stanley traces its origins back to 1792 and is one of the oldest firms on the London Stock Exchange. We provide holistic wealth management services to private clients, charities, trusts and institutions. These are delivered by 400 professionals located in 25 offices throughout the UK, both direct to clients and to intermediaries.

Our values

Charles Stanley's core values – Caring, Fair and Progressive – have provided an overarching framework within which we operate, supporting our underlying strategy to always work in our clients' best interests and offer a truly personal service.

Our purpose

Our PURPOSE is to build on our long history, traditional values and strong reputation to help our clients prosper.

Our FOCUS to achieve our PURPOSE is to strive towards excellence:

- by meeting our clients' goals through the highest standards of holistic wealth and investment management services
- with the passion by which we build long-term personal relationships between our staff and our clients
- by working collaboratively, encouraging and supporting our valued staff to build skills and careers
- by committing to add value to all our stakeholders in contributing to our local communities.

Our vision is to become the UK's leading wealth manager.

We define leading in terms of quality rather than quantity. Focusing on client satisfaction as well as staff engagement and equity market rating, we measure our progress against these targets year-on-year.

Strategic report

Governance

Financial statements

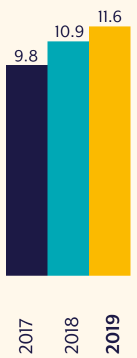
At a glance

Group highlights

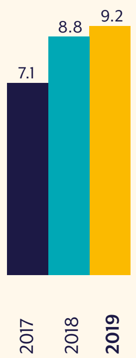
- Further growth in Discretionary funds, up 6.5%
- Higher revenues across all divisions with Financial Planning and Charles Stanley Direct continuing to build scale
- FY 2019 dividend increased by 9.4% to 8.75 pence per share
- 12.0% increase in Group's regulatory capital resources
- FY 2020 focus on simplification and standardisation of structures and processes to deliver an integrated business model and seamless customer proposition

Financial highlights

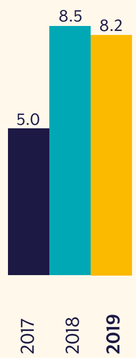
Core Business profit before tax (£m)[1]



Core Business pre-tax profit margin (%)[2]

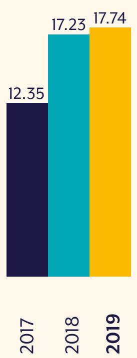


Return on capital employed (%)[3]

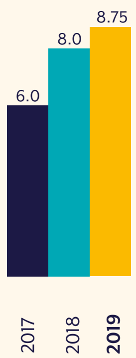


Reported profit before tax (£m)

Reported basic earnings per share (p)

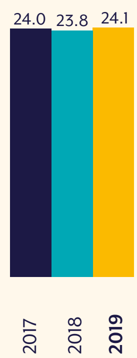


Dividend per share (p)



Discretionary funds (£bn)

FuMA (£bn)



1. The Core Business figures represent the results of the Group's main operating divisions (see page 21), excluding held for sale activities and adjusting items which are listed out on page 24.
2. This represents the Core Business profit as defined in note 1 above and excluding the charge in respect of non-cash share options awarded to certain investment management teams under revised remuneration arrangements settled in 2017, expressed as a percentage of Core Business revenues (see page 21).
3. Return on capital employed represents reported operating profit as shown on page 97 divided by capital employed (total assets less current liabilities) as shown on page 99.

Divisional revenue

Investment Management Services

£132.8m

(2018: £131.2m)

Asset Management

£7.4m

(2018: £7.0m)

Financial Planning

£7.3m

(2018: £6.3m)

Charles Stanley Direct

£7.7m

(2018: £5.9m)

Group Core Business[1] revenue

£155.2m

(2018: £150.4m)

Our business

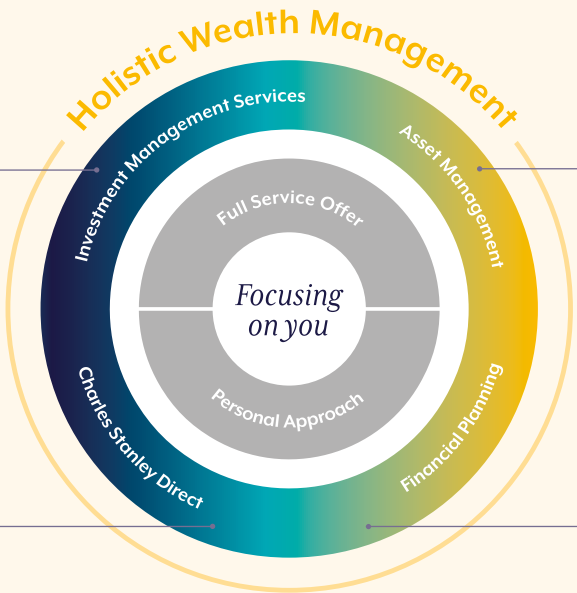
What we do

Charles Stanley offers a genuinely personal service across the full range of wealth management services, which has led to high levels of trust and client satisfaction scores of 87% for FY 2019.

We provide these services in three forms: the time we take to interact with clients, our investment insights and our willingness to make investment decisions on clients' behalf.

Our commitment to holistic wealth management is delivered through four core offerings: Investment Management Services, Asset Management, Financial Planning and Charles Stanley Direct.

Our divisions each have the capacity to grow revenues in their respective markets. Together they offer a set of complementary services which support our ambition to become the UK's leading wealth manager.



Investment Management Services

Offering personal Discretionary, Advisory and Execution-only services to private clients, trusts, charities and companies. Our premium and bespoke service creates deep relationships with clients, typically generating reliable revenue yields.

Asset Management

Provides a range of pooled funds and bespoke solutions, including model portfolios, open-ended investment company (OEIC) funds and Inheritance Tax solutions. Clients include financial advisers, defined benefit pension schemes, institutional investors and high net worth individuals.

Charles Stanley Direct

Our award-winning digital Execution-only platform enables self-directed investors who choose to manage their own money to utilise our dealing, settlement and custody services, covering a wide range of funds, shares, gilts and bonds.

Financial Planning

Our experienced financial planners provide advice to help our clients plan and structure their wealth. As the savings, pensions and inheritance tax landscape becomes ever more complex, they provide a range of personalised solutions working in partnership with our Investment Management Services division.

14 Turn to page 14 to find out more about our operating divisions

Recent awards received:

Boring Money:
Best Buy Award – Charles Stanley Direct

Asset Risk Consultants 3D Award:
Charles Stanley

Investors' Chronicle/FT Investment and Wealth Management Awards:
Best Wealth Manager for Inheritance Tax and Succession Planning

Our markets

The UK wealth management industry has been subject to ongoing macroeconomic and political uncertainty. Against this backdrop, and disappointing investment returns in the second half of calendar 2018, investors have remained nervous and reluctant to commit new money to markets.

Overview
Weaker global economic growth, rising trade tensions between the US and China, and fears of the US Federal Reserve raising interest rates have all impacted investor sentiment, making them less likely to invest in markets. According to Compeer, the value of assets held by wealth managers fell by 1.6% or £15 billion over the course of the 2018 calendar year.

A challenging market

Despite ongoing challenging market conditions, going forward we expect the financial markets to be benign for the duration of this year which will have a knock-on effect on client behaviour. Against this backdrop, we envisage there will be growing confidence, and as a result, demand for wealth management services will increase.

A changing market

Holistic wealth management services
Volatile markets, increasingly complex investment products and tax rules are resulting in an increased need for Discretionary fund management services to help clients navigate a complex and uncertain marketplace. Clients want the reassurance that they are dealing directly with empowered investment professionals rather than an intermediary relationship manager. In addition, they are looking to embed their overall financial planning needs into investment decisions, which puts Charles Stanley's holistic wealth management strategy at the forefront of the market.

Higher margin Discretionary services
The trends seen within the wider marketplace are largely reflected in the Group's annual results. While we have seen an increase in revenue margin and an improvement in the quality of business, FuMA has remained relatively flat and costs have broadly gone up in line with revenue, so there has only been a marginal increase in the Core Business operating margin. To address this, Charles Stanley's focus is to grow higher-margin Discretionary assets and increase productivity.

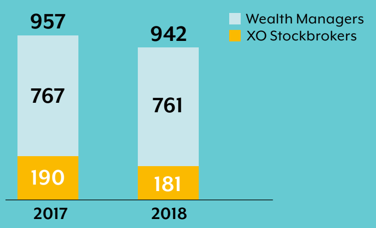
Technological change
Many wealth managers are still only just starting to dip their toes into the digital space. Those that are ahead of the game in the evolution of their digital offerings will be those best placed to attract new clients and address their needs.

Firms with an integrated digital strategy are raising the bar and will force competitors to pick up the pace with their own efforts. Many wealth management firms are increasingly reshaping all aspects of their businesses to reflect technological change.

Intermediary sales
With an uncertain macroeconomic and political climate, clients will look for advice to help them make the right investment decisions. Advisers will need to continue working closely with investment managers in the year ahead.

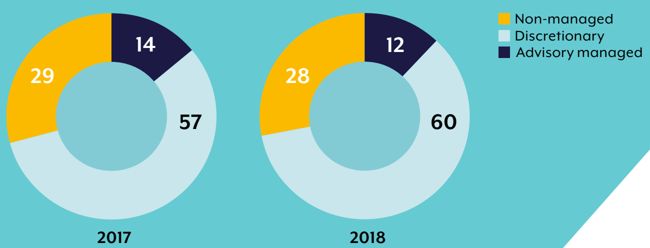
As investors are increasingly looking to holistic wealth management services, many financial advisers are looking at model portfolios to help with investment management and portfolio construction.

Industry assets (£bn)
The chart below is based on a calendar year



Source: Compeer Limited, data at 31 December 2018

Weath Manager assets (%)
The chart below is based on a calendar year



Chairman's statement

FY 2019 has been another year of progress in delivering our strategy with further growth in Discretionary assets and revenues across all divisions. Charles Stanley Direct has moved into profitability and we have also grown our intermediary sales distribution and financial planning capabilities, all reflecting positive business momentum.

Sir David Howard
Chairman

Financial results

The Group reported revenues for the year of £155.2 million (2018: £150.9 million) with improvements seen in all our divisions, in particular Charles Stanley Direct and Financial Planning, which continue to scale up the business and enhance their offering.

Reported profit before tax (PBT) was £11.0 million, a slight reduction on the prior year at £11.4 million as the latter included a number of one-off gains.

I am pleased to note that Charles Stanley Direct, our online Execution-only platform, has reported a profit for the year of £1.0 million (2018: £0.3 million loss), marking a turnaround in the business.

Funds under Management and Administration (FuMA) at 31 March 2019 were £24.1 billion, with Discretionary funds reaching £13.1 billion, up 6.5%. This reflects the Group's continued focus on growing its higher margin Discretionary service.

The Group's cash position, including Treasury Bills, remained strong, ending the year 23.7% higher at £81.2 million.

Governance

We have continued to embed the new Charles Stanley governance structure and looked at ways of enhancing and improving the content of Boards and Committees as well as the quality of management information available. This enables us to continue to enhance our strategic control and be aligned with the regulatory requirements.

The Senior Managers & Certification Regime (SMCR) comes into force in December 2019, putting a much greater emphasis on firms to ensure adequate record keeping around Training and Competence. For Charles Stanley this means adopting a more standardised approach. We have been embedding this standardised framework within the business to ensure we are compliant by the deadline.

£13.1bn

Discretionary funds increased by £0.8 billion or 6.5% as the Group continues to focus on growing higher margin assets.

Risk
We introduced a new Risk Management System to support the recording and management of risk information, with the aim of helping to further embed a healthy risk culture across the Group. We enhanced systems to ensure we are vigilant against cybercrime and successfully introduced a GDPR framework in line with regulations, and we have put a team in place to govern it.

Finally as part of the FCA's Internal Capital Adequacy Assessment Process (ICAAP), we continue to identify potential risks the business faces and assess how we govern and control them. We have completed a risk analysis and continue to monitor the impact Brexit may have on our firm and clients, and believe we are well prepared for all likely scenarios. Regardless of the outcome, as a UK-based business, serving predominantly UK-based clients, we do not expect any direct material impact on our business.

Culture
One of the key measures of our success is staff engagement. I am delighted that the 2018 staff engagement survey continues to produce an upper quartile engagement score improving year-on-year from 73% to 76%. This is a great demonstration of a truly collective effort to drive the business forward to become the UK's leading wealth manager, and I would like to express my thanks to all our staff for their commitment and hard work.

We also achieved enhanced diversity at senior level from 28% to 30%, meeting our HM Treasury Women in Finance Charter target two and a half years early.

Board changes
During the financial year, there have been no changes to our Board. Since the year end, however, we have embarked on a major project of restructuring which has had an impact on some senior roles. As previously announced, Gary Teper, our Head of Investment Management, has therefore decided to resign as a director. I would like to pay tribute to Gary for his long and devoted service to the Group. He has been an admirable colleague and leaves with our very best wishes.

Dividend
We have previously committed to delivering steadily increasing dividends. Based on our financial results, the Board is recommending a final dividend of 6.0 pence per share. Taken together with the interim dividend of 2.75 pence per share, this equates to a total dividend for the year of 8.75 pence per share which is an increase of 9.4% on the prior year.

Outlook
In the last quarter of calendar year 2018, we saw steep falls in equities, and in risk assets more broadly. With the turn of the calendar year, we noted equities, bonds and commodities posting positive returns. The recent revised guidance by the US Federal Reserve to hold interest rates has helped ease financial conditions and mitigate the potential downside risk to the economy. Moreover, long-range inflation forecasts have come down again, so the emphasis has shifted back to a looser monetary policy which favours economic growth.

However, given the extent of the equity market rally earlier this year, we anticipate much more modest returns over the remainder of the year. The long-term prospects for equities remain positive, but equities are likely to pause for breath until evidence of better economic growth emerges.

We see opportunities that provide a favourable backdrop for our transformation programme which is designed to bring growth in revenues, profits and margins, and to provide value for shareholders.

Sir David Howard
Chairman
30 May 2019

"This is a great demonstration of a truly collective effort to drive the business forward to become the UK's leading wealth manager."

76%

The overall engagement score of 76% from the Group's latest staff survey was an increase of 3% on the previous year, showing continuous year-on-year improvement.

Chief Executive Officer's report

The Group has shown positive progression in our revenues and core profit margin and we are fully focused on increasing the rate of improvement. Alongside efforts to improve the rate of top-line growth by building higher margin assets and implementing revised pricing structures, we are also sharpening our capabilities in marketing and sales.

Paul Abberley
Chief Executive Officer

Financial performance

The Group continues to deliver improvement in profitability. The Core Business profit before tax for the year of £11.6 million represents a 6.4% increase on the previous year. Core Business earnings per share increased by 16.4% to 18.70 pence.

On a reported basis, the Group generated a profit before tax of £11.0 million and earnings per share of 17.74 pence.

We are now fully focused on accelerating the improvement in our financial metrics to match the standard of what is being delivered qualitatively across the business.

Strategy implementation

Our transformation and restructuring programme, which commenced three years ago, has seen the heart of the business being remodelled along with the disposal of non-core activities. Having laid the foundations, we have now started to achieve operational efficiencies through a firm-wide project to put in place a standard operating model to improve functionality across the business. We have enhanced systems and processes to ensure operational, data and cyber resilience. We continue to enhance and embed the governance process, automating and standardising where possible.

We have also delivered against other key objectives which included expanding our intermediary sales network, hiring a new Head of Distribution and successfully expanding our financial planning capability. We continue to transform the business digitally, including enhancements to our Charles Stanley Direct app with fingerprint and face-ID log-ins which have been popular. Extended availability has led to increased traffic outside of standard business hours, 80% of this coming through the app.

We have made good progress in delivering against our strategic vision measures, specifically delivering high levels of client satisfaction and transforming the firm in terms of staff engagement.

18.70p

The Group's Core Business earnings per share increased by 16.4% to 18.70 pence. This reflects a continued improvement in the performance from the previous year.

We also recorded new asset inflows of £1.4 billion during the year, with almost two-thirds placed in discretionary mandates. While we have had success in revenue growth, the third metric in the context of our equity market ratings has yet to reach full momentum in terms of earnings growth.

There has been an unexpected headwind with the decline in the profitability of our Execution-only and Advisory Dealing services within our Investment Management Services division. Clients have been less proactive in terms of actively managing their investments, as Brexit and uncertainty around global economics has created nervousness and discouraged people from investing. Consequently, falling trading activity has led to lower commissions and profitability.

Business transformation

We have turned the business around and it is now profitable, but it is taking longer than expected to reach our goal of achieving a 15% Core Business pre-tax profit margin. Going forward, we have identified a clear strategic approach to drive forward increasing the operational gearing of the business.

As a starting point we have announced the launch of a significant transformation project to improve productivity and operational efficiency, as well as creating greater agility to innovate. This will involve accelerating existing projects aimed at enhancing IT, customer service and back and middle office performance, to ensure we are well positioned to deliver the next phase in our journey and that our client-centric approach is sustainable in a changing world.

The transformation programme will give rise to exceptional costs over its two to three year implementation period, estimated at £9.5 million, and annualised benefits building to in excess of £4.5 million. It is expected that there will be a net charge to the Group's profit for the financial year ending 31 March 2020 but be positive thereafter.

Paul Abberley
Chief Executive Officer
30 May 2019

The focus for the year ahead:

One approach
- Harmonising the customer experience
- One approach to business development

Increasing efficiencies
- Integrated support lines
- Streamlining ways of working

The role of digital
- Centralising our digital offer
- New technology to empower local investment managers

Strategic report

The Strategic report, as approved by the Board, outlines our performance for the year, an update on our markets and our business, how we delivered against our objectives and the strategic focus going forward.

Strategic report
Where we are going

We remain committed to delivering top-line growth, streamlining our operating model and improving the productivity of our front and back offices. Our focus has been to meet client requirements by building our holistic wealth management services. Going forward, the emphasis is to make it easier for clients to access and move seamlessly across those services.

Overview of strategy and operating principles

Sustainable growth

Strategy implementation

Strategic review

Three key objectives set in FY 2015:
- To focus exclusively on wealth management
- Deliver holistic wealth management services through four core services
- Provide a full-service offering through the Investment Management Services division, delivered by investment professionals using an autonomous investment model

Achievements in FY 2019:
- Positive progression in financial performance and Core Business pre-tax profit margin
- 6.5% growth in Discretionary funds to £13.1 billion
- Strong performance from Charles Stanley Direct which moved to profitability for the full financial year
- Continued growth of Financial Planning capability
- Substantially completed repricing exercise

Objectives for FY 2020:
- Creation of a single middle and back office
- Streamlining of management and organisational structure
- Simplification and standardisation of processes across the business
- Further growth of our intermediary sales network
- Growing financial planning capability and increased productivity
- Additional enhancements to our digital capabilities and offerings

How we're measuring success:

Client satisfaction

We are participating in an industry-wide project to allow benchmarking of client satisfaction surveys within the wealth management industry and to ensure clients' feedback is adequately captured and monitored.

Staff engagement

We hold annual staff engagement surveys benchmarked within the financial services sector and ensure staff feedback is actively acted upon.

Equity market rating

We compare the Group's three-year total shareholder return to a selection of peer group listed companies.

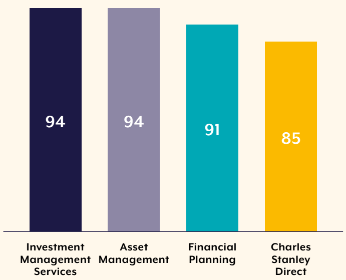
Strategic measures

Client satisfaction

Our objective
We are committed to improving our relationships with our clients and ensuring that our services meet and exceed expectations.

Our results
Client satisfaction surveys were carried out for all of our operating divisions during the year. The results of the surveys were overwhelmingly encouraging with high satisfaction scores achieved by every division.

Client satisfaction by division (%)



Staff engagement

Our objective
Staff engagement is fundamental to our success. In November 2018, we carried out our third annual staff engagement survey and had an 84% response rate.

Our results
Charles Stanley's Employee Engagement Index value of 76 remains comfortably in the upper quartile when benchmarked against data from 16 different research companies and institutions. For 2018 an upper quartile score is in excess of 55.

87%
of participants praised Charles Stanley for being a friendly place to work

94%
of respondents stated that they look for ways to improve their performance and the way they do things within the Group

Equity market rating

Our objective
The Board is committed to delivering strong shareholder returns over the longer term.
The adjacent table illustrates Charles Stanley's three-year total shareholder return (representing the change in share price and dividends paid over the period) in comparison to peer group listed companies.

Company name	2019	2018
Brewin Dolphin Holdings PLC	1	4
Rathbone Brothers Group Plc	2	3
Charles Stanley Group PLC	**3**	**6**
Brooks Macdonald Group Plc	4	2
Shore Capital Group Limited	5	7
Walker Crips Group PLC	6	5
WH Ireland Group PLC	7	1

"The delivery of our strategy will be independently measured against targets over three strategic measures: client satisfaction, staff engagement and equity market rating."

Strategic report
What we are working towards

The Group has set a medium-term objective of achieving a Core Business pre-tax profit margin of 15% in the journey to reaching our vision. The Group has identified targets for three key levers that will lead to achieving this target.

Levers to achieving a 15% Core Business pre-tax profit margin

Operating lever	Target	FY 2019 progress
Grow FuMA	**Grow average FuMA by 13% to 15% from FY 2018 levels** The Group's level of FuMA is a significant driver of top-line revenues A key driver to achieve the target margin is to grow FuMA from 2018's average of £24.3 billion by 13% to 15% in the medium term	• Closing FuMA was up 1.3% to £24.1 billion while average FuMA for 2019 were static at £24.3 billion • The Group generated £1.4 billion of inflows from new clients. These were offset by outflows from lost and existing clients totalling £1.8 billion • The Group has appointed a Head of Distribution and expanded the intermediary sales team in the year
Increase revenue margin	**Achieve a blended revenue margin of 66bps to 68bps** The Group's blended revenue margin represents the income generated by the Group's FuMA	The Group's blended margin increased from 62bps to 64bps in FY 2019 driven by: • Increased proportion of FuMA in higher earning discretionary mandates • Substantially completed the repricing of the managed and non-managed books • Continued growth in Financial Planning • Improvement in interest turn
Improve operating efficiency	**Reduce non-variable costs as a percentage of revenue to below 55%** The Group's revenue sharing arrangements require a reduction in fixed costs to below 55% of revenue to achieve the Core Business pre-tax profit margin target	• The Group has engaged external consultants who have completed a thorough review of operations • The Group has continued to focus on reducing fixed costs through appropriate cost budgeting and monitoring • For FY 2019 non-variable costs were 58.3% of revenue (2018: 59.2%)

Focus for FY 2020	Principal challenges
• Draw up revised business plans for each investment management team designed to generate targeted new fund inflows • Retain funds from existing clients by continuing to provide exemplary service and positive client outcomes • Develop relationships and grow inflows from intermediaries	• A sustained market downturn, as a result of Brexit or other factors, would negatively impact FuMA • Achieving organic growth targets • Retaining existing clients, reducing outflows and increasing share of wallet • Successfully defending assets managed by departed investment managers
• Continue to review client service levels and move to a Discretionary service, where appropriate • Continue to build capacity in Financial Planning • Maintain high levels of client service and commitment to customer outcomes • Build brand and market presence across key target markets	• Continued decline in commission income • Variable interest rates • Competitive pressure on fees
• Deliver efficiency gains from programmes already identified • Streamline and standardise operating processes across the Group • Implement a horizontal management structure removing duplication of work	• Below target revenues would negatively impact this ratio • Potential cultural resistance to change • Ensuring identified programmes deliver foreseen efficiency improvements • Unforeseen costs arising from external forces such as regulatory change

Strategic report
The focus for the year

In order to build upon the restructuring work already undertaken, a more dynamic approach is now required in order to achieve our overall strategic aims. We have identified a clear set of objectives to improve functionality across the business, strengthen our controls environment, centralise areas of expertise, and standardise processes and systems.

One approach

Harmonising the customer experience
Regardless of the service being used by our clients, we want them to receive a great experience and high levels of care. We want to ensure it is easy for them to move seamlessly across our different service lines, so there is consistency without duplication.

One approach to business development
We have brought on board a new Group Head of Distribution to take responsibility for developing our overall distribution strategy for all our services and products. He will help broaden and deepen our client base to drive sales and generate market presence across all areas of the business. This will accelerate the priority we set in 2018 to grow revenues and will be instrumental in meeting our strategic objectives.

Increasing efficiencies

Integrated support lines
We will modernise our operating processes and organisational structure to allow more flexibility, moving towards a matrix management approach and away from a series of vertical silos. While we will continue with clear client offerings to provide holistic wealth management services, increasingly the support functions will sit horizontally across them. We now need to create the organisational structure to standardise our business operationally, improve productivity and reduce duplication to drive efficiency.

Standardising ways of working
We will be rationalising the current levels of customisation and looking for more activities to be undertaken in the same way, to benefit from economies of scale. As part of this, we are overhauling our IT strategy to ensure we are more flexible and take advantage of standard software packages rather than creating tailored versions.

The role of digital

Centralising our digital offer
As part of our drive for standardisation, we are centralising our digital offering to promote consistency and avoid duplication of skills. This will help to further enhance the client journey.

New technology to empower local investment managers
To help our Discretionary fund management offering, we are introducing enhanced technology and more integrated systems to make it easier and more efficient for investment managers to build and manage their portfolios and react to client needs.

We will be building our research support into that technology to make it easier for investment managers to utilise our central in-house resources.

"We will improve the operating model across the business by strengthening our controls environment, centralising areas of expertise, and standardising processes and systems."

Strategic report
Executing the strategy

Each of our services has a clear focus to contribute towards our target of a 15% Core Business pre-tax profit margin. Here we provide an overview of progress made and the strategic priorities for the year ahead.

Investment Management Services

Implementation milestones achieved during FY 2019
- Growth in Discretionary funds from a combination of new inflows and service upgrades
- Substantially completed the repricing of the division's managed and non-managed book with simplified and transparent charge rates
- Continued to restructure and improve office locations to the benefit of clients who prefer local delivery
- Circa 50% of clients now receive valuations digitally
- Worked closely with Financial Planning division to benefit clients wanting holistic wealth management services

Opportunities for development
- Working with financial intermediaries
- Business development focus by investment professionals among direct clients
- Further incorporate Financial Planning as a wealth management service

Implementation milestones planned for FY 2020
- Continue the restructuring of middle and back office
- Standardisation of processes
- Improve distribution channels, in particular financial intermediaries
- Continue to digitise the business
- Intergenerational client transfer effectiveness

Asset Management

Implementation milestones achieved during FY 2019
- Performance of AIM IHT portfolio service now first quartile over one, three and five years
- Launched a range of Ethical model portfolios

Opportunities for development
- A significant opportunity in the Fiduciary Management market due to new guidance from the Competition and Markets Authority
- Increased regulation resulting in Independent Financial Advisors outsourcing model portfolios where they had previously managed these in-house
- Enhanced market impact following compelling investment performance by a number of our investment solutions

Implementation milestones planned for FY 2020
- Incorporate the management of this service within the remit of the management of Investment Management Services
- A new distribution strategy for the Independent Financial Advisor industry based on strategic partnerships
- Close cooperation with the Financial Planning division to jointly grow AuA
- Relaunch of the Personal Portfolio Service with a compelling price and service combination

Support Functions

Implementation milestones achieved during FY 2019
- Ensured MiFID II compliance
- Replaced manual transfer process, reducing time taken to complete stock and cash ISA transfers
- Moved workforce onto Blackberry Work to ensure secure, reliable mobile working
- Expanded the intermediary sales and distribution teams

Opportunities for development
- Continued education, training and enhancement to IT systems to combat cybercrime and improve client experience
- Complete SMCR framework design and rollout by December 2019
- Work to improve and maintain data quality within systems
- Raise brand awareness through new partnerships
- Improve prospect conversion rates

Financial Planning

Implementation milestones achieved during FY 2019

- Material growth in numbers of financial planners and Financial Planning revenues
- Strengthening of proposition oversight capability
- Establishment of a Career Pathway creating a succession planning programme
- Completion of a repapering exercise

Opportunities for development

- Monetising the historical investment made in our Financial Planning resource
- Driving productivity gains and cost savings from our investments in technology
- Increasing the division's capacity, increasing the number of financial planners and paraplanners
- Working more closely with existing clients to deliver an integrated wealth management proposition

Implementation milestones planned for FY 2020

- Expanding our Financial Planning hubs
- Enhancement of our digital offering
- Completion of migration onto our new operating system
- Completion of the standardisation of our Financial Planning proposition

Charles Stanley Direct

Implementation milestones achieved during FY 2019

- Now a contributing, profitable division
- Fund Trading rolled out into the CSD App
- Launched new Dashboard and FAQs leading to 50% call reduction to Helpdesk
- Overhauled Exchange-Traded Fund and Investment Trust data
- Launched industry-leading Cost Calculator

Opportunities for development

- Adoption of a new digital client outreach tool to segment and deliver timely personal messaging
- Roll-out of Chatbot functionality across the website and App to meet client demands 24/7
- Optical Card Reader technology for sign-up and payment transactions
- Maximising synergies by adopting a Group-wide digital strategy and helpdesk service

Implementation milestones planned for FY 2020

- Continued App development including Stocks & Shares trading and launch of ethical investing capabilities
- Centralised back office operations
- Improving client engagement via digital marketing

Implementation milestones planned for FY 2020

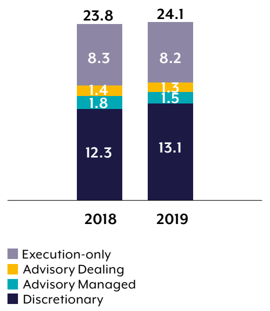
- Improve our digital and IT capability including upgrading our client life cycle and risk management systems
- Reorganisation of management structure using a matrix model to reduce duplication
- Optimise our existing IT systems to maximise automation and efficiency

Key performance indicators

The Group considers the following financial and strategic measures as key performance indicators (KPIs) of the Group's overall performance for the year ended 31 March 2019 against the prior year comparative.

FuMA

Funds under Management and Administration (£bn)

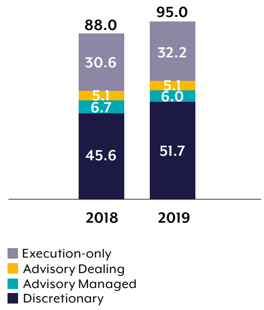


Definition
FuMA by investment category.

Performance
Overall FuMA increased by 1.3% compared to a 3.9% increase in the MSCI WMA Private Investor Balanced Index.

Discretionary funds were up by 6.5%.

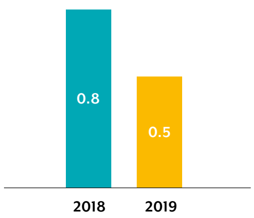
FuMA per CF30 (£m)



Definition
FuMA divided by the number of CF30s (investment managers who provide advisory services regarded as a controlled function by the FCA).

Performance
The increase from £88.0 million to £95.0 million in 2019 was due to a reduction in the number of CF30s in the year and an overall increase in FuMA.

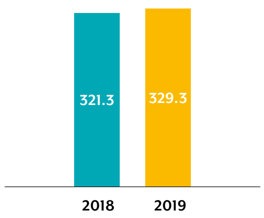
Discretionary funds inflows (£bn)



Definition
Value of net inflows for Discretionary funds.

Performance
Net inflows in Discretionary funds were £0.5 billion in 2019 compared to £0.8 billion recorded in the prior year.

Average Discretionary client account portfolio size (£000)

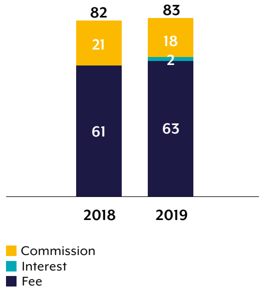


Definition
Discretionary funds divided by the Discretionary client accounts.

Performance
The Discretionary average client portfolio size increased by 2.5% during the year to £329,300.

Revenue margins

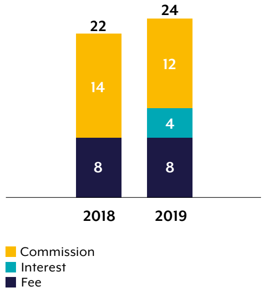
Discretionary revenue margin (bps)



Definition
Fee, commission and interest income measured as a percentage return on average annual Discretionary funds.

Performance
Total Discretionary revenue margin increased by 1bp overall, with a 2bps increase in fee revenue and 2bps increase in interest margin offset by a reduction in commission of 3bps.

Execution-only revenue margin (bps)

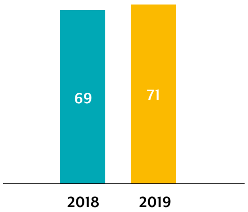


Definition
Fee, commission and interest income measured as a percentage return on average annual Execution-only assets.

Performance
The return on Execution-only assets has increased by 2bps during the year as a 4bps increase in interest more than compensated for a 2bps fall in commission.

Operating efficiency

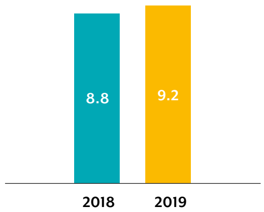
Fees to revenue ratio (%)



Definition
Fee income as a percentage of total revenue, comprising fee, commission and interest income.

Performance
This ratio has increased compared with prior year in view of more clients moving to new pricing structures and clean fee only rates.

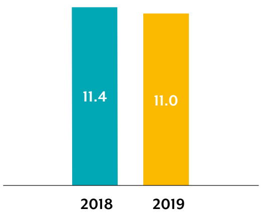
Core Business pre-tax profit margin (%)



Definition
Profit before tax measured as a percentage of revenue for the Core Business excluding the charge of £2.7 million in respect of non-cash share options awarded to certain investment management teams.

Performance
This margin increased to 9.2% for the year.

Reported profit before tax (£m)

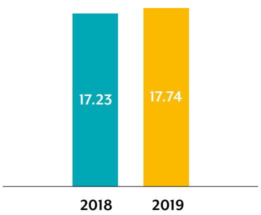


Definition
The reported profit or loss before tax for the Group.

Performance
Reported profit before tax fell slightly by £0.4 million due to one-off gains recognised in the prior year.

Shareholder return / Balance sheet strength

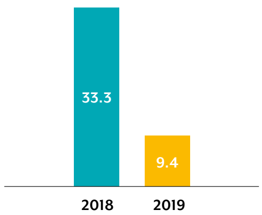
Reported basic earnings per share (p)



Definition
Reported profit after tax divided by the weighted average number of ordinary shares.

Performance
The increase in earnings per share is due to a higher profit after tax arising from a comparatively lower tax charge in the year.

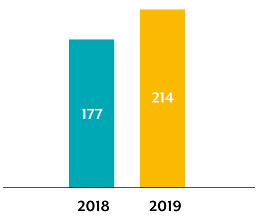
Dividend per share growth (%)



Definition
The percentage change in the total dividend per share.

Performance
The total dividend per share for 2019 increased by 9.4% to 8.75p per share.

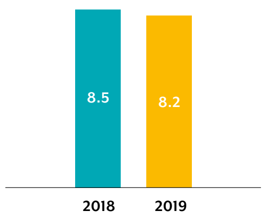
Capital adequacy ratio (%)



Definition
The Group's regulatory capital resources relative to its minimum regulatory capital requirement.

Performance
The ratio increased from 177% to 214% due to an increase in the Group's regulatory capital resources during the year.

Return on capital employed (%)



Definition
Reported operating profit (see page 97) divided by capital employed (total assets less current liabilities; see page 99).

Performance
The return on capital employed was slightly lower in 2019 at 8.2% as a result of a lesser operating profit.

Review of the year

Charles Stanley continued to deliver improved financial performance in the face of weaker equity markets in the second half of the financial year. Revenues and underlying profits continued to grow, although progress towards achieving our profit margin target has been hampered by slower than anticipated improvements in productivity.

Ben Money-Coutts
Chief Financial Officer

Overview of financial year 2019 results

The Group's reported revenues for the year were £155.2 million, representing an increase of 2.8% on those reported in the prior year. All of the revenues generated in the current year were attributable to the Group's continuing Core Business, while the comparative figure included revenue from held-for-sale divisions disposed in FY 2018. On a like-for-like basis revenues increased by 3.2%.

Reported expenditure increased by 2.5% to £145.8 million (2018: £142.2 million). This was primarily driven by staff cost increases. Staff costs continue to represent the lion's share of the Group's expenditure at 72.9% of Core Business expenditure, up from 71.6% in FY 2018. This highlights the critical need for the Group to accelerate the delivery of improvements in productivity and efficiency.

During the course of the year, the Group recognised reported net finance and other non-operating income of £1.5 million (2018: £2.5 million). The £1.0 million reduction was due to lower one-off gains than achieved in the prior year. Details of these one-off items are set out on page 24.

As a result of other non-operating income being lower, the reported profit before tax reduced to £11.0 million (2018: £11.4 million). However, the underlying profitability of the Core Business increased by 6.4% from £10.9 million to £11.6 million. The Core Business pre-tax profit margin calculated by taking the Core Business profit before tax of £11.6 million (2018: £10.9 million), adjusted for the charge of £2.7 million (2018: £2.3 million) in respect of non-cash share-based option arrangements awarded to certain investment management teams under revised remuneration arrangements settled in 2017, expressed as a percentage of Core Business revenues, increased to 9.2% (2018: 8.8%).

9.2%

Core Business pre-tax profit margin, excluding the charge in respect of non-cash share-based options awarded to certain investment management teams under revised remuneration arrangements, increased from 8.8% to 9.2%.

Funds under Management and Administration

The Group's revenue is substantially driven by the level of its FuMA. These stood at £24.1 billion at 31 March 2019, up 1.3% compared to the FuMA total as at 31 March 2018. During the same period, the market movement as measured by the MSCI WMA Private Investor Balanced Index increased by 3.9%.

Whilst this represents a comparison at an individual point in time, the Group's average FuMA were static year-on-year at £24.3 billion with increases in higher margin Discretionary funds being offset by decreases in Advisory and Execution-only funds.

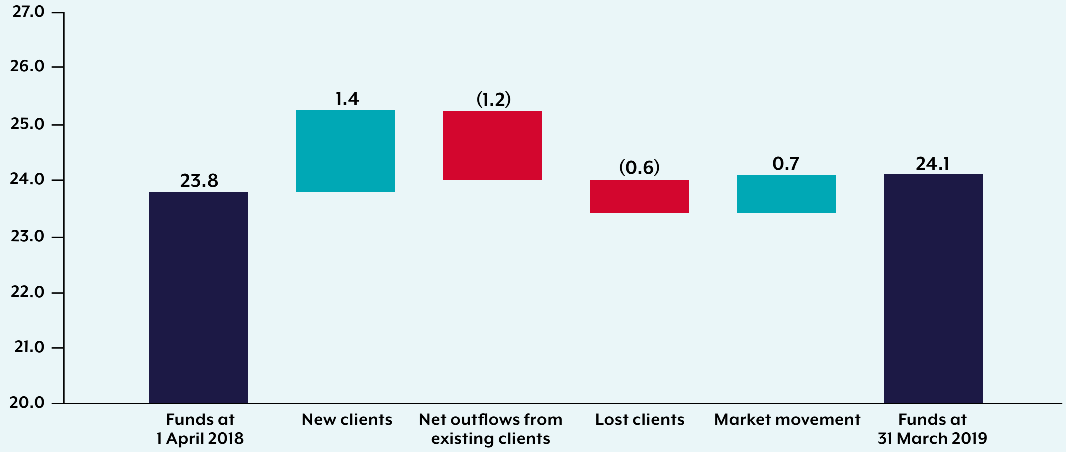
FuMA as at 31 March

	2019 £bn	2018 £bn	Change %
Discretionary funds	**13.1**	12.3	6.5
Advisory Managed funds	**1.5**	1.8	(16.7)
Total managed funds	**14.6**	14.1	3.5
Advisory Dealing funds	**1.3**	1.4	(7.1)
Execution-only funds	**8.2**	8.3	(1.2)
Total administered funds	**9.5**	9.7	(2.1)
Total Funds under Management and Administration	**24.1**	23.8	1.3
MSCI WMA Private Investor Balanced Index	**1,587**	1,527	3.9

Review of the year contents

The composition of the overall movement in FuMA for the year is shown in the chart below. Inflows from new clients of £1.4 billion were offset by outflows from existing (£1.2 billion) and lost (£0.6 billion) clients, whilst market performance accounted for a positive movement of £0.7 billion.

FuMA flows (£bn)



Discretionary funds were up £0.8 billion or 6.5%, demonstrating the continued success of the Group's strategy to build scale in this higher margin service category. This increase is driven by inflows from new clients of £0.9 billion, £0.1 billion from upgrading existing clients from other service types and £0.3 billion investment performance, offset by outflows of £0.5 billion. This represents an organic growth rate of 4.1% for the year.

Execution-only funds fell by 1.2% overall. The decrease was largely attributable to the traditional voice-brokered Execution-only services which were down £0.5 billion, whilst our online Execution-only platform, Charles Stanley Direct, continued to perform well and increased its AuA to £2.7 billion (2018: £2.3 billion). Approximately one third of the platform's inflows were from internal transfers and two thirds from new external clients. Advisory Managed and Dealing both reduced on prior year, now accounting for 11.6% of funds (2018: 13.4%). The Group expects this polarisation into Discretionary and online Execution-only services to continue.

Results and performance

The following tables show the Group's financial performance for the year ended 31 March 2019 and for the prior year. These reconcile the results of the Core Business, which the Board considers the best reflection of the Group's underlying performance, to the statutory reported results. The difference comprises the held for sale activities disposed in the prior year and various adjusting items which are stripped out of the Core Business results so as not to distort underlying performance. These adjusting items are detailed on page 24.

	Core Business £m	Held for sale £m	Adjusting items £m	Reported performance £m
31 March 2019				
Revenue	**155.2**	**–**	**–**	**155.2**
Expenditure	**(144.4)**	**–**	**(1.4)**	**(145.8)**
Other income	**0.1**	**–**	**–**	**0.1**
Operating profit/(loss)	**10.9**	**–**	**(1.4)**	**9.5**
Net finance and other non-operating income	**0.7**	**–**	**0.8**	**1.5**
Profit/(loss) before tax	**11.6**	**–**	**(0.6)**	**11.0**
Tax (expense)/credit	**(2.1)**	**–**	**0.1**	**(2.0)**
Profit/(loss) after tax	**9.5**	**–**	**(0.5)**	**9.0**
Basic earnings per share (p)	**18.70**	**–**	**–**	**17.74**
Pre-tax profit margin[1] (%)	**9.2**	**–**	**–**	**7.1**

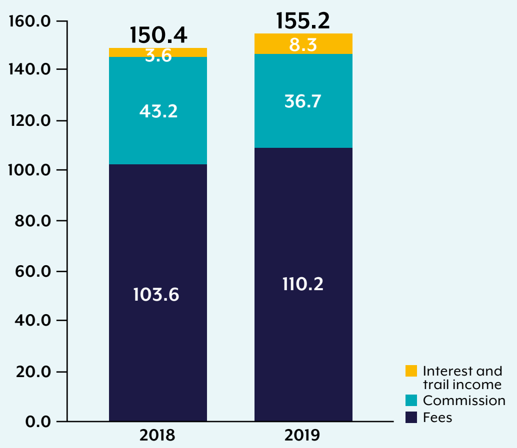
	Core Business £m	Held for sale £m	Adjusting items £m	Reported performance £m
31 March 2018				
Revenue	150.4	0.5	–	150.9
Expenditure	(140.1)	(0.5)	(1.6)	(142.2)
Other income	0.2	–	–	0.2
Operating profit/(loss)	10.5	–	(1.6)	8.9
Net finance and other non-operating income	0.4	–	2.1	2.5
Profit before tax	10.9	–	0.5	11.4
Tax (expense)/credit	(2.8)	–	0.1	(2.7)
Profit after tax	8.1	–	0.6	8.7
Basic earnings per share (p)	16.06	–	–	17.23
Pre-tax profit margin[1] (%)	8.8	–	–	7.6

1. The Core Business pre-tax profit margin is based on the Core Business profit before tax of £11.6 million (2018: £10.9 million) adjusted for the charge of £2.7 million (2018: £2.3 million) in respect of non-cash share-based option arrangements awarded to certain investment management teams under revised remuneration arrangements settled in 2017.

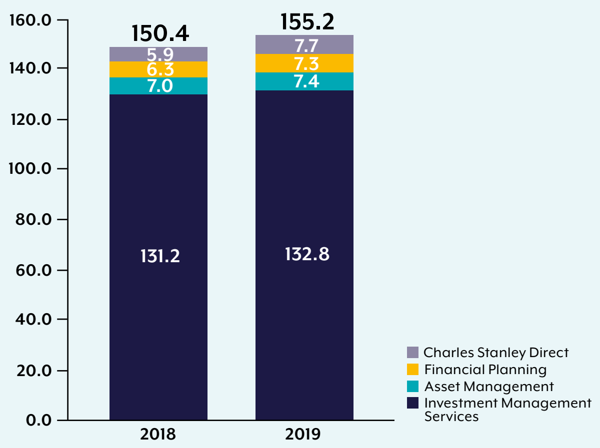
Core Business revenues

Revenues from the Core Business grew by 3.2% to £155.2 million in FY 2019. The change in composition of the Group's revenues compared to the prior year are shown in the charts below and indicate the continued increase in the proportion represented by fees, now 71.0%. The mix change is driven by a 6.4% increase in fee income to £110.2 million, a 130.6% (£4.7 million) increase in interest turn and a £6.5 million fall in commission income to £36.7 million. The fall in commission income is a consequence of an overall decline in commission earning trades. This is occurring both because the Group continues to focus on Discretionary services, which are generally billed on a fee-only basis, and because there is a long term decline in the traditional voice-brokered share dealing.

Core Business revenue by type (£m)



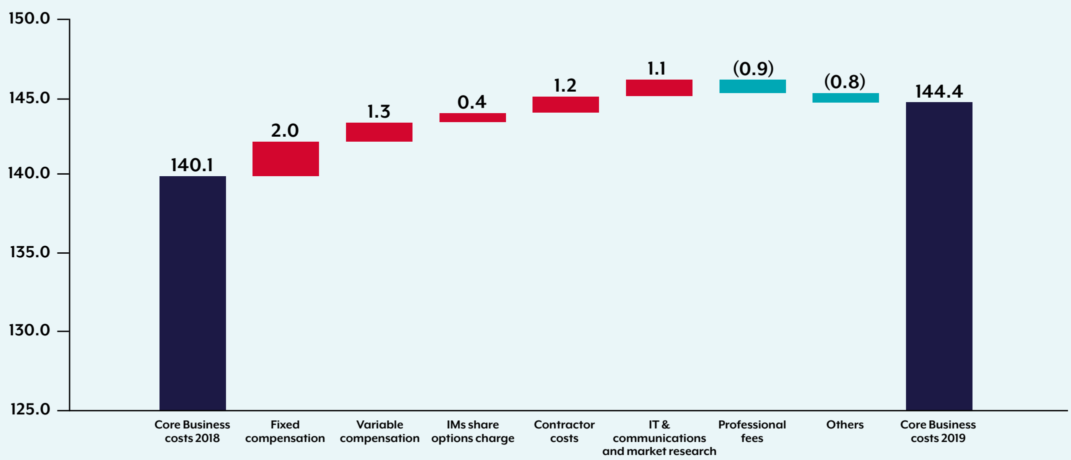
Core Business revenue by division (£m)



Core Business expenditure

Expenditure within the Core Business has increased by £4.3 million (3.1%) on prior year to £144.4 million (2018: £140.1 million). The chart below shows the principal changes in costs year-on-year.

Core Business expenditure (£m)



The Group's single largest cost continued to be staff costs and these increased both as a proportion of total expenditure and in real terms. Fixed employment costs increased by £2.0 million principally due to inflationary staff pay rises awarded in the year. The variable element increased as a result of the Group's formulaic revenue sharing arrangements, increased contractor costs as the Group hired external expertise to assist with the restructuring programme, and a full twelve month charge in respect of the share options granted part way through last year to certain investment management teams under the revised remuneration arrangements.

The Group continues to invest heavily in improving the customer experience, with a combined £1.1 million increased spend on IT & communications and market research. This has included upgrades to both back office and client-facing systems, such as the Group's website and the Charles Stanley Direct platform. Alongside this, the Group continues to increase marketing campaigns and brand awareness to enhance the new business win rate with an additional spend of £0.2 million. These were offset by savings as a result of one-off project costs in the prior year and reduction in professional fees.

Core Business pre-tax profit

The Core Business profit before tax increased from £10.9 million to £11.6 million, resulting in a small improvement in the pre-tax profit margin to 9.2% (2018: 8.8%). This is still a long way from our stated medium-term target of 15%. Despite the lack of significant progress, the Group remains confident that this target is achievable. To achieve this, the Group needs to:

i) Grow FuMA through new business wins and achieving net inflows from existing clients;

ii) Improve revenue margins by changing the mix of business conducted and growing the Financial Planning division; and

iii) Increase efficiency, measured by fixed costs as a percentage of revenue. To achieve these efficiency gains the Group has conducted a thorough review of the Group's activities with a view to restructuring our management structures, day-to-day operations, and reorganising and upgrading IT systems to maximise the profitability of the business.

Adjusting items

The Board considers the Core Business profit before tax and earnings per share to be a better reflection of underlying business performance than the statutory figures reported in the consolidated financial statements. To calculate the Core Business results the Board has excluded certain adjusting items totalling a net charge of £0.6 million. An explanation of these adjusting items, together with a reconciliation of profits, is provided below:

	2019 £m	2018 £m
Reported profit before tax	**11.0**	11.4
Amortisation of client relationships[1]	**1.1**	1.1
GMP equalisation pension expense[1]	**0.3**	–
Reversal of impairment of CSFS loan notes	**(0.5)**	–
Gain on sale of freehold property	**(0.3)**	–
Net other one-off charges/(gains) in prior year	–	(1.6)
Net charge/(credit) from adjusting items	**0.6**	(0.5)
Profits from held for sale activities	–	–
Core Business profit before tax	**11.6**	10.9

1. These adjusting items are included within administrative expenses in the Consolidated income statement on page 97.

Amortisation of client relationships (£1.1 million charge)
Payments made for the introduction of customer relationships that are deemed to be intangible assets are capitalised and amortised over their useful life, which has been assessed to be 10 years. This amortisation charge has been excluded from the Core Business profit since it is a significant non-cash item.

GMP equalisation pension expense (£0.3 million charge)
On 26 October 2018, the High Court passed a landmark ruling that defined benefit pension schemes needed to equalise Guaranteed Minimum Pensions (GMPs) for men and women. As a consequence, a £0.3 million expense has been recognised in respect of the estimated additional liabilities of the Scheme.

Reversal of impairment of CSFS loan notes (£0.5 million credit)
In 2017 the Group impaired the full carrying value of £0.5 million loan notes issued by CS Financial Solutions Limited ('CSFS') as part of the deferred consideration arising from the sale of the business by the Group to its management on 1 April 2016. In January 2019 CSFS was sold to Broadstone and the loan notes were repaid in full. Consequently, the Group has reversed the impairment previously recognised.

Gain on sale of freehold property (£0.3 million credit)
During the year, the Group disposed of one of its freehold properties and realised a gain on sale of £0.3 million.

Net other one-off charges/(gains) in prior year (£1.6 million credit)
The net credit of £1.6 million recognised as an adjusting item in FY 2018 consisted of gains arising on the Group's disposal of shares held in Euroclear (£1.9 million), the sale of EBS Management PLC, a subsidiary (£0.7 million), the disposal of an investment held in Runpath Group Limited (£0.5 million), and a recovery on prior year FSCS levy (£0.1 million). These were offset by an impairment of freehold property (£1.0 million) and the accelerated amortisation of leasehold improvements.

Divisional review

The tables below shows the Core Business results broken into the Group's four main operating divisions: Investment Management Services, Asset Management, Financial Planning and Charles Stanley Direct. The services provided by each division are set out on pages 26 to 31.

	Investment Management Services £m	Asset Management £m	Financial Planning £m	Charles Stanley Direct £m	Core Business £m
31 March 2019					
Revenue	**132.8**	**7.4**	**7.3**	**7.7**	**155.2**
Expenditure	**(119.0)**	**(8.0)**	**(10.7)**	**(6.7)**	**(144.4)**
Other income	**–**	**0.1**	**–**	**–**	**0.1**
Operating profit/(loss)	**13.8**	**(0.5)**	**(3.4)**	**1.0**	**10.9**
Net finance and other non-operating income	**0.5**	**0.1**	**0.1**	**–**	**0.7**
Profit/(loss) before tax	**14.3**	**(0.4)**	**(3.3)**	**1.0**	**11.6**

	Investment Management Services £m	Asset Management £m	Financial Planning £m	Charles Stanley Direct £m	Core Business £m
31 March 2018					
Revenue	131.2	7.0	6.3	5.9	150.4
Expenditure	(118.0)	(6.9)	(9.0)	(6.2)	(140.1)
Other income	0.2	–	–	–	0.2
Operating profit/(loss)	13.4	0.1	(2.7)	(0.3)	10.5
Net finance and other non-operating income	0.4	–	–	–	0.4
Profit/(loss) before tax	13.8	0.1	(2.7)	(0.3)	10.9

Investment Management Services

Trading review

The financial performance of the Investment Management Services division is largely driven by the value and mix of FuMA, the revenue margin earned on these assets and the operating costs associated with managing them; comprising both fixed and variable costs.

	2019 £bn	2018 £bn
FuMA	**19.5**	19.6

	2019 £m	2018 £m
Revenue	**132.8**	131.2
Direct costs:		
Fixed staff costs	**(19.8)**	(20.4)
Variable staff costs	**(40.6)**	(39.4)
Investment managers' share options charge	**(2.7)**	(2.3)
Other direct operating expenses	**(13.9)**	(11.5)
Other income	**–**	0.2
Contribution	**55.8**	57.8
Allocated costs	**(42.0)**	(44.4)
Operating profit	**13.8**	13.4

KPIs:	2019	2018
Average Discretionary funds per CF30	**£52.7m**	£47.9m
Discretionary funds as a percent of total FuMA	**61.0%**	56.9%
Discretionary average client account size	**£312k**	£304k
Discretionary revenue margin	**85bps**	85bps
Total revenue margin	**67bps**	64bps
Staff costs to revenue ratio[1]	**45.5%**	45.6%
Other costs to revenue ratio	**42.1%**	42.6%
Operating margin[1]	**12.4%**	12.0%

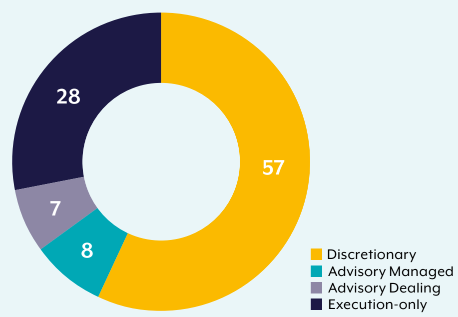
1. Excluding the charge for the investment managers' share options.

The division's total FuMA was slightly down compared to 31 March 2018 at £19.5 billion, primarily as a result of withdrawals by clients in the second half of the financial year in response to difficult market conditions. Underlying the change in total FuMA is an improvement in the division's asset mix as it focuses on growing the Discretionary service.

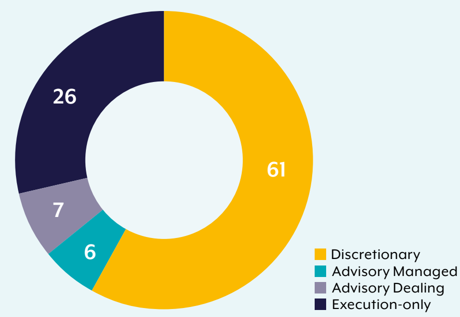
Discretionary funds are up 6.3% on the prior year to £11.9 billion, now accounting for 61.0% of the division's FuMA. This was driven by new mandates (£0.8 billion), service upgrades (£0.1 billion), market movement (£0.4 billion) and offset by net outflows (£0.6 billion). A key performance measure for the division is Discretionary funds per CF30; these on average were £52.7 million (2018: £47.9 million). As expected, the other service levels have all decreased during the year.

Split of funds

2018 (%)



2019 (%)



Revenues for the division rose by £1.6 million as a consequence of improved asset mix, increased interest turn and the benefits of the rolling repricing exercise of the managed book which was substantially completed by 31 March 2019. Repricing will deliver further benefit in the next financial year as the impact of a full year of rate increases is observed. This will be further boosted by the introduction of a small custody charge on the non-managed book which was introduced from January 2019. These positives were offset by the impact of £6.3 million decline in the division's commission income.

The division's total costs increased by 0.8% during the year to £119.0 million. The principal reasons for that were increased direct operating expenses and an additional £0.4 million in respect of a full year charge for share options granted to certain investment management teams part way through the prior year.

The above has, excluding the impact of the charge of the investment managers' share options, resulted in a pre-tax profit margin for the division of 12.4% (2018: 12.0%).

Asset Management

Trading review

The Asset Management division's performance is driven by Funds under Management (FuM) and the revenue margin earned on these assets.

	2019 £bn	2018 £bn
FuM – on platform	**1.0**	0.9
FuM – off platform[1]	**0.4**	0.4
FuM – total	**1.4**	1.3

1. Off platform FuM comprises model portfolios on third party platforms, OEICs and other clients whose assets are held by a third party custodian.

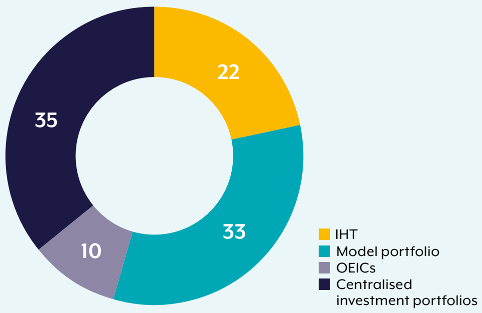
	2019 £m	2018 £m
Revenue	**7.4**	7.0
Direct costs:		
Fixed staff costs	**(2.0)**	(1.7)
Variable staff costs	**(1.1)**	(1.2)
Other direct operating expenses	**(2.0)**	(1.6)
Other income	**0.1**	–
Contribution	**2.4**	2.5
Allocated costs	**(2.9)**	(2.4)
Operating (loss)/profit	**(0.5)**	0.1

KPIs:	2019	2018
Revenue margin[2]	**56bps**	56bps
Operating margin	**(6.8%)**	1.4%

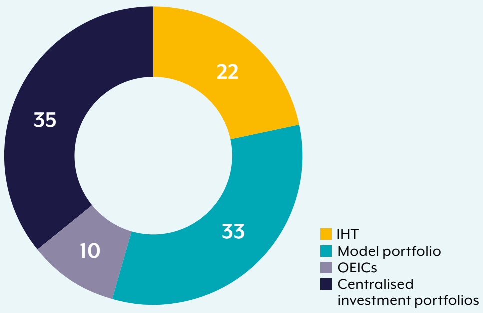
2. Revenue margin calculated on average funds (including both on and off platform FuM).

Split of funds

2018 (%)



2019 (%)



The division's FuM increased by 7.7% to £1.4 billion as at 31 March 2019. Model funds, fiduciary mandates and Inheritance Tax Portfolio solutions all reported modest increases in funds.

The Asset Management division's contribution fell marginally to £2.4 million and the division recorded a pre-tax loss for the year of £0.5 million, a year-on-year decrease in profitability of £0.6 million. This decline was substantially due to increased absorption of Support Functions costs by the division, with allocated costs increasing by £0.5 million.

As part of the recently announced reorganisation, the management of the Asset Management division has been combined with that of the Investment Management Services division. Accordingly, in future the Asset Management division's figures will be incorporated into those of Investment Management Services and not reported separately.

Financial Planning

Trading review

The principal driver of the Financial Planning division's performance is its revenue per financial planner.

	2019 £m	2018 £m
Revenue	**7.3**	6.3
Direct costs:		
Fixed staff costs	**(5.1)**	(3.9)
Variable staff costs	**(1.4)**	(1.5)
Other direct operating expenses	**(1.7)**	(1.5)
Contribution	**(0.9)**	(0.6)
Allocated costs	**(2.5)**	(2.1)
Operating loss	**(3.4)**	(2.7)

KPIs:	2019	2018
Average number of financial planners	**21**	18
Revenue per financial planner[1]	**£340k**	£344k
Operating margin	**(46.6%)**	(42.9%)

1. This calculation is based on annualised revenues divided by average number of financial planners in the year.

Financial Planning's revenues increased by 15.9% to £7.3 million. This growth stemmed from increased revenues of financial planners who have been with the Group for over twenty four months, the typical lead time between a financial planner being recruited and them reaching full productivity. The division continues to build scale by increasing the average number of planners. As a consequence the annualised average revenue per planner is relatively flat on the prior year at £340,000 due to planners recruited in the current and prior year not yet achieving full productivity. This is reflected in the division's higher loss for the year of £3.4 million (2018: £2.7 million) whereby recruitment and onboarding costs have outstripped the incremental revenue generated in the year.

The division's medium-term target is that of achieving 10% of Investment Management Services' revenues. To attain this we are recruiting more financial planners and have also been investing in systems. Whilst the current recruitment drive is scheduled to be completed by the end of FY 2020, we do not expect the division to become profitable until FY 2022 due to the lag in revenue generation outlined above. However, we believe this investment will lead to greater asset inflows, greater share of wallet and enhanced customer retention as the service satisfies a fundamental client demand. We can also see that those planners who have been with the firm over two years are profitable, so we are confident in the strategy.

Charles Stanley Direct

Trading review

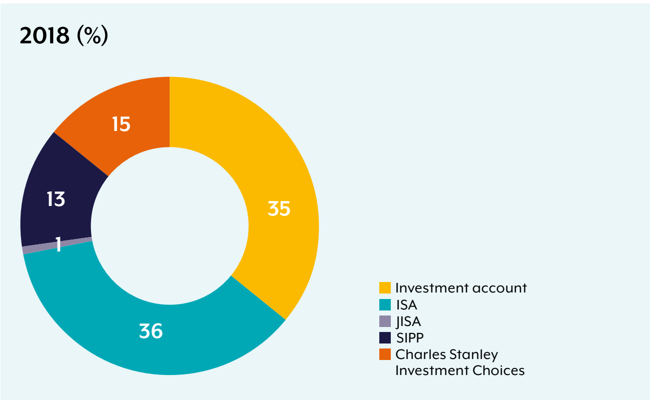
Charles Stanley Direct's financial performance is driven by the value of AuA on which a platform fee is charged and by the number of commission-earning bargains undertaken by clients.

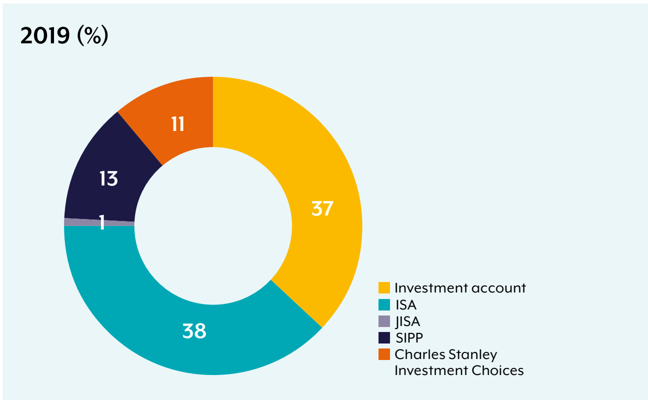
	2019 £bn	2018 £bn
AuA:		
Charles Stanley Direct	**2.7**	2.3
Charles Stanley Investment Choices	**0.3**	0.4
Total	**3.0**	2.7

The division's AuA grew by 11.1% to £3.0 billion. The significant uplift was driven by new client take-on of £0.3 billion and internal transfers, primarily from the Investment Management Services division, of £0.1 billion, offset by net outflows of £0.1 billion.

The increase in assets was achieved through the Charles Stanley Direct online platform, which increased by 15.3% from £2.3 billion to £2.7 billion during the year. The platform now services over 53,000 accounts. Charles Stanley Investment Choices, our paper-based fund broking business, saw a slight decline in its assets over the year.

Split of funds





	2019 £m	2018 £m
Revenue	**7.7**	5.9
Direct costs:		
Fixed staff costs	**(1.4)**	(1.3)
Variable staff costs	**(0.1)**	–
Other direct operating expenses	**(1.8)**	(2.0)
Contribution	**4.4**	2.6
Allocated costs	**(3.4)**	(2.9)
Operating profit/(loss)	**1.0**	(0.3)

KPIs:	2019	2018
AuA growth	**11.1%**	17.4%
Revenue margin	**26bps**	24bps
Operating margin	**13.0%**	(5.1%)

The division moved into profit for the year for the first time, achieving £1.0 million pre-tax. This was driven by a combination of ongoing growth in customer numbers and AuA, a repricing exercise undertaken in the year and by controlling costs.

The main focus for the division in the near term is to enhance further the platform's mobile application whilst reorganising the division's back office as part of the Group's goal to implement a single middle and back office with standardised processes.

Support Functions

The costs incurred by the Group's Support Functions are either charged directly to the four main operating divisions, such as for market data costs, or recharged as an allocated cost. Support Functions costs were £50.2 million in 2019, reflecting an increase of 2.2% on the prior year. The main driver of the increase was significant consultant costs in respect of the ongoing review of business processes. The increase was mitigated by a decrease in professional costs and one-off projects since the prior year included the implementation of MiFID II and GDPR.

Looking forward, we expect the expenditure of most Support Functions to be relatively stable save that we expect increased investment in IT systems and marketing. Both of these are seen as necessary enablers to grow the top line and to facilitate the streamlining required to improve long term productivity.

Taxation

The corporation tax charge for the year was £2.0 million (2018: £2.7 million), representing an effective tax rate of 18.2% (2018: 23.7%). The prior year effective tax rate was higher due to larger differences between depreciation charges and capital allowances. A detailed reconciliation between the standard and effective rate of corporation tax is provided in note 12 of the Consolidated financial statements.

Earnings per share

The Group's reported basic earnings per share for the year was 17.74 pence (2018: 17.23 pence). The Core Business basic earnings per share increased from 16.06 pence to 18.70 pence.

Dividends

The Board has proposed a final dividend of 6.0 pence per share (2018: 5.5 pence per share). Taking into account the interim dividend of 2.75 pence per share, this results in a total dividend for the year of 8.75 pence per share (2018: 8.0 pence per share), an increase of 9.4%. The proposed total dividend is 2.0 times covered by basic reported earnings and 2.1 times covered by basic Core Business earnings. The recommended final dividend is subject to shareholders' approval, which will be sought at the Company's Annual General Meeting on 10 July 2019.

Financial position

The Group maintained its strong financial position with total net assets at 31 March 2019 of £106.4 million (2018: £97.8 million). Cash resources including Treasury Bills amounted to £81.2 million (2018: £65.6 million).

The Group operates a defined benefit pension scheme which was closed to new members in 1998 and also closed to further accruals for the remaining 25 active members at 31 March 2016. The most recent actuarial assessment of the Group's defined benefit scheme's liabilities showed a deficit at 31 March 2019 of £6.8 million (31 March 2018: £6.5 million). The increase in the scheme's deficit is attributable to changes in actuarial assumptions offsetting investment performance and contributions made by the Group to the scheme.

Regulatory capital resources

Charles Stanley & Co. Limited, the Group's main operating subsidiary, is an IFPRU 125k Limited Licence Firm regulated by the FCA. In view of this, the Group is classified as a regulated group and subject to the same regime. At 31 March 2019, the Group had regulatory capital resources of £82.9 million (2018: £74.0 million) and its regulatory capital solvency ratio stood at 214% (2018: 177%).

	2019 £m	2018 £m
Ordinary share capital	**12.5**	12.6
Share premium	**4.6**	4.6
Retained earnings (net of dividends)	**69.1**	61.1
Other reserves	**15.2**	15.2
Regulatory adjustments	**(18.5)**	(19.5)
Total regulatory capital resources	**82.9**	74.0

The Group monitors a range of capital and liquidity statistics on a daily, weekly and monthly basis.

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 of the ICAAP conducted and signed off by the Board was in October 2018. Regulatory capital forecasts are performed monthly and take into account expected dividends and intangible asset acquisitions and disposals as well as budgeted and forecast trading results.

The Group's Pillar III disclosures are published annually on the Group's website (charles-stanley.co.uk) and provide further details about the Group's regulatory capital resources and requirements.

Financial outlook

Whilst the Group's results for FY 2019 demonstrate an improvement in profitability and other key performance measures, the Group is still some way short of its medium term target of a 15% Core Business pre-tax profit margin. In order for the Group to increase its level of profitability we have two key objectives: to improve the rate of net organic growth of FuMA and thereby revenues, and to improve the general level of productivity across the firm. To this end we are investing in distribution and seeking to simplify and standardise operating processes.

In the current financial year this is likely to have a dampening effect on the rate of progress of profits as the increased level of expenditure in these areas and continued investment in Financial Planning will counterbalance the annualised improvements in revenues we expect resultant from the completion of our repricing project at the end of FY 2019. However, both this expenditure and the recently announced organisational changes are designed to facilitate a greater restructuring of front, middle and back office functions which the Board believes is necessary to deliver the 15% profit margin target.

It is expected that the intended restructuring will take approximately two to three years to complete and give rise to exceptional restructuring costs in the order of £9.5 million over that period. We expect these restructuring initiatives to yield immediate cost savings which are expected to build to annualised savings of £4.5 million from FY 2022 onwards. The restructuring will result in a net charge to the Group's profit in FY 2020 but be positive thereafter.

Risk management and principal risks

The Group's risk management framework is designed to enable the Board to draw assurance that risks are being appropriately identified and managed in line with our risk appetite.

The Chief Risk Officer, under the supervision of the Risk Committee, has the principal responsibility for risk awareness, monitoring and management across all areas of the business.

Peter Kelk
Chief Risk Officer

Charles Stanley's approach to risk management is documented in the Group Risk Policy and the Risk Appetite Statements (RAS), which are challenged and approved by the Board on an annual basis. The RAS takes into consideration the Group's strategic objectives and business plans, and underpins the implementation of robust risk monitoring and reporting which continue to evolve.

The Board has carried out a robust assessment of the principal risks of the Group including those that may threaten its business model, performance, solvency and liquidity. The information the Board receives allows it to monitor and review the efficiency of the Group's Internal Control Framework in line with the UK Financial Reporting Council's (FRC's) guidance relating to Risk Management and Internal Control presented in the UK Corporate Governance Code 2016 covering all material controls, including financial, operational and compliance controls.

The principal risks relevant to the Group's long-term performance are listed out on pages 35 to 38. This is then followed by the Directors' Viability statement (see page 39) covering the three years to 31 March 2022.

Emerging risks

- Financial market uncertainty continues as geopolitical risk remains heightened. We model severe geopolitical and economic scenarios to stress test their impact on the firm's capital and liquidity requirements.
- As a UK-based entity, we are closely monitoring the Brexit negotiations and making preparations to ensure the Group is well positioned to mitigate any adverse risks arising from a worst case scenario.
- Regulatory change continues to be significant as we are preparing for the Senior Managers & Certification Regime, which comes into effect in December 2019.
- To test our IT infrastructure and operational resilience, for example against cyber risks, we have conducted crisis management exercises involving our Incident Management teams.

"To monitor our operational and conduct risks we have developed a series of risk appetite dashboards. This enables real time monitoring and enhanced oversight by our governance committees."

Principal risks	Key mitigants and controls	Trend
Business Model and Strategy Risk The risk that the business model and strategy do not respond in an optimal manner to changing market conditions such that sustainable growth, market share or profitability is adversely impacted.	The Group Chief Risk Officer participates in the setting of Group strategic plans from the beginning and has a voice from the early stage of strategy development. As part of the strategy setting process, the Board is provided with a summary outlining the risks to the business model including an analysis of internal and external pressures on the Group strategy and the potential threats to its business model. With the political uncertainty surrounding Brexit, the Group is actively engaged in reviewing its exposures, directly and indirectly, to a range of scenarios and has already made detailed plans with the aim of future-proofing the Group for any outcome. The report is presented to the Executive Committee and the Board alongside the proposed business plan to support the decision-making.	↑
Financial Strength Risk Failing to maintain financial strength in order to support business objectives, meet regulatory capital requirements, and provide shareholders with an acceptable return.	To achieve our financial goals, a series of risk appetite limits have been set around operating margin, cash balances, regulatory capital and dividend cover. These are monitored by the Board on a regular basis. The Group is exposed to interest rate movements directly through its variable rate assets and liabilities. This is tracked by reporting on exposure levels at the Treasury Committee.	↔
Credit and Counterparty Risk The potential failure of clients or counterparties to fulfil their contractual obligations.	Charles Stanley does not offer any formal lines of credit to clients. The Group however has an exposure to counterparty failures and late payment and settlement. It therefore establishes clear risk appetite limits for client and Group cash placed and maintained with authorised institutions and for trading purposes which must be adhered to by the Business. The Group's Treasury Committee is responsible for the initial assessment and ongoing monitoring of deposit-taking counterparties. The following criteria govern how the Group's credit and counterparty risk is managed: • Assets will only be placed and maintained with counterparties deemed to be financially sound • Client and Group cash held at any individual counterparty should not exceed its respective limit set by the Treasury Committee unless written approval has been provided.	↔

Trend: ↑ Increased risk ↔ Static risk ↓ Decreased risk

Key trends:

Increased risks
Business Model and Strategy Risk
Operational Resilience and IT Infrastructure Risk
IT Security and Cyber Security Risk

Static risks
Financial Strength Risk
Credit and Counterparty Risk
Market Risk
Pension Risk
People and Conduct Risk
Legal and Regulatory Risk

Decreased risks
Liquidity Risk

Principal risks	Key mitigants and controls	Trend
Market Risk The risk of losses arising as a result of exposure to market movements, including foreign exchange and interest rates.	Charles Stanley does not hold any proprietary positions other than those arising from incidental dealing errors. The Group does however hold limited investments in its own name within model portfolios for the purpose of establishing and maintaining an auditable track record for these models. However this exposure is not seen as material and therefore reflects minimal market risks. Any market risk arising from incidental dealing errors are captured as operational losses. The majority of the Group's cash is kept in GBP across a number of banks. Limited foreign currency is held only to facilitate settlement and dealing activity on behalf of clients. The Treasury Committee manages the Group's account balances both in GBP and foreign currencies to our requirements and limits exposures to the Group's operational needs.	⟷
Liquidity Risk 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 only secure such resources at excessive cost.	Charles Stanley's liquidity risk is overwhelmingly short term in nature and arises predominantly from the settlement of trades within its Investment Management and Execution-only broking business. The Treasury Committee operates within strict policies and procedures approved by the Board to manage the Group's liquidity risk. These include: • The Group ensuring that all legal entities have sufficient funds to meet their liabilities as they fall due, with surplus cash transferred on a monthly basis to Charles Stanley & Co. Limited. • Utilising financial instruments, which include borrowings, cash and liquid resources, and various items including trade debtors and trade creditors that arise directly from its operations. The credit quality of counterparties is reviewed frequently and we limit aggregate credit exposures accordingly. The Group has, for many years, experienced a steady progression of its cash balances and liquid resources due to the predictable nature of its revenue. As a result, it has not used overdraft facilities for working capital purposes as it has not required such a facility.	↓
Pension Risk The risk that the cost of the Group's defined benefit pension scheme increases, or its valuation affects dividends, reserves and capital. This would materialise when the pension obligations exceed the assets set aside to cover them.	Charles Stanley continues to support a defined benefit pension scheme ('the scheme') which is closed to new members and ceased accruing for existing members in April 2016. It is reviewed regularly for viability and to remain within an agreed deficit level. The scheme's deficit increased to £6.8 million as at 31 March 2019 (2018: £6.5 million), due to a deterioration in financial and demographic assumptions, offset by a combination of investment performance, Group contributions and the introduction of liability driven investments. The Group is working closely with the trustees of the scheme to reduce the deficit further and, where possible, match investments with future liabilities.	⟷

Trend: ↑ Increased risk ⟷ Static risk ↓ Decreased risk

Principal risks	Key mitigants and controls	Trend
Operational Resilience and IT Infrastructure Risk A material failure of business processes or IT infrastructure may result in unanticipated financial loss or reputational damage.	Charles Stanley has constructed its framework of internal controls to minimise the risk of unanticipated financial loss or damage to its reputation. However, no system of internal control can completely eliminate the risk of error, financial loss, fraudulent actions or reputational damage. The Group records and monitors operational losses and near misses which are reviewed at the Enterprise Risk Committee, with reporting to the Joint Risk Committee and the Board where required. Insurance cover is in place and reviewed on an annual basis to ensure that there is an appropriate amount of cover to manage the impact of operational losses against capital reserves. The continuing incidence of low level technical and operational issues is driving the Group's risk exposure up. Charles Stanley's strategic change programme and its plans to continue growing the business also inherently lead to an increase to the operational risk profile of the Group, which will continue to invest in its system capabilities and business processes to ensure that it meets the expectations of its customers, complies with regulatory, legal and financial reporting requirements, and mitigates the risk of loss or reputational damage from operational risk events and external threats.	⬆
IT Security and Cyber Security Risk The risk that Charles Stanley's system infrastructure is breached by external third parties with or without malicious intention. Possible breaches could involve data theft, ransomware or a shutdown of systems.	Charles Stanley has limited appetite for unauthorised or inappropriate access to its IT systems due to the potential disruption to its business operations, adverse customer impacts and damage to its reputation. Similarly, the Group wishes to minimise the threat to its business activities from third party actions such as denial of service attacks. Whilst the Group continues to invest in its IT infrastructure to ensure that it remains secure and resilient, the environmental threats are also evolving rapidly which means that the risk remains heightened. Alongside setting a framework to prevent and detect unauthorised access attempts to its business systems, Charles Stanley seeks to ensure that the systems are resilient to current and emerging threats and maintains a rolling programme of activity which is informed by the day-to-day experience, threat intelligence and any emerging vulnerabilities identified.	⬆

Trend: ⬆ Increased risk ⬌ Static risk ⬇ Decreased risk

Principal risks	Key mitigants and controls	Trend
People and Conduct Risk The risk that clients or the wider market, as opposed to the Group, suffer detriment as a result of the Group's services, products or activities.	The Group recognises that its reputation and financial success is dependent on the performance and conduct of its staff. Charles Stanley's client-centric culture is founded on the Group's core values of being Caring, Fair and Progressive. It is committed to delivering good outcomes for clients by communicating effectively and providing products and services that meet their needs throughout the customer journey. It acts with integrity in the market, and operates in line with the agreed strategy and within the risk appetite. Eighteen Conduct Outcomes have been identified and are monitored and reported via various metrics through the Conduct dashboards. A Conduct and Culture Committee was instituted in May 2017 to provide enhanced oversight. All clients are risk profiled to ensure that we clearly define, agree and manage our clients' portfolios in accordance with these risk profiles, investment objectives and capacity for loss. Suitability is a major focus which has quality assurance processes in place to assess suitability reviews performed by our staff. Careful monitoring of investment decision-making against the risk profile helps ensure that we achieve appropriate and suitable outcomes for our clients.	Static risk
Legal & Regulatory Risk The risk of breaching, or non-compliance with, regulations and restrictions enforced on the industry and the Group, resulting in regulatory censure and/or fines.	Legal and Regulatory risk is monitored and managed by emphasis on compliance with all aspects of relevant regulation, including those of the FCA. The pipeline of regulatory change continues to be significant. Last year, we implemented the new regulatory requirements for MiFID II and GDPR. We are now preparing for the Senior Managers & Certification Regime, which comes into effect in December 2019. The Group ran a programme to ensure all policies, operating procedures and processes are compliant with the new data protection requirements. While in the longer term, although the UK exit from the European Union (EU) will potentially lead to a rewriting of some legislation, most EU legislation is being transposed into UK law. Charles Stanley monitors changes in the regulatory and legal agenda and has formal projects for major changes to ensure their successful implementation.	Static risk

Trend: Increased risk Static risk Decreased risk

Viability statement

In accordance with the revised UK Corporate Governance Code 2016, the Directors have carried out a robust assessment of the prospects of the Group's viability over the three-year period from 31 March 2019 to 31 March 2022. The assessment of the Group's viability over a three-year time period is in alignment with the Group's strategy, budgeting process and the scenarios set out in the ICAAP.

The Directors consider a three-year time horizon appropriate as it is most meaningful in planning the Group's long-term strategy. A five-year horizon would stretch forecasting inputs and assumptions beyond a realistic threshold.

In assessing the future viability of the overall business, the Directors have considered the corporate strategy and the changes within the business executed in the last two years, including the significant business restructuring and changes to reward arrangements. They have also considered the business environment of the Group and the potential threats to its business model arising from progressive technological, sectoral, demographic and regulatory changes.

The Board oversees the Group's principal risks (see the Risk Committee report in the Governance section) and is accountable for the Group's risk management by:

- Overseeing the processes and procedures to monitor and mitigate the principal risks
- Reviewing high-level management information from key departments which monitor whether the Group is operating within the parameters set out in the RAS linked to the principal risks
- Deciding the appropriate actions if any of the Group's risk appetites are breached.

On a detailed level, extensive management information is analysed by the Enterprise Risk Committee which meets monthly and oversees operational risk across the Group by:

- Monitoring quantitative and qualitative management information across the Group to highlight areas of risk which require enhanced or additional controls
- Delegating to the appropriate committees any issues raised as part of the management information which require further action
- Carrying out annual 'deep dive' risk analysis for each area of the firm including reviewing and challenging departments on their Risk and Control Self-Assessment (RCSA) which are discussed by the Committee and department heads
- Reviewing the reports of the internal and external auditors concerning systems and controls, reviewing the resolution of proposed control enhancements and monitoring any remaining open issues.

The Risk Committee has oversight of the above processes, ensuring the monitoring and escalation procedures are operating effectively and completed in a timely manner (see Risk Committee report on page 80 for details).

The Board reviews and challenges the Group's three-year strategic plan against the principal risks at least annually. Stress tests are applied to the base case projections by applying multiple shock events. These stresses have been derived from workshops attended by Senior Management, with the use of external events to substantiate the Board's comfort level that the shock events are sufficiently severe and appropriate.

The Group undertakes an ICAAP which is a detailed process owned and overseen by the Charles Stanley Group PLC (CSG) Board. This includes an assessment of:

- The Group's processes, strategies and systems
- The major sources of risk faced by the Group that may impact its ability to meet its obligations
- The results of internal stress testing of these risks
- The amounts and types of financial resources and internal capital, including own funds and liquidity resources, and whether these are adequate, both as to amount and quality, to ensure that there is not significant risk that its liabilities cannot be met as they fall due.

Scenario analysis and stress testing are performed as part of the ICAAP to assess the Group's exposure to a range of extreme but plausible situations, as well as an assessment of the Group's wind-down scenarios. There is also a review of the reverse stress tests which would cause the Group's business model to become unviable.

Based on the results of the latest ICAAP, the Board believes that, by taking the projected actions to reduce expenditure and, if required, dividends, the Group's business model is resilient and holds sufficient capital to survive a range of severe but plausible scenarios.

Given the extensive controls and procedures in place, the Directors are of the opinion that it is reasonable to conclude that the Group has sufficient resources to meet its obligations and continue business operations over the assessed three-year period.

Corporate social responsibility report

Charles Stanley has had an excellent reputation for acting in the best interests of its clients, colleagues and the wider community. We have always taken corporate social responsibility (CSR) seriously, because we genuinely care.

Our foremost concern is the responsible stewardship and conservation of our clients' assets. We believe in being accountable for the impact we make and we want to ensure the best outcomes for those for whom we work and collaborate with. Whether markets are rising or falling we seek ways to preserve and enhance their wealth. Like us, many of our clients desire to see their investments make a difference, not just for themselves but in a wider context; a significant proportion of the people we serve care passionately about the world in which we live.

Increasingly we are being asked to propose investment strategies that are high-principled as well as offering good financial returns; ones that can create an ethical legacy. It is a pleasure to be able to enhance a client's wealth while simultaneously supporting a long-term future for us all. Doing so resonates with our values of being Caring, Fair and Progressive. Charles Stanley, through actions, donations and involvement in initiatives that aid the wider economy and society, is able to demonstrate its commitment to CSR.

Business integrity

Integrity, for Charles Stanley, is a given and is consistently at the core of how we operate. We remain committed to ensuring appropriate outcomes for our clients. Our bespoke wealth management approach is by its very nature client-focused – we recognise that each client is unique and deserves an individual service and focus. It is gratifying to see those whom we serve appreciate our dedication – our client satisfaction scores continue to rise from what were already industry best-in-class.

The Net Promoter Score for clients who receive our Discretionary fund management service stands at 67.2% (the financial services average globally is 32%), and 96% of survey respondents stated that they are satisfied with their investment manager. We strive to operate consistently in a responsible and proper manner in all our dealings; our conduct is always in accord with, and usually exceeds, our regulatory requirements.

Corporate governance

The Board provides responsible leadership which is focused on the long-term success of the business, and it operates within a framework of prudent and effective controls. We evaluate our Committees on a regular basis to determine and monitor potential risks.

We are aware of the requirement for a company to have a clear purpose and strategy aligned to a healthy corporate culture. We continue to focus the links between remuneration structure and strategy and the emphasis placed on having an appropriate work environment. More details can be found on page 52.

Client care

Charles Stanley was committed to appropriate and proactive client care before the FCA commenced consulting on industry practice. However, throughout 2018 we participated in the regulator's consultation, contributing to the recommendations on how best to ensure that the markets function well for consumers and that firms are mindful of the needs of vulnerable clients. We proudly serve our clients, offering a range of integrated services. We are driven by satisfying our clients' needs, and realising desired outcomes, fostering long-term relationships and achieving industry-leading levels of client satisfaction.

People

We are committed to providing the best advice and services to our clients. In doing so, we bring to bear the expertise and knowledge of our people. Working in a people-focused business that is determined to achieve the best outcomes for our clients, we are dependent on the skills and acumen of a wide range of diverse individuals. Each and every colleague has a vital role. Over the past year we have attracted a number of significant senior hires to help accelerate our growth plans. This has resulted in us expanding our presence in Scotland and strengthening our position within strategic areas including Financial Planning and Investment Management Services.

We continually look at ways of enhancing our clients' experience and we try to protect individuals from inappropriate or unnecessary risks. It has been noticeable that the threat of cybercrime is increasing and, as a result, we have encouraged clients to utilise the MyCS app and website, a future-fit digital service that enables secure access to accounts rather than relying on paper statements and emails. We appreciate that different clients have diverse communication needs and believe in communicating in a manner that is fair, clear, caring and comprehensive.

Disclosure

At Charles Stanley all individuals are expected to conduct business in such a way as to ensure that appropriate client outcomes are achieved and that business is conducted in a manner that will enhance the Group's standing and safeguard against unfair or unethical business practices. In 2018 and early 2019 we actively participated in the FCA's first CultureSprint, with a view to enhancing practices across Financial Services and have been praised for our approach and initiatives. Our disclosure policy (concerning instances of whistleblowing and data protection) is monitored and enforced where necessary. It is important that Charles Stanley staff understand the importance of remaining vigilant to suspicious activity and that everyone knows how to voice concerns.

Conscious of our obligations under the Bribery Act 2010 and related rules and regulations, we take a zero tolerance approach to bribery and corruption. We carry out risk assessments on all client-facing and significant members of staff to determine exposure and the possibility of risks. Policies, systems and procedures are reviewed on a regular basis and amended when appropriate to ensure that they remain fit for purpose and that they help mitigate risks. We have strict Anti-Bribery, Anti-Slavery, and Gifts and Hospitality policies in place and provide regular training for staff to ensure understanding and compliance. We adhere to high-level principles for procurement and the creation of third party service level agreements, and these relationships are reviewed methodically on an annual basis.

Staff involvement

Our people are paramount to our success and the results we aim to achieve. We see communication as a two-way process. We believe that it is important to provide staff with information on matters of concern and an environment where they feel comfortable speaking up. We achieve this through a variety of approaches, including the annual Engagement Survey, the Leadership Summit and the Group Conference. We seek staff input on a regular basis and their views are taken into account when making decisions which are likely to affect them.

"It is a pleasure to be able to enhance a client's wealth while simultaneously supporting a long-term future for us all. Doing so resonates with our values of being Caring, Fair and Progressive."

Staff Involvement

We use a variety of media to communicate with staff and employees including desk drops, screen savers, lunch-and-learn sessions, ChatStand, our in-house magazine, regular 'Ask ExCo' sessions with members of the Executive Committee (these are filmed and are available on the intranet for those unable to attend), and numerous articles and videos intended to raise awareness of the financial, economic and regulatory factors that affect the Company's performance and strategy.

For the first time, behaviours will be appraised so that staff have a clear understanding of what is expected of them and the manner in which they are required to conduct themselves. This year we have seen a further increase in our Engagement Survey results with the Group score rising to 76%. Participation was by 84% of the workforce and the feedback matters.

Training

Charles Stanley is committed to providing a working environment where people can grow, thrive and be their best selves.

We are pleased with the manner in which we have applied Apprenticeship Levy funds (the Institute of Leadership and Management qualifications remain a popular accredited option among our managers), and excess funds have been donated to selected charities to support the wider community.

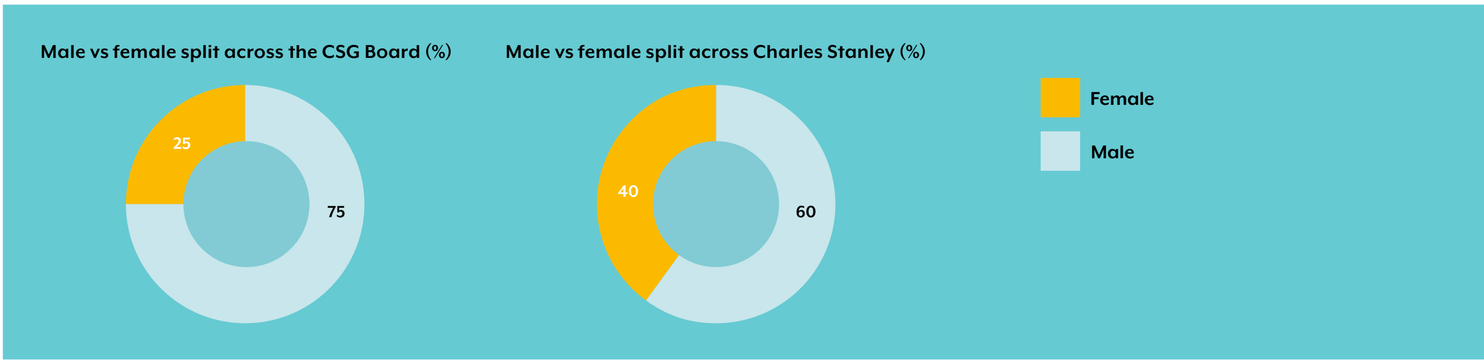
We have introduced training to raise awareness of unconscious bias and aspects of bullying and harassment that can be prevalent in Financial Services organisations to help encourage our desired culture – one of inclusion, enquiry and healthy challenge, where we see continuous improvement at all levels.

Diversity

Diversity at all levels across the Group is demonstrated by being a progressive signatory to HM Treasury's Women in Finance Charter, achieving our targets ahead of our 2020 deadline by having an equal gender split among our independent Non-Executive Directors, three women on the Executive Committee and an impressive bench of individuals in our succession planning initiatives.

Mental health is an issue in many workplaces. This year we have introduced mental health first aiders, believing prevention is a key tool in helping our people. We promote the use of our Employee Assistance programme for those who wish to access it.

The Innovation Through Inclusion group has expanded its membership following an excellent presentation at the 2018 Group Conference. It is working with organisations across the City to enhance the workplace and to foster the right attitudes within it. Charles Stanley is committed to providing a workplace that supports all staff, including the vulnerable and those with personal challenges. We always give full and fair consideration to applications for employment made by disabled persons and provide support for appointed and existing staff, their teams and managers. We continue to strive to make ourselves an employer of choice regardless of gender, age, race or ability.



Benefits

Charles Stanley believes in attracting, supporting, motivating and retaining high calibre staff. In addition to a market-benchmarked base salary and the potential for earning a performance-related discretionary bonus or approved variable reward, employees are offered a range of attractive benefits. All employees are able to benefit from life assurance, permanent health insurance, an Employee Assistance Programme, access to the Best Doctors scheme and an above-market employer contribution towards their pension.

Community

We are mindful of the impact we have on all internal and external stakeholders, particularly the communities and environments in which we operate. In London we participate in a number of initiatives run by the FCA, City of London Corporation, Chartered Insurance Institute and Chartered Institute for Securities and Investment (CISI). Across the UK our branches support their local environments. For example our Norwich office picks venues for client events such as the Pensthorpe Nature Reserve, a uniquely preserved habitat.

We also support the arts. In London we are a sponsor of the Royal Academy, while in Norwich, our local office supports the city theatre – indeed we donated its safety curtain. Our Ipswich office participates in the Grand Christmas Tree Festival, which supports local charities as well as celebrating the local community and life of the town.

The Group has continued its support for the Marylebone Cricket Club Foundation's initiative to promote the health and well-being of young people in cricket. We have also entered into a partnership with the Harlequins Rugby Club and will be working with them on a number of initiatives to support the Harlequins Foundation, a registered charity.

Schools and educational establishments

Across the UK, staff help local schools and sports teams. Simon Martin sponsors the juniors at Durham County Rugby Club and arranged sponsorship of the High Sheriff Youth Awards with the County Durham Community Foundation. His colleague, Jonathan Baker, supports Ripon Grammar School by offering pupils practice interviews. Jess Roberts is a Sergeant with the Cadets in Oxford. We continue to help pupils with their reading via the Tower Hamlets Business Education Partnership and provide work experience for young people.

Charities

SANDS was our chosen Charity of the Year 2018. We raised over £29,000 (including Gift Aid) through a series of events including a live Summer of Love gig, cake sales, raffles, the London to Brighton cycle ride, quizzes and competitions, a tuck shop and fun runs, as well as donating numerous gifts.

This year three volunteering events have been held: one in London to support a youth community centre, the second in Bournemouth at a nursing home, and the most recent in Coventry at Koco Community Resource Centre, which drew in staff from a variety of locations. As well as providing positive outcomes for the communities in which we operate, they were thoroughly enjoyed by those who took part.

1 Over 20 staff members took part in the 5km Great City Race in London

2 Volunteering Day at the Retired Nurses National Home, Bournemouth

Environment

Charles Stanley is committed to helping conserve the environment where possible across the business. Throughout the year all branches have been recycling paper, and in London, planting through 'Trees for Life' has offset multiple kilograms' worth of carbon dioxide emissions. In our head office the canteen is committed to becoming plastic free, both by adding a surcharge and reducing the amount of disposable items available. The café also uses Fairtrade coffee and supports a foundation in Peru supporting female coffee growers.

Environmental initiatives

Charles Stanley remains committed to its role in helping to conserve the environment. Every little initiative helps. Many of our offices are now close to paperless and take pride in their recycling capabilities. We have installed LED lighting in all new branches and, where possible, during refurbishments. We have also reduced lighting levels in 55 Bishopsgate by 10%. We switch off the air conditioning in our Head Office overnight to reduce energy consumption and have installed timers on the hot/chilled water taps so that they close down after hours.

Charles Stanley is committed to recycling and in the past year recycled 9,680kg of paper, which equates to saving 13,550kg of CO_2 being equivalent to 116 trees. In a further effort to enhance forestation, the Private Client Investment Management Division paid to plant 255 trees via the charity Trees for Life, in response to the campaign to encourage clients to go paperless.

Staff are mindful of their personal carbon footprints. Many car-share to reduce emissions, an increasing number cycle to and from work, and many use public transport or walk where possible.

The canteen at Head Office, run by Lusso, is well on its way to becoming plastic free. Reusable alternatives are encouraged, and a surcharge is payable if diners/drinkers request disposable items. Coffee grounds are recycled into logs by Bio-bean, generating 70% less emissions than sending them to anaerobic digestion. The coffee itself is fairtrade and supports the Café Femenino cooperative Foundation in Peru – 5% of the cost of each 500g bag is donated to support female coffee growers.

Greenhouse gas emissions report

This report details Charles Stanley's Greenhouse Gas emissions for FY 2019. The Group has collated data relating to its Scope 1 and Scope 2 activities over which it has operational control. This data has then been verified and emissions calculated by independent specialist, EnStrat (UK) Ltd.

The largest element of emissions generated by the Group are associated with cooling and power for its data room at Chelmsford, together with heating, cooling and lighting for its business premises.

1 Charity cake sale held in the London office

2 A CS employee after running the Brighton Marathon

The table below summarises the year-on-year performance.

Carbon Dioxide Equivalent (CO_2e) Tonnes

	2019	2018
Scope 1 Direct emissions from burning gas, diesel for generators and road fuel	**38.4**	102.8
Scope 2 Indirect emissions from the Group's use of electricity	**595.5**	846.0
Total	**633.9**	948.8
Intensity Tonnes of CO_2e from Scope 1 and 2 per full-time employee (FTE)	**0.77**	1.10

Scope 2 are emissions from indirect sources. For Charles Stanley this is solely purchased electricity. The table below summarises Scope 2 emissions:

Activity	2019		2018	
	Consumption	Emissions tCO_2e	Consumption	Emissions tCO_2e
Grid electricity	**2,103,668 kWh**	**595.5**	2,406,420 kWh	846.0

The primary reasons for the reduction in emissions are:

- Consolidation of some of the regional offices which has delivered a benefit by moving to smaller, more efficient premises
- The Chelmsford site is now being utilised more which helps reduce the consumption per employee
- The Group continues to review and implement, where possible, the energy reduction opportunities identified in the 2015 Energy Savings Opportunity Scheme report.

Charles Stanley has also benefited from the reduction in the UK's electricity carbon conversion factor. This recognises that the generation of electricity in the UK has become cleaner as coal-fired stations are replaced with cleaner technologies such as wind and solar.

The Group continues to procure all of its electricity from 'green' renewable energy sources.

"This year we have seen a further increase in our Engagement Survey results with the Group score rising to 76% (a 3 percentage point increase on 2017). Participation was by 84% of the workforce and the feedback matters."

Governance introduction

During the year we have embedded the new governance framework following the restructure implemented last year.

Sir David Howard
Chairman

The Board strongly recognises that a robust Corporate Governance framework makes a vital contribution to the long-term success of Charles Stanley and the achievement of its strategy to become the UK's leading Wealth Manager. As enshrined in Company Law, the members of the Board have responsibility to promote the long-term success of the Group, which it does through providing leadership, shaping the Group's culture, agreeing the risk appetite and the appropriate systems of control for managing risk. A strong governance framework helps us to act in the best interests of our clients, shareholders and other stakeholders.

Charles Stanley operates in a highly and constantly developing regulatory environment. The Board is focused on ensuring that the compliance framework is appropriately embedded within the Group's day-to-day activities. Our values revolve at all times around the best interests of our clients, shareholders and other stakeholders. The Board proactively seeks to promote and embed that into our culture.

The structure and representation of the various Board Committees is shown on the right. Their roles, main responsibilities and achievements during the year are set out in their respective reports on pages 48 to 51. The biographies of the Board of Directors and Executive Committee members are also set out on pages 48 to 51.

Board and Committee structure

CSG Board

Sir David Howard (Chairman)
Paul Abberley
Marcia Campbell
Andrew Didham
Hugh Grootenhuis
Bridget Guerin
Ben Money-Coutts
Gary Teper[1]

CSC Board

Andrew Didham (Chairman)
Paul Abberley
Marcia Campbell
Hugh Grootenhuis
Bridget Guerin
Ben Money-Coutts

Executive Committee

Paul Abberley (Chairman)
Christopher Aldous[2]
Michael Bennett
Freddy Barker
Chris Harris-Deans
Kate Griffiths-Lambeth
Steve Jones
Peter Kelk
Shelley Leaney
Andrew Meigh
Ben Money-Coutts
John Porteous
Gary Teper[1]
Julie Ung
Magnus Wheatley[3]

Audit Committee

Hugh Grootenhuis
Chair of the Audit Committee
Marcia Campbell
Independent Non-Executive Director
Andrew Didham
Senior Independent Non-Executive Director

56 For more on the Audit Committee go to page 56

Nomination Committee

Sir David Howard
Chair of the Nomination Committee
Marcia Campbell
Independent Non-Executive Director
Andrew Didham
Senior Independent Non-Executive Director
Hugh Grootenhuis
Independent Non-Executive Director
Bridget Guerin
Independent Non-Executive Director

60 For more on the Nomination Committee go to page 60

Remuneration Committee

Bridget Guerin
Chair of the Remuneration Committee
Andrew Didham
Senior Independent Non-Executive Director
Hugh Grootenhuis
Independent Non-Executive Director

62 For more on the Remuneration Committee go to page 62

Risk Committee

Marcia Campbell
Chair of the Risk Committee
Andrew Didham
Senior Independent Non-Executive Director
Hugh Grootenhuis
Independent Non-Executive Director
Bridget Guerin
Independent Non-Executive Director

80 For more on the Risk Committee go to page 80

1. Resigned 21 May 2019. 2. Resigned 23 May 2019. 3. Resigned 24 May 2019.

Board of Directors

Executive

Paul Abberley
BA (Hons)
Chief Executive Officer

Paul Abberley was appointed to the Board and became Chief Executive Officer following regulatory approval in December 2014. 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.

Ben Money-Coutts
BA (Hons), ACA
Chief Financial Officer

Ben Money-Coutts was appointed as Chief Financial Officer in March 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. Prior to becoming CFO, Ben's roles within Charles Stanley included acting as Chief Operating Officer of the Charles Stanley Financial Services division and separately as interim Group Head of Compliance.

Gary Teper
LLB (Hons), MSc, MCSI
Head of Investment Management

Gary Teper joined Charles Stanley in November 1998. In 2000 he was appointed Group Company Secretary, in 2005 he was appointed as 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 was responsible for the Investment Management Services division and has oversight of the Legal function. In October 2016, Gary joined the Board of the CISI as a Trustee. Gary resigned as a Director of Charles Stanley Group PLC on 21 May 2019.

Non-Executive

Sir David Howard
Bt. MA, DSc, FCSI (Hon)
Chairman and Non-Executive Director

Sir David Howard joined Charles Stanley in 1967. He became Managing Partner in 1971, Managing Director in 1988 and Chairman in 1997. He was Lord Mayor of London from 2000–2001. He has served as a Director of the CISI and on London 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, as Chairman of the CISI Examinations Board and as a Director of the Personal Investment Management and Financial Advice Association (PIMFA). He is an alternate member of the Takeover Panel and serves on the CREST Settlements Appeals Panel. Sir David is Chairman of the Group's Nomination Committee.

Bridget Guerin
MA (Cantab)
Independent Non-Executive Director

Bridget Guerin joined Charles Stanley as a Non-Executive Director in September 2012. She has over 30 years' 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 Remuneration Committee and is also a member of the Nomination and Risk Committees. Other appointments include Mobeus Income & Growth VCT, Invesco Perpetual UK Smaller Companies Fund, Schroder Income Growth Fund PLC, Cantab Quantitative Fund, Cantab Core Macro Fund, GAM Systematic Discretionary Fund and Cantab Capital LTIP Limited. Bridget is also a member of the York Race Committee and a trustee of the York Racecourse Pension Fund.

Andrew Didham
BA (Hons), FCA
Senior Independent Non-Executive Director

Andrew Didham joined Charles Stanley as a Non-Executive Director in September 2015. Andrew is a member of the board of NM Rothschild & Sons Limited and was Group Finance Director of the worldwide Rothschild Group between 1997 and 2012. A partner of KPMG from 1990 to 1997, Andrew is a Fellow of the Institute of Chartered Accountants in England and Wales. Andrew is also a Non-Executive Director of Shawbrook Group PLC and Chairman of its Audit Committee. Andrew's past experience includes audit responsibility for a number of global financial institutions, assignments on behalf of the Bank of England and of the EU, and extensive dealings with global regulatory authorities. Andrew is Chairman of the Group's regulated entity, CSC, as well as being the Group's Senior Independent Non-Executive Director. Andrew is also a member of each of the Audit, Nomination. Remuneration and Risk Committees.

Marcia Campbell
MA (Edin) MBA
Independent Non-Executive Director

Marcia Campbell joined Charles Stanley as a Non-Executive Director in October 2017. Marcia is Chair of the Risk Committee and is a member of the Audit and Nomination Committees. Marcia was formerly Group Operations Director and CEO Asia Pacific at Standard Life. She currently sits on the boards of Sainsbury's Bank PLC, Murray International Trust PLC, The Canada Life Group (U.K.) Limited and CNP Assurances (a company listed on the Euronext Paris Stock Exchange). Marcia is also a member of Aviva's independent governance committee and the Chair of the oversight board of Woodford Investment Management.

Hugh Grootenhuis
MA (Cantab)
Independent Non-Executive Director

Hugh Grootenhuis joined Charles Stanley as a Non-Executive Director in September 2017. Hugh is Chair of the Audit Committee and is a member of each of the Nomination, Remuneration and Risk Committees. Hugh is a director of S.W. Mitchell Capital Public Limited Company (since 1 January 2016) and Bridge Fund Management Limited (since 1 September 2016). Both these companies are registered in Ireland. Hugh is also a partner of R M Caldecott & Partners. Hugh was formerly Chief Executive of Waverton Investment Management Limited (previously J O Hambro Investment Management).

Executive Committee

Christopher Aldous
Head of Asset Management

Freddy Barker
Head of Business Change

Michael Bennett
Chief Operating Officer

Christopher Aldous joined Charles Stanley as Managing Director of Pan Asset in 2013 and became Head of Distribution in January 2015 and Head of Asset Management in October 2015. He was appointed to the Executive Committee in January 2015. Prior to this he spent over five years as the Chief Executive of Evercore Pan Asset Capital Management, which was acquired by Charles Stanley in December 2013. Christopher subsequently resigned as Head of Asset Management on 23 May 2019.

Freddy Barker was appointed Head of Business Change in September 2018. He has worked at Charles Stanley for five years across the Investment Management Services division and the CEO's office. More broadly, Freddy is active at the CISI where he is a Fellow, Chartered Wealth Manager and Deputy Chairman of the Wealth Management Forum.

Michael Bennett was appointed as Charles Stanley's Chief Operating Officer and to the Executive Committee in January 2015, having joined the Group as IT Director in November 2008. Previously, Michael spent eight years as the IT Director for Direct Wines where he was also a member of the Direct Wines Board.

Peter Kelk
Chief Risk Officer

Shelley Leaney
Director of Private Clients

Andrew Meigh
Managing Director of Financial Planning

Peter Kelk was appointed as Chief Risk Officer of Charles Stanley in November 2014 and was appointed to the Executive Committee in January 2015. Previously a managing director at Merrill Lynch Wealth Management, Peter has a broad experience gained over many years in a variety of key disciplines, functions and divisions, including Wealth Management, Global Markets, Finance, Sourcing & Procurement, Fixed Income Sales and Operations.

Shelley Leaney was appointed to the Executive Committee in September 2018. Shelley is an investment manager with over 22 years' experience including 20 years' continuous service at Charles Stanley. She was made a Director of Private Clients in 2013. Shelley manages investments for a wide range of clients, institutions, trusts and charities both nationally and internationally.

Andrew Meigh joined Charles Stanley as Director of Strategic Development in 2012 and was appointed to the Executive Committee in March 2017. He has been Managing Director of the Financial Planning division since March 2016, in which time he has overseen a major restructuring and repositioning of the business.

Kate Griffiths-Lambeth
Director of Human Resources

Kate Griffiths-Lambeth joined Charles Stanley as the Group's HR Director in October 2015 and was appointed to the Executive Committee in March 2017. Prior to joining Charles Stanley, Kate was Global Head of HR and an Executive Director of Stonehage Fleming, the leading multi-family office. Before that, Kate held senior positions at White & Case, RBS and Lloyds Banking Group.

Chris Harris-Deans
Director of Investment Management Development

Chris Harris-Deans joined Charles Stanley in 2007 when the firm opened a branch in Exeter. Chris was Exeter branch manager from 2007 until 2014 when he became Director of Regional Development. Chris was appointed Director of Investment Management Development in 2016 and became a member of the Executive Committee in 2017. Prior to Charles Stanley, Chris was Divisional Director at Gerrard where he worked for 11 years.

Steve Jones
Head of Compliance & MLRO

Steve Jones joined Charles Stanley as Head of Compliance and Money Laundering Reporting Officer in July 2016. He was appointed to the Executive Committee in March 2017. Steve was previously Head of EMEA Compliance for Julius Baer following its acquisition of the non-US wealth management business of Bank of America, where he supported the successful integration process.

John Porteous
Head of Distribution

John Porteous has over 25 years' experience within the wealth management industry and was appointed Head of Distribution in March 2019. John's former role was at Quilter where he held the position of Group Retail Client Solutions Director. Prior to that, John was the Director in charge of overall Client Proposition at Tilney (formerly Towry). Over the years, John has been a passionate supporter of industry matters as a former Chairman of the Society of Financial Advisers, past Director of the Institute of Financial Planning and Council member (larger firms) of APFA. John holds a first class honours degree in Financial Services Management from Edinburgh Napier University and is both a Chartered Fellow of the CISI and Fellow of the Personal Finance Society as a Chartered Financial Planner.

Julie Ung
Head of Legal and Group Company Secretary

Julie Ung joined Charles Stanley in 2005 as Legal Counsel and was appointed to the Executive Committee in January 2018. Julie was appointed Group Company Secretary in September 2012 and became Head of Legal in 2016. Prior to working at Charles Stanley Julie held similar positions at a professional indemnity insurance managing agency, after training as a solicitor at British Gas PLC.

Magnus Wheatley
Managing Director of Charles Stanley Direct

Magnus Wheatley joined Charles Stanley in 2007 as Head of Press & Public Relations and was appointed to the Executive Committee in March 2017. Having worked closely with the Charles Stanley Direct relaunch from 2012, he was appointed Managing Director of Charles Stanley Direct in May 2016 and has led the restructure of the division with a focus on growing assets whilst exercising cost control and a strong focus on the digital development of the service. Magnus subsequently resigned as Managing Director of CSD on 24 May 2019.

Corporate governance report

Compliance with the UK Corporate Governance Code 2016

The Directors recognise the benefits of good Corporate Governance and this report, together with the Directors' report (pages 84 to 87), and the Strategic report (pages 6 to 39), describes how the Group has applied the Main Principles and complied with the Provisions of the UK Corporate Governance Code 2016 ('the Code'). Charles Stanley will be reporting on the basis of the the 2018 UK Corporate Governance Code from the next financial year.

The Board has carried out a review of its compliance with the relevant provisions of the Code and confirms that the Group has complied with all relevant provisions of the Code during the year, except that the Chairman was not independent on appointment in 1997 (A.3.1 of the Code).

Leadership

The Board of Charles Stanley Group PLC has provided leadership to and is responsible for the long-term success of the Group. The Board has determined the Group's strategy and has overseen its implementation and operations of the Group. The Chief Executive Officer, through the Executive Committee chaired by him and the underlying management teams, has delivered further progress towards the Group's strategic objectives.

The roles of the Chairman and Chief Executive Officer are separate and clearly defined and have been approved by the Board. Sir David Howard, the Group's Non-Executive Chairman, is responsible for the leadership of the Board and for ensuring its effectiveness in all aspects of the role. The Chief Executive Officer, Paul Abberley, has responsibility for the day-to-day management of the Group.

As part of the governance framework review conducted during FY 2017, the main Board and responsibilities of CSC, the Group's principal operating subsidiary were delineated, from that of the main Board of CSG. The Board of CSC takes principal responsibility for all activities of the Group which are regulated by the FCA. It is chaired by Andrew Didham and held seven meetings during the year.

As at 31 March 2019 the Board comprised eight Directors: the Chairman, four independent Non-Executive Directors and three Executive Directors. No individual or group of individuals therefore has unfettered powers of decision. The Non-Executive Directors provide challenge in respect of all Matters Reserved for the Board, and contribute to the development of strategy at both the annual strategy forum and during the year.

Independence

Marcia Campbell, Andrew Didham, Hugh Grootenhuis and Bridget Guerin have been determined by the Board to be independent. Andrew Didham is also considered to be the Group's Senior Independent Non-Executive Director. The Independent 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. Sir David Howard, because of his previous role as Chief Executive Officer and his shareholding in the Company, is not considered to be independent.

Diversity

Charles Stanley is an equal opportunity company and employer. The Nomination Committee takes an active approach in setting and monitoring diversity objectives and strategies. These are clearly defined in the Group's Equal Opportunities Policy. Further details about diversity are included in the Corporate Social Responsibility report on page 40 and details of the work undertaken by the Nomination Committee can be found on page 60.

Board operation and delegation of authority

The Board met five times during the year to review financial performance and strategy, and to follow a schedule to address each of the Matters Reserved for the Board. The Board met a further three times for ad-hoc matters: once to review the remuneration of the Independent Non-Executive Directors, and twice in relation to the ICAAP. The Board held a two-day strategy meeting commencing on 28 February 2019 at which the Board members reviewed the integrity of the Group's strategy. The attendance at the Board and Committee meetings during the year is shown in the table on the next page. The number of meetings attended is shown first, followed by the number of meetings that the Director was eligible to attend as a Board/ Committee member. Typically, papers are circulated to the Directors a week in advance of each meeting. The Company has for many years used a portal system to support the Board and Board Committee meetings which is believed to improve the efficacy and security of the supply of information to Directors.

Board initiatives during the year included:

- Receiving reports from the Chief Executive Officer, Chief Financial Officer and Chief Risk Officer;
- Approval of the annual budget;
- Approval of the ICAAP;
- Group Strategy Review;
- Board Committee evaluations;
- Training on a variety of issues; and
- Approval of Interim and Annual reports and accounts.

The following builds on the high-level statement of the responsibilities of the Board, CSC Board and Chief Executive Officer set out in the Chairman's statement.

Matters Reserved for the CSG Board include:

- Setting Group business strategy;
- Approving the Group's financial budget;
- Approving interim dividends and recommending any final dividends to shareholders;
- Setting Group remuneration policy;
- Communications with shareholders;
- Appointments to the Group's Boards and Board Committees, following recommendation by the Nomination Committee;
- Overseeing Risk and Internal Controls;
- Setting the tone for appropriate culture and behaviours across the Group;
- Approving the changes relating to CSG's capital structure;
- Approving any major contractual obligations;
- Approving the division of responsibilities; and
- Approving policies as required following recommendation from the Policy Review Committee.

Matters Reserved for the CSC Board include:

- Setting CSC business strategy;
- Approving CSC's financial budget performance against the agreed risk appetite;
- Regulatory oversight and managing the relationship with the FCA;
- Setting desired customer and conduct outcomes; and
- Appointment of the Chief Risk Officer.

Matters delegated to the Chief Executive Officer include:

- Execution of business strategy;
- Day-to-day management of the regulated business;
- Managing performance against approved strategy and budgets;
- Ensuring compliance with statutory and regulatory obligations;
- Embedding appropriate culture, behaviours and desired customer and conduct outcomes; and
- Leading business development.

	Board	Audit	Nomination	Remuneration	Risk
Number of meetings held during the year	**5***	**4**	**3**	**5**	**5**
Paul Abberley	5(5)	–	–	–	–
Ben Money-Coutts	5(5)	–	–	–	–
Gary Teper	5(5)	–	–	–	–
Marcia Campbell	5(5)	4(4)	3(3)	2(2)	5(5)
Andrew Didham	5(5)	4(4)	2(3)	5(5)	5(5)
Hugh Grootenhuis	5(5)	4(4)	3(3)	5(5)	5(5)
Bridget Guerin	5(5)	2(2)	2(3)	5(5)	5(5)
Sir David Howard	5(5)	–	3(3)	–	–

*The Board met a further three times ad-hoc during the year: once to discuss remuneration of the independent Non-Executive Directors and twice to discuss ICAAP.

Typically, the matters delegated to the Chief Executive Officer will be discharged through the Executive Committee and other Control Committees established to implement strategic objectives and realise competitive business performance in line with the Group's risk management framework, compliance policies, internal control systems and reporting requirements. Members of the Executive Committee and their biographies are shown on pages 50 and 51.

Board Committee changes

As indicated to shareholders at the 2018 Annual General Meeting, the following changes to the Board Committees took place after the meeting:

- Hugh Grootenhuis became Chair of the Audit Committee and Bridget Guerin stepped down as a member of the Committee;
- Marcia Campbell stepped down as a member of the Remuneration Committee and became Chair of the Risk Committee; and
- Andrew Didham stepped down from being Chair of the Risk Committee, but remained a member of the Committee.

Full details of the Board and Committee structure can be found on page 47.

Gary Teper resigned as a Director of the Board with effect from 21 May 2019. Refer to the Chairman's statement on page 5 for further details.

Effectiveness

Information regarding the Directors and their experience is given in their biographies on pages 48 to 51, which is offered to shareholders in support of the re-election of all Directors at the Annual General Meeting.

The Board has established a Nomination Committee to consider the balance of skills, experience, independence and knowledge available to ensure the Board and Board Committees are enabled to discharge their respective duties and responsibilities effectively.

The Board directs the Company effectively in pursuance of its agreed strategy and it achieves this primarily through its appointment and oversight of the Chief Executive Officer, who in turn directs the Executive team. All Board members are fully canvassed for their views, and listened to with respect, with time allowed for their contributions to be properly considered. Board members assessed their own knowledge and experience and that of their peers via a skills matrix established the previous year. This included an assessment on key areas such as Corporate Governance, business lines, systems and controls, regulation and culture. Further details of the responsibilities and activities of the Nomination Committee throughout the year are detailed on page 60.

None of the Executive Directors have any external directorships. The Non-Executive Directors' service contracts include an expectation of their time commitment and their allocation of time to the Group is reviewed annually.

Taking into account any previous experience they may already have as Directors of a public limited company, appropriate training and induction is provided to all new Directors. The induction process includes meeting with the Directors, the members of the Executive Committee, relevant business heads and other senior executives. New Directors will also receive information from past meetings. To assist with continuing professional development needs, all Directors are collectively provided with updates on matters relevant to the business and the environment in which it operates.

Throughout the year the Group continued to embed the recommendations set out in the review of its governance framework:

- The CSG and CSC Board and Committees have clear Terms of Reference setting out the matters reserved for each body and their membership and operating rhythms are appropriate;
- The Board and key governing Committees have the appropriate skills, knowledge and experience to deliver their remit;
- The Board and senior executives are appropriately sighted on the firm's risks, including potential risks to clients inherent in the business model, so that they have the opportunity to take action before these risks crystallise;
- The culture and behaviours of the Board and key governing Committees support robust debate and challenge;
- The Board is confident that the operating model supports effective decision making and key judgements;
- Clear, accurate and concise information is used to support decision making; and
- The Board has sufficient time to focus upon forward looking matters.

Accountability

This Annual report includes a number of disclosures which set out the Company's position and prospects. The Statement of Directors' responsibilities confirms that the Directors believe those disclosures to be fair, balanced and an understandable assessment. It is the Auditor's opinion that the financial statements give a true and fair view of the Group's affairs.

The Board has established a Risk Committee to consider the nature and extent of the principal risks it is willing to take in achieving its strategic objectives, which is closely supported by the Chief Risk Officer and reports to the Board. Separately, the Board considers a report from the Chief Risk Officer at each Board meeting. Disclosures regarding provisions C.2.1 and C.2.3 of the Code are contained in the Risk management and principal risks section on page 34. Further details of the responsibilities and activities of the Risk Committee throughout the year are detailed on page 80 of this report.

The Board has established an Audit Committee to consider corporate reporting and internal controls and to manage the relationship with the external auditor. Further details of the responsibilities and activities of the Audit Committee throughout the year are detailed on page 56 of this report. It is recommended that firms allocate responsibility for whistleblowing to a Non-Executive Director. The Board has therefore appointed the Audit Committee Chair, Hugh Grootenhuis, to the role of the Group's 'Whistleblowing Champion'.

Remuneration

The Board has established a Remuneration Committee to consider and approve the Executive Directors' remuneration arrangements and to ensure those arrangements are designed to promote the long-term success of the Company and any performance-related elements are transparent, stretching and rigorously applied. Further details of the responsibilities and activities of the Remuneration Committee are set out on pages 62 to 79 of this report.

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 channel of communication between the Board and shareholders is open and active. Executive Directors meet with shareholders and analysts after the annual and half-yearly results are announced. The Company welcomes all shareholders to the Annual General Meeting, with the opportunity to ask questions formally at the meeting or more informally with all members of the Board afterwards. The Board is provided with regular feedback following meetings with shareholders, which assists in the Directors developing an understanding of the views of the Company's shareholders. It is the Company's policy to announce at the Annual General Meeting the number of proxy votes cast on resolutions.

Regulation

As at 31 March 2019, there was one company within the Group regulated by the FCA, Charles Stanley & Co. Limited.

Sir David Howard
Chairman
30 May 2019

Audit Committee report

The Committee is responsible for reviewing the Group's Annual report and accounts and other statements regarding financial performance; oversight of the internal audit function; and the relationship with the external auditor.

Hugh Grootenhuis
Chair of the Audit Committee

Role and responsibilities

The Committee's responsibilities fall largely into three areas:

- To monitor the integrity of the Group's financial reporting and content of narrative reporting in all published accounts and public statements regarding the Group's financial performance.
- To review the adequacy and effectiveness of the Group's risk management framework and internal control systems in conjunction with the Risk Committee; this includes oversight of the internal audit function.
- To own the relationship with the Group's external auditor, including monitoring of their performance and approval of fees.

The role and responsibilities of the Committee are set out in the Terms of Reference which were reviewed by the Committee and last approved by the Board in May 2019. For more information and the Committee's Terms of Reference please visit the Group's website: charles-stanley.co.uk
The Senior Audit Partner is Simon Ryder from KPMG, who has been the Senior Audit Partner of Charles Stanley since 2016. In adherence with the UK Corporate Governance Code 2016, the Senior Audit Partner is required to rotate after five years in the role.

Membership and meetings

Full membership and attendance details can be found on pages 47 and 53.

Activities of the Audit Committee during the year

The Committee has an established annual cycle of work to ensure all responsibilities are met over a calendar year. The agenda items covered in the Committee's meetings include standing items, plus additional agenda items including, for example, all reports issued by the external and internal auditors since the previous meeting of the Committee.

The work the Committee has undertaken during the last year is set out below:

1. Accounting, tax and financial reporting

- Reviewed the 2019 Interim and Annual financial statements and recommended their approval by the Board, together with supporting documents and dividend payments.
- Considered all significant financial reporting judgements in respect of those financial statements (see below for further detail), and reviewed the related principal disclosures.
- Considered the appropriateness of preparing the 2019 Interim and Annual financial statements on a going concern basis.

2. Internal controls

- Reviewed and agreed the scope of the risk-based audit plan as proposed by internal audit.
- Considered reports from the internal auditor and its assessment of relevant mitigating controls.
- Monitored progress in resolving audit issues raised in the audit reports.
- Reviewed the resources of the internal audit function and agreed the costs.
- Reviewed a range of relevant policies such as whistleblowing and provision of non-audit services.

3. External audit

- Considered and approved the audit approach and scope of the audit work.
- Reviewed reports on audit findings.
- Reviewed and approved the policies on the independence of the external auditor, the provision of non-audit services and the policy on the recruitment of the former employees of external auditors.
- Considered the independence of the auditor, with particular focus on the nature of non-audit work as well as the mix of audit and non-audit fees.
- Considered letters of representation given to the external auditor by Management.
- Considered the effectiveness of the external audit.

Committee evaluation

As set out in the Committee's Terms of Reference, the Committee is required to undertake a formal and rigorous annual review of its own performance. This year's evaluation was conducted through an online survey whereby Committee members and regular attendees were invited to submit their responses. The results from the survey were positive and did not give cause for concern to the Committee, or the need to take any specific action.

Internal audit

The provision of internal audit activities are outsourced to Grant Thornton. Grant Thornton have a deep pool of resources with substantial experience and qualifications in the activity of internal audit within the financial services sector. This means that they are able to bring in specialists relevant to the areas being reviewed. They also possess up-to-date experience of industry best practice which acts as a useful benchmark for the Group. The internal audit function reports directly to the Chair of the Audit Committee.

The internal audit plan for the upcoming year is approved in advance by the Committee on an annual basis. A rolling three-year plan is maintained to ensure all critical areas of the business are covered over this period. This is overlaid by a risk assessment to determine the prioritisation of the internal audit plan for the coming year.

Audit Committee report

The annual budget for internal audit activities is agreed between the Chairman of the Committee and the Chief Financial Officer, having regard to the planned scope of work of the internal audit function during the period. 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 all internal audit reports in order to assess the effectiveness of mitigating controls and proposed actions by management to address any issues found. The Committee ensures that all management actions arising are tracked to completion on a timely basis. Exceptionally, operational and line management Executives may be required to attend the Committee to report on progress.

During this financial year a total of 18 reviews were undertaken by internal audit and reviewed by the Committee. Internal audit fees incurred for this work amounted to £485,000 (2018: £436,000).

External auditor

During the year the Committee reviewed the effectiveness of KPMG, the Group's external auditor. The evaluation of the external audit function was conducted against the backdrop of a challenging year for the auditing industry in general. While there were no fundamental matters raised from the review, some areas identified as requiring improvement included the timeliness of audit requests as well as a desire to have more senior KPMG team members on hand during the audits. The Committee did however praise the overall improvement in communication between KPMG and Charles Stanley.

The Committee agreed the external audit and assurance fees and reviewed the audit engagement letter. It also had discussions with the external auditor with no Management present to provide an opportunity for any concerns to be aired.

Non-audit services

The Committee recognises the fact that, given their knowledge of the business, there are advantages in using KPMG to provide certain non-audit services on particular occasions. The Group did not engage KPMG to carry out any non-assurance services during the year ended 31 March 2019 or the prior year.

In the event that KPMG is engaged to provide non-audit services, the Committee reviews their independence and the nature of non-audit services provided and the non-audit fee levels relative to the audit fee. The Committee's prior approval is required where the fee for an individual non-audit service is expected to exceed £50,000 (excluding VAT).

Fees for non-audit services paid to the auditors should not, in aggregate, exceed 70% or more of the average audit fees paid to the audit firm in the last three consecutive years without the Committee's prior written approval.

No fees other than for audit or assurance services were payable to the auditor during the year ended 31 March 2019 (2018: £nil). Further analysis of KPMG's fees by service can be seen in note 7 to the financial statements.

Audit tender

The Code recommends that audits should be subject to tender at least once every ten years and the rotation of auditors at least once every 20 years. KPMG was appointed as the Group's auditor for the 2011 year-end following a competitive tender process. The Committee therefore intends to conduct an audit tender process again before the 2021 year-end.

Significant accounting issues considered by the Audit Committee

Following discussions with both Management and KPMG, the Committee has determined that the following areas form the key areas of judgement in the preparation of the 2019 consolidated financial statements:

- Impairment of goodwill;
- Impairment of other intangible and non-financial assets;
- Financial assets at fair value through other comprehensive income;
- Corporate transactions; and
- Pension scheme deficit.

Impairment of goodwill

Goodwill has arisen in prior years from the acquisition of subsidiaries and unincorporated businesses, and represents the difference between the total cost of acquisition and the fair values of the assets acquired.

Goodwill is valued on the balance sheet at £14.1 million (2018: £14.1 million) and is detailed in note 13.

The Committee has considered the review of goodwill which is performed by Management at each reporting date or earlier if an erosion of goodwill is suspected. The review requires that an impairment charge is recognised if the recoverable amount is less than its carrying value.

The approach adopted is first to calculate fair value less costs to sell, and to consider value in use only if the carrying value fails this first test. The majority of the goodwill, £8.8 million (31 March 2018: £8.8 million), relates to Investment Management Services businesses acquired and no impairment is considered necessary in relation to these.

Charles Stanley Direct represents the remaining £5.3 million (31 March 2018: £5.3 million) of the goodwill balance. This business comprises our online Execution-only platform and the direct Execution-only service, together considered a cash generating unit (CGU).

Management assessed the carrying value of goodwill attributable to Charles Stanley Direct by reference to recent market transactions involving similar businesses. This valuation approach continues to support the carrying value of goodwill and consequently, while still regarding it as an area of judgement, the Committee concludes that this CGU is not impaired.

Impairment of other intangible and non-financial assets
The Committee considers that client lists provide the principal area for review for impairment. These were valued at £4.0 million as at 31 March 2019 (2018: £4.0 million). The hiring of individuals or teams of senior investment managers and financial planners requires a value to be attributed to the client lists that they bring to the Group. Client list additions of £0.4 million were recognised in the year in connection with the hiring of new senior individuals within the Investment Management Services and Financial Planning divisions. These intangible assets are amortised over their useful life, generally a period of ten years, which the Committee considers appropriate. The amortisation charge for the year amounted to £1.1 million. In addition, a transitional adjustment of £0.7 million was recognised on the adoption of IFRS 15 with respect to historic asset gathering payments previously expensed (refer to note 2 for more detail).

The Committee has looked for evidence of impairment arising from the loss of any senior investment managers during the year that may indicate the risk of outflow of clients and associated Funds under Management. The Committee has also reviewed analysis of the underlying rate of loss of clients to look for any other cause of possible outflows. During the year, the closure of client accounts stayed low and the main cause of lost clients remained death which the Committee recognises tends to claim 3% to 4% of the client base each year. The Committee has not found reason for Management to reflect any impairment in the carrying value of these intangible assets.

Financial assets at fair value through other comprehensive income
Management has appraised its investment in Euroclear by reference to a range of different methodologies including price earnings multiples, observable recent market transactions, dividend yield and net assets value per share.

Upon review of the valuations derived from various methodologies, the carrying value of the Group's holding in Euroclear was based on price earnings multiples observed for comparable listed entities and applying a discount to reflect the illiquidity of Euroclear shares. The Committee has noted the results of the valuation exercise and concludes that the investment's new carrying value of £2.6 million (2018: £1.7 million) is appropriate.

Corporate transactions
On 31 May 2017, the Group completed the disposal of EBS Management PLC to Embark Group Limited for an initial cash consideration of £2.0 million and a deferred consideration of up to a further £2.0 million. The deferred consideration comprises a fixed component of £1.0 million and contingent component of £1.0 million, 50% of each payable on the first and second anniversary of the completion date.

The deferred consideration due on the first anniversary was received by the Group in full in June 2018. In addition, Embark Group Limited has confirmed in writing to the Group that the deferred consideration of £1.0 million arising on the second transaction anniversary, 31 May 2019, will also be settled in full by 30 June 2019. In view of this fact and the EBS Management PLC's statement of revenues provided by Embark Group Limited, the Committee has no reason to believe that the outstanding deferred consideration of £1.0 million arising on 31 May 2019 would not be recovered in full.

Pension scheme deficit
The Group's defined benefit scheme was closed to future service accruals as at 31 March 2016. The latest full triennial valuation was carried out on 13 May 2017 and a new statement of funding principles was agreed with the scheme trustees. Based on the latest IAS 19 actuarial valuation, which takes into account the latest triennial valuation, the pension fund showed a deficit position of £6.8 million at 31 March 2019 (2018: £6.5 million) and this is further detailed in note 11. The Committee has reviewed the actuarial valuation report and noted the conclusions of KPMG on the nature of the assumptions used by the actuaries and is in agreement with the year-end deficit position.

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

Hugh Grootenhuis
Audit Committee Chair
30 May 2019

Nomination Committee report

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.

Sir David Howard
Chairman of the Nomination Committee

Role and responsibilities

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. The Committee (as and when required) manages the search process for new Directors and recommends suitable candidates to the Board. It also considers succession planning for both Directors and Senior Executives.

For more information and the Committee's Terms of Reference please visit the Company's website: charles-stanley.co.uk

Membership and meetings

Full membership and attendance details can be found on pages 47 and 53.

Main activities during the year

During the year, the Nomination Committee has assisted the Chairman with the implementation of the annual performance evaluation of the effectiveness of the Board and the contribution of each Director, including assessing the skills, experience, independence and knowledge of individual Directors and the Board collectively, and the time commitments of each Non-Executive Director against expectations. The results of the performance evaluation suggest the effectiveness of the Board has generally improved and had been operating effectively throughout the year.

Under the Code, FTSE 350 boards should have an external evaluation at least once every three years. Being a FTSE small cap firm, Charles Stanley is not bound by this, however the Board recognises that external facilitation can add value by introducing a fresh perspective, new ways of thinking and a critical eye to board composition, dynamics and effectiveness.

The Company has succession plans in place for the Board and the Executive Committee, to ensure that there is an appropriate balance of skills and experience within the Board. The Board also considered that its succession plan addresses all of the possible different time horizons. The Nomination Committee supports the Group's aim to have the appropriate level of diversity on the Board in order to provide a broader perspective to decision-making, while remaining committed to ensuring appointments are ultimately made on merit. The Board comprised 25% female membership as at 31 March 2019 which is in line with the target recommendations set out in the Lord Davies "Women on Boards" review.

The Committee has assessed what skill set is required for the Board and its Committees, and has processes in place to reassess the make-up of the Board as a result of emerging trends and to keep up with the pace of change. The Committee is of the view that a diverse Board is to be encouraged, not for its own sake but insofar as this improves its effectiveness collectively. The Committee takes an active role in setting and monitoring diversity objectives and strategies undertaken by CSC (for example, in relation to the HM Treasury's Women in Finance Charter), which so far have focused on gender diversity. Further details about diversity are included in the Corporate Social Responsibility report on page 40.

Sir David Howard
Nomination Committee Chairman
30 May 2019

Directors' remuneration report

This report complies with the UK Directors' Remuneration Reporting Regulations 2013 and covers the Group's approach towards remuneration, the Committee's principal activities and the treatment of Directors' remuneration. Further details, as required by the Regulations, are set out immediately following this annual statement.

Bridget Guerin
Chair of the Remuneration Committee

The attendance of the Remuneration Committee is on page 53.

Remuneration policy and principles

The Remuneration Committee aims to ensure that our Executive Directors' remuneration is aligned with the interests of shareholders, with a significant proportion of their remuneration being performance-related. Executive Directors' reward comprises a base salary with benefits including pension, an annual bonus scheme and a share-based Performance Share Plan (PSP). Our remuneration policy aims to:

- Attract, retain and motivate Directors and Senior Management, with the skills and experience to manage the business
- Maintain appropriate levels of fixed pay, with a ratio of variable to fixed pay that is relevant and competitive
- Foster and support conduct and behaviours which are in line with our client-centric and regulatory-compliant culture
- Ensure that remuneration does not encourage inappropriate risk-taking that would sit outside the Board's risk appetite
- Approve Directors' objectives, linked to reward, which demonstrate a clear correlation to the business strategy via the performance metrics for the annual bonus scheme and the long-term incentive plan
- Achieve consistency with the remuneration philosophy applied to the Group's employees as a whole.

Remuneration policy

Shareholders approved the Directors' Remuneration Policy, which is intended to remain in place for a maximum of three years, at the AGM in 2018 with a 99% vote in favour.

No changes are proposed to the Policy although the Committee has reviewed the various changes to the regulatory environment and in particular the 2018 UK Corporate Governance Code and the new legislation requiring companies to make additional pay disclosures.

Notwithstanding that these changes are not technically applicable to the Company until the FY 2020, the Committee has sought to align practice and disclosures to the new requirements where appropriate. This includes ensuring that the PSP permits the necessary Committee discretion to override formulaic outcomes (a new Code provision).

Remuneration outcomes

As you will have read in the Strategic report, Core Business profitability has improved and revenues have grown. As disclosed in last year's report, the Committee decided to calculate the aggregate bonus pool for all participants including the Executive Directors on Group adjusted Core Business profit before tax.

The Committee agreed that the calculation for determining the bonus pool for the year ending March 2019 would be based on Core Business profit prior to the deduction of the bonus pool and the share-based payment charges relating to one-off awards granted to employed investment managers in 2017. They agreed that 23% was the appropriate percentage for 2018-19 (2017-18: 23%).

The Committee determined that corporate and individual performance objectives for the Executive Directors were partially met which warranted bonuses totalling £538,435 to be allocated (being a payout of 58% to 63% of salary and 39% to 42% of maximum bonus opportunity).

The improvement in Core Business profitability achieved during FY 2019 resulted in the adjusted earnings per share (EPS) target attached to the July 2016 PSP awards being partly met. The profit margin threshold however was not met. This resulted in 38% of the total shares being able to vest.

Gender Pay Gap Reporting

In conformity with the regulations, Charles Stanley published its updated Gender Pay Gap Report in March 2019.

As an industry, the wealth management firms' figures make for sober reading. Charles Stanley is better than many with a mean gap of 37.4% and a median of 33.8%. Like many in the industry, the figures are adversely impacted by our workforce profile; we have a large number of male employees in senior roles.

We are aware of the need to do more to close this gap and have published in our Gender Pay Gap Report a three-tiered approach to improve recruitment practices, career progression and culture.

Activity

The Directors' Remuneration Policy which was passed at the 2018 AGM changed the Executive Directors' bonus arrangements so that all employees on non-formulaic bonuses now share in a single pool.

Shareholders approved an increase to the Executive Directors' bonus potential from 100% of salary to 150% of salary. Such an award would only be made in the event of them driving particularly good results for the shareholders. Any bonus element above 50% of salary would be deferred into shares, thus incentivising them to stay with the Group and contribute to its future growth and success.

Directors' remuneration report

It is intended that Executive Directors will receive further awards under the PSP in June 2019. The Committee considered carefully the award level and determined that a reduced award with a face value of 80% of salary would be made (against a policy maximum of 100% of salary). It should be noted that the award does represent a numerical increase in shares, reflecting the fall in share price over the year to May 2019, at the time the Committee determined the award level.

In the annual salary review, great care was taken to assemble appropriate benchmarking data as a reference point for the Executive Directors. A 7% increase was applied to the CEO's salary and 2% each for the other two Executive Directors. The increases were effective from 1 October 2018 and the CEO's increase reflected his sustained performance and the pay level of those in comparable roles in other companies.

There was also an in-depth review of the Group Remuneration Policy in operation across the business.

During the year, Marcia Campbell decided to step down from Committee membership to focus on her work as Chair of the Risk Committee. I am grateful to her for her contribution. I trust that the above provides you with a summary of the main events in the past 12 months.

During the year ahead, in addition to implementing changes to the Committee's remit and process in light of the 2018 UK Corporate Governance Code and the incoming FCA Senior Managers' & Certification Regime we will regularly monitor our policy to ensure it remains compliant, continues to support the interests of our shareholders and rewards our Executive Directors appropriately. We have put the relationship with remuneration consultants out to tender for the first time in several years.

As announced to the London Stock Exchange on 22 May 2019, Gary Teper, Head of Investment Management, resigned as a director of the Company with effect from 21 May 2019. His departure date by mutual agreement is 31 May 2019. The remuneration details relating to his departure will reflect the terms of his service contract, the incentive plan rules and the Directors' Remuneration Policy. Details will be made available on the Group's website in due course and will be included in the implementation section of next year's report. We are profoundly grateful to him for his many years of service.

If you have any questions or comments, I would be delighted to hear from you or to discuss matters at the AGM on 10 July 2019.

Bridget Guerin
Remuneration Committee Chair
30 May 2019

Reporting requirements

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 2016 relating to remuneration matters.

As no changes are proposed to the existing Policy, only one remuneration resolution will be tabled at the 2019 AGM – that is, an advisory vote on the Implementation Report 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 with the phrase 'audited information' in the section heading.

Directors' remuneration policy

This section of the Remuneration report contains a summary of the Company's Directors' Remuneration Policy ('the Policy') which governs the Company's approach to remuneration for the Executive and Non-Executive Directors. Following a remuneration review conducted by the Committee, a revised Remuneration Policy was approved by shareholders at the AGM on 24 July 2018. The Policy applied from its date of approval and is intended to remain in place for a maximum of three years. That said, the Remuneration Committee keeps the Policy under review to ensure that it continues to remain appropriate. The full Policy is not presented here but can be found in full at www.charles-stanley.co.uk/investor-relations/corporate-governance

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, as well as remuneration within similar organisations (with specific note taken of businesses of similar size or complexity), using benchmark data provided by professional remuneration experts. 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 help determine amounts paid out.

Although there are conduct-related sanctions within the approved investment managers' scheme, and limited share deferrals as part of the variable reward available to certain successful financial planners, 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. Also, 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. These are described in the Policy.

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

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

Policy summary

The main elements of the Policy, as well as how the Policy was implemented during the year, are summarised below:

Element and purpose	Key features	Implementation in 2018/19	Implementation in 2019/20
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, complexity and challenge. However, the Committee does not strictly follow benchmark data but instead uses it as a reference point in considering, in its judgement, 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 salaries are intended to increase in line with inflation and general employee increases in salary.	Salary increases implemented effective 1 October 2018: Paul Abberley: £375,000 (2018: £350,000) Ben Money-Coutts: £255,000 (2018: £250,000) Gary Teper: £255,000 (2018: £250,000) The CEO's increase was higher than the standard employee increase (which was 2%). The Committee believe this was appropriate because of his sustained performance and the pay level of those in comparable roles in other companies.	Any base salary increases will normally take effect at the time of general workforce amendments. This is typically from 1 October.
Benefits To provide other benefits valued by recipient.	Details of the current benefits provided can be found in the Implementation of policy column. 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 circumstances and to market practice.	The benefits received by the Executive Directors comprise a car allowance, private medical cover, private health insurance and death in service benefits and a mobile and/or iPad. Executive Directors received benefits to the following total values: Paul Abberley: £11,691 Ben Money-Coutts: £11,691 Gary Teper: £12,114	No changes proposed.
Pension To aid retention and remain competitive within the market place.	Contributions made into Executive Directors' personal pension plan, or a cash supplement of equivalent value paid in lieu of pension contribution. Maximum contribution of 20% of salary for current Executive Directors.	Paul Abberley: 20% of salary Ben Money-Coutts: 20% of salary Gary Teper: 20% of salary	No changes proposed to existing directors' pension arrangements. When setting the pension arrangement for a new Executive Director we will seek to align the level of pension benefit with that awarded to other employees in the Group which is 10% of salary.
Annual bonus To incentivise Executive Directors to deliver against annual performance targets.	An annual bonus pool is calculated for the Group as a whole from which to remunerate all staff who are not subject to formulaic bonuses. The size of this pool is determined as a percentage of Core Business PBT. No Executive Director may receive a bonus in excess of 150% of their salary under this plan. Any bonus earned in excess of 50% of salary under the bonus plan is to be deferred into shares for a period of three years. Malus and clawback provisions apply.	The aggregate bonus for the past financial year was calculated as 23% of pre-bonus and pre-investment management share awards Core Business PBT for the whole Group (against a limit of 30%). Individual payments calculated on performance against Core Business PBT and individual objectives. Individual awards were: Paul Abberley: £230,000 (61% of salary) Ben Money-Coutts: £160,000 (63% of salary) Gary Teper: £148,435 (58% of salary)	Maximum opportunity continues to be 150% of salary. Individual payments will be awarded based on performance against Group financial and individual objectives. Given the nature of these targets, they are considered commercially sensitive and are accordingly not disclosed in this report (although they relate to their contributions to delivering the targeted further 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.

Element and purpose	Key features	Implementation in 2018/19	Implementation in 2019/20
Long-term incentives To incentivise delivery of sustained performance over the long-term, the Company operates the Charles Stanley 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. The formal limit under the PSP is 100% of salary (and 200% in exceptional cases). Awards will be subject to a further two-year holding period after the vesting date. Malus and clawback provisions apply.	The July 2016 PSP awards vested at 38% of the maximum. Further information is provided in the Implementation Report. 2018 PSP awards were made at 100% of salary to each of the Executive Directors. Vesting is dependent on performance against Core Business EPS (50%) and Margin (50%) targets.	2019 PSP award proposed to be made at 80% of salary to the Executive Directors. The reduction reflects the fall in share price over the year to May 2019 (at the time the Committee determined the award levels). Vesting dependent on performance against Core Business EPS (50%) and Margin (50%) targets (see page 78).
Share ownership 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 the specified value of shares. These restrictions do not apply to other Charles Stanley shares that they may own.	100% of salary for the Executive Directors.	No changes proposed.
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 for Non-Executive Directors are reviewed annually in October and are only expected to increase in line with market norms and to take account of additional time commitments and responsibilities. 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 may also receive benefits within prescribed limits as to value.	Sir David Howard receives an annual fee of £125,000 as Non-Executive Chairman of Charles Stanley Group PLC. Sir David is Chairman of the Nomination Committee of Charles Stanley Group PLC, for which he receives no additional fees. The following fee structure was in place for the other Non-Executive Directors: Base fee: £45,000 per annum Additional fees for: Senior Independent Director: £8,500 per annum Additional fee for chairing one of the Board committees (Audit, Remuneration and Risk): £8,500 per annum. Andrew Didham received an additional annual fee of £40,000 as independent Non-Executive Chairman of Charles Stanley & Co. Limited.	Any fee increases will normally take effect at the time of general workforce salary amendments. This is typically from 1 October.

The full version of the Policy available on the corporate website includes details on: legacy arrangements, travel and hospitality, our approach to remuneration on recruitment, and our policy on Executive Directors leaving Charles Stanley.

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. 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 pay-outs
- 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
- Adjustments required in certain circumstances (for example, 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 (for example, 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 more or less difficult to satisfy.

The Directors' service contracts

Executive Directors

The current Executive Directors have service contracts containing a notice period of six 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.

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 reorganisation), subject to scheme rules, including the satisfaction of any performance conditions.

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.

Non-Executive Directors

The Non-Executive Directors do not have service contracts, but instead have detailed job descriptions covering each aspect of their role (for example, Committee Chairmanships or specific roles or duties) and 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.

Implementation report – unaudited information

The Remuneration Committee's main responsibilities during the year

The Committee is a Joint Committee reporting to the Boards of both Charles Stanley Group PLC and Charles Stanley & Co. Limited. The Committee comprises three independent Non-Executive Directors and is governed by formal terms of reference, which are reviewed and agreed annually by the Board. The terms of reference of the Committee are available on the Group's website. During year ended March 2019, the Committee's main responsibilities were:

- Agreeing the performance targets and payouts for the 2018 Executive Director annual bonus awards payable in June 2018
- Agreeing the population, award levels and performance targets for the 2019 PSP awards
- Approving the Directors' Remuneration report for the 2019 Annual report and accounts
- Considering Executive Director base salary levels from 1 October 2018
- Receiving an update on the Group employee pay schemes and conditions and share plans
- Reviewing Gender Pay Gap calculations and agreeing disclosures
- Reviewing the various changes to the regulatory environment including the new Corporate Governance Code
- Reviewing the Remuneration Committee Terms of Reference.

The Committee meets formally at least four times a year but more frequently if required. During 2019, five Committee meetings were held and details on attendance at meetings are set out in the Corporate Governance report on page 53. 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 both Boards. No Director plays a part in any discussion about his or her own specific 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 2019 were £24,789 (2018: £32,783). FIT's fees were charged on the basis of the firm's standard terms of business for advice provided. The Committee also considered data provided by the recognised benchmarking specialists, Compeer and McLagan, and 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

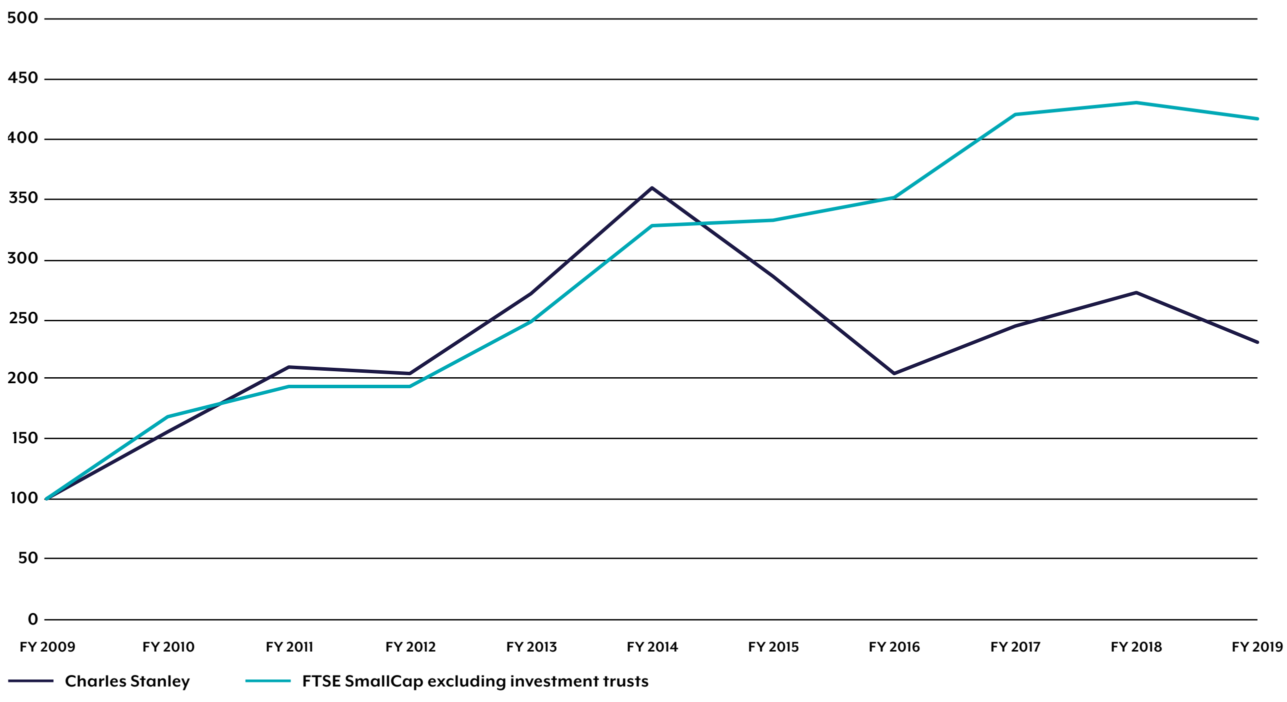
The table below shows the total pay for all of Charles Stanley's employees compared to other key distributions made by the Company:

	2019	2018	Change
Employee costs	**£60,704,612**	£56,831,247	6.8%
Dividends	**£4,187,369**	£3,545,557	18.1%

Review of past performance

The graph below shows the value at 31 March 2019, 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 with constituents of a similar size to the Company.

Total shareholder return (%)



Note: Rebased to 100 as at 31 March 2009.

The table below shows the total remuneration figure for Sir David Howard and Paul Abberley over the same ten-year period. The total remuneration figure includes the annual bonus paid in each of these years. The Regulations require this table to state the 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 2015. Consequently, we have included the total remuneration in each of the relevant years, while also setting out details of the bonus each received based on performance in these years.

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 on 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.

Audited information:

Financial year	2019	2018	2017	2016	2015	2014	2013	2012	2011
Sir David Howard	–	–	–	–	£290,173	£413,639	£430,878	£610,409	£448,950
Annual bonus paid	–	–	–	–	£nil	£72,800	£89,200	£85,400	£85,400
Paul Abberley	**£749,000**	£640,000	£552,000	£372,094	£165,000	–	–	–	–
Annual bonus paid	**£230,000**	£207,811	£180,000	£nil	£nil	–	–	–	–
PSP (% of max)	**38%**	0%	0%	–	–	–	–	–	–

How any change in pay of the Chief Executive Officer between 2018 and 2019 compared to the wider workforce
In accordance with 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:

	Change in salary	Change in benefits	Change in annual bonus
Paul Abberley	3.6%[1]	0%	10.7%
All-employee average	3.8%	1%	8.9%[2]

1. Paul Abberley's salary earnings increased from £350,000 to £362,500 in the financial year. His most recent salary increase, in October 2018, is noted in the Policy summary earlier in this report. His previous increase was in April 2017.
2. Percentage change in respect of the Group's discretionary bonus pool.

How our shareholders voted
Of the 93.2% of the issued share capital votes cast to approve the Directors' remuneration report and Directors' remuneration policy for the year ended 31 March 2018 at the 2018 AGM held on 24 July 2018:

	For		Against		Total votes	% of ISC	Votes withheld
	No. of Shares	% of total	No. of Shares	% of total			
Directors' remuneration report	47,304,141	99.98	9,722	0.02	47,313,863	93.2	0
Directors' remuneration policy	46,817,980	98.95	495,883	1.05	47,313,863	93.2	0

Implementation report – audited information

What the Directors earned in financial years ending 31 March 2019 and 2018

2019	Salary/Fees £000	Benefits £000	Annual bonus £000	Long-term incentives £000	Pension £000	**Total £000**
Executive Directors						
Paul Abberley	362	12	230	73	72	**749**
Ben Money-Coutts	252	12	160	51	50	**525**
Gary Teper	252	12	148	52	50	**514**
Non-Executive Directors						
Marcia Campbell	48	–	–	–	–	**48**
Andrew Didham	89	–	–	–	–	**89**
Bridget Guerin	56	–	–	–	–	**56**
Hugh Grootenhuis	48	–	–	–	–	**48**
Sir David Howard	125	2	–	–	–	**127**
Total	**1,232**	**38**	**538**	**176**	**172**	**2,156**

2018	Salary/Fees £000	Benefits £000	Annual bonus £000	Long-term incentives £000	Pension £000	Total £000
Executive Directors						
Paul Abberley	350	12	208	–	70	640
Ben Money-Coutts	250	12	148	–	50	460
Gary Teper	250	13	148	–	50	461
Non-Executive Directors						
Marcia Campbell[1]	20	1	–	–	–	21
Andrew Didham	88	2	–	–	–	90
Bridget Guerin	55	2	–	–	–	57
Hugh Grootenhuis[2]	24	–	–	–	–	24
Sir David Howard	125	4	–	–	–	129
David Pusinelli[3]	19	1	–	–	–	20
Total	1,181	47	504	–	170	1,902

1. Appointed on 16 October 2017.
2. Appointed on 7 September 2017.
3. Resigned on 27 July 2017.

Benefits
The benefits received by Executive Directors comprise a car allowance, private medical cover and a mobile and/or iPad.

For the Non-Executive Directors amounts reported relate to expenses such as travel and accommodation expenditure incurred on Group business. These payments are the reimbursement of expenses and not benefits per se.

Annual bonus outcomes for 2019
The continued progress in Core Business profit growth and the achievement of strategic and personal objectives has resulted in bonuses being awarded to the Executive Directors for the year ending 31 March 2019. As disclosed in last year's report, at the start of the 2019 financial year, when assessing the performance for the year, the Remuneration Committee determined that the overall size of the bonus pool available for distribution to all participants in the bonus arrangement, including the Executive Directors, was up to 30% of (pre-bonus) Core Business PBT.

Despite a strong financial performance, profit was below the target for the year and, therefore, the Remuneration Committee determined that the aggregate bonus pool should be limited to 23% of pre-bonus and pre-investment management share awards Core Business PBT (2017-18: 23%). The Remuneration Committee confirmed that the adjusting items which are excluded compared with reported PBT were appropriate.

In determining the bonus allocations for the Executive Directors, 35% of the bonus was based upon performance against Core Business PBT targets and 50% upon their performance against pre-set individual performance objectives, and 15% against compliance and conduct objectives.

Paul Abberley was set objectives which included delivering the financial plan, monitoring and supporting the embedding of the new governance architecture, and expediting the execution of the strategy endorsed by the Board with particular reference to: growing revenues by investing in new business development; transforming the business digitally; hiring additional specified revenue generators; and implementing operational efficiencies by standardising the operating model.

Ben Money-Coutts was set objectives which included: delivering the financial plan; working with the CEO to design and deliver a revised top-down budget process embedded in a centralised planning process; effective oversight and management of pension fund suppliers; and taking overall responsibility for delivery of the ICAAP.

Gary Teper was set objectives which included: growing revenues by investing in new business development; transforming the business digitally; the completion of a repricing exercise; and driving growth in the quantum of Discretionary funds under management per revenue generator.

Each of the Executive Directors was judged to have partially met their key objectives, although it was agreed that all had delivered matters of significance in addition to their stated objectives and that these should also be taken into consideration when determining bonus amounts.

The resulting bonus awards are Paul Abberley £230,000, Ben Money-Coutts £160,000 and Gary Teper £148,435 which are equivalent to between 58% and 63% of salary. In light of the profit growth and the progress towards strategic goals, the Remuneration Committee believe this bonus outcome is a fair reflection of the Directors' performance and contribution during the year.

These awards will be paid in cash apart from £42,500 payable to Paul Abberley, £32,500 to Ben Money-Coutts and £20,935 to Gary Teper that will be deferred into shares for a period of three years.

Pensions – audited information

The current Executive Directors participate in money purchase arrangements. Details of the levels of pension arrangements can be found in the summary policy table on pages 60 to 67.

Sir David Howard is a member 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.

Sir David has now passed the age of 65 but is not drawing a pension from it. Instead his pension entitlement is accumulating by a figure determined according to advice and calculations provided by the scheme's actuaries.

More specific detail of the retirement benefits is provided below:

	Increase in accrued pension excluding inflation £000	Transfer value of increase £000	**Accrued pension 2019 £000**	Accrued pension 2018 £000	**Transfer value accrued pension 2019 £000**	Transfer value accrued pension 2018 £000	Increase in value of Director's benefits £000
Sir David Howard	—	—	**192**	182	**3,255**	3,063	192

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-end.

b) Sir David Howard is over his normal retirement date. The increase in his accrued pension entitlement over the period is due to the application of late retirement factors. The change in cash equivalent transfer value of his deferred pension benefits as at 31 March 2019 was due to the application of the Trustees' current transfer value assumption setting process (which was updated in September 2016) to the financial market conditions at the year-end.

Share awards

Save As You Earn – audited information

During the year ended March 2019, the Company operated four Save As You Earn schemes, which were open to all employees and Executive Directors once they met the necessary service requirements. Options were offered at a discount of 15% (2016-17 scheme) and 20% (2018 scheme) 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 2019, the following Directors held interests under the Save As You Earn schemes:

	Date of grant	Option price (p)	At 31 March 2018	Granted	Exercised	**At 31 March 2019**	Exercise period
Ben Money-Coutts	23 December 2015	287	1,881	–	–	**1,881**	1 February 2019 to 31 July 2019
	23 December 2016	240	1,095	–	–	**1,095**	1 February 2020 to 31 July 2020
	22 December 2017	323	300	–	–	**300**	1 February 2021 to 31 July 2021
	19 December 2018	239	–	2,259	–	**2,259**	1 February 2022 to 31 July 2022
Total			**3,276**	**2,259**		**5,535**	
Gary Teper	23 December 2015	287	1,881	–	–	**1,881**	1 February 2019 to 31 July 2019
	22 December 2016	240	1,500	–	–	**1,500**	1 February 2020 to 31 July 2020
	19 December 2018	239	–	2,259	–	**2,259**	1 February 2022 to 31 July 2022
Total			**3,381**	**2,259**	**–**	**5,640**	

Deferred bonus awards – audited information

As at 31 March 2019, the following Executive Directors held interests under deferred bonus awards:

	Date of grant	Share price on grant (p)	As at 31 March 2018	Granted	Lapsed	**As at 31 March 2019**	Exercise period
Paul Abberley	23 June 2017	361	8,314	–	–	**8,314**	23 June 2020
	22 June 2018	385	–	8,545	–	**8,545**	22 June 2021
Total			**8,314**	**8,545**	**–**	**16,859**	
Ben Money-Coutts	23 June 2017	361	2,078	–	–	**2,078**	23 June 2020
	22 June 2018	385	–	6,103	–	**6,103**	22 June 2021
Total			**2,078**	**6,103**	**–**	**8,181**	
Gary Teper	23 June 2017	361	1,385	–	–	**1,385**	23 June 2020
	22 June 2018	385	–	6,103	–	**6,103**	22 June 2021
Total			**1,385**	**6,103**	**–**	**7,488**	

PSP – audited information

The fifth grant of awards under the plan was made in June 2018 for all Executive Directors. The three-year performance period for these awards will be measured following the year ended 31 March 2021.

	Date of grant	Share price on grant (p)	As at 31 March 2018	Granted	Lapsed	**As at 31 March 2019**	Exercise period
Paul Abberley	10 July 2015	375	65,000	–	65,000	–	July 2018 to July 2021
	18 July 2016	285	72,115	–	–	**72,115**	July 2019 to July 2022
	26 June 2017	362.5	40,000	–	–	**40,000**	June 2020 to June 2023
	25 June 2018	384	–	90,909	–	**90,909**	June 2021 to June 2024
Total			**177,115**	**90,909**	**65,000**	**203,024**	
Ben Money-Coutts	10 July 2015	375	45,000	–	45,000	–	July 2018 to July 2021
	18 July 2016	285	50,481	–	–	**50,481**	July 2019 to July 2022
	26 June 2017	362.5	40,000	–	–	**40,000**	June 2020 to June 2023
	25 June 2018	384	–	64,935	–	**64,935**	June 2021 to June 2024
Total			**135,481**	**64,935**	**45,000**	**155,416**	
Gary Teper	10 July 2015	375	30,000	–	30,000	–	July 2018 to July 2021
	18 July 2016	285	51,603	–	–	**51,603**	July 2019 to July 2022
	26 June 2017	362.5	40,000	–	–	**40,000**	June 2020 to June 2023
	25 June 2018	384	–	64,935	–	**64,935**	June 2021 to June 2024
Total			**121,603**	**64,935**	**30,000**	**156,538**	

The awards granted to the Directors on 10 July 2015 reached the end of the performance period on 31 March 2018. These awards did not meet the minimum performance conditions measured both on an EPS and margin basis. Accordingly, these awards lapsed during the 2019 financial year.

The awards granted to the Directors on 18 July 2016 reached the end of the performance period on 31 March 2019. These awards partially met the EPS criteria but did not meet the minimum margin-based performance conditions. Accordingly, 38% of these awards will vest during this financial year.

The remaining awards are all unvested. During the year ended 31 March 2019, the highest mid-market price of the Company's shares was 388.4p (on 22 June 2018) and the lowest mid-market price was 240p (on 29 January 2019). At 31 March 2019 the share price was 281p.

PSP performance conditions

The table below sets out a summary of the PSP structure and details of the PSP performance measures and conditions can be found on page 78.

Performance measures	EPS and margin		
Performance period	3 years		
Weighting of performance measures	50%		
		2016 – 2017 Awards	2018 – 2019 Awards
EPS	Adjusted EPS as measured in third financial year following grant	For both the EPS and margin targets, the profit figure used is the Group's reported profit adding back the FSCS (or similar) levy and, in exceptional circumstances, adjusted for any other items that the Committee believe are required to ensure that the Group's true underlying financial performance is being measured.	For both the EPS and margin targets, the profit figure used will be Core Business PBT (excluding IFRS 2 charges), which the Executives have direct line of sight over and reflect the underlying financial performance of the Group (with the Remuneration Committee retaining the ability to assess that the adjusting items which are excluded compared with Reported PBT are appropriate).
Margin	Operating margin as measured in third financial year following grant		

PSP performance conditions 2016 to 2019

Grant	July 2016	July 2017	July 2018	July 2019
Measurement financial year	31 March 2019	31 March 2020	31 March 2021	31 March 2022
EPS 0% vesting threshold	Below 20p	Below 30p	Below 30p	Below 30p
EPS 20% vesting threshold[1]	20p	30p	30p	30p
EPS 100% vesting threshold[1]	25p	45p	45p	45p
Performance	23.52p[3]	–	–	–
Element percentage vesting	76.32%	–	–	–
Margin 0% vesting threshold	Below 10%	Below 12%	Below 12%	Below 10%
Margin 20% vesting threshold[1, 2]	10%	12%	12%	10%
Margin 100% vesting threshold[1, 2]	15%	16%	16%	16%
Performance	9.77%[4]	–	–	–
Element percentage vesting	0%	–	–	–
Total percentage vesting	38.16%	–	–	–

1. In cases where the measurement thresholds are between 20% and 100%, the vesting of the awards is calculated pro rata on a straight-line basis.
2. The Remuneration Committee reserves the right to make appropriate adjustments to some degree with respect to the charge incurred in connection with the share awards made to employed investment managers under the new remuneration arrangements.
3. The Remuneration Committee determined that the performance targets for the July 2016 PSP awards were partially met. The EPS outturn was assessed to be 23.52p. This was based on Core Business earnings per share, adjusted for IFRS2 charges and the FSCS Levy, in order to ensure that true underlying performance was being assessed. This resulted in total vesting being 38.16% of the maximum available number of shares.
4. The Margin outturn was assessed to be below the minimum required threshold.

Directors' interests – audited information

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 2019 (only including shares beneficially owned, that is excluding unvested share awards and shares 'otherwise held'), are as follows:

	Beneficially held as at 31 March 2018 or appointment if earlier	**Beneficially held as at 31 March 2019 or retirement if earlier**	Share Ownership Guidelines satisfied?
Paul Abberley	20,849	**89,964**	No
Marcia Campbell	–	–	n/a
Andrew Didham	–	–	n/a
Hugh Grootenhuis	–	–	n/a
Bridget Guerin	–	–	n/a
Sir David Howard	12,810,219	**12,810,219**	n/a
Ben Money-Coutts	12,757	**18,619**	No
Gary Teper	44,128	**50,278**	No

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.

Other information

Payments to former Directors – audited information

There were no payments made to former Directors during the year. There is a former Executive Director, Mike Lilwall, who remains an employee. No payments were made to him in the past financial year relating to his former directorship. He stepped down from the Board in 2016.

No payments were made to any Director in respect of loss of office during the year.

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 Chair
30 May 2019

Risk Committee report

Effective risk management is key to the successful delivery of our strategic objectives. Our risk governance, culture and management framework continue to evolve and strengthen.

The Risk Committee has worked to support these changes, particularly to help ensure that appropriate operational and cultural practices are embedded throughout the organisation.

Marcia Campbell
Chair of the Risk Committee

Risk Committee membership

The Risk Committee is composed of four independent Non-Executive Directors: Marcia Campbell, Andrew Didham, Hugh Grootenhuis and Bridget Guerin.

Marcia Campbell became Chair of the Risk Committee following the AGM on 24 July 2018.

Details of the Directors' skills and experience can be found on page 49 and the register of attendance on page 53. The meetings were also attended by the Chief Risk Officer, the Chief Executive Officer, the Head of Investment Management and other members of the Management team as required.

Role and responsibilities of the Committee

The Risk Committee is responsible for ensuring an effective internal control and risk management environment is maintained in respect of the risks impacting the organisation and advising the Boards of Charles Stanley Group PLC and Charles Stanley & Co. Limited on related risk matters. The key responsibilities are described in its terms of reference which are reviewed annually and include:

- Providing advice to the Board on the Group's risk appetite, tolerance levels and strategy
- Overseeing and advising the Board on the current risk exposure and emerging risks which could impact on the Group's risk profile
- Reviewing the Group's risk management framework and internal control environment to ensure it is adequate and effective
- Reviewing the ICAAP
- Reviewing the Group's liquidity risk framework, stress tests and contingency funding plan
- Reviewing compliance-related Group procedures.

Risk management framework

Committee activities over the past year

Over the course of the year, the Committee has undertaken a number of key activities:

- Reviewed and approved risk and compliance-related policies
- Reviewed and approved the risk framework including the risk governance structure
- Reviewed and approved the annual Risk and Compliance plans
- Reviewed the ICAAP for recommendation to the CSC and CSG Boards
- Considered the risks arising from the Strategic Plan and associated corporate objectives and the processes in place to manage them
- Received updates on a number of matters including:
  - the Group's cyber security strategy
  - Client Assets Sourcebook (CASS) monitoring
  - the Group's operational resilience and the drive to standardise processes
  - the activities of the Enterprise Risk Committee
  - client and portfolio suitability monitoring
  - the regulatory environment and actions taken to ensure the Group meets the requirements.

Risk management framework

Charles Stanley has developed and implemented a new risk management framework over the past three years to help bring together all the elements required to manage risks effectively across the organisation.

Risk governance and culture

The arrangement of the Board and the Board committees is as follows:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Committee.

The Executive Committee is responsible for the day-to-day running of the business and is supported by a number of Control Committees:

- Enterprise Risk Committee
- Conduct & Culture Committee
- Treasury Committee
- Policy Review Committee
- CASS Committee
- Market Exposure Committee
- Product & Services Committee.

All of these Committees have contributed to continued enhancements to the Group's risk oversight arrangements.

"In order to ensure success, it is important that risk is everyone's responsibility."

"Our approach is to maintain a robust risk management framework to identify, monitor and manage the principal risks to our business, adequately quantify them and ensure we retain sufficient capital to support our strategy."

Charles Stanley has implemented a 'three lines of defence' model to manage risk and provide assurance to Executive Management and the Board with regards to the effectiveness of the Group's control environment:

- Level 1 – Business line management and staff are responsible for the identification, ownership and management of risk on a day-to-day basis
- Level 2 – The Risk function is responsible for the implementation and oversight of the framework, reporting to the Board and Group-level committees, and for overseeing and challenging the management of risk. The Compliance function is responsible for the oversight of regulatory compliance
- Level 3 – Internal Audit provides independent assurance that risks are effectively managed and that there is appropriate oversight.

Risk strategy and business plans

The objectives of the risk management framework are to align our business strategy and risk appetite. The Group Chief Risk Officer provides input in the setting and ongoing review of the Group's strategy and business plan.

Future plans to improve the risk and control arrangements and to embed them across the business are defined in the Risk and Compliance annual plans which are approved by the Risk Committee.

Risk Appetite Statement

The Risk Appetite Statement, which is reviewed at least annually by the Board, sets out the Group's attitude to risk and the ranges and limits of acceptable risk-taking based on the Group's strategy and objectives.

For each of our Principal risks (see pages 35 to 38), a series of key performance or risk indicators are in place to monitor whether these risks remain within the appetite set by the Board.

Risk policies

The risk policies define the Group's approach to monitoring and controlling risk, so as to ensure it is only exposed to risks that are within the Board's risk appetite. There are two layers to the risk policies:

- The Group Risk Policy – sets out the overarching policy in relation to risk management and the risk governance framework for the Group
- Group Level Risk Policies – sets out the risk management strategy and framework for the management and oversight of specific risk types.

Risk identification and assessment

All staff are responsible for identifying and assessing the risks in their respective areas. There are a number of tools available to aid them in this task including risk event reporting, risk and control self-assessments, deep dive business reviews and scenario workshops, as well as raising issues with the Risk team.

Risk management, monitoring and reporting
The business and support functions are responsible for managing the risks within their areas as well as developing management information to monitor their exposure to those risks.

During the past year, we have focused on the alignment and aggregation of all risk-related data into a single application, to enable further enhancement of our risk monitoring and reporting.

The Risk function consolidates management information received from across the Group into reports for the Enterprise Risk Committee, the Risk Committee and the Charles Stanley Group Board.

Audit findings concerning the risk arrangements are reviewed regularly at the Enterprise Risk Committee which leads to continuous improvements to the Group's control environment.

Capital and liquidity management
The approach to calculating a risk-based capital requirement for the different types of risks that the Group may be exposed to is defined within the Group's ICAAP.

Capital and liquidity stress tests are also undertaken to test the Group's balance sheet and cash positions against severe stress events and to determine whether additional management actions are necessary.

This year has seen considerable progress in the embedding of risk and governance arrangements. In the upcoming financial year, these will continue to be developed in line with the annual risk strategy and plan.

Marcia Campbell
Risk Committee Chair
30 May 2019

Directors' report

The Directors submit their report and financial statements for the year ended 31 March 2019.

Principal activities and business review

The Company and its Group undertakings provide holistic wealth management services. The Company is a public limited company listed on the London Stock Exchange. A review of the business is set out in the Strategic report on pages 4 to 45, which is incorporated by reference into this report.

Post year end events

During the year, the Board approved a proposal to consolidate the Group structure. The proposal sought the approval for striking off four Group subsidiary companies which are no longer trading. Post year end, three out of four of these companies have now been dissolved. This now leaves Charles Stanley Group PLC, Charles Stanley & Co. Limited, Gryphon Investments Limited and Charles Stanley's nominee companies making up the constituents of the Charles Stanley Group.

As set out in the Chairman's Statement, Gary Teper resigned as a Director with effect from 21 May 2019.

Dividends

The Directors have declared and now recommend the following dividend in respect of the year ended 31 March 2019:

	2019 £000	2018 £000
Interim dividend paid on 18 January 2019 of 2.75p (2018: 2.5p)	**1,396**	1,265
Final dividend proposed of 6.0p (2018: 5.5p)	**3,045**	2,791
	4,441	4,056

The final dividend proposed by the Directors will be subject to shareholders' approval at the AGM on 10 July 2019. Once approved, this will be paid on 17 July 2019 to shareholders on the Company's register at close of business on 14 June 2019.

Share capital

As at 31 March 2019, 50,766,767 fully paid ordinary shares of 25 pence each were in issue and listed on the London Stock Exchange. The Company has no preference shares in issue. 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 Interim results. Further restrictions may apply under the Disclosure Guidance and Transparency Rules (DTR) 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.
- No person holds securities in the Company carrying special rights with regard to control of the Company.

Employee Share Plans

Details of employee share plans are outlined in note 11 to the Financial Statements. The shares are held in trust for participants. The scheme is operated by Yorkshire Building Society and voting rights are exercised by the employer nominated trustee on receipt of participants' instructions.

Employee Benefit Trust

The Employee Benefit Trust was established in order to satisfy awards under the Executive Deferred Share Bonus plan and the Financial Planners' Deferred Share Bonus Scheme. During the reporting period, the Trustee (RBC Corporate Employee & Executive Services Limited) purchased 41,853 shares.

Insurance and indemnity

The Company maintains appropriate insurance cover in respect of litigation against Directors and Officers. The Company granted indemnities to all of its Directors 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 throughout the financial year and remain so at the date of this report.

Directors' report

Controlling shareholder

Sir David Howard, his family and connected interests are deemed to be a controlling shareholder under the Listing Rules (LR 6.5). The Board confirms that:

(i) the Company has entered into a Relationship Agreement as required by LR 6.5.4 ('the Agreement');

(ii) the Company has complied with the independence provisions included in the Agreement during the period under review;

(iii) 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

(iv) 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 62. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code 2016, 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 to renew the authority granted to them at the Annual General Meeting held in 2018 to allot equity securities up to an aggregate nominal value of £634,663 (the 'section 551 authority'). If approved at the forthcoming AGM, 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 2020, whichever is the earlier.

The Directors recommend that shareholders vote in favour of maintaining the Company's flexibility in relation to future share issues.

Directors

The Directors of the Company at the year end were Sir David Howard (Chairman), Marcia Campbell, Andrew Didham, Hugh Grootenhuis and Bridget Guerin (Non-Executive Directors), and Paul Abberley, Ben Money-Coutts and Gary Teper (Executive Directors). Their biographies are set out on pages 48 to 49.

All of the Directors have agreed to voluntarily retire from the Board at the AGM and, being eligible, will offer themselves for re-election by the members of the Company apart from Gary Teper who resigned as a Director with effect from 21 May 2019.

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 79.

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. 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.

The Directors confirm that there are procedures in place to deal with Directors' conflicts and they have operated effectively through the year. The Company has a Conflicts Management Policy in place for managing and, where appropriate, approving conflicts of interest for all employees including Directors. Directors are also given the opportunity to disclose any potential conflicts at the start of each Board and Committee meeting.

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 (2018: £nil).

Report on greenhouse gas emissions
Details of the Group's emissions are contained in the Corporate Social Responsibility report on page 44.

Internal control and risk management
Details of how the Board monitors the Group's risk management and internal control systems are contained in the Risk management and principal risks section of the Strategic report on page 34.

Major shareholdings
Disclosures made to the Company under rule 5 of the FCA's DTR are set out below:

	No. of shares at 31 March 2019	% of total voting rights
Sir David Howard	**10,707,719**	21.09
Aberforth Partners LLP	**7,883,891**	15.53
Liontrust Investment Partners LLP	**5,379,648**	10.60
John L S Howard	**5,126,612**	10.10
J O Hambro Capital Management	**3,559,045**	7.01
Schroder Investment Management	**2,774,587**	5.41
Queen Street Securities (a company of which Sir David Howard is a Director)	**2,102,500**	4.14

Auditors
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

Corporate governance statement
Rule DTR 7.2.1 requires the Group's disclosures on corporate governance to be included in the Directors' report. This information is presented on page 52 and the information in that section is incorporated by reference into this Directors' report and is deemed to form part of this report.

Going concern
The Group's business activities, performance and position, together with the risks it faces and the factors likely to affect its future development are set out in the Strategic report.

As explained in the Viability statement (see page 39), the Directors have considered the Group's prospects for a period exceeding 12 months from the date the financial statements are approved and have concluded that the Group has adequate financial resources over that period and, accordingly, are satisfied that the going concern basis for the preparation of the financial statements is appropriate.

By order of the Board

Julie Ung
Company Secretary
30 May 2019

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. So that the Directors discharge their responsibilities as set out in the Matters Reserved for the Board, the Board meets at least four times a year. A full list of Matters Reserved for the Board can be found on our website: charles-stanley.co.uk.

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, relevant and reliable;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU;
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and Regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate Governance report 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.

Each of the Directors, whose names and responsibilities are listed in the Corporate Governance report, confirms 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; 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.

We consider the Annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Julie Ung
Company Secretary
30 May 2019

Independent auditor's report to the members of Charles Stanley Group PLC

1. Our opinion is unmodified

We have audited the financial statements of Charles Stanley Group PLC ("the Company") for the year ended 31 March 2019 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Parent Company statement of financial position, Parent Company statement of changes in equity, Parent Company statement of cash flows and the related notes, including the accounting policies in note 2.

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 2019 and of the Group's profit 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 provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

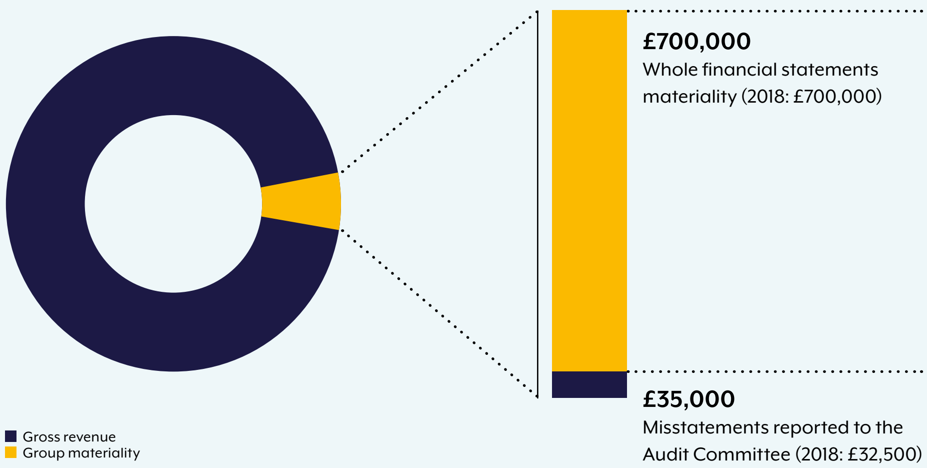
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the Directors on 1 October 2010. The period of total uninterrupted engagement is for the nine financial years ended 31 March 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£0.7 million (2018: £0.7 million) 0.45% (2018: 0.46%) of gross Group revenue	
Coverage	100% (2018: 100%) of Group profit before tax	
Risks of material misstatement		**vs 2018**
Recurring risks	Carrying amount of goodwill (Group and Parent Company)	◀▶
	Valuation of actuarial liability (Group only)	◀▶
Event Driven	Impact of uncertainties due to Britain exiting the European Union on our audit	New

Group's total revenue
£155 million (2018: £151 million)

Group materiality
£0.7 million (2018: £0.7 million)



2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 34 (Principal risks and uncertainties)	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in Carrying amount of goodwill and Valuation of the present valuation of defined benefit obligation above, and related disclosures and the appropriateness of the going concern basis of preparation of the annual report. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual report including the principal risks disclosure and the viability statement and to consider the directors' statement 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 position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	**Our procedures included:** We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. • **Our Brexit knowledge:** We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing Carrying amount of goodwill and Valuation of the present valuation of defined benefit obligation and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on Carrying amount of goodwill and Valuation of the present valuation of defined benefit obligation we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results:** As reported under Carrying amount of goodwill and Valuation of the present valuation of defined benefit obligation, we found the resulting estimates and related disclosures of sensitivity and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Valuation of defined benefit pension scheme actuarial liability (£27.9 million; 2018: £26.4 million) Refer to page 58 (Audit Committee Report), page 105 (accounting policy) and pages 122 to 125 (financial disclosures).	**Subjective estimate:** The valuation of the present valuation of defined benefit obligation depends on a number of judgemental assumptions and estimates, including: the discount rate, inflation rate and life expectancy. Small changes to the assumptions and estimates used could materially affect the valuation. The effect of these matters is that, as part of our risk assessment, we determined that valuation of the present valuation of defined benefit obligations has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** • **Benchmarking assumptions:** Challenging, with the support of our own actuarial specialists, the key assumptions applied to the valuation, being the discount rate, inflation rate and mortality/life expectancy. • **Assessing transparency:** Considering the adequacy of the Group's disclosure in respect of the present valuation of defined benefit obligation and the assumptions used, and the sensitivity of the liability to these assumptions. **Our results:** We found the valuation of the defined pension obligation in the Group to be acceptable (2018: acceptable).
Carrying amount of goodwill (Group and Parent Company) Group: (£14.1 million; 2018: £14.1 million) Parent Company: (£6.9 million; 2018: £6.9 million) Refer to page 59 (Audit Committee Report), page 106 (accounting policy) and page 128 to 129 (financial disclosures – Group) and page 150 (financial disclosures – Parent).	**Impairment assessment:** Goodwill is significant and the determination of the recoverable amount of each cash generating unit ("CGU") is complex and involves a high level of judgement. The significant judgements arise over the multiples of funds under management derived from recent market transactions and industry peers which are key inputs in the calculation of recoverable amount. The effect of these matters is that, as part of our risk assessment, we determined that the Group and Parent Company carrying amount of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty over the goodwill balance to be less than that materiality.	**Our procedures included:** • **Benchmarking assumptions:** Comparing the Group's assumptions in relation to percentages of funds under management and key inputs such as market transactions to externally-derived data. • **Sensitivity analysis:** Performing stress testing on the assumptions noted above. • **Assessing transparency:** Assessed whether the Group's disclosures around key inputs in the valuation technique and the outcome of the impairment assessment reflect the risks inherent in the calculation of recoverable amount. **Our results:** We found the carrying value of goodwill in the Group and in the Parent Company to be acceptable (2018: acceptable).

We continue to perform procedures over Recoverability of Parent Company's investment in subsidiaries. However, following the simplification of the Group structure as a result of disposal of non-core businesses, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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

Materiality for the Group financial statements as a whole was set at £0.7 million (2018: £0.7 million), determined with reference to a benchmark of Group gross revenue (of which it represents 0.45% (2018: 0.46%). We consider gross revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the Parent Company financial statements as a whole was set at £0.7 million (2018: £0.6 million), determined with reference to a benchmark of Parent total assets of which it represents 1% (2018: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £35,000 2018: £35,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and was all performed at the Group's head office in London.

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- impact on the operations of the business in the event of a market wide stress scenario including the impact of Brexit, and
- impact on regulatory capital requirements in the event of an economic slowdown or recession.

As these were the risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from this risk individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resource.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 2.6 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 87 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

Strategic report
Governance
Financial statements

5. We have nothing to report on the other information in the Annual report

The Directors are responsible for the other information presented in the Annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability statement on page 39 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 position and performance, business model and strategy; or
- the section of the Annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

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

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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 88, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate.

We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, conduct, financial crime including money laundering, sanctions list, client money and assets rules and market abuse regulations recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

Through these procedures we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

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

Simon Ryder (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
30 May 2019

The Group's consolidated financial statements and the Parent Company financial statements, prepared in accordance with IFRS, are set out in the following pages.

97 Turn to page 97 to 153 to find out more about our Financial statements

Financial statements

Contents

Consolidated income statement

Year ended 31 March 2019

	Notes	2019 £000	2018 £000
Revenue	4	**155,158**	150,860
Administrative expenses	4	**(145,767)**	(142,146)
Other income	6	**101**	278
Operating profit	7	**9,492**	8,992
Gain/(loss) on disposal of property, plant and equipment		**293**	(45)
Gain on sale of business		**119**	707
Gain on sale of corporate investments		**–**	2,463
Reversal of impairment of corporate loans		**500**	–
Impairment of freehold property		**–**	(995)
Finance income	8	**702**	343
Finance costs	8	**(76)**	(18)
Net finance and other non-operating income		**1,538**	2,455
Profit before tax		**11,030**	11,447
Tax expense	12	**(2,026)**	(2,715)
Profit for the year attributable to owners of the Parent Company		**9,004**	8,732
Earnings per share			
Basic	9	**17.74p**	17.23p
Diluted	9	**17.41p**	16.93p

The results for each year relate to continuing activities. There were no discontinued operations in either the current year or the prior year.

The notes on pages 103 to 146 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

Year ended 31 March 2019

	Notes	2019 £000	2018 £000
Profit for the year		**9,004**	8,732
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of the defined benefit scheme obligation	11	**(515)**	3,863
Related tax		**39**	(657)
Fair value through other comprehensive income financial assets – unrealised gains and losses		**898**	–
Related tax		**(153)**	–
		269	3,206
Items that are or may be reclassified to profit or loss			
Revaluation of freehold properties		**–**	208
Related tax		**–**	(17)
Gains on revaluation of properties transferred to profit or loss		**(219)**	–
Related tax		**24**	–
Available-for-sale financial assets – unrealised gains and losses		**–**	494
Available-for-sale financial assets – realised gains and losses reclassified to profit or loss		**–**	(2,863)
Related tax		**–**	398
		(195)	(1,780)
Other comprehensive income for the year, net of tax		**74**	1,426
Total comprehensive income for the year attributable to owners of the Parent Company		**9,078**	10,158

The notes on pages 103 to 146 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 March 2019

Assets	Notes	2019 £000	2018 £000
Intangible assets	13	**18,339**	19,293
Property, plant and equipment	14	**8,706**	9,680
Net deferred tax asset	15	**2,134**	2,075
Financial assets at fair value through other comprehensive income	16	**2,586**	–
Financial assets at amortised cost	16	**1,010**	–
Available-for-sale financial assets	16	**–**	5,819
Trade and other receivables	17	**–**	945
Non-current assets		**32,775**	37,812
Trade and other receivables	17	**191,301**	178,024
Financial assets at fair value through profit or loss	16	**2,234**	100
Financial assets at amortised cost	16	**9,994**	–
Cash and cash equivalents	18	**71,211**	65,639
Current assets		**274,740**	243,763
Total assets		**307,515**	281,575
Equity			
Share capital	19	**12,692**	12,686
Share premium	19	**4,625**	4,564
Own shares	19	**(201)**	(95)
Revaluation reserve		**1,989**	1,598
Merger relief reserve		**15,167**	15,167
Retained earnings		**72,134**	63,842
Equity attributable to owners of the Parent Company		**106,406**	97,762
Non-controlling interests		**24**	24
Total equity		**106,430**	97,786
Liabilities			
Employee benefits	11	**6,841**	6,460
Provisions	20	**1,961**	1,813
Non-current liabilities		**8,802**	8,273
Trade and other payables	21	**189,496**	171,666
Current tax liabilities		**946**	1,214
Provisions	20	**1,841**	2,636
Current liabilities		**192,283**	175,516
Total liabilities		**201,085**	183,789
Total equity and liabilities		**307,515**	281,575

Approved by the Board of Charles Stanley Group PLC (company number 48796) on 30 May 2019 and signed on its behalf by:

Paul Abberley (Chief Executive Officer) **Ben Money-Coutts (Chief Financial Officer)**

The notes on pages 103 to 146 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Year ended 31 March 2019

	Share capital £000	Share premium £000	Own shares £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
31 March 2018	12,686	4,564	(95)	1,598	15,167	63,842	97,762	24	97,786
Adjustment on initial application of IFRS 15	–	–	–	–	–	579	579	–	579
Adjustment on initial application of IFRS 9	–	–	–	(159)	–	152	(7)	–	(7)
Profit for the year	–	–	–	–	–	9,004	9,004	–	9,004
Other comprehensive income:									
Financial assets at fair value through other comprehensive income:									
– unrealised gains and losses	–	–	–	898	–	–	898	–	898
– related deferred tax	–	–	–	(153)	–	–	(153)	–	(153)
Realisation of unrealised gains on freehold properties	–	–	–	(219)	–	–	(219)	–	(219)
– Related tax	–	–	–	24	–	–	24	–	24
Remeasurement of defined benefit scheme liability:									
– actuarial gain in the year	–	–	–	–	–	(515)	(515)	–	(515)
– tax movement on scheme liability	–	–	–	–	–	39	39	–	39
Total other comprehensive income for the year	–	–	–	550	–	(476)	74	–	74
Total comprehensive income for the year	–	–	–	550	–	8,528	9,078	–	9,078
Dividends paid	–	–	–	–	–	(4,187)	(4,187)	–	(4,187)
Unclaimed dividends	–	–	–	–	–	109	109	–	109
Shares transfer to employees	–	–	17	–	–	(17)	–	–	–
Own shares acquired	–	–	(123)	–	–	–	(123)	–	(123)
Share-based payments:									
– value of employee services	–	–	–	–	–	3,128	3,128	–	3,128
– issue of shares	6	61	–	–	–	–	67	–	67
31 March 2019	12,692	4,625	(201)	1,989	15,167	72,134	106,406	24	106,430

The notes on pages 103 to 146 are an integral part of these consolidated financial statements.

	Share capital £000	Share premium £000	Own shares £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
1 April 2017	12,672	4,429	–	3,378	15,167	53,424	89,070	24	89,094
Profit for the year	–	–	–	–	–	8,732	8,732	–	8,732
Other comprehensive income:									
Revaluation of available-for-sale financial assets:									
– unrealised gains and losses	–	–	–	494	–	–	494	–	494
– realised gains and losses transferred to profit or loss	–	–	–	(2,863)	–	–	(2,863)	–	(2,863)
Deferred tax on available-for-sale financial assets	–	–	–	398	–	–	398	–	398
Revaluation of freehold properties	–	–	–	208	–	–	208	–	208
Deferred tax on revaluation of freehold properties	–	–	–	(17)	–	–	(17)	–	(17)
Remeasurement of defined benefit scheme liability:									
– actuarial gain in the year	–	–	–	–	–	3,863	3,863	–	3,863
– deferred tax movement on scheme liability	–	–	–	–	–	(657)	(657)	–	(657)
Total other comprehensive income for the year	–	–	–	(1,780)	–	3,206	1,426	–	1,426
Total comprehensive income for the year	–	–	–	(1,780)	–	11,938	10,158	–	10,158
Dividends paid	–	–	–	–	–	(3,546)	(3,546)	–	(3,546)
Own shares acquired	–	–	(95)	–	–	–	(95)	–	(95)
Share-based payments:									
– value of employee services	–	–	–	–	–	2,026	2,026	–	2,026
– issue of shares	14	135	–	–	–	–	149	–	149
31 March 2018	12,686	4,564	(95)	1,598	15,167	63,842	97,762	24	97,786

The notes on pages 103 to 146 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Year ended 31 March 2019

	Notes	2019 £000	2018 £000
Cash flows from operating activities			
Cash generated from operating activities	24	**21,444**	15,485
Interest received		**608**	297
Interest paid		**(76)**	(18)
Tax paid		**(2,525)**	(2,985)
Net cash generated from operating activities		**19,451**	12,779
Cash flows from investing activities			
Acquisition of intangible assets		**(376)**	(676)
Purchase of property, plant and equipment		**(882)**	(2,796)
Purchase of financial assets		**(21,888)**	(1,429)
Proceeds from disposal of property, plant and equipment		**400**	22
Proceeds from sale of financial assets		**12,890**	3,780
Net cash inflow/(outflow) from disposal of business		**119**	(1,256)
Dividends received		**101**	278
Net cash used in investing activities		**(9,636)**	(2,077)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	19	**67**	149
Purchase of own shares	19	**(123)**	(95)
Dividends paid	19	**(4,187)**	(3,546)
Net cash used in financing activities		**(4,243)**	(3,492)
Net increase in cash and cash equivalents		**5,572**	7,210
Cash and cash equivalents at start of year		**65,639**	58,429
Cash and cash equivalents at end of year		**71,211**	65,639

The cash flows for each year relate to continuing operations. There were no discontinued operations in either the current year or the prior year.

The notes on pages 103 to 146 are an integral part of these consolidated financial statements.

Notes to the financial statements
Year ended 31 March 2019

1. General information
Charles Stanley Group PLC ('the Company') is the Parent Company of the Charles Stanley group of companies ('the Group'). The principal activities of the Group are set out in the Directors' report.

The Company is a public limited company which is listed on the London Stock Exchange and is domiciled in the United Kingdom. The Company is registered in England and Wales. The address of its registered office is 55 Bishopsgate, London EC2N 3AS, UK.

2. Basis of preparation and significant accounting policies
The principal accounting policies applied in the presentation of these financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation
The consolidated financial statements and the Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the Companies Act 2006.

As permitted by section 408 of the Companies Act 2006, no profit and loss account is presented for the Parent Company. The notes and information for the Parent Company are presented on pages 147 to 153.

2.2 Functional and presentation currency
The Group and Parent Company financial statements are presented in GBP, which is Charles Stanley Group PLC's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.3 Comparative figures
Certain comparative figures have been amended to reflect presentational changes in the current year financial statements. These changes have had no impact on prior year reported earnings or net assets. The comparatives in notes 17 and 21 have been amended.

2.4 Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis at each reporting date:

Item	Measurement basis
Freehold premises	Fair value
Equity securities	Fair value
Non-derivative financial instruments held at fair value through profit or loss	Fair value
Liabilities for share-based payment arrangements	Fair value
Net defined benefit scheme asset or liability	Fair value of scheme assets less the present value of the defined benefit obligation

2. Basis of preparation and significant accounting policies (continued)

2.5 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 acquired, equity instruments issued and liabilities 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. Any gain on a bargain purchase is recognised immediately in the income statement.

Intercompany 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.

2.6 Going concern

These consolidated financial statements have been prepared on a going concern basis. 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 2019 to 30 September 2020 and applied stress tests for adverse scenarios, which were determined as part of the Group's ICAAP. As a result it was determined that the Group has sufficient liquidity to cover all anticipated payments during that period. The Directors also considered the regulatory capital of the Group and determined that, based on the latest approved forecasts, the Group will have sufficient regulatory capital for the same 18-month period.

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

2.7 Foreign currency translation

Foreign currency transactions are translated into GBP using the exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

2.8 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 Chief Executive Officer.

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.

2.9 Revenue recognition

In the current period the Group has adopted IFRS 15 Revenue from Contracts with Customers. Further details on the impact of adopting IFRS 15 are set out in note 2.26.1.

Revenue comprises income from customers arising in the ordinary course of the Group's activities. Revenue is measured based on the fair value of the expected consideration receivable for each contractual obligation and is recognised when control over the service is transferred to the customer.

The following information details the nature and timing of the satisfaction of performance obligations in contracts with customers for which the Group is principal:

2.9.1 Commission

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

2. Basis of preparation and significant accounting policies (continued)

2.9.2 Fees
Investment management and administration fees are recognised evenly over the period in which the service is provided.

2.9.3 Interest income
Interest income is recognised using the effective interest method.

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

2.10 Share-based payment
The Group operates various equity-settled share-based payments schemes under which the entity receives services from employees as consideration for equity instruments of the Parent Company. 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 grant date fair value of the share options or share awards granted:

- Including market performance conditions
- Excluding the impact of any service and non-market performance vesting conditions (such as profitability targets, sales growth targets or remaining an employee of the entity over a specified time period)
- Including the impact of any non-vesting conditions (such as 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 ultimately 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 any revision to original estimates in the income statement, with a corresponding adjustment to equity.

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

2.11 Employee benefits
2.11.1 Pension obligations
The Group operates two pension schemes – a defined benefit and a defined contribution scheme. The defined benefit scheme determines 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 defined contribution scheme is a pension plan under which the Group pays fixed contributions to 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.

The net charge to the income statement in respect of the defined benefit scheme mainly comprises the service cost and the net interest on the net defined benefit asset or liability and is presented in operating expenses. The liability recognised in the statement of financial position in respect of the defined benefit scheme is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of scheme 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 other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement.

2. Basis of preparation and significant accounting policies (continued)

2.11.2 Short-term employee benefits

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

2.12 Current and deferred income tax

The tax expense for the year 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 associated 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 at 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.

2.13 Intangible assets

2.13.1 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 arising on acquisition of subsidiaries is included under intangible assets and goodwill. Goodwill is tested for impairment at the end of each reporting period 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 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.

2.13.2 Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships acquired outside of a business combination are initially recognised at cost. The customer relationships 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.

2.13.3 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 a useful life of three years.

2. Basis of preparation and significant accounting policies (continued)

2.14 Property, plant and equipment
Freehold premises are measured 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 asset. 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 asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of a replaced part is derecognised. All other repairs and maintenance costs 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 premises 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

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

2.15 Financial instruments
In the current year the Group has applied IFRS 9 Financial Instruments for the first time. Further details on the impact of adopting IFRS 9 are set out in note 2.26.2. In 2019, the Group classifies its non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost. In 2018, the Group classified its non-derivative financial assets into the following IAS 39 categories: financial assets at fair value through profit or loss, available-for-sale and loans and receivables.

The Group classifies its non-derivative financial liabilities as other financial liabilities in both years.

2.15.1 Non-derivative financial instruments – recognition and derecognition
From 1 April 2018 all financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. In 2018 this was true with the exception of financial assets classified as loans and receivables which were recognised on the date they were originated.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire. Financial liabilities are derecognised when the associated contractual obligations are discharged or expire.

Financial assets and liabilities are only offset and presented on a net basis if the Group has a legally enforceable right of set-off and intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are recognised initially at fair value plus directly attributable transaction costs if they are not classified as fair value through profit or loss. Financial instruments classified as fair value through profit or loss are recognised initially at fair value, with associated transaction costs being expensed immediately to the income statement.

2. Basis of preparation and significant accounting policies (continued)

2.15.2 Non-derivative financial assets – measurement

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 it was acquired principally for the purpose of selling in the short term.

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the consolidated income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement when the Group's right to receive payments is established.

Financial assets at fair value through other comprehensive income – equity instruments

Financial assets at fair value through other comprehensive income are financial assets that are not held for trading, for which an irrevocable election has been made at initial recognition to measure it at fair value through other comprehensive income with only dividend income recognised in profit or loss. 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.

This category of financial assets are carried at fair value. Gains or losses arising from changes in the fair value are presented in the consolidated statement of comprehensive income in the period in which they arise. Gains recognised on financial assets at fair value through other comprehensive income will never be transferred to profit or loss.

Financial assets at amortised cost

Financial assets at amortised cost are financial assets held in a business model to collect the cash flows arising from contractual terms that are solely payments of principal and interest on the principal amount outstanding on specified dates. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. These financial assets are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised as finance income using the effective interest rate, except for short-term receivables where the interest would be immaterial.

Available-for-sale

In FY 2018, available-for-sale financial assets were non-derivatives that were either designated in this category or not classified in any of the other IAS 39 categories. Available-for-sale financial assets were carried at fair value. Gains or losses arising from changes in the fair value were presented in the consolidated statement of comprehensive income in the period in which they arose. When available-for-sale financial assets were sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to the consolidated income statement.

Loans and receivables

In FY 2018, loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Loans and receivables comprised trade and other receivables and cash and cash equivalents in the statement of financial position. Loans and receivables were carried at amortised cost using the effective interest method, less any impairment.

2.15.3 Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are measured initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

2.16 Impairment

2.16.1 Impairment of non-derivative financial assets

From 1 April 2018, at each reporting date the Group recognises loss allowances for expected credit losses for all financial assets at amortised cost. The Group measures loss allowances at an amount equal to lifetime expected credit losses, except for debt securities and bank balances for which credit risk has not increased significantly since initial recognition, these are measured at 12 month expected credit losses. When estimating expected credit loss by determining whether credit risk has increased significantly since initial recognition, the Group considers reasonable and supportive information that is relevant and available without undue cost or effort.

2. Basis of preparation and significant accounting policies (continued)

2.16.2 Impairment of non-financial assets

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. Expected credit losses are discounted at the effective rate of interest of the financial asset.

Prior to 1 April 2018, the Group assessed all financial assets for indicators of impairment at the end of each reporting period, except those held at fair value through profit or loss. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The carrying value of the financial asset is reduced by the impairment loss.

For listed and unlisted equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses recognised in other comprehensive income are reclassified to profit or loss in the period. If the impairment loss reduces in subsequent periods, impairment losses previously recognised in profit and loss are not reversed through profit and loss. Increases in fair value subsequent to the recognition of an impairment loss are recognised in the consolidated statement of comprehensive income.

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 amortised and are tested for impairment at each reporting date. Assets with a determinable useful life are amortised over the useful life and 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.

The Group determines a CGU's recoverable amount initially by estimating fair value less costs to sell, based on recent public transactions for similar businesses. If the carrying amount relating to any CGU exceeds the fair value less costs to sell, value in use is also calculated using a discounted cash flow method. If the carrying amount of the CGU also exceeds the value in use, an impairment charge is recognised. Non-financial assets other than goodwill, which have previously suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

2.17 Trade receivables

Trade receivables are amounts due for services performed in the ordinary course of business. Receivables from clients for trades are recognised when the corresponding liability is recognised, as explained in note 2.23. If collection is expected within one year they are classified as current assets. Receivables due after one year are presented as non-current assets.

Trade receivables are measured at amortised cost using the effective interest method, less provision for impairment.

2.18 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held with banks.

2.19 Segregated funds

Segregated funds are held in trust by the Group on behalf of clients in accordance with the FCA's Client Asset Rules. These segregated funds are not shown within the Group's statement of financial position, neither are the corresponding liabilities.

2.20 Dividends

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

2. Basis of preparation and significant accounting policies (continued)

2.21 Provisions

Provisions are recognised when:

- The Group has a present obligation (legal or constructive) as a result of a past event
- The obligation can be measured reliably
- It is probable that the Group will be required to settle that obligation.

Provisions are measured based on the estimated consideration required to settle the obligation at the date of the consolidated statement of financial position and are discounted to present value where the effect is material.

Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount receivable can be measured reliably.

2.22 Trade payables

Trade payables consist of amounts payable and obligations for goods or services received in the ordinary course of business. Stockbroking payables for market trades are recognised on the trade date, rather than the settlement date, as this is the point at which the Group has an obligation to make a payment. Trade payables are classified as current liabilities if payment is due within one year. Payables due after one year are presented as non-current liabilities.

Trade payables are measured at amortised cost using the effective interest method.

2.23 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 are classified as finance leases where the Group has substantially all the risks and rewards of ownership. Finance leases are capitalised at the lease's commencement date at the lower of fair value of the leased asset 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 of interest on the finance balance outstanding. The corresponding rental obligation, net of finance charges, is included as a liability in the statement of financial position. Property, plant and equipment acquired under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

2.24 Investments in subsidiaries

In the Parent Company's financial statements, investments in subsidiaries are stated at cost less any provision for impairment.

2.25 Employees' Share Trust

Charles Stanley Group PLC recognises the assets, liabilities and obligations of the Charles Stanley Group PLC Employees' Share Trust as its own. Charles Stanley Group PLC shares held by the trust are recognised as own shares which are presented as a separate deduction within equity.

2.26 Application of new and revised IFRSs and changes in accounting policy

The accounting policies adopted in the preparation of the Group's Annual report and accounts are as set out above. They are consistent with those followed in the preparation of the Group's Annual report and accounts for the year ended 31 March 2018, except for the mandatory standards and amendments that had an effective date prior to 1 April 2018. Aside from the adoption of IFRS 9 Financial Instruments (see 2.26.1) and IFRS 15 Revenue from Contracts with Customers (see 2.26.2), which are described below, none of the new mandatory standards nor amendments had a material impact on the reported financial position or performance of the Group.

2. Basis of preparation and significant accounting policies (continued)

2.26 Application of new and revised IFRSs and changes in accounting policy (continued)
A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 April 2019. These new standards are not applicable to these financial statements and they are not expected to have a material impact when they become effective, with the exception of IFRS 16 Leases, the impact of which is detailed in note 2.26.3. The Group plans to apply these standards and amendments in the reporting period in which they become effective.

2.26.1 Changes in accounting policies – IFRS 15 Revenue from Contracts with Customers

In the current year the Group has adopted IFRS 15 Revenue from Contracts with Customers. The Group has elected not to restate comparative information from prior periods upon adoption, instead transitional adjustments have been recognised in opening retained earnings on 1 April 2018. Accordingly, the comparative information presented does not reflect the accounting requirements of IFRS 15 but rather those of IAS 18.

IFRS 15 outlines a single comprehensive model for revenue arising from contracts with customers and supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The core principle of IFRS 15 is that an entity recognises revenue to reflect the transfer of goods or services to a customer, measured as an amount that the entity expects to be entitled to in exchange for those goods or services. In addition to the guidance on recognising revenue from contracts with customers, IFRS 15 also prescribes the treatment of costs associated with obtaining contracts where they are not within the scope of another standard.

2.26.1.1 Impact on revenue recognition
On application of IFRS 15 the Group has considered its three main revenue categories:

I. Investment management fees

II. Administration fees

III. Commission.

The Group has applied the five-step model set out in IFRS 15 to its customer contracts. For each identified contract, the Group has analysed the various specific services which are provided. Where contracts with customers promise to deliver more than one of these distinct services, each individual service has a single performance obligation for which revenue is recognised independently of other services when the service is delivered. The transaction price for each service is separately set out in the contract. On this basis, there has been no material impact on the Group's revenue recognition in this period, when compared to revenue that would have been reported in the period under IAS 18. As the Group's revenue recognition policies are unchanged there has been no impact on opening reserves. No additional performance obligations have been recognised in contracts with customers and there have been no changes in timing of recognition of revenue.

2.26.1.2 Capitalisation of costs previously expensed
IFRS 15 also prescribes that the incremental costs of obtaining a contract with a customer shall be recognised as an asset if the entity expects to recover those costs. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. For the Group, this changes the historic treatment of payments made to investment managers for introducing customer relationships to the Group. Under IFRS 15, all these payments will be capitalised if they are expected to be recovered. Previously, these payments were capitalised if made within the first 12 months of an investment manager joining the Group and payments made after the initial 12 months were expensed immediately to the income statement. On application of IFRS 15 the Group has recognised an increase in opening retained earnings of £0.6 million, representing £0.8 million capitalised costs which had been previously expensed less £0.1 million of accumulated amortisation on the newly capitalised assets and £0.1 million in respect of deferred tax. For more details see note 13. The impact on the Income statement for the year is an additional amortisation expense of £0.1 million on assets capitalised on application of the standard.

2. Basis of preparation and significant accounting policies (continued)

2.26.2 Changes in accounting policies – IFRS 9 Financial Instruments

In the current year the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the:

I. Classification and measurement of financial assets and financial liabilities

II. Impairment for financial assets

III. General hedge accounting.

The date of initial application was 1 April 2018. The Group has elected not to restate comparatives, and to recognise the impact of the new accounting requirements in opening retained earnings on the date of adoption as set out below. Accordingly the comparatives presented do not reflect the accounting requirements of IFRS 9 but rather those of IAS 39. On application of IFRS 9 the Group has recognised an increase in retained earnings, and corresponding decrease in revaluation reserve, of £0.2 million representing gains recognised in other comprehensive income in respect of financial assets now classified as fair value through profit and loss. The impact on the income statement for the period is that an additional £0.04 million of gains have been included in finance income which would have previously been recognised in other comprehensive income.

2.26.2.1 Classification and measurement of financial assets

The basis of classification for financial assets under IFRS 9 has changed from those of IAS 39. Under IFRS 9 financial assets are classified as amortised cost, fair value through profit or loss, or fair value through other comprehensive income which replace the IAS 39 categories of available-for-sale, loans and receivables and held to maturity. The new classification and measurement for the Group's financial assets which were held at 1 April 2018 are set out in the table below:

	Note	IAS 39 classification	Carrying value under IAS 39 as at 31 March 2018 £000	IFRS 9 classification	**Carrying value under IFRS 9 as at 1 April 2018 £000**
Listed model investment portfolios	a	Available-for-sale	2,127	Fair value through profit or loss	**2,127**
Government gilts	b	Available-for-sale	2,004	Amortised cost	**1,997**
Unlisted equity investments	c	Available-for-sale	1,688	Fair value through other comprehensive income	**1,688**
Listed equity investments	a	Fair value through profit or loss	100	Fair value through profit or loss	**100**

Notes

a) The Group holds listed investments with the objective to demonstrate that the Group's investment strategies are successful. Based on the nature of the business model under which financial assets are managed, these are classified as fair value through profit or loss based on judgements required by IFRS 9. These were previously held as available-for-sale financial assets to be recognised in other comprehensive income. The revaluation reserve attributable to assets newly classified as fair value through profit or loss and fair value through other comprehensive income has been transferred to retained earnings on application of IFRS 9.

b) Government gilts are classified as amortised cost as they are debt instruments the Group holds solely to receive contractual payments of principal and interest on the principal amount outstanding. Fair value gains previously recognised on government gilts have been reversed.

c) The Group's unlisted equity investments are those which the Group intends to hold for long term strategic purposes. As permitted by IFRS 9, they were designated as fair value through other comprehensive income on adoption of the standard. These were previously held as available-for-sale financial assets to be recognised in other comprehensive income.

2. Basis of preparation and significant accounting policies (continued)

2.26.2.2 Classification and measurement of financial liabilities
The classification and measurement of financial liabilities remains unchanged from IAS 39, therefore there has been no impact on the Group's financial liabilities on adoption of the new standard.

2.26.2.3 Impairment for financial assets
In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

As at 1 April 2018, the Directors of the Company reviewed and assessed the Group's existing assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised.

In respect of IFRS 9, whether each significant class of the Group's financial assets is classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income, the expected credit loss model has been applied. No additional impairments have been recognised on application of IFRS 9 as no material defaults are anticipated within the next 12 months.

2.26.2.4 Hedge accounting
IFRS 9 incorporates new hedge accounting requirements. The Group does not carry out, and does not currently intend to carry out, any hedging activities which would be accounted for in accordance with IFRS 9.

2.26.3 Standards not yet mandatorily effective – IFRS 16 Leases
The Group is required to adopt IFRS 16 Leases from 1 April 2019. IFRS 16 replaces IAS 17 Leases.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees and eliminates the classification of leases as either operating or finance leases. The Group has elected to take advantage of exemptions for short-term leases and leases of low-value items.

2.26.3.1 Leases in which the Group is a lessee
The Group will recognise right of use assets and associated lease liabilities in respect of the Group's various leasehold offices in the Group's statement of financial position. The nature of expenses related to those leases will now change because the Group will recognise a straight-line depreciation expense and a front-loaded interest expense on lease liabilities.

Previously, as required under IAS 17, the Group recognised operating lease expenses (see note 25) on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there were timing differences between actual lease payments and the expense recognised.

Based on the information currently available, which is subject to change until the Group presents its first full financial statements that include the date of application, the Group estimates that it will recognise right of use assets of £12.0 million and lease liabilities of £14.2 million at 1 April 2019.

2.26.3.2 Transition to IFRS 16
The Group plans to adopt IFRS 16 using the modified retrospective approach, with right of use assets being recognised with a carrying amount as if the standard had been applied since the commencement date. Therefore the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening retained earnings at 1 April 2019, with no restatement of comparatives.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 April 2019 which were identified as leases in accordance with IAS 17 and IFRIC 4.

3. Use of judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions to determine the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on the Group's historical experience and other relevant factors. Actual results may differ from the estimates applied.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Major sources of estimation and uncertainty in applying the Group's accounting policies

The following key estimates have been made by the Directors in applying the Group's accounting policies:

3.1.1 Goodwill and intangible assets

For the purposes of impairment testing, the Parent Company and the Group assess goodwill and client relationships based on the recoverable amount of individual units making up the relevant intangible asset, in accordance with the accounting policy set out in note 2.13. The recoverable amount is calculated based on assumptions which are set out in more detail in note 13.

It was concluded that no impairment of the carrying value of goodwill or intangible assets occurred in the year.

3.1.2 Retirement benefit obligations

In consultation with an independent actuary, the Group makes estimates about a number of long-term trends and market conditions to determine the value of the deficit of its defined benefit pension 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 2019 resulted in an increase in the actuarial deficit of £0.3 million which has been reflected in these financial statements.

3.1.3 Unlisted financial assets designated as fair value through other comprehensive income

Unlisted financial assets include an investment in Euroclear. The Directors have estimated the fair value of this investment based on the price earnings ratio of comparable quoted companies, discounted to reflect the illiquidity of Euroclear shares. Details of the sensitivity of the carrying amount to changes in the assumptions used is included in note 16.

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

3.1.4 Share-based payments

The Group participates in a number of equity-settled share-based payment arrangements with its employees, as detailed in note 10. When such awards are made, the fair value at grant date serves as the basis for calculating the staff costs.

The vesting conditions attached to the awards are subject to specific non-market performance conditions. The expense in respect of the each arrangement is recognised over the vesting period, based on an estimate of the number of awards expected to vest. The estimate of awards expected to vest is revised at each reporting date and the cumulative charge is updated.

3.2 Key accounting judgements in applying the Group's accounting policies

The Directors do not consider there are any key accounting judgements impacting the financial statements.

4. Operating segments

The Group has four operating divisions, representing the Core Business, which are its reportable segments. These segments are the basis on which the Group reports its performance to the Chief Executive Officer, who is the Group's chief operating decision-maker.

	Investment Management Services £000	Asset Management £000	Financial Planning £000	Charles Stanley Direct £000	Support Functions £000	Total £000
Year ended 31 March 2019						
Investment management fees	81,234	4,327	1,529	–	–	87,090
Administration fees	17,131	2,115	5,774	6,290	–	31,310
Total fees	98,365	6,442	7,303	6,290	–	118,400
Commission	34,402	939	10	1,407	–	36,758
Total revenue	132,767	7,381	7,313	7,697	–	155,158
Administrative expenses	(76,888)	(5,005)	(8,305)	(3,319)	(52,250)	(145,767)
Other income	46	51	2	2	–	101
Operating contribution	55,925	2,427	(990)	4,380	(52,250)	9,492
Allocated costs	(43,468)	(2,855)	(2,545)	(3,382)	52,250	–
Operating profit/(loss)[1]	12,457	(428)	(3,535)	998	–	9,492
Segment assets	299,435	592	1,603	5,591	294	307,515
Segment liabilities	199,899	192	994	–	–	201,085

Notes
1. The operating profit/(loss) as per the table above is different to that presented in the divisional analysis within the Review of the year (on page 25) as the table above includes adjusting items which are excluded from the Core Business analysis.

4. Operating segments (continued)

	Investment Management Services £000	Asset Management £000	Financial Planning[2] £000	Charles Stanley Direct £000	Support Functions £000	Total £000
Year ended 31 March 2018						
Investment management fees	77,218	4,395	1,302	–	–	82,915
Administration fees	13,274	1,643	5,530	4,332	–	24,779
Total fees	90,492	6,038	6,832	4,332	–	107,694
Commission	40,738	900	25	1,503	–	43,166
Total revenue	131,230	6,938	6,857	5,835	–	150,860
Administrative expenses	(73,538)	(4,404)	(7,277)	(3,407)	(53,520)	(142,146)
Other income	233	45	–	–	–	278
Operating contribution	57,925	2,579	(420)	2,428	(53,520)	8,992
Allocated costs	(46,051)	(2,412)	(2,193)	(2,864)	53,520	–
Operating profit/(loss)[1]	11,874	167	(2,613)	(436)	–	8,992
Segment assets	269,316	487	5,123	6,355	294	281,575
Segment liabilities	180,769	262	2,623	135	–	183,789

Notes
1. The operating profit/(loss) as per the table above is different to that presented in the divisional analysis within the Review of the year (on page 25) as the table above includes adjusting items which are excluded from the Core Business analysis.
2. The revenues and costs of EBS Management PLC are included within the Financial Planning division results up to the date of disposal of EBS Management PLC. The disposal was completed on 31 May 2017. See note 5 for further information.

5. Disposal of subsidiary

The Group announced the sale of EBS Management PLC to Embark Group Limited on 11 April 2017. The sale subsequently completed on 31 May 2017. The net assets of EBS Management PLC at the date of disposal were as follows:

	31 May 2017 £000
Trade and other receivables	828
Cash and cash equivalents	3,256
Trade and other payables	(2,214)
Attributable goodwill	1,294
Gain on disposal	707
Total consideration	3,871
Satisfied by:	
Cash	2,000
Deferred consideration	1,871
	3,871

The initial cash consideration of £2.0 million was received and recognised in full during the prior year. Deferred consideration of £2.0 million was payable in cash by Embark Group Limited in two equal instalments of £1.0 million on the first and second anniversary of the completion date, this was discounted to fair value at the disposal date. The first instalment was received in the prior year and the balance is expected to be received in full in the next financial year. The discount is being unwound over the two-year period and recognised as finance income.

6. Other income

	2019 £000	2018 £000
Dividend income from financial assets	**101**	278

7. Operating profit

Operating profit for the year has been arrived at after charging/(crediting):

	2019 £000	2018 £000
Depreciation of property, plant and equipment	**1,630**	2,256
Amortisation	**2,027**	2,603
(Gains)/losses on financial assets at fair value through profit or loss	**(94)**	8
Gains on foreign currency exchange	**(156)**	(82)
Operating lease rentals payable	**3,305**	3,281
Financial Services Compensation Scheme Levy	**1,037**	1,211
Fees payable to the Company's auditor for audit services:		
Audit of the Company's Annual accounts	**54**	52
Audit of the Company's subsidiaries	**169**	164
Fees payable to the Company's auditor for other services:		
Regulatory-related assurance services	**93**	90
Other assurance services	**27**	27

8. Net finance income

	2019 £000	2018 £000
Interest income	**608**	297
Unrealised gains on fair value through profit or loss financial assets	**39**	–
Realised gains on fair value through profit or loss financial assets	**55**	–
Realised gains on disposal available-for-sale financial assets	**–**	46
Finance income	**702**	343
Interest payable on bank borrowings	**(29)**	(11)
Interest payable on other loans	**(47)**	(7)
Finance costs	**(76)**	(18)
Net finance income	**626**	325

9. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume exercise of all potentially dilutive share options.

Earnings per share	2019 pence	2018 pence
Basic earnings per share	**17.74**	17.23
Diluted earnings per share	**17.41**	16.93

The Directors believe that a better reflection of the performance of the Group's underlying business is given by the measure of Core Business earnings per share, which is presented in the Review of the year. This measure is also followed by the analyst community as a benchmark of the Group's underlying performance.

The earnings and weighted average number of shares used in the calculation of basic and diluted earnings per share is shown below:

Earnings	2019 £000	2018 £000
Earnings used in the calculation of basic earnings per share and diluted earnings per share	**9,004**	8,732

Number of shares	2019 000	2018 000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**50,745**	50,682
Effect of potentially dilutive share options	**985**	881
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**51,730**	51,563

All amounts relate to continuing operations. There were no discontinued operations in the current year or in the prior year.

10. Share-based payment arrangements

10.1 Description of share-based payment arrangements

The Group had the following share-based payment arrangements during the year:

Deferred Equity Plan (equity-settled)

The Deferred Equity Plan is only open to Executive Directors and certain senior managers. Nil-cost options are granted under the plan for any annual bonus amounts deferred into shares, in accordance with the Group's remuneration policy. Options vest over a period of three years and have a contractual life of five years. There are no performance conditions attached to options granted under the plan.

Investment Managers Share Plan (equity-settled)

The Investment Managers Share Plan is a one-off scheme whereby share options were awarded to investment managers employed by the Group. 2,415,725 options were granted on 15 June 2017, with 966,290 options allocated to Pool A and 1,449,435 allocated to Pool B of the plan. During the year, 12,859 options from Pool A were forfeited due to leavers and Pool B remained unchanged.

Pool A options vest after three years, upon publication of the Annual report and accounts for the year ending 31 March 2020, subject to the option holder still being in the Group's employment. There are no attached performance conditions.

Pool B Awards will only vest if the pre-tax profit margin of the employed investment management teams collectively is 15% or more in any of the three years ending 31 March 2020, 2021 and 2022. If the pre-tax margin condition is not achieved by year ending 31 March 2022, the options will lapse. The pre-tax profit margin of the employed investment management teams collectively was 15.7% for the year.

Performance Share Plan (equity-settled)

The Performance Share Plan is only open to Executive Directors and senior managers. Options are awarded annually under the plan and vest over a period of three years based on specific performance targets. The contractual life of the options is five years.

Save As You Earn (equity-settled)

The Save As You Earn (SAYE) scheme is open to all employees. Options are granted under the scheme at a 15% discount to the mid-market closing price for the three days preceding the grant date and have a three-year vesting period. The options are exercisable for a period of six months after vesting and are not subject to any performance conditions.

Share Incentive Plan

The Share Incentive Plan is open to all employees, enabling them to purchase shares in the Parent Company out of their pre-tax salary.

Further information on the Group's equity-settled share-based arrangements, including details on individual limits and vesting conditions, can be found in the Directors' remuneration report.

10. Share-based payment arrangements (continued)

10.2 Measurement of fair values

The fair value of the options granted under the SAYE scheme and Investment Managers Share Plan is calculated using the Black-Scholes option pricing model. Service and non-market performance conditions attached to the options are not taken into account in measuring fair value. Expected volatility is based on the historical share price volatility.

During the year, the inputs used in the measurement of fair value of options granted under these schemes were as follows:

	Share price at grant date	Exercise price	Expected volatility	Expected life	Expected dividend yield	Risk-free interest rate
Year ended 31 March 2018						
SAYE: 20 December 2017	£3.75	£3.23	22.15%	3 years	1.60%	0.57%
Investment Managers Share Plan: 15 June 2017	£3.60	£0.25	29.49%	3 years	1.67%	0.20%
Year ended 31 March 2019						
SAYE: 19 December 2018	**£2.76**	**£2.39**	**25.90%**	**3 years**	**2.90%**	**0.76%**

The grant date fair value of nil-cost options granted under the Performance Share Plan and Deferred Equity Plan is equal to the share price at the grant date.

10.3 Reconciliation of outstanding share options

The total number and weighted average exercise prices of share options outstanding were as follows:

	2019		2018	
	Number of options	**Weighted average exercise price £**	Number of options	Weighted average exercise price £
Brought forward	**3,929,736**	**0.66**	1,579,807	1.27
Exercised	**(24,807)**	**3.43**	(54,207)	2.71
Forfeited	**(391,539)**	**0.85**	(384,012)	0.81
Granted	**883,621**	**1.40**	2,788,148	0.37
Carried forward	**4,397,011**	**0.78**	3,929,736	0.66

The options outstanding at 31 March 2019 had an exercise price in the range of £nil to £3.23 (2018: £nil to £4.11) and a weighted average contractual life of 1.4 years (2018: 2.0 years).

The weighted average share price at the date of exercise for share options exercised in the year was £3.49 (2018: £3.71).

The Group recognised total expenses in the year of £3.1 million (2018: £2.3 million) in relation to equity-settled share-based payment transactions.

11. Employee benefits

11.1 Defined contribution scheme

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.

11.2 Defined benefit scheme

The Group also sponsors the Charles Stanley & Co. Limited Retirement Benefits Scheme, which is a funded defined benefit arrangement. This is a separate trustee-administered fund, holding the scheme's assets to meet long-term pension liabilities of the scheme's members.

A full actuarial valuation was carried out as at 13 May 2017 in accordance with the scheme funding requirements of the Pensions Act 2004 and has been reflected in these financial statements.

The funding of the scheme is agreed between the Group and the trustees in line with those requirements. There is a particular requirement to calculate the pension surplus or deficit using prudence, as opposed to best estimate actuarial assumptions.

For the purposes of IAS 19 the actuarial valuation as at 13 May 2017, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 March 2019. The valuation methodology adopted for the current year's disclosures are the same as those used in the prior year.

Amounts included in the consolidated statement of financial position

	2019 £000	2018 £000
Fair value of scheme assets	**21,039**	19,897
Present valuation of defined benefit obligation	**(27,880)**	(26,357)
Deficit in scheme	**(6,841)**	(6,460)
Liability recognised in consolidated statement of financial position	**(6,841)**	(6,460)

The present value of the scheme's liabilities is measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. The value calculated in this way is reflected as a liability in the consolidated statement of financial position as shown above.

11. Employee benefits (continued)

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 IAS 19 figures in respect of an asset ceiling or Minimum Funding Requirements as at 31 March 2019.

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

	2019 £000	2018 £000
Defined benefit obligation brought forward	**26,357**	32,195
Interest expense	**675**	765
Actuarial gains due to scheme experience	**–**	(2,094)
Actuarial gains due to changes in demographic assumptions	**(184)**	(254)
Actuarial losses/(gains) due to changes in financial assumptions	**1,528**	(109)
Benefits paid and expenses	**(772)**	(597)
Past service costs	**276**	–
Liabilities extinguished on settlements	**–**	(3,549)
Defined benefit obligation carried forward	**27,880**	26,357

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

	2019 £000	2018 £000
Fair value of scheme assets brought forward	**19,897**	21,667
Interest income	**515**	525
Return on scheme assets	**829**	683
Contributions by the Group	**570**	445
Benefits paid and expenses	**(772)**	(597)
Assets distributed on settlements	**–**	(2,826)
Fair value of scheme assets carried forward	**21,039**	19,897

No members (2018: four members) have been paid transfer values in full settlement of their liabilities under the scheme during the year. There have been no other scheme amendments, curtailments or settlements in the year.

11. Employee benefits (continued)

Defined benefit costs recognised in the consolidated income statement

	2019 £000	2018 £000
Past service costs and gains from settlement	**276**	–
Net interest cost	**160**	240
Total amount recognised in consolidated income statement	**436**	240

Defined benefit costs recognised in consolidated statement of comprehensive income

	2019 £000	2018 £000
Return on scheme assets	**829**	683
Experience gains arising on the scheme liabilities	**–**	2,817
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	**184**	254
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	**(1,528)**	109
Total amount recognised in consolidated statement of comprehensive income	**(515)**	3,863

Scheme assets

	2019 £000	2018 £000
Equities	**12,567**	11,977
Bonds	**6,368**	6,331
Property	**785**	681
Cash	**574**	198
Alternatives	**745**	710
Total assets	**21,039**	19,897

None of the fair values of the assets shown above include any direct investments in the Charles Stanley Group's own financial instruments (2018: no direct investments) or any property occupied by, or other assets used by Charles Stanley Group. Alternatives include hedge funds, infrastructure and renewable energy investments. All of the scheme's assets have a quoted market price in an active market with the exception of the trustees' 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 processes undertaken to measure and manage the risks inherent in the planned investment strategy are documented in the scheme's Statement of Investment Principles.

11. Employee benefits (continued)

The scheme's trustees changed the investment management strategy of the scheme's assets during the prior year and adopted a five stage derisking flight plan to reduce risk gradually over life of the scheme as the scheme nears its objective. The investment mandate also adopted a liability-driven approach. At the reporting date, the scheme's portfolio is 70% liability hedged.

Further details on the assumptions underpinning the valuation are provided below:

Significant actuarial assumptions

	2019 %	2018 %
Inflation – Consumer Prices Index (CPI)	**2.40**	2.30
Rate of discount	**2.30**	2.60
Allowance for pension in payment increases of CPI (or 5% p.a. if less than CPI, minimum 3% p.a.)	**3.00**	3.00
Allowance for revaluation of deferred pensions of CPI (or 2.5% p.a. if less than CPI)	**2.40**	2.30

The mortality assumptions adopted at 31 March 2019 are 100% (2018: 100%) of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2015 converging to 1.00% p.a. These imply the following life expectancies at age 65:

	2019	2018
Male retiring in current year	**21.8**	21.9
Female retiring in current year	**23.7**	23.8
Male retiring in 20 years	**22.9**	23.1
Female retiring in 20 years	**25.0**	25.0

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% p.a.	Increase by 4.3%
Rate of inflation	Increase of 0.25% p.a.	Increase by 1.0%
Rate of mortality	Increase in life expectancy of one year	Increase by 3.8%

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, pension increases and salary growth. The average duration of the defined benefit obligation at 31 March 2019 was 17 years (2018: 18 years).

11. Employee benefits (continued)

The scheme typically exposes the Group to actuarial risks such as investment risk, interest rate 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 scheme 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 scheme'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 scheme against extreme inflation.

The best estimate of contributions to be paid by the Group to the scheme for the year commencing 1 April 2019 is £0.6 million (2018: £0.5 million).

11.3 Employee benefit expenses

The average number of persons employed (including Directors) during the year was 769 (2018: 773).

	2019 £000	2018 £000
Employee costs for the Group during the year:		
Wages and salaries	**46,604**	44,244
Social Security costs	**6,636**	6,269
Share-based payments	**3,091**	2,303
Pension costs:		
Defined contribution scheme	**4,214**	3,775
Defined benefit scheme	**160**	240
	60,705	56,831

12. Income taxes

Tax recognised in the consolidated income statement

	2019 £000	2018 £000
Current taxation		
Current year expense	**2,592**	2,703
Adjustment in respect of prior years	**(335)**	501
	2,257	3,204
Deferred taxation		
Credit for the year	**(193)**	(336)
Adjustment in respect of prior years	**(38)**	(153)
	(231)	(489)
Total tax expense	**2,026**	2,715

In addition to amounts charged to the consolidated income statement, a deferred tax charge of £0.2 million (2018: £0.4 million credit) relating to the revaluation of financial assets has been recognised directly to equity. A further credit of £nil (2018: £0.02 million) in relation to deferred tax on revaluation of freehold property has been recognised directly to equity. A current tax charge of £0.02 million (2018: £nil) and deferred tax credit of £0.07 million (2018: £0.7 million charge) in respect of the defined benefit scheme have also been charged directly to equity.

Legislation to reduce the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted in September 2016. Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind.

The tax expense for the year is higher than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are as follows:

	2019 £000	2018 £000
Profit before tax from continuing operations	**11,030**	11,447
Profit multiplied by rate of corporation tax in the UK of 19%	**2,096**	2,175
Tax effects of:		
Income not subject to tax	**(28)**	(44)
Expenses not allowed for tax	**85**	181
Share-based payments	**576**	(53)
Adjustments in respect of prior years	**(373)**	348
Intangible asset impairments	**9**	–
Fixed assets differences	**(28)**	302
Disposal of business not subject to tax	**(190)**	(143)
Change in tax rate	**–**	31
Other adjustments	**(121)**	(82)
	(70)	540
Total tax expense for the year	**2,026**	2,715

13. Intangible assets

Cost	Goodwill £000	Customer relationships £000	Internally generated software £000	Total £000
At 1 April 2017	20,213	23,425	7,145	50,783
Additions	–	350	326	676
At 31 March 2018	**20,213**	**23,775**	**7,471**	**51,459**
Adjustment on application of IFRS 15	–	**786**	–	**786**
Additions	–	**376**	–	**376**
At 31 March 2019	**20,213**	**24,937**	**7,471**	**52,621**
Amortisation				
At 1 April 2017	6,161	18,689	4,713	29,563
Charge for the year	–	1,083	1,520	2,603
At 31 March 2018	**6,161**	**19,772**	**6,233**	**32,166**
Adjustment on application of IFRS 15	–	**89**	–	**89**
Charge for the year	–	**1,097**	**930**	**2,027**
At 31 March 2019	**6,161**	**20,958**	**7,163**	**34,282**
Net book value				
At 31 March 2019	**14,052**	**3,979**	**308**	**18,339**
At 31 March 2018	14,052	4,003	1,238	19,293

None of the intangible assets have been pledged as security.

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

	2019 £000	2018 £000
Investment Management Services	**8,805**	8,805
Charles Stanley Direct	**5,247**	5,247
	14,052	14,052

13.1 Goodwill

The recoverable amount of goodwill allocated to a CGU is determined initially by calculating the CGU's fair value less costs to sell. If this is lower than the carrying amount or is not determinable, a value in use calculation is also prepared.

Fair value less costs to sell is calculated largely based on a percentage of FuMA (between 1.23% and 3.26%). Where this approach is not appropriate, a turnover multiple is used. The rates used in the fair value less costs to sell calculations are those implied by recent transactions in the market or, where appropriate, based on publicly available information for similar quoted businesses. The inputs into fair value less costs to sell calculations are considered to be level 3 in the fair value hierarchy. The valuation techniques for calculating the recoverable amount are consistent with those used in prior years.

At 31 March 2019, fair value less costs to sell was higher than carrying value for each CGU when applying the percentage at the lower end of the range to FuMA. Therefore, no value in use calculations have been prepared. Hence, no impairment charge (2018: £nil) has been recognised in the consolidated income statement.

13. Intangible assets (continued)

13.1.1 Investment Management Services

The goodwill attributed to the Investment Management Services division of £8.8 million is represented by six underlying CGUs comprising acquired investment management teams in different locations across the UK. The largest CGUs are Edinburgh and Birmingham which represent 49% and 26% of the total goodwill held by the division respectively. The recoverable amount of goodwill related to Investment Management Services was assessed using fair value less costs to sell for the year ended 31 March 2019. The fair value was determined based on a percentage of FuMA. The recoverable amount was determined to be higher than the carrying amount of the CGU and therefore the goodwill carrying value is adequately supported.

If the percentage applied to FuMA in the fair value calculation was reduced by 10% the carrying values of each CGU and therefore the goodwill carrying value would still be adequately supported.

13.1.2 Charles Stanley Direct

The recoverable amount of goodwill relating to Charles Stanley Direct was assessed using fair value less costs to sell for the year ended 31 March 2019. Fair value less costs to sell was determined based on a percentage of AuA in recent market transactions. The range observed was 2.67% to 4.19%. The recoverable amount was determined to be higher than the carrying amount of the CGU and therefore the goodwill carrying value is adequately supported.

If the percentage applied to AuA in the fair value calculation was reduced by 10% the goodwill carrying value would still be adequately supported.

13.2 Customer relationships

Customer relationships relate to payments made to investment managers and third parties for the introduction of customer relationships. The fair value was determined based on a percentage of FuMA of those who have received payments. The recoverable amount was determined to be higher than the carrying amount of each relationship and therefore the carrying value is adequately supported.

The client relationships have been reviewed for impairment by comparing the carrying value of each relationship and the remaining consideration that the Group expects to receive for services which are derived from the customer relationships. The remaining expected consideration is estimated based on the expected revenue which would be received for one year. For each relationship the carrying amount exceeds the estimated remaining consideration and therefore there is no indication of impairment.

13.3 Internally generated software

Internally generated software is software designed, developed and commercialised by the Group.

14. Property, plant and equipment

Cost or valuation	Freehold premises £000	Short leasehold premises £000	Office equipment and motor vehicles £000	Total £000
At 1 April 2017	5,013	5,880	17,757	28,650
Additions	–	1,547	1,249	2,796
Revaluations	(1,244)	–	–	(1,244)
Disposals	–	(320)	(364)	(684)
At 31 March 2018	**3,769**	**7,107**	**18,642**	**29,518**
Additions	**–**	**481**	**535**	**1,016**
Disposals	**(335)**	**(97)**	**–**	**(432)**
At 31 March 2019	**3,434**	**7,491**	**19,177**	**30,102**
Depreciation				
At 31 April 2017	510	2,281	15,883	18,674
Charge for the year	126	1,264	866	2,256
Revaluations	(477)	–	–	(477)
Disposals	–	(289)	(326)	(615)
At 31 March 2018	**159**	**3,256**	**16,423**	**19,838**
Charge for the year	**61**	**672**	**897**	**1,630**
Disposals	**(14)**	**(58)**	**–**	**(72)**
At 31 March 2019	**206**	**3,870**	**17,320**	**21,396**
Net book value				
At 31 March 2019	**3,228**	**3,621**	**1,857**	**8,706**
At 31 March 2018	**3,610**	**3,851**	**2,219**	**9,680**

Freehold premises are carried at fair value. The most recent valuations of freehold premises were carried out in February 2018 by independent chartered surveyors. Following these valuations, an impairment loss of £nil (2018: £1.0 million) has been recognised in the Consolidated income statement.

If freehold premises had been carried under the cost model, their carrying value would have been £3.4 million (2018: £3.7 million).

The cost and accumulated depreciation of property, plant and equipment in the table above includes £19.9 million (2018: £18.8 million) in respect of fully depreciated assets which are still in use.

15. Net deferred tax asset

Deferred tax assets	Employee benefits £000	Share-based payments £000	Deferred capital allowances £000	Tax losses and other timing differences £000	Total £000
At 1 April 2017	1,790	18	593	240	2,641
Recognised in profit or loss					
Current year	(39)	421	133	–	515
Change in rate	4	(38)	(2)	(7)	(43)
	(35)	383	131	(7)	472
Recognised in other comprehensive income					
Current year	(733)	–	(41)	–	(774)
Change in rate	76	–	4	–	80
	(657)	–	(37)	–	(694)
Recognised in equity					
Current year	–	4	–	–	4
	–	4	–	–	4
At 31 March 2018	**1,098**	**405**	**687**	**233**	**2,423**
Recognised in profit or loss					
Current year	**–**	**324**	**(63)**	**(78)**	**183**
Change in rate	**–**	**–**	**–**	**–**	**–**
	–	**324**	**(63)**	**(78)**	**183**
Recognised in other comprehensive income					
Current year	**65**	**–**	**37**	**–**	**102**
Change in rate	**–**	**–**	**–**	**–**	**–**
	65	**–**	**37**	**–**	**102**
At 31 March 2019	**1,163**	**729**	**661**	**155**	**2,708**

15. Net deferred tax asset (continued)

Deferred tax liabilities	Intangible assets £000	Property, plant and equipment £000	Available-for-sale financial assets £000	Fair value through profit or loss financial assets £000	Fair value through other comprehensive income financial assets £000	Total £000
At 1 April 2017	(80)	(6)	(677)	–	–	(763)
Recognised in profit or loss						
Current year	30	(14)	(20)	–	–	(4)
Change in rate	1	–	–	–	–	1
	31	(14)	(20)	–	–	10
Recognised in other comprehensive income						
Current year	–	20	445	–	–	465
Change in rate	–	–	(47)	–	–	(47)
	–	20	398	–	–	418
At 31 March 2018	**(49)**	**–**	**(299)**	**–**	**–**	**(348)**
Adjustment on application of IFRS 9	**–**	**–**	**299**	**(31)**	**(267)**	**1**
Adjustment on application of IFRS 15	**(118)**	**–**	**–**	**–**	**–**	**(118)**
	(118)	**–**	**299**	**(31)**	**(267)**	**(117)**
Recognised in profit or loss						
Current year	**50**	**–**	**–**	**(6)**	**–**	**44**
Change in rate	**–**	**–**	**–**	**–**	**–**	**–**
	50	**–**	**–**	**(6)**	**–**	**44**
Recognised in other comprehensive income						
Current year	**–**	**–**	**–**	**–**	**(153)**	**(153)**
Change in rate	**–**	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**(153)**	**(153)**
At 31 March 2019	**(117)**	**–**	**–**	**(37)**	**(420)**	**(574)**

Net deferred tax asset	
At 31 March 2019	**2,134**
At 31 March 2018	2,075

Legislation to reduce the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted in September 2016. The deferred tax asset at 31 March 2019 has been calculated based on the rate expected to apply when the relevant timing differences are forecast to unwind.

16. Financial assets

The effect of initially applying IFRS 9 in the Group's financial instruments is described in note 2.26.2. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirements.

Current	2019 £000	2018 £000
Listed equity securities designated at fair value through profit or loss	**2,234**	100
Sovereign debt securities at amortised cost	**9,994**	–
	12,228	100
Non-current		
Listed equity securities – available-for-sale	–	2,127
Unlisted equity securities – available-for-sale	–	1,688
Sovereign debt securities – available-for-sale	–	2,004
Unlisted equity securities designated at fair value through other comprehensive income	**2,586**	–
Sovereign debt securities at amortised cost	**1,010**	–
	3,596	5,819

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

Sovereign debt securities have stated yield between 0.65% and 1.23% (2018: 1.23% to 1.25%) and are held in order to collect contractual cash flows. Sovereign debt securities include a £1.0 million (2018: £2.0 million) holding in gilts which is pledged to a clearing house.

16.1 Equity securities designated at fair value through other comprehensive income
At 1 April 2018, the Group designated the investments shown below as equity securities at fair value through other comprehensive income because these securities represent investments that the Group intend to hold for long term strategic purposes. In 2018, these investments were classified as available-for-sale – see note 17.

	Fair value at 2019 £000	Dividend income in 2019 £000
Investment in Euroclear Holding SA	**2,493**	–
Investment in SWIFT SCRL	**93**	–
	2,586	–

No strategic investments were acquired or disposed of during the year, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

17. Trade and other receivables

Current	2019 £000	2018 £000
Trade receivables	**160,913**	145,518
Other receivables	**2,827**	4,212
Accrued income	**24,696**	23,675
Prepayments	**2,865**	4,619
	191,301	178,024
Non-current		
Deferred consideration	–	945
	–	945

Other receivables includes deferred consideration receivable for the sale of EBS Management PLC to Embark Group Limited on 31 May 2017. Total deferred consideration of £1.0 million (2018: £2.0 million) is payable in cash by Embark Group Limited, on the second anniversary of the completion date in June 2019, with the first instalment received in June 2018. This has been discounted to fair value at the disposal date, with the discount being unwound over the two-year period and recognised as finance income in the consolidated income statement. Management currently expects the full amount to be received so no impairment has been made against this balance.

During the year, the previously fully impaired deferred consideration of £0.5 million was in relation to the sale of Charles Stanley Financial Solutions Limited (CSFS) were received in full.

A breakdown of the net deferred consideration receivable recognised in the statement of financial position is presented below:

Current	2019 £000	2018 £000
Deferred consideration	**992**	1,159
Provision for impairment	–	(167)
	992	992
Non-current		
Deferred consideration	–	1,278
Provision for impairment	–	(333)
	–	945

18. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	**71,211**	65,639

19. Called up share capital

The following movements in share capital occurred during the year:

	Number of 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:				
At 1 April 2017	50,689	12,672	4,429	17,101
Exercise of share options	54	14	135	149
At 31 March 2018	**50,743**	**12,686**	**4,564**	**17,250**
Exercise of share options	**24**	**6**	**61**	**67**
At 31 March 2019	**50,767**	**12,692**	**4,625**	**17,317**

19.1 Ordinary shares

The rights and obligations attached to the Parent Company's ordinary shares are set out in the Directors' report (page 84).

During the year 24,000 ordinary shares were issued, fully paid for cash at an average price of £2.67 per share, following the exercise of options by employees. These shares had a nominal value of £6,000 and total consideration was £64,080.

19.2 Own shares

At 31 March 2019, the Group held 62,773 (2018: 25,452) own shares, which are held in an employee benefit trust.
During the year the Group acquired an additional 41,853 shares for a total cost of £0.1 million and transferred 4,532 shares to employees.

19.3 Dividends

The following dividends were declared and paid by the Parent Company in the year:

	2019 £000	2018 £000
Final dividend paid for 2018: 5.5p per share (2017: 4.5p)	**2,791**	2,281
Interim dividend paid for 2019: 2.75p per share (2018: 2.5p)	**1,396**	1,265
	4,187	3,546

Dividends are payable from the Parent Company's distributable reserves which comprise the sum of retained earnings and the merger relief reserve, as shown in the Parent Company statement of financial position on page 147, less £5.3 million of non-distributable retained earnings related to share-based payment arrangements.

20. Provisions

Current	2019 £000	2018 £000
Balance brought forward	**2,636**	2,162
Provisions made during the year	**350**	1,147
Provisions used during the year	**(783)**	(513)
Unused provisions transferred to income statement	**(341)**	(160)
Net provisions reclassified to non-current	**(21)**	–
Balance carried forward	**1,841**	2,636

Non-current	2019 £000	2018 £000
Balance brought forward	**1,813**	1,108
Provisions made during the year	**127**	705
Net provisions reclassified from current	**21**	–
Balance carried forward	**1,961**	1,813

The Group held provisions as at 31 March 2019 in respect of certain legal claims and leasehold property dilapidations.

21. Trade and other payables

	2019 £000	2018 £000
Trade and other payables	**158,513**	141,414
Other taxes and Social Security costs	**4,993**	5,025
Other payables	**16,023**	15,984
Accruals	**9,967**	9,243
	189,496	171,666

The Group's exposure to currency and liquidity risk in relation to trade and other payables is disclosed in note 22.

22. Fair values and risk management

Through its normal operations the Group is exposed to a number of risks. The most significant financial instrument risks are market risk, credit risk and liquidity risk. Information is presented below regarding the exposure to each of these risks and the procedures for measuring and managing them.

22.1 Market risk

This is the risk that the Group's income or value of its financial instruments are impacted by fluctuations in market prices, such as equity prices, foreign exchange rates and interest rates.

The Group does not undertake any proprietary trading other than in respect of its own equity holdings and positions arising from incidental dealing errors.

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

The Group has small currency exposures. Positions are held in a variety of currencies, principally the US dollar, to support clients' dealing activities.

22.1.1 Equity risk

The Group is exposed to equity market risk through its equity holdings. These comprise:

i) Unlisted financial investments designated at fair value through other comprehensive income (2018: available-for-sale)

ii) Listed financial assets held for trading at fair value through profit or loss (2018: available-for-sale).

Equity price movements in respect of the Group's client holdings have a direct impact on investment management fees received.

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.

22.1.1.1 Unlisted investments

Note 16 summarises the investments held at the year end date.

54% of the Group's equity investments are unlisted. A 10% increase or decrease in the Group's unlisted investments would increase or reduce reserves by £0.2 million (2018: £0.3 million).

22.1.1.2 Listed investments held for trading

The Group's exposure to market risk on its held for trading positions is monitored daily and reported to the appropriate Directors and senior managers. Positions are monitored against limits determined by the Risk Committee. Any breaches of the limits are notified immediately to the Head of Compliance.

All of the Group's listed equity investments are listed on the London Stock Exchange. A 10% increase or decrease in equity prices would increase or reduce profit before tax by £0.3 million (2018: £0.2 million increase or reduce reserves).

22.1.1.3 Investment Management Services fees

It is expected that a 10% increase or decrease in equity prices would increase or reduce investment management fees in the consolidated income statement by £5.7 million (2018: £5.4 million).

22. Fair values and risk management (continued)

22.1.2 Foreign exchange risk

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

Net assets	2019 £000	2018 £000
Euros	–	26
US dollars	**250**	303
Other currencies	–	6
	250	335

The Group's activities are denominated primarily in GBP 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 2019 these totalled £25,000 (2018: £1,500).

22.1.3 Interest rate risk

The Group holds interest-bearing assets, principally cash and cash deposits, sovereign debt securities at amortised cost (2018: available-for-sale) and 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 £1.4 million higher (2018: £1.3 million). If interest rates had been 200 basis points lower, profit for the year would have been £0.5 million lower (2018: £0.1 million).

22.2 Credit risk

This represents the risk of loss through default by a counterparty. The most significant risk to the Group is either a client or market counterparty failing to settle a trade. Given the wide range of retail clients of the Group it is not considered that a material default by connected counterparties would arise. Other credit risks, such as free delivery of stock or cash, are not deemed to be significant.

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 agent 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 custodian that the required funds in settlement will be transferred directly to the Group's bank account. There have been no historic 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) which reviews exposures to market counterparties on a daily basis. The Committee also sets exposure limits in respect of individual market counterparties.

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

Cash, cash equivalents and Treasury Bills are held with regulated financial institutions with investment grade credit ratings. 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.

22. Fair values and risk management (continued)

An ageing analysis of the Group's financial assets is presented in the following table:

At 31 March 2019	Neither due or impaired £000	Past due but not impaired 0–3 months £000	3–6 months £000	6–12 months £000	Over 1 year £000	Carrying value £000
Trade and other receivables	**2,865**	**188,436**	**–**	**–**	**–**	**191,301**
Cash and cash equivalents	**71,211**	**–**	**–**	**–**	**–**	**71,211**
Financial assets at amortised cost	**–**	**9,994**	**–**	**–**	**1,010**	**11,004**
At 31 March 2018						
Trade and other receivables	4,620	173,404	–	–	–	178,024
Cash and cash equivalents	65,639	–	–	–	–	65,639

22.3 Liquidity risk

This is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group maintains adequate liquid resources as a mixture of cash, cash equivalents and sovereign debt securities which are held to meet the obligations arising from the Group's operational and trading activities, these are overwhelmingly short term in nature. At 31 March 2019 the Group had £71.2 million (2018: £65.6 million) in bank accounts and £11.0 million (2018: £2.0 million) in sovereign debt securities which have a high degree of liquidity.

When investing cash belonging to the Group, the focus is on security of the principal and the maintenance of liquidity in order that the Group has access to sufficient resources. Liquidity stress tests are regularly conducted to ensure ongoing liquidity adequacy, and a Contingency Funding Plan is also maintained to provide backup liquidity should a severe liquidity stress event arise.

The Treasury Committee 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. It is the Group's policy to hold liquid resources to meet obligations as and when they fall due.

The Group's financial instruments comprise cash and liquid resources, and various items including trade receivables and trade payables that arise directly from its operations. The Group reviews the credit quality of counterparties and limits its aggregate credit exposures accordingly.

The majority of the short-term liabilities arise from the 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 Group's financial liabilities comprise trade and other payables and financial liabilities which are all repayable on demand or within three months.

22. Fair values and risk management (continued)

22.3.1 Fair value of financial instruments

22.3.1.1 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	Notes	Fair value through profit or loss £000	Fair value through other comprehensive income £000	Amortised cost £000	Financial liabilities £000	Total £000
At 31 March 2019						
Financial assets measured at fair value						
Listed investments	16	2,234	–	–	–	2,234
Unlisted investments	16	–	2,586	–	–	2,586
		2,234	2,586	–	–	4,820
Financial assets not measured at fair value						
Trade and other receivables	17	–	–	191,301	–	191,301
Sovereign debt securities	16	–	–	11,004	–	11,004
Cash and cash equivalents	18	–	–	71,211	–	71,211
		–	–	273,516	–	273,516
Financial liabilities not measured at fair value						
Trade and other payables	21	–	–	–	189,496	189,496
		–	–	–	189,496	189,496

Fair value	Notes	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2019					
Financial assets measured at fair value					
Listed investments	16	2,110	124	–	2,234
Unlisted investments	16	–	–	2,586	2,586
		2,110	124	2,586	4,820

22. Fair values and risk management (continued)

Carrying amount	Notes	Held for trading £000	Loans and receivables £000	Available-for-sale £000	Financial liabilities £000	Total £000
At 31 March 2018						
Financial assets measured at fair value						
Available-for-sale investments	16	–	–	5,819	–	5,819
Fair value through profit and loss – listed investments	16	100	–	–	–	100
Total		100	–	5,819	–	5,919
Financial assets not measured at fair value						
Trade and other receivables	17	–	178,024	–	–	178,024
Cash and cash equivalents	18	–	65,639	–	–	65,639
Total		–	243,663	–	–	243,663
Financial liabilities not measured at fair value						
Trade and other payables	21	–	–	–	171,666	171,666
Total		–	–	–	171,666	171,666

Fair value	Notes	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2018					
Financial assets measured at fair value					
Available-for-sale investments	16	4,130	–	1,689	5,819
Fair value through profit and loss – listed investments	16	100	–	–	100
Total		4,230	–	1,689	5,919

22.3.1.2 Measurement of fair values
i) Valuation techniques and significant unobservable inputs

Financial instruments measured at fair value
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).

22. Fair values and risk management (continued)

The following table shows the valuation techniques used in measuring Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used:

Financial Instrument	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value
Equity Securities: Euroclear	Fair value is determined by applying an earnings multiple to Euroclear's latest published results	The Group has used a 12.0x times multiple, which is based on multiples seen for comparable listed entities after applying a discount to reflect the illiquidity of Euroclear shares	Increasing or decreasing the multiple by 10% would result in a £0.25 million increase or decrease in the fair value of the Group's shareholding

There were no transfers between any of the levels of the fair value hierarchy during the year ended 31 March 2019 or in the prior year.

ii) Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	Unlisted equity securities £000
Balance brought forward	**1,688**
Total unrealised gains and losses for the year included in other comprehensive income	**898**
Balance carried forward	**2,586**

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. Recognised techniques are used to value the financial instruments grouped under Level 3, including discounted future cash flow and dividend yield valuation methods. All valuations performed are presented to the Group's Executive Directors for final approval. Significant valuation issues are reported to the Group's Audit Committee.

22.3.2 Equity securities

The Level 3 balance relates to holdings in unlisted investments. At 31 March 2019 these unlisted investments had a fair value of £2.6 million (2018: £1.7 million). Included within this balance is the Group's holding of 2,358 shares (2018: 2,358 shares) in Euroclear which had a fair value of £2.5 million (2018: £1.6 million). Fair value was determined using a valuation technique that required significant unobservable inputs.

23. List of subsidiaries

Details of the Group's subsidiaries at the reporting date are listed below. The registered office of all Group companies is 55 Bishopsgate, London EC2N 3AS, UK.

Name of company	Activity	Note	Country of incorporation	Ordinary shares
Charles Stanley & Co. Limited	Wealth managers	1, 2	England & Wales	100%
Charles Stanley Pan Asset Capital Management Limited	Dormant	2, 5	England & Wales	100%
Exempt Nominees Limited	Nominee company	3	England & Wales	100%
Charles Stanley Investment Choices Limited	Dormant	4, 5	England & Wales	100%
Gryphon Investments Limited	Dormant		England & Wales	98%
Jobson James Financial Services Limited	Dormant	2, 5	England & Wales	100%
Rock (Nominees) Limited	Nominee company	3	England & Wales	100%

Notes
1. Member of the London Stock Exchange.
2. Regulated by the Financial Conduct Authority.
3. Shares held by Charles Stanley & Co. Limited.
4. Charles Stanley Investment Choices Limited transferred its business to Charles Stanley & Co. Limited effective from 1 April 2018.
5. Company has been dissolved and removed from the Register of Companies subsequent to the reporting date.

24. Involvement with unconsolidated structured entities

The Group holds fund management contracts over various investment funds (all open-ended investment companies), acting as an agent on behalf of the Authorised Corporate Director. 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:

	2019 £m	2018 £m
MI Charles Stanley Monthly High Income Fund	**69.7**	69.2
MI Charles Stanley Equity Fund	**10.4**	9.7
MI Charles Stanley UK & International Growth Fund	**106.7**	105.1
MI Charles Stanley Multi Asset 1 Defensive Fund	–	3.8
MI Charles Stanley Multi Asset 2 Cautious Fund	**2.9**	1.6
MI Charles Stanley Multi Asset 3 Moderate Fund	**26.1**	15.3
MI Charles Stanley Multi Asset 4 Growth Fund	**26.5**	23.0
MI Charles Stanley Multi Asset 5 Adventurous Fund	**3.0**	1.8
The MOTIM Fund	**14.0**	12.6
	259.3	242.1

Included in the consolidated statement of financial position is accrued income of £nil (2018: £0.1 million) relating to fees recognised which have not yet been received. This represents the Group's maximum exposure to loss from the funds.

The following table shows the Group's total income from unconsolidated structured entities included in the consolidated income statement. All income relates to annual management charges.

	2019 £000	2018 £000
MI Charles Stanley Monthly High Income Fund	**553**	528
MI Charles Stanley Equity Fund	**69**	81
MI Charles Stanley UK & International Growth Fund	**1,096**	1,127
MI Charles Stanley Bond Fund	–	39
MI Charles Stanley Multi Asset 1 Defensive Fund	**6**	4
MI Charles Stanley Multi Asset 2 Cautious Fund	**15**	5
MI Charles Stanley Multi Asset 3 Moderate Fund	**145**	50
MI Charles Stanley Multi Asset 4 Growth Fund	**168**	69
MI Charles Stanley Multi Asset 5 Adventurous Fund	**18**	5
The MOTIM Fund	**58**	67
The Helm Investment Fund	–	19
	2,128	1,994

25. Reconciliation of net profit to cash generated from operations

	2019 £000	2018 £000
Profit before tax	**11,030**	11,447
Adjustments for:		
Depreciation	**1,630**	2,256
Amortisation of intangible assets	**2,027**	2,603
Impairment of freehold property	**–**	995
Share-based payments – charge for employee services	**3,128**	2,026
Retirement benefit scheme	**(160)**	(205)
Dividend income	**(101)**	(278)
Interest income	**(608)**	(297)
Interest expense	**76**	18
Profit on disposal of financial assets	**(55)**	(2,471)
(Gain)/loss on disposal of property, plant and equipment	**(293)**	45
Gain on disposal of business	**–**	(707)
Changes in working capital:		
Unrealised gains on financial assets at fair value through profit or loss	**39**	(27)
Increase in receivables	**(12,451)**	(33,470)
Decrease in payables	**17,182**	33,550
Net cash inflow from operations	**21,444**	15,485

26. 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 the reporting date were:

	2019 £000	2018 £000
Not later than one year	**3,506**	3,418
Later than one year but not later than five years	**12,333**	12,978
Later than five years	**1,842**	3,297
	17,681	19,693

27. Contingent liabilities

The Group is exposed to the risk of legal matters which could give rise to the need to recognise provisions, or in the case they do not qualify for the recognition of a provision, to disclose contingent liabilities. The financial impact of this potential exposure cannot be reliably estimated and, as a result, no provision was recognised in the consolidated statement of financial position as at 31 March 2019.

28. Commitments

At 31 March 2019, capital expenditure authorised and contracted for, but not included in the financial statements, amounted to £nil (2018: £nil).

29. Subsequent events

There were no material adjusting events prior to the date of signing this report.

Subsequent to the reporting date, the Group has restructured its management team which has resulted in one-off costs which will be included in the income statement for the year ended 31 March 2020.

30. Related parties

Transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

30.1 Transactions with related parties

With the exception of the transactions detailed below, the Group did not enter into any transactions with related parties who are not members of the Group during the year.

30.2 Remuneration of Key Management Personnel

Key Management Personnel has been determined as being members of the CSG Board. The compensation paid to Key Management Personnel is detailed below:

	2019 £000	2018 £000
Salaries and short-term employee benefits[1]	**1,676**	1,558
Post-employment benefits	**174**	170
Share-based payments	**–**	43
Social Security costs	**247**	234
	2,097	2,005

1. Salaries and short-term employee benefits revised to include variable remuneration.

Parent Company statement of financial position

As at 31 March 2019

Assets	Note	2019 £000	2018 £000
Intangible assets	32	**10,034**	9,792
Deferred tax asset	33	**706**	505
Available-for-sale financial assets	34	–	2,127
Trade and other receivables	36	–	945
Investments in subsidiaries	35	**43,272**	38,196
Non-current assets		**54,012**	51,565
Financial assets at amortised cost	34	**9,994**	–
Financial assets at fair value through profit and loss	34	**2,168**	–
Trade and other receivables	36	**994**	995
Cash and cash equivalents	37	**692**	561
Current assets		**13,848**	1,556
Total assets		**67,860**	53,121
Equity			
Share capital	19	**12,692**	12,686
Share premium	19	**4,625**	4,564
Own shares	19	**(201)**	(95)
Revaluation reserve		–	159
Merger relief reserve		**15,167**	15,167
Retained earnings		**10,625**	4,099
Total equity		**42,908**	36,580
Liabilities			
Trade and other payables	38	**24,496**	16,293
Current tax liabilities		**456**	248
Current liabilities		**24,952**	16,541
Total liabilities		**24,952**	16,541
Total equity and liabilities		**67,860**	53,121

Approved by the Board of Charles Stanley Group PLC (company number 48796) on 30 May 2019 and signed on its behalf by:

Paul Abberley (Chief Executive Officer) **Ben Money-Coutts (Chief Financial Officer)**

The notes on pages 150 to 153 are an integral part of these Parent Company financial statements.

Parent Company statement of changes in equity
Year ended 31 March 2019

	Share capital £000	Share premium £000	Own shares £000	Revaluation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000
At 1 April 2017	12,672	4,429	–	205	15,167	5,090	40,657
Profit for the year	–	–	–	–	–	2,536	(854)
Other comprehensive income:							
Losses on available-for-sale financial assets	–	–	–	(27)	–	–	(27)
Deferred tax on available-for-sale financial assets	–	–	–	(19)	–	–	(19)
Total other comprehensive income for the year	–	–	–	(46)	–	–	(46)
Total comprehensive income for the year	–	–	–	(46)	–	2,536	(46)
Dividends paid	–	–	–	–	–	(3,546)	(3,546)
Own shares acquired	–	–	(95)	–	–	–	(95)
Share-based payments:							
– value of employee services	–	–	–	–	–	19	19
– issue of shares	14	135	–	–	–	–	149
At 31 March 2018	**12,686**	**4,564**	**(95)**	**159**	**15,167**	**4,099**	**36,580**
Adjustment on initial application of IFRS 15	–	–	–	–	–	**(208)**	**(208)**
Adjustment on initial application of IFRS 9	–	–	–	**(159)**	–	**159**	–
Profit for the year	–	–	–	–	–	**5,581**	**5,581**
Total comprehensive income for the year	–	–	–	–	–	**5,581**	**5,581**
Dividends paid	–	–	–	–	–	**(4,187)**	**(4,187)**
Unclaimed dividends	–	–	–	–	–	**109**	**109**
Own shares acquired	–	–	**(123)**	–	–	–	**(123)**
Shares transferred to employees	–	–	**17**	–	–	**(17)**	–
Share-based payments:							
– value of employee services	–	–	–	–	–	**5,089**	**5,089**
– issue of shares	**6**	**61**	–	–	–	–	**67**
At 31 March 2019	**12,692**	**4,625**	**(201)**	–	**15,167**	**10,625**	**42,908**

The notes on pages 150 to 153 are an integral part of these Parent Company financial statements.

Parent Company statement of cash flows

Year ended 31 March 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Cash generated from operating activities	39	**9,029**	1,090
Interest received		**70**	–
Tax (paid)/refund received		**(248)**	284
Net cash generated from operating activities		**8,851**	1,374
Cash flow from investing activities			
Acquisition of intangible assets		**(377)**	(351)
Proceeds from sale of financial assets		**10,933**	837
Purchase of financial assets		**(20,878)**	(1,430)
Net proceeds from disposal of business		**119**	–
Investment in subsidiary		**–**	1,533
Dividends received		**5,726**	1,000
Net cash (used in)/generated from investing activities		**(4,477)**	1,589
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**67**	149
Purchase of own shares		**(123)**	(95)
Dividends paid	19	**(4,187)**	(3,546)
Net cash used in financing activities		**(4,243)**	(3,492)
Net increase/(decrease) in cash and cash equivalents		**131**	(529)
Cash and cash equivalents at start of year		**561**	1,090
Cash and cash equivalents at end of year	37	**692**	561

The notes on pages 150 to 153 are an integral part of these Parent Company financial statements.

Notes to the Parent Company financial statements

Year ended 31 March 2019

31. Profit/loss for the year

As permitted by section 408 of the Companies Act 2006, the Parent Company has elected not to present its own profit and loss account. The Parent Company reported a profit for the year of £5.7 million (2018: £2.4 million).

32. Intangible assets

Cost	Goodwill £000	Customer relationships £000	Total £000
At 1 April 2017	10,027	19,809	29,836
Additions	–	351	351
At 31 March 2018	**10,027**	**20,160**	**30,187**
Adjustment on application of IFRS 15	–	**786**	**786**
Additions	–	**377**	**377**
At 31 March 2019	**10,027**	**21,323**	**31,350**
Amortisation			
At 1 April 2017	3,161	16,415	19,576
Amortisation charge	–	819	819
At 31 March 2018	**3,161**	**17,234**	**20,395**
Adjustment on application of IFRS 15	–	**90**	**90**
Amortisation charge	–	**831**	**831**
At 31 March 2019	**3,161**	**18,155**	**21,316**
Net book value			
At 31 March 2019	**6,866**	**3,168**	**10,034**
At 31 March 2018	6,866	**2,926**	**9,792**

Details of the annual impairment assessment can be found in note 13.

33. Deferred tax asset

Revaluation	Total £000
At 1 April 2017	42
Revaluation of available-for-sale financial assets	(19)
Other timing differences	482
At 31 March 2018	**505**
Changes in fair value of financial assets	**7**
Other timing differences	**194**
At 31 March 2019	**706**

Deferred tax assets and liabilities are calculated using an effective tax rate of 17% (2018: 17%).

34. Financial assets

The effect of initially applying IFRS 9 in the Group's financial instruments is described in note 16. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirements.

Current	2019 £000	2018 £000
Listed equity securities designated at fair value through profit or loss	**2,168**	–
Debt securities at amortised cost	**9,994**	–
	12,162	–
Non-current		
Listed equity securities – available-for-sale	–	2,127
	–	2,127

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

Sovereign debt securities have stated interest rates between 0.65% and 1.23% (2018: 1.23% to 1.25%) and are held in order to collect contractual cash flows.

35. Investments in subsidiaries

Cost	Total £000
At 1 April 2017	51,738
Share options	18
At 31 March 2018	**51,756**
Share options	**5,076**
At 31 March 2019	**56,832**
Impairment	
At 1 April 2017	13,560
Charge for the year	–
At 31 March 2018	**13,560**
Charge for the year	**–**
At 31 March 2019	**13,560**
Net book value	
At 31 March 2019	**43,272**
At 31 March 2018	**38,196**

36. Trade and other receivables

Non-current	**2019 £000**	2018 £000
Deferred consideration	–	945
	–	945

Current	**2019 £000**	2018 £000
Other debtors	**994**	995
	994	995

37. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	**692**	561

38. Trade and other payables

Current	2019 £000	2018 £000
Amounts due to Group undertakings	**24,319**	16,020
Other payables	**177**	273
	24,496	16,293

39. Reconciliation of net profit to net cash generated from operations

	2019 £000	2018 £000
Profit before tax	**5,713**	2,522
Adjustments for:		
Amortisation of intangible assets	**831**	819
Interest income	**(70)**	–
Dividend income	**(5,726)**	(1,000)
Profit on disposal of financial assets	**(52)**	(46)
Gain on disposal of business	**(119)**	–
Unrealised fair value gains on financial assets	**(38)**	–
Changes in working capital:		
Decrease/(increase) in receivables	**946**	(636)
Increase/(decrease) in payables	**7,544**	(569)
Net cash generated from operations	**9,029**	1,090

40. Related party transactions

The Parent Company financial statements include amounts attributable to subsidiaries. These amounts have been disclosed in aggregate in the relevant notes to the financial statements and are analysed below:

	Receivable from related parties		Payable to related parties	
	2019 £000	2018 £000	2019 £000	2018 £000
Charles Stanley & Co. Limited	**–**	–	**24,025**	15,726
Gryphon Investments PLC	**–**	–	**294**	294
	–	–	**24,319**	16,020

The principal transactions between the Parent Company and its subsidiaries impacting on the income statement during the year were in respect of recharges for costs and tax amounts payable/receivable under the Group Payment Arrangement.

The Parent Company received dividends totalling £nil (2018: £1.0 million) from Charles Stanley Investment Choices Limited.

Unaudited five year record
2015–2019

Income statement year ended 31 March	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Continuing operations					
Revenue	**155,158**	150,860	141,630	138,650	144,264
Administrative expenses	**(145,767)**	(142,146)	(136,122)	(139,163)	(141,697)
Impairment of intangible assets	–	–	(650)	(465)	(8,277)
Other income	**101**	278	186	153	132
Operating profit/(loss)	**9,492**	8,992	5,044	(825)	(5,578)
Gain on surrender of lease	–	–	5,550	–	–
Gain/(loss) on disposal of fixed assets	**293**	(45)	(2,199)	(131)	(178)
Gain on sale of business	**119**	707	148	299	1,200
Gain on sale of corporate investments	–	2,463	423	–	–
Impairment of corporate loans	**500**	–	(500)	–	–
Impairment of freehold property	–	(995)	–	–	–
Finance income	**702**	343	397	69	185
Finance costs	**(76)**	(18)	(64)	(99)	(75)
Net finance and other non-operating income	**1,538**	2,455	3,755	138	1,132
Profit/(loss) before tax	**11,030**	11,447	8,799	(687)	(4,446)
Tax (expense)/credit	**(2,026)**	(2,715)	(2,539)	47	(413)
Profit/(loss) from continuing operations	**9,004**	8,732	6,260	(640)	(4,859)
Discontinued operations					
Profit/(loss) from discontinued operations	–	–	–	333	(1,287)
Profit/(loss) for the year attributable to owners of the Parent Company	**9,004**	8,732	6,260	(307)	(6,146)
Earnings per share					
From continuing and discontinued operations					
Basic	**17.74p**	17.23p	12.35p	(0.61p)	(13.46p)
Diluted	**17.41p**	16.93p	12.34p	(0.61p)	(13.46p)
From continuing operations					
Basic	**17.74p**	17.23p	12.35p	(1.27p)	(10.64p)
Diluted	**17.41p**	16.93p	12.34p	(1.27p)	(10.64p)

Glossary

Abbreviation	Definition
AGM	Annual General Meeting
AuA	Assets under Administration
Bps	Basis points, a unit of measure. One basis point is equal to 1/100th of 1%, or 0.01%
CASS	Client Assets Sourcebook
CF30	A controlled function regulated by the Financial Conduct Authority applicable to all employees providing advisory services to clients
CEO	Chief Executive Officer
Core Business	Combined activities of the Investment Management Services, Asset Management, Financial Planning and Charles Stanley Direct divisions
CGU	Cash Generating Unit
CISI	Chartered Institute for Securities & Investment
CMI	Continuous Mortality Investigation that carries out research into mortality and morbidity experience and produces tables widely used by actuaries
Parent Company, Company, CSG	Charles Stanley Group PLC
CPI	Consumer Price Index
CREST	The settlement system used by the London Stock Exchange for settling all its transactions
CSC	Charles Stanley & Co. Limited, the Group's main operating subsidiary
CSD	Charles Stanley Direct, a division of the Group comprising the Charles Stanley Direct online Execution-only platform and Charles Stanley Investment Choices Limited
CSFS	Charles Stanley Financial Solutions Limited
CSR	Corporate Social Responsibility
DTR	Disclosure Guidance and Transparency Rules
EBS	EBS Management PLC
EPS	Earnings per share
EU	European Union
Euroclear	Euroclear Holding SA/NV (formerly Euroclear PLC)
FCA	UK Financial Conduct Authority
FIT	FIT Remuneration Consultants LLP
FRC	UK Financial Reporting Council
FTE	Full-time employee
FSCS	Financial Services Compensation Scheme
FuMA/FuM	Funds under Management and Administration/Funds under Management
FY	Financial year, being the reporting period ended on 31 March of the stated year
GBP	British Pound Sterling

Abbreviation	Definition
GDPR	General Data Protection Regulation effective 25 May 2018
Group	Charles Stanley Group PLC and its controlled entities
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFPRU	The FCA's Prudential sourcebook for Investment Firms
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IHT	Inheritance Tax
ISA	Individual Savings Account
KPI	Key performance indicator
KPMG	KPMG LLP
LIBOR	London Interbank Offered Rate
LIFFE	London International Financial Futures Exchange
LR	Listing Rules
MEC	Market Exposure Committee
MiFID II	Markets in Financial Instruments Directive II which is legislation for the regulation of investment services within the European Economic Area
NED	Non-Executive Director
OEIC	Open-Ended Investment Company
PBT	Profit before tax
PSP	Performance Share Plan
PPS	Personal Portfolio Service
RAS	Risk Appetite Statement
S2PxA	Standard table used by actuaries for mortality assumptions
SIPP	Self-invested Personal Pension – a pension plan which enables the holder to choose and manage the investments made
SMCR	Senior Managers & Certification Regime
VAT	Value Added Tax
VCT	Venture Capital Trust
XO	Execution-only

Company information

Company Secretary

Julie Ung

Registered office

55 Bishopsgate
London EC2N 3AS

Company registration number

48796 (England and Wales)

Group website

charles-stanley.co.uk

Registrar

Link Market Services Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0GA

Principal banker

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

External auditor

KPMG LLP
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

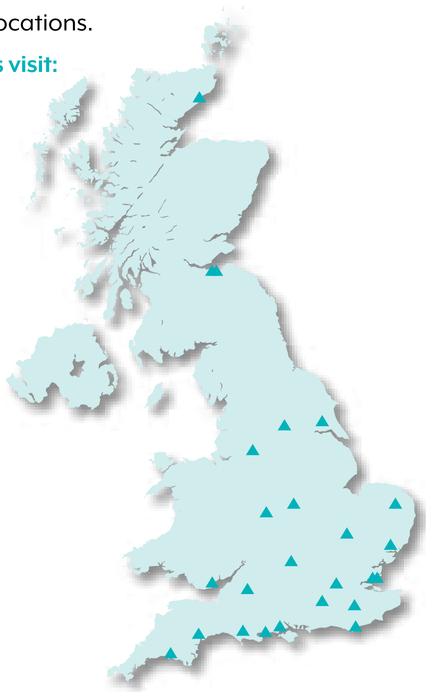
Financial calendar

31 May 2019	Results announcement
13 June 2019	Ex-dividend date for final dividend
14 June 2019	Record date for final dividend
10 July 2019	Annual General Meeting
17 July 2019	Final dividend paid

Where we are

We operate in 25 UK locations.

For a list of our offices visit: charles-stanley.co.uk



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