Executing the strategy

Annual report and accounts 2018

Contents

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.

Three years into our vision, positive transformation across the business sees us making good progress to achieving this.

For more information visit
charles-stanley.co.uk

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 22 offices throughout the UK, both direct to clients and to intermediaries.

What we do

Charles Stanley has a distinctive client-facing approach, offering a genuine personal service across the full range of wealth management services. We provide these services in three forms: our time 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, providing personal discretionary fund management capabilities to private clients; Asset Management, providing a range of pooled funds; Financial Planning, advising clients on how to plan their financial arrangements and deploy their investments; and Charles Stanley Direct, providing clients direct access to our execution-only services online.

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.

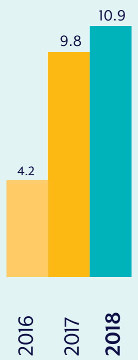
At a glance

Group highlights

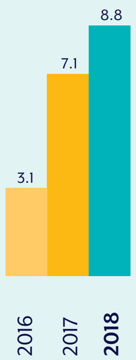
– Revenue growth across all divisions
– FY 2018 dividend increased by 33% to 8.0 pence per share
– Disposals of non-core activities completed
– New governance framework fully implemented
– 21% increase in Group's regulatory capital resources
– Focus is now on revenue growth and improving productivity

Financial highlights

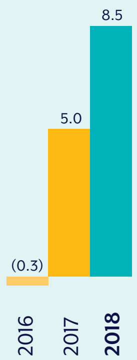
Core Business profit before tax (£m)[1]



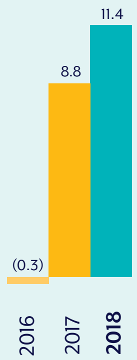
Core Business operating margin (%)[2]



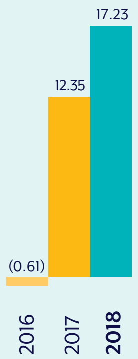
Return on capital employed (%)[3]



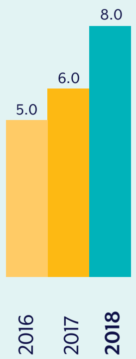
Reported profit/(loss) before tax (£m)



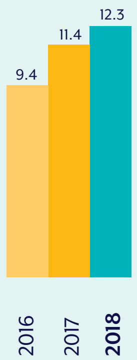
Reported basic earnings per share (p)



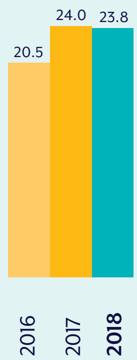
Dividend per share (p)



Discretionary funds (£bn)



FuMA (£bn)



1. The Core Business figures represent the results of our four main operating divisions, excluding held for sale activities and adjusting items which are listed out on pages 32 and 33.
2. The Core Business operating margin, excluding the charge in respect of share options awarded to certain investment management teams under the revised remuneration arrangements settled last year.
3. Return on capital employed represents reported operating profit or loss (as shown on page 103) divided by capital employed (total assets less current liabilities).

Divisional revenue

Investment Management Services

£131.2m

(2017: £123.8m)

Asset Management

£7.0m

(2017: £5.5m)

Financial Planning

£6.3m

(2017: 5.0m)

Charles Stanley Direct

£5.9m

(2017: £4.3m)

Group Core Business[1] revenue

£150.4m

(2017: £138.6m)

Chairman's statement

It is pleasing to report that 2018 has been another year of progress for Charles Stanley. This has been a year in which we completed the rationalisation of the Group's non-core activities and began to scale our holistic wealth management services to continue the improvement in profitability.

Sir David Howard
Chairman

Financial results

The Group's reported revenue for the year ended 31 March 2018 was up 6.6% to £150.9 million. Reported profit before tax (PBT) was up 30% on last year at £11.4 million.

Beneath the headline movements, the quality of business also improved. Total Funds under Management and Administration (FuMA) at 31 March 2018 were £23.8 billion with Discretionary funds reaching a new record of £12.3 billion, up 7.9%, despite a deterioration in market conditions experienced in the last quarter of the financial year. This reflects the Group's focus on growing its discretionary management service. At the same time our award-winning digital execution-only platform Charles Stanley Direct grew its Assets under Administration (AUA) by 21.1% in the year and moved into a profit in the second half.

The Group's cash position remained strong, ending the year 12.3% higher at £65.6 million.

Governance

To ensure that we are executing our strategic plan efficiently, we took steps to refresh Charles Stanley's governance. We produced clear mandates for each of our Boards and Committees; we filled skills gaps and improved our management information. Taken together, the restructuring we have put in place over the course of the year has significantly enhanced our strategic control.

Risk

Of course, no strategy is without risk, and we have devoted particular attention to managing this. We refreshed the enterprise risk framework to ensure that arising threats are even more closely monitored and managed. Specifically, we have reviewed in detail our tolerance for risk, which is set out in our Risk Appetite Statement (RAS), and progress is flagged in our regular risk reporting.

£11.4m

The Group reported a profit for the year ended 31 March 2018 of £11.4 million, an improvement of 30% on the previous year.

Culture
Underpinning our risk management is the Group's culture. It gives me great pleasure to announce that the 2017 staff engagement survey produced a top quartile engagement score of 73%. Coupled with the Group's strong client centric ethos, nothing better illustrates the responsible approach by our team of professionals to improving the business. At this point I would like to thank our staff for their dedication and effort during the year.

Board changes
This has been another very demanding year for the Board, and I should like to pay tribute to all our directors for their significant contribution to our success. Paul Abberley, our Chief Executive Officer, leads a very professional team, and on behalf of our shareholders I should like to thank him, our Chief Financial Officer, Ben Money-Coutts and the Head of our Investment Management Services division, Gary Teper, as well as the members of our Executive Committee, for driving the Group forward.

As previously announced, David Pusinelli stepped down as a Non-Executive Director on 27 July 2017, and on behalf of the Board I pass on our warmest gratitude for his contribution to the Group. Andrew Didham, who chairs our principal trading subsidiary, Charles Stanley & Co. Ltd, has replaced David as Senior Independent Non-Executive Director of Charles Stanley Group PLC.

We are delighted with the appointment of two further senior industry figures as Independent Non-Executive Directors who complement the existing team and bringing our total Independent Non-Executive Directors to a team of four.

Hugh Grootenhuis joined the Group on 7 September 2017. Previously, Hugh was Chief Executive of Waverton Investment Management.

Marcia Campbell was appointed on 16 October 2017. Formerly, Marcia was Group Operations Director and CEO Asia Pacific at Standard Life.

Both appointments followed a rigorous selection process facilitated by independent consultants and were subject to the FCA's approval. Together, Hugh and Marcia bring valuable industry knowledge and expertise and are working with the rest of the Board and the Executive Committee to deliver our vision of becoming the UK's leading wealth manager.

Dividend
We have previously communicated the Group's progressive dividend policy. Based on the achieved financial results, the Board is recommending a final dividend of 5.5 pence per share. Taken together with the interim dividend of 2.5 pence per share, this equates to a total dividend for the year of 8.0 pence per share which is an increase of 33.3% on the prior year.

Outlook
Rising inflation implies that growth in the global economy is nearing the peak of the cycle. This leads us to expect greater volatility and lower returns going forward.

In the UK, political risk adds an extra dimension. Uncertainties around Brexit continue to give rise to greater economic volatility in the UK, at least in the short term. The threat of global trade barriers being raised as a result of US policy is also a concern. On the other hand, with around 70% of the FTSE-100 companies' revenues derived from abroad, sterling weakness would boost market returns. Finally, positive EPS momentum and attractive valuations give further cause for cautious optimism on a UK-centric view.

Combined, the global and UK outlooks provide a reasonably favourable backdrop for our transformation programme and should bring growth in revenues, profits and margins if well executed, which in turn will support our progressive dividend policy and thus generate long-term shareholder value.

Sir David Howard
Chairman
12 June 2018

"We have a fully engaged team working cohesively to deliver our vision of being the UK's leading wealth manager."

73%

The overall engagement score from the Group's latest staff survey of 73% marks a 6% improvement on the previous year.

Chief Executive Officer's report

The transformation of our Group continues apace as we implement our strategy, evidenced by further progress in our key metrics. While this includes growth in our underlying financial performance, we need to ensure this broad-based progress also powers acceleration in our profitability.

Paul Abberley
Chief Executive Officer

Financial performance

I am pleased to report that the Group continues to deliver improvement in profitability. Profit from the Core Business of £10.9 million represents a £1.1 million or 11.2% increase on the previous year. Core Business earnings per share increased by 4.8% to 16.06 pence.

That said, we recognise the need to accelerate the improvement in our financial metrics to match the quality of what is being delivered qualitatively across the business.

Strategy implementation

At the start of financial year 2018, we completed the disposal of non-core activities thus enabling us to focus exclusively on our full-service holistic wealth management business. With appropriate incentive structures in place, our objective has been to invigorate asset growth and improve operational efficiency.

New asset inflows of £1.5 billion were recorded during the year, with over half placed in discretionary mandates. Service level reviews with our clients led to a further £1.0 billion of advisory mandates moving to discretionary or execution-only services. While service types will be matched with client needs, my perception is that clients are drawn increasingly to discretionary services and it is gratifying that our business mix shifts inexorably in that direction.

Inflows were partly offset though by client losses as we continued to consolidate our investment management teams. Overall, and together with streamlining our client charging structure, these trends have proven revenue enhancing. There is more to be done. We have an excellent proposition, frequently acknowledged by our clients, but we need to become more effective in delivering these services to new clients.

£12.3bn

Discretionary funds under management increased by £0.9 billion to £12.3 billion as the Group continues to focus on growing higher margin assets.

Turning to operational efficiency we have delivered a series of initiatives which have both enhanced client service and improved capacity. These include improved digital access, completely redesigned portfolio valuation reports and enhanced delivery of investment research to our investment managers.

More broadly, we have embedded our wholly new governance and administration architecture, which both transforms our broad risk-management effectiveness and underpins strong client outcomes. This is not cost free however and when combined with a substantial agenda of new regulation, does limit the financial impact of the new business flows. However, with much of this work behind us, we can increase the operational gearing of the business.

The year ahead

The focus for the 2019 financial year will be on driving top line revenue growth whilst improving operational efficiency and in turn harnessing operational gearing.

As the balance of revenues shifts from commission to fees the Group is more exposed to stock market volatility, which can be expected to be more frequent given the stage of the global economic cycle. Regulatory change will continue to absorb key resources.

So as ever, headwinds are likely. That said, I approach the current financial year with quiet optimism. Continuing the commercial transformation of the firm while sustaining high and stable levels of customer service will not be easy, but our staff are focused and determined to deliver our vision of becoming the leading UK wealth manager.

Paul Abberley
Chief Executive Officer
12 June 2018

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 for the years ahead.

Contents

"The Group continues to deliver improvement in profitability with Core Business PBT up 11.2%."

16.06p

The Group's Core Business earnings per share of 16.06 pence reflects a continued improvement on the previous year delivered across the business.

Our business

Charles Stanley is one of the UK's leading wealth managers managing and administering £23.8 billion on behalf of clients. Since our origin in 1792, we have constantly refined our proposition to meet our clients' needs. This has led to high levels of trust with client satisfaction scores of 94%.

Personal service and dependable stewardship will always be the chief virtues of our firm. But, by building out our stockbroking heritage, we are now structured in a manner which allows us to capitalise on that culture across four complementary markets.

The most important focus is private clients. To that end, our Investment Management Services division offers discretionary, advisory and Execution-only services to private clients, trusts, charities and companies through a network of 20 offices around the UK. Its operating model empowers investment managers to run clients' money and relationships in a tailored manner. Such a premium service creates deep bonds with clients and typically leads to discretionary mandates generating reliable revenue yields.

Arm-in-arm with the Investment Management Services division is our Asset Management division. It provides pooled and bespoke solutions to a range of clients in the form of model portfolios, Open-ended Investment Company (OEIC) funds and segregated accounts, including Inheritance Tax solutions.

The core of its business is centred on the financial adviser industry but its clients include defined benefit pension schemes, institutional investors and high net worth individuals. The division is also responsible for providing high quality asset allocation, fund selection and portfolio construction services to the rest of the Group. With this combination of skills and services, Asset Management provides both an excellent growth opportunity for the Group as well as a significant synergy with our Investment Management Services division.

The Financial Planning division is also of growing importance. With each budget making the savings landscape more complex, our clients increasingly need advice when structuring their wealth. Therefore, our enterprise is well positioned to capture market share while also integrating with our Investment Management Services division and its clients.

Notwithstanding Charles Stanley's expertise and experience in managing investments, we believe that self-directed investors should be able to utilise our dealing, settlement and custody platform provided by our digital Execution-only platform, Charles Stanley Direct. The division presents another growth outlet while simultaneously providing an efficient outlet for Investment Management Services.

Summarising, our four divisions each have the capacity to grow revenues in their respective markets. But, together, they offer a set of complementary services, thereby underpinning our intention to become the UK's leading holistic wealth manager.

Recent awards received:

- **Portfolio Adviser Wealth Manager:** Platinum award for Cautious and Gold awards for Balanced and Aggressive categories
- **The Platforum:** Best Direct Platform for Customer Service
- **Moneywise Children's Saving Awards:** Best Stocks & Shares Junior ISAs

Our markets

On the surface, the UK wealth management market looks healthy. The amount of money that its 200 constituents manage has increased steadily over the past decade.

This has been driven primarily by a boom in the types of pension that wealth managers specialise in, an influx of foreign millionaires and the financial planning industry outsourcing its investment management. The level of FuM has also benefitted by an eight year bull market – the longest since World War II.

However, scratch the surface and the UK wealth management market looks different. The reason is that the amount of revenue that wealth management firms generate is proportionately lower for three factors. First, wealth managers are working more closely with large clients who are in a position to barter them down on price. Second, wealth managers are selling more multi-asset solutions than ever which are based on lower-cost external passives rather than higher-cost internal stock picking. Third, wealth managers are earning less interest on cash because rates are close to 300 year lows.

Revenues continue to be compressed. Compeer recently asked 1,000 wealth management clients how likely they were to change their provider within 12 months and 48% replied that they were either unsure or likely to switch. The trend is not surprising given new entrants are entering the market regularly, thereby increasing clients' choice of provider. Meanwhile, regulations like MiFID II are increasing cost transparency, inherently increasing clients' incentive to switch.

Costs are also challenging for the industry. Inter alia, the industry has had to handle multiple new regulatory rules at the same time as clients are demanding increased technology spend – both equate to higher overheads.

The structural trends seen of late within the wider marketplace are to an extent reflected in the Group's annual results. We have seen an increase in average FuMA driving higher revenues but only a marginal increase in the Core Business operating margins in view of an uplift in costs.

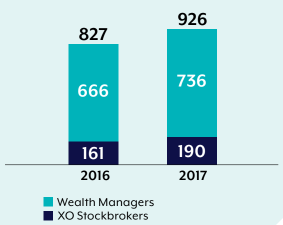
Firms across the market are taking different approaches to address this. The primary focus is that of growing the higher-margin discretionary services.

Next, firms are responding to clients' increasing demand for wider financial advice, such as pension planning. The provision of these complementary services bringing a full wealth management service to clients is particularly important given the potential for one of the biggest intergenerational wealth transfers in history.

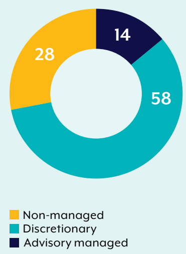
With the holistic foundations in place, firms then consider new product and service lines. Examples of these include repackaging the core offering and marketing it to new client segments such as family offices or smaller retail clients.

At Charles Stanley we recognise both the challenges and opportunities these evolving market conditions represent. With the transformation well underway, we believe that we are positioning the Group to respond to the changing requirements of both existing and prospective clients.

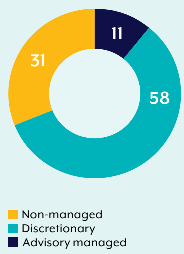
Industry assets (£bn)
The below chart is based on a calendar year



Wealth Manager assets 2016 (%)
The below chart is based on a calendar year



Wealth Manager assets 2017 (%)
The below chart is based on a calendar year



Source: Compeer Limited, data at 31 December 2017

Overview of strategy and operating principles

The transformation of our business has three key phases:

- A strategic review, completed in 2016
- Disposing of non-core activities, returning to profit and implementing the detailed execution plan for the Core Business, completed in 2017
- Delivering a platform capable of sustainable growth: foundations laid down.

Three key objectives set in 2015:

- To focus exclusively on wealth management
- Deliver holistic wealth management services through four main operating divisions
- The Investment Management Services division to provide a full-service offering, delivered by investment professionals using an autonomous investment model.

Achievements in 2018 financial year:

- Continued improvement of financial performance
- New governance framework fully implemented
- Non-core activities fully disposed of
- Strong growth in Discretionary services
- Moved CS Direct into profit during the second half
- Laid solid foundations for expansion of Financial Planning.

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

2019 2020 2021 2022

Vision to be the UK's leading wealth manager

Objectives for 2019 financial year:

- Growing revenues by investing in new business development
- Expanding our intermediary sales network
- Transforming the business digitally
- Hiring additional highly skilled financial planners
- Implementing operational efficiencies by standardising the operating model.

How we're measuring success:

Client satisfaction

Our client satisfaction surveys are being remodelled to allow benchmarking 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 wealth management sector and ensure staff feedback is actively acted upon.

Equity market rating

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

Executing the strategy

How we are delivering against our objectives

OPERATING DIVISION	IMPLEMENTATION MILESTONES ACHIEVED DURING 2018
Investment Management Services Investment Management Services offers a comprehensive personalised service to direct private clients: managing discretionary portfolios, providing investment advice and offering Execution-only services. It also works with financial planners and professional intermediaries, both internally and externally as part of a holistic wealth management approach.	• Growth in discretionary funds from a combination of new inflows and service upgrades • Continued implementation of new rate card • Recruited talented investment managers • Refreshed client reporting • Addressed significant regulatory changes introduced by MiFID II
Asset Management The Asset Management division provides pooled solutions, model portfolios and inheritance tax solutions for a range of clients. It also provides investment solutions for institutional investors.	• Provided a positive contribution to the Group for the first time • Completed a review of the operating model • Launched the Personal Portfolio Service
Financial Planning The Financial Planning division provides holistic financial planning advice and works with clients to ensure that their financial arrangements and plans are optimised to address their current and future needs and circumstances.	• Implementation of new business processing system • Recruitment of high quality financial planners • Reinvigorated proposition
Charles Stanley Direct Charles Stanley Direct provides a direct-to-client investment service, created to meet the needs of the modern self-directed investor. Investments can be made online or with telephone support, in a wide range of funds, shares, gilts and bonds.	• Moved into profit in the second half • Rolled out a new CSD mobile app • Transferred over £100 million of Group assets onto the CSD platform • Launched Charles Stanley OEICs on CSD's platform • Rebranded Garrison Investment Analysis as Charles Stanley Investment Choices (CSIC)
Support Functions The Support Functions provide the front office with all they need to discharge their duty. The focus is on operational efficiency.	• Implemented MiFID II and GDPR (May 2018) • Governance structures revitalised • Enterprise risk framework refreshed • Expanded the intermediary sales team

CHALLENGES ENCOUNTERED DURING 2018	IMPLEMENTATION MILESTONES PLANNED FOR 2019
• Responded to a number of investment managers who left the business (both planned and unplanned) to join other financial services firms. • Focus was deflected away from investment management and/or business development while the business had to implement the changes required by MiFID II and GDPR	• Improve business mix • Finish implementation of new rate card • Digitise client interactions • Focus sales on intermediaries • Hire business development specialists and new investment managers • Encourage holistic wealth management
• Slower than expected take-up of the Personal Portfolio Service • Increased competition in fiduciary management • Revenue compression and competition in model portfolio market	• Focus on model portfolios, fiduciary management and Inheritance Tax solutions • Improve access to portfolio templates for investment managers • Streamline transfer process for smaller clients to the Personal Portfolio Service
• Establishing the value of the Financial Planning proposition within the Investment Management Services division • Implementation of the technological solutions instrumental to the smooth running of the new Financial Planning proposition	• Improve integration with Investment Management Services • Attract new clients • Recruit additional high-quality financial planners
• Competitor marketing budgets in the D2C industry extremely high • Constant shifting mix of Digital Marketing channels and marketing trends • Driving operational efficiencies	• Drive asset growth via multi-channel digital marketing and internal transfer of Execution-only assets • Deliver enhancements to the app • Automate operations and client user experience • Increased brand campaigns in the second half of the year
• IT outages occurred but our contingency plans worked well • MiFID II and GDPR increased costs due to the premium paid for expert knowledge • A new valuations pack proved complex to install and embed	• Expand intermediary sales team • Streamline the operating model • Improve usage of IT functionality • Centralise infrequent processes

EXECUTING THE STRATEGY

Personalised service

We provide a distinctive client-facing approach offering a personalised service across a full range of wealth management services.

Executing the strategy
Continued

Our vision is to become the UK's leading wealth manager. Progress will be assessed by three measures: client satisfaction, staff engagement and equity market rating. These will be benchmarked annually to the UK wealth sector, with the aim of delivering first quartile results.

To achieve this ambition, Charles Stanley has a five year strategic plan put into place in 2015. To date, the turnaround element has been successfully navigated. We strengthened the balance sheet and returned the Group to profitability. That was achieved by disposing of non-core assets, streamlining core activities and refreshing the remuneration structure.

The focus over the medium term is on the transformation element of the five-year strategic plan. The aim is to push the business operating margin to 15% and, to that end, the foundations have been laid.

A holistic service is now available from Charles Stanley led by the Investment Management Services division offering bespoke investment management complemented by Asset Management's central solutions and portfolio guidance; Financial Planning's advisory services; and the direct to client Execution-only services provided by Charles Stanley Direct.

The mix has inspired top quartile results in client satisfaction and staff engagement which we hope will translate into a top quartile equity market rating in due course. That would fulfil our vision of becoming the UK's leading wealth manager.

Investment Management Services

The primary division, Investment Management Services, continues to develop and refine its business. By offering a tailored, personalised service in an increasingly product-driven industry, its differentiated business model provides genuine appeal to clients. This is clearly demonstrated by our latest client survey where 94% of our clients are satisfied with the service they receive on an overall basis, and importantly 62% would recommend Charles Stanley to their friends and family. This represents a substantially higher number than the industry average and of many of our direct competitors.

Investment Management Services will focus its sales efforts on intermediary-sourced high-net-worth clients alongside its traditional core direct-sourced private client base. To aid the front-line push, more support is being provided: business development managers have been employed, the intermediary sales team has expanded, we are in the process of recruiting a national sales director, and the marketing department is busier than ever. To scale the proposition, operational processes and structures are being reviewed to ensure that front-line investment professionals can focus on providing value-added activities wherever possible.

Equally important, Investment Management Services continues to focus on providing the most appropriate service to meet client needs. Of the division's £19.6 billion of FuMA, Discretionary assets are now almost 60% of the business mix and have grown strongly in the past year by 7.7%. Meanwhile, a new rate card has been implemented for over 60% of client accounts with the remainder being adopted by the end of this financial year. Last but not least, a concerted effort is being made to digitise client interactions with the aim of modernising communications with around 25,000 accounts next year.

"The focus over the medium term is to push the business operating margin to 15% and to that end, the foundations have been laid."

62%

Our latest survey demonstrated that 62% of our clients would recommend Charles Stanley to their friends and family.

Executing the strategy
Continued

Asset Management
Asset Management is both a key support to Investment Management Services and, having moved into a profit during the year, a profit centre in itself. With its award-winning investment record, the department is well-positioned to continue delivering on both fronts.

Asset Management provides a range of research-led portfolio templates enabling investment managers to deliver an optimal balance of centralised expertise and personalisation of clients' portfolios. This service, which is being promoted further in the coming year, will allow the investment managers to focus more on business generation and client servicing.

Externally, over the next year, Asset Management will focus on accelerating asset growth with a particular focus on the core offerings of both active and passive model portfolios for the IFA industry, fiduciary management and Inheritance Tax solutions.

Financial Planning
The second pillar supporting Investment Management Services is Financial Planning. Much work has been carried out to restructure the business which has benefited in three headline ways. First, clear remuneration structures motivate and attract high-quality front-line staff. Second, a service which focuses on lifetime goals resonates with and attracts clients. Third, a new operating system which enhances client experience, productivity and marketing capability.

Over the next two years, the aim is to capitalise on Financial Planning's selling points to improve integration with Investment Management Services, attract new clients and recruit new high-quality financial planners. This will lead to a business of sufficient scale and quality to contribute to the Group goal of being a holistic wealth manager.

Charles Stanley Direct
For investment management clients who prefer to make investment decisions themselves, Charles Stanley offers its execution platform in digital form through Charles Stanley Direct or, in paper and digital form, through Charles Stanley Investment Choices. In the digital age, Charles Stanley Direct is growing strongly as evidenced by its award-winning service holding over 50,000 accounts on its platform.

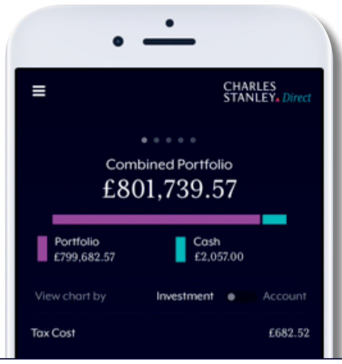
The aim for the next two years is to drive asset growth via two channels. First, from the next generation of digital clients via multi-channel marketing with a low cost per acquisition. The intention is to service those clients increasingly from the new app which will shortly allow clients to deposit money and trade funds. Second, by facilitating the transfer process from the Investment Management Services division of Execution-only clients for whom Charles Stanley Direct's lower cost service might be more appropriate.

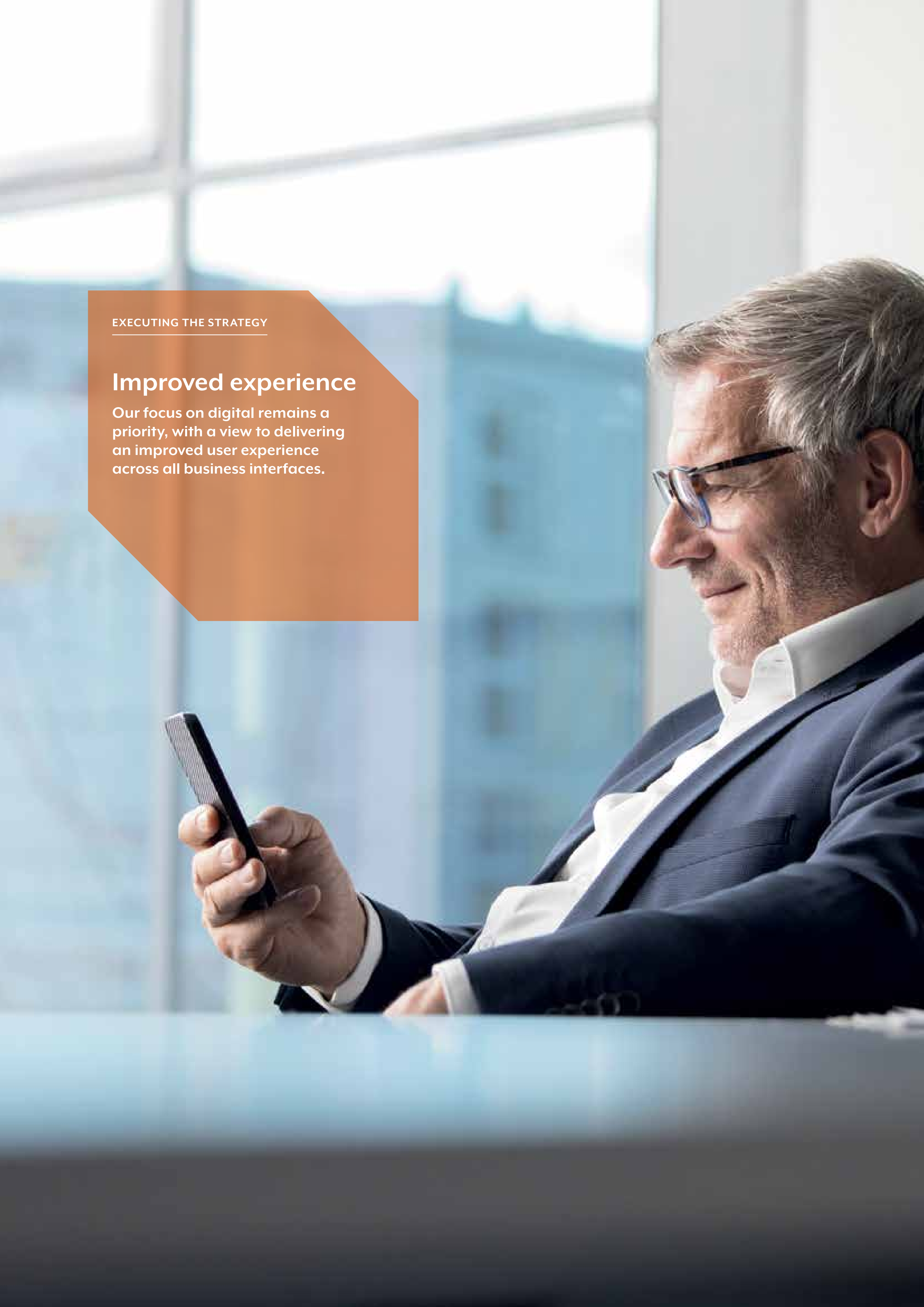
Support Functions
Underlying the front office advance will be a series of support function projects. These broadly fall into two camps: standardising processes and maximising the use of technology.

With regards to standardising processes, the intention is to streamline the operating model, ensuring that all investment managers are using the most efficient process and bringing fresh synergies across the business units. This is aided by our dedicated Research department providing strategic asset allocation guidance as required. We recognise that for some infrequent processes a central specialised team will transform administration efficiency.

As for making the best of IT, the focus is both on training to exploit the full benefits of our significant investment to date and improving functionality where value can be added. In both instances, the aim is to increase front office capacity and from that its productivity.

"In late 2017, Charles Stanley Direct launched an all new app. The refreshed design will be rolled out to all Charles Stanley clients during 2018, acknowledging changing client behaviours and demands."

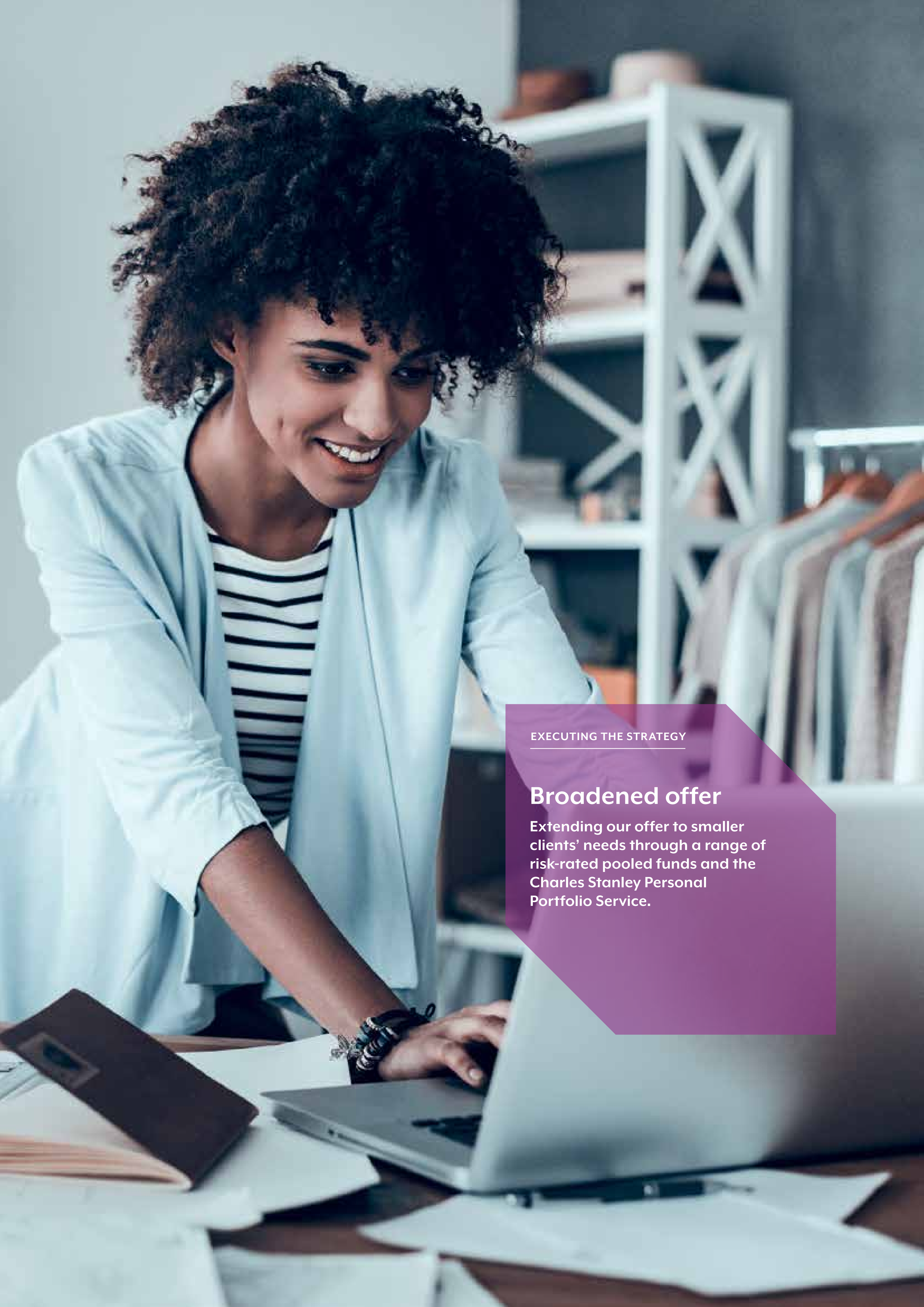




EXECUTING THE STRATEGY

Improved experience

Our focus on digital remains a priority, with a view to delivering an improved user experience across all business interfaces.



EXECUTING THE STRATEGY

Broadened offer

Extending our offer to smaller clients' needs through a range of risk-rated pooled funds and the Charles Stanley Personal Portfolio Service.

Executing the strategy
Continued

Strategic measures

Client satisfaction

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

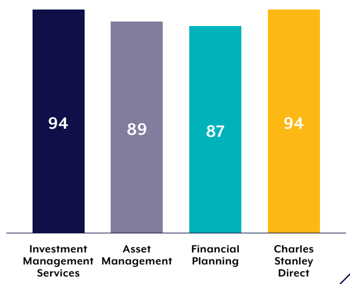
We conduct client surveys to help monitor clients' satisfaction with our services and to help instruct us as to how we might adapt them to meet their requirements.

94%

overall weighted average rating, maintaining the score achieved in 2017 of 93%

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 2017, we carried out our second annual staff engagement survey and had a 77% response rate.

73%

engagement score

Upper quartile

Charles Stanley remains in the upper quartile when benchmarked against the Effectory International's global EEI benchmark of 25% for Financial Services and Aon Hewitt's EEI of 66% for Financial Services.

Staff engagement will continue to be assessed on an annual basis.

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) relative to that of a basket of peer group listed companies.

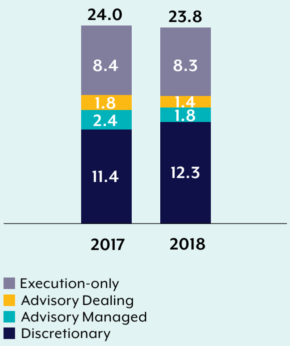
Company name	2018	2017
WH Ireland Group PLC	1	3
Brooks Macdonald Group PLC	2	2
Rathbone Brothers PLC	3	1
Brewin Dolphin Holdings PLC	4	4
Walker Crips Group PLC	5	5
Charles Stanley Group PLC	**6**	**6**
Shore Capital Group Limited	7	7

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 2018 against the prior year comparative.

Financial measures – FuMA and revenue margins

FuMA (£bn)

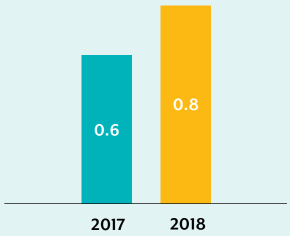


Definition
FuMA by investment category.

Performance
FuMA decreased by 0.8% compared to a 1.7% decline in the FTSE UK Private Investor Balanced Index.

Discretionary funds up by 7.9%.

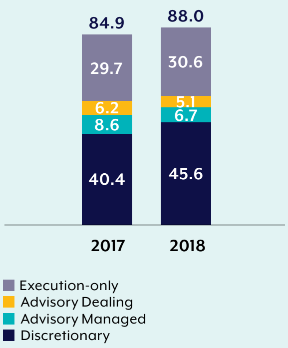
Discretionary funds inflows (£bn)



Definition
Value of net new inflows as a percentage of opening FuM for Discretionary funds.

Performance
Net new inflows in discretionary funds were £0.8 billion in 2018 higher than those recorded in the prior year of £0.6 billion.

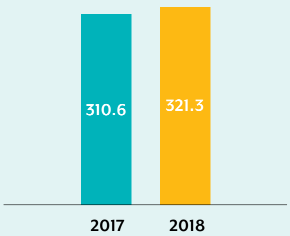
FuMA per CF30 (£m)



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 £84.9 million to £88.0 million in 2018 was due to a reduction in the number of CF30s in the year.

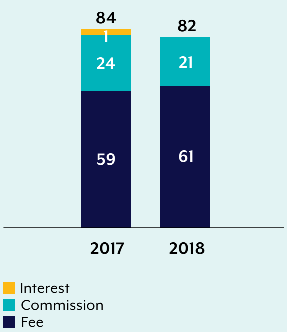
Discretionary client account portfolio size (£000)



Definition
Discretionary funds divided by the Discretionary client accounts.

Performance
The Discretionary average client portfolio size increased by 3.4% during the year.

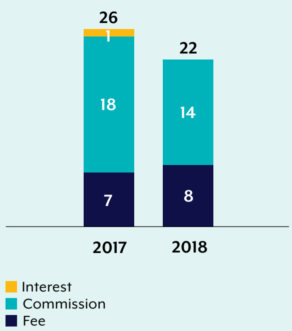
Discretionary revenue margin (bps)



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

Performance
Total Discretionary revenue margin decreased by 2bps overall, with a 2bps increase in fee revenue offset by reductions in commission (3bps) and interest margin (1bp).

Execution-only revenue margin (bps)

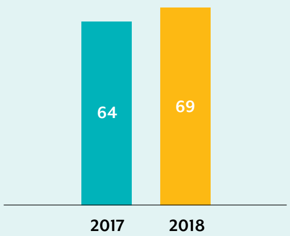


Definition
Fee, commission and interest income measured as a percentage return on average annual Execution-only assets.

Performance
The return on Execution-only assets has decreased by 4bps during the year principally as a result of a change in the revenue type mix.

Financial measures – operating efficiency

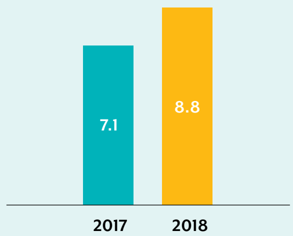
Core Business fees to revenue ratio (%)



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 clients moving to new pricing structures and clean fee only rates.

Core Business operating margin (%)

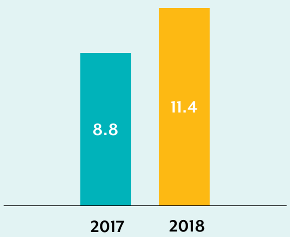


Definition
Profit before tax measured as a percentage of revenue for the Core Business.

Performance
Excluding the charge in respect of the investment manager's share options, the Core Business operating margin for the year was 8.8%.

Financial measures – shareholder return

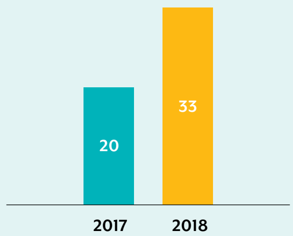
Reported profit before tax (£m)



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

Performance
Reported profit before tax has increased by £2.6 million due to the improved profitability and one-off gains recognised during the year.

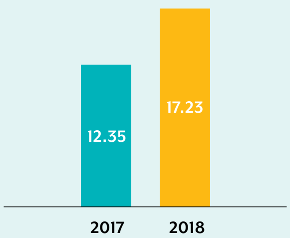
Dividend growth (%)



Definition
The percentage change in the total dividend per share.

Performance
The total dividend per share for 2018 increased by 33.3% to 8.0 p per share.

Reported basic earnings per share (p)

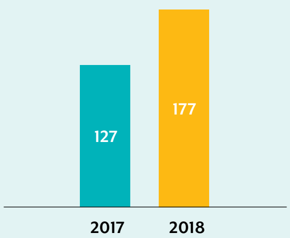


Definition
Reported profit after tax divided by the weighted average number of ordinary shares.

Performance
The increase in earnings per share is due to the higher profit after tax recognised in the year.

Financial measures – balance sheet strength

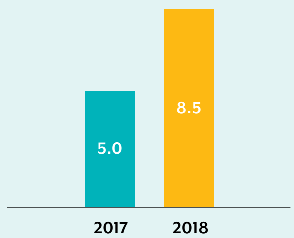
Capital adequacy ratio (%)



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

Performance
The ratio increased from 127% to 177% due to an increase in the Group's regulatory capital resources during the year.

Return on capital employed (%)



Definition
Reported operating profit or loss (as shown on page 103) divided by capital employed (total assets less current liabilities).

Performance
The return on capital employed improved during the year due to improved profitability.

Review of the year

Charles Stanley achieved growth in both revenues and profits during 2018 and the balance sheet continued to strengthen. We exited the last of our non-core activities at the beginning of the year and all our ongoing divisions contributed to the improved performance.

Ben Money-Coutts
Chief Financial Officer

Overview of financial year 2018 results

The Group's reported revenues for 2018 were £150.9 million, representing an increase of 6.6% (£9.3 million) on the prior year. Revenues for the Core Business (comprising the Investment Management Services, Asset Management, Financial Planning and Charles Stanley Direct divisions) were up 8.5% to £150.4 million, predominantly driven by higher investment management fees. This increase in revenues was offset by a loss of income from EBS Management PLC (EBS) following the completion of its disposal at the end of May 2017.

Overall expenditure increased by 3.9% (£5.4 million) to £142.2 million (2017: £136.8 million). During the course of the year, the Group recognised a number of one-off gains and losses shown within net finance and other non-operating income of £2.5 million (2017: £3.8 million). These mainly comprised gains realised from the sale of EBS (£0.7 million) and certain corporate investments (£2.4 million), off-set by a one-off impairment charge on one of the Group's freehold properties (£1.0 million). Details of these one-off items are set out on page 32.

The above factors contributed to the Group achieving a reported profit before tax of £11.4 million representing a 29.5% increase on the prior year reported profit of £8.8 million.

The adjusted profit before tax from the Core Business of £10.9 million is 11.2% ahead of the £9.8 million profit achieved in the previous financial year, demonstrating reasonable progress.

The Core Business profit before tax margin was of 7.2% (2017: 7.1%). This improvement is certainly less than we had hoped, though to some extent performance was hampered by the charge in respect of non-cash, share-based option arrangements associated with the remuneration agreement settled with our investment management teams. Excluding this charge the underlying margin was 8.8%.

Funds under Management and Administration

The Group's revenue is substantially driven by the level of its FuMA. These stood at £23.8 billion at 31 March 2018, representing a 0.8% decrease from the £24.0 billion held at 31 March 2017. During the same period the market movement as measured by the FTSE UK Private Investor Balanced Index was down 1.7%.

Of course these figures simply represent the point in time levels of FuMA. By comparison, average FuMA during the year were £24.3 billion, a 10.5% increase on the previous year.

FuMA movement

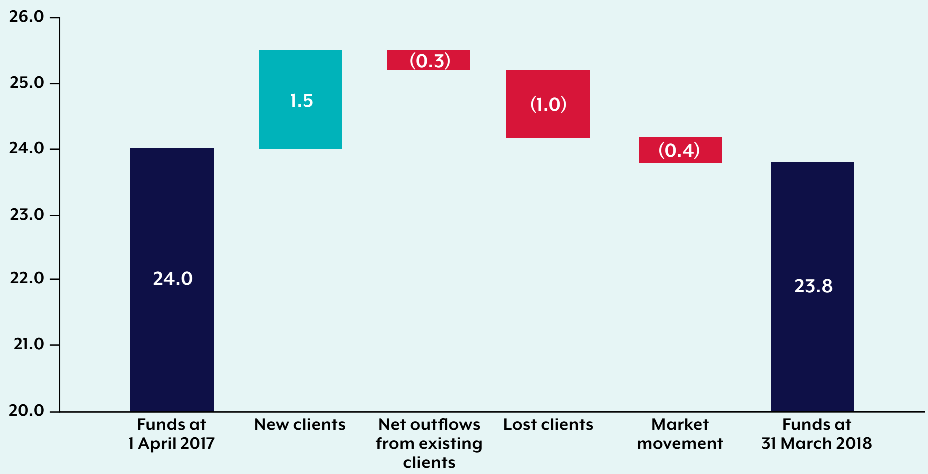
	2018 £bn	2017 £bn	Change %
As at 31 March			
Discretionary funds	**12.3**	11.4	7.9
Advisory Managed funds	**1.8**	2.4	(25.0)
Total managed funds	**14.1**	13.8	2.2
Advisory Dealing funds	**1.4**	1.8	(22.2)
Execution-only funds	**8.3**	8.4	(1.2)
Total administered funds	**9.7**	10.2	(4.9)
Total Funds under Management and Administration	**23.8**	24.0	(0.8)
FTSE UK Private Investor Balanced Index	**4,050**	4,122	(1.7)

Discretionary funds were up £0.9 billion or 7.9%, continuing the trend seen in recent years where the Group has focused on building scale in this service category. This increase is partly driven by net inflows from new clients and partially from upgrading existing Advisory Managed clients.

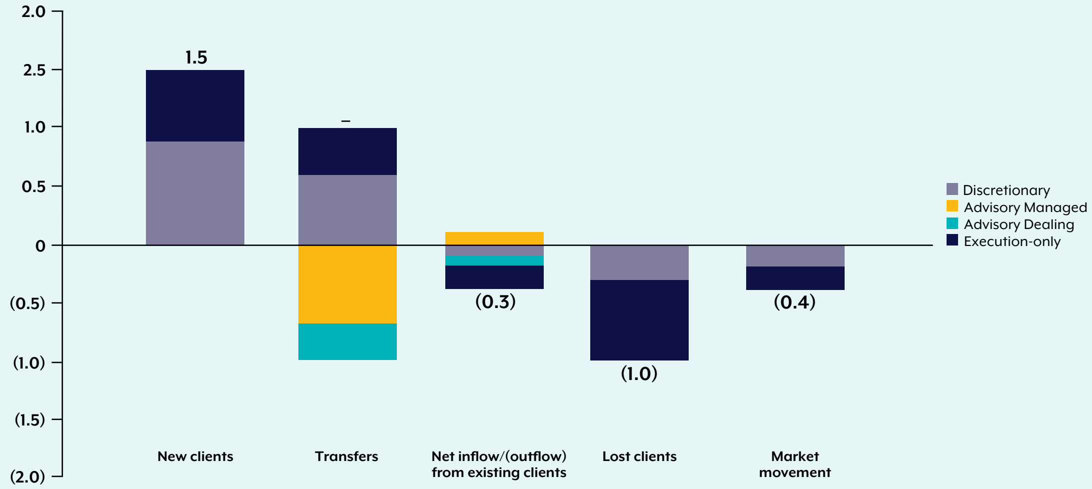
Whilst Execution-only funds fell 1.2% overall, our online execution-only platform Charles Stanley Direct continues to outperform and increased its AUA by 21.1% to £2.3 billion. Advisory Dealing and brokered Execution-only funds have both reduced on prior year as investment managers continue to focus more on managed accounts and transfer smaller accounts to Charles Stanley Direct. The Group expects this polarisation into Discretionary and online execution-only services to continue.

Inflows from new clients of £1.5 billion were offset by outflows from existing (£0.3 billion) and lost (£1.0 billion) clients, and negative market performance of £0.4 billion, resulting in a £0.2 billion net decrease in FuMA since 31 March 2017.

FuMA flows (£bn)



FuMA flows by service (£bn)



Results and performance

The Group's financial performance for the year ended 31 March 2018 and for the prior year is summarised in the tables below. These tables show the results of the Core Business, the held for sale activities (EBS was disposed of on 31 May 2017), and various adjusting items which are added back to arrive at the Core Business results so as not to distort underlying performance, details of which are set out on page 32.

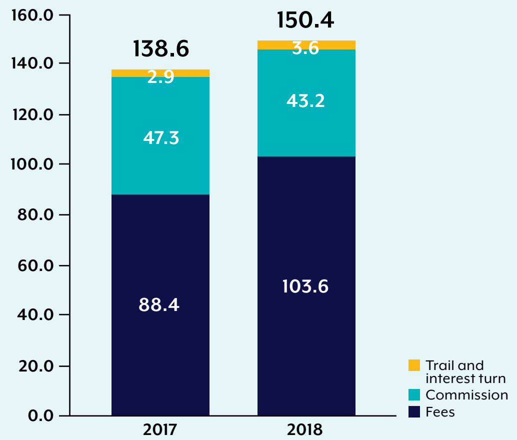
	Core Business £m	Held for sale £m	Adjusting items £m	Reported performance £m
31 March 2018				
Revenue	**150.4**	**0.5**	**–**	**150.9**
Expenses	**(140.1)**	**(0.5)**	**(1.6)**	**(142.2)**
Other income	**0.2**	**–**	**–**	**0.2**
Operating profit/(loss)	**10.5**	**–**	**(1.6)**	**8.9**
Net finance and 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**

	Core Business £m	Held for sale £m	Adjusting items £m	Reported performance £m
31 March 2017				
Revenue	138.6	3.0	–	141.6
Expenses	(129.1)	(3.0)	(4.7)	(136.8)
Other income	0.2	–	–	0.2
Operating profit/(loss)	9.7	–	(4.7)	5.0
Net finance and other non-operating income	0.1	–	3.7	3.8
Profit/(loss) before tax	9.8	–	(1.0)	8.8
Tax expense	(2.0)	–	(0.5)	(2.5)
Profit/(loss) after tax	7.8	–	(1.5)	6.3
Basic earnings per share (p)	15.33	–	–	12.35

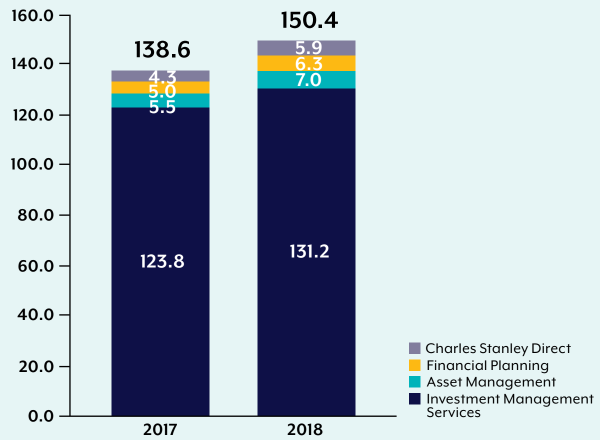
Core Business revenues

Revenues from the Core Business grew by 8.5% (£11.8 million) to £150.4 million in 2018. 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 68.9%.

Core Business revenue by type (£m)



Core Business revenue by division (£m)



Core Business expenditure

Expenditure within the Core Business has increased by £11.0 million (8.5%) on prior year to £140.1 million. The chart below shows the principal changes in costs year-on-year.

The Group's single largest cost is staff costs and these increased by £1.8 million on the fixed element and £6.8 million on the variable element. Fixed employment costs increased principally due to a number of new hires within the management team of the Investment Management Services division and within the Financial Planning division.

The increase in the variable staff costs is mainly driven by reward for higher revenues in the year (£4.4 million) and by the charge associated with share options granted to certain investment management teams under the revised remuneration arrangements settled last year (£2.3 million).

IT & Communications are £0.9 million higher compared to prior year. Additional project-related costs worked on during the year, in particular MiFID II, contributed to this. Marketing and entertainment costs have risen by £1.1 million representing additional spend on marketing campaigns and brand awareness initiated by the Group to promote new business.

Core Business pre-tax profit

The Core Business pre-tax profit increased from £9.8 million to £10.9 million, representing a margin of 7.2% (2017: 7.1%). Whilst this continues to show some progress on prior years, it is still a long way from our stated medium-term target of 15%. To achieve this, the Group will seek to continue to increase discretionary assets in its Investment Management Services division, the model portfolios in the Asset Management division, online execution-only funds in Charles Stanley Direct and Financial Planning revenues in that division, whilst across the business improving productivity in both the front and back offices.

Divisional review

The table 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 page 10.

	Investment Management Services[1] £m	Asset Management[1] £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**
31 March 2017[1]					
Revenue	123.8	5.5	5.0	4.3	138.6
Expenditure	(109.3)	(5.8)	(7.8)	(6.2)	(129.1)
Other income	0.2	–	–	–	0.2
Operating profit/(loss)	14.7	(0.3)	(2.8)	(1.9)	9.7
Net finance and other non-operating income	0.1	–	–	–	0.1
Profit/(loss) before tax	14.8	(0.3)	(2.8)	(1.9)	9.8

1. The 2017 figures have been restated to reflect the transfer of an investment management team from Asset Management to Investment Management Services during 2018 in order to provide more appropriate reporting.

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.

	2018 £bn	2017 £bn
FuMA	**19.6**	20.3

	2018 £m	2017 £m
Revenue	**131.2**	123.8
Direct costs:		
Fixed staff costs	**(20.4)**	(19.2)
Variable staff costs	**(39.4)**	(36.1)
IMs share options charge	**(2.3)**	–
Other direct operating expenses	**(11.5)**	(10.0)
Other income	**0.2**	0.2
Contribution	**57.8**	58.7
Allocated costs	**(44.4)**	(44.0)
Operating profit	**13.4**	14.7

KPIs:	2018	2017
Discretionary funds per CF30	**£49.5m**	£42.6m
Discretionary funds as a percent of total FuMA	**64.8%**	61.1%
Discretionary average client account size	**£304k**	£300k
Discretionary revenue margin	**85bps**	85bps
Total revenue margin	**64bps**	65bps
Staff costs to revenue ratio[1]	**45.6%**	44.7%
Other costs to revenue ratio	**42.6%**	43.6%
Operating margin[1]	**12.0%**	11.9%

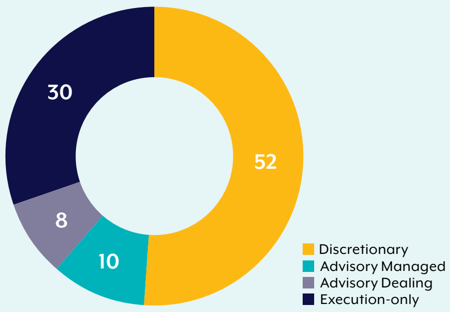
1. Excluding the charge for the investment managers' share options

The division's FuMA decreased by 3.4% to £19.6 billion as a result of the decline in stock market values experienced in the fourth quarter of the financial year.

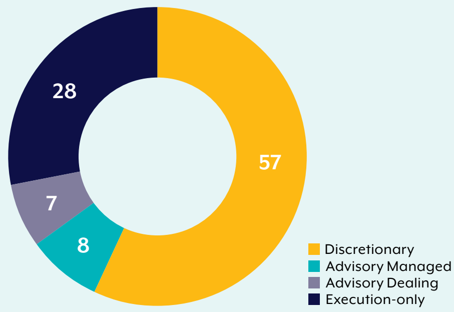
Looking at the division's asset mix, the higher margin Discretionary service is up 7.7% on the prior year driven by net new inflows (£0.4 billion) and from service upgrades (£0.6 billion) offset by negative market movement of £0.2 billion. This has also contributed to a higher discretionary funds per CF30 of £49.5 million, a key measure for the division.

Breakdown of FuMA by service type

2017 (%)



2018 (%)



The other service levels have all decreased during the year as the division focuses on growing its Discretionary assets and restructuring its legacy Execution-only book. As part of this exercise, the division has transferred £0.1 billion of assets to the Charles Stanley Direct platform.

Revenues for the division increased by 6.0% through the combination of higher average fund levels, improved assets mix and the benefits of the rolling repricing exercise. As noted from the chart on page 23, we continue to see a switch from commission income to investment management fees as more clients elect for a clean fee-only charge.

The division's total costs increased by 8.0% during the year to £118.0 million. The principal reason for this was an increase in staff costs, up 8.1%. Variable staff compensation increased by £3.3 million or 9.1% as a result of the overall growth in revenue. Moreover, during the year the Group introduced a share option plan for employed investment managers in consideration for them agreeing to a change in their contractual terms. The non-cash cost of these options is being amortised over the three years to June 2020 and the charge recognised in 2018, which has not been treated as exceptional, was £2.3 million.

The above factors, and excluding the impact of the charge of the investment managers' share options, have led to an operating margin for the division of 12.0% (2017: 11.9%).

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.

	2018 £bn	2017 £bn
FuM – on platform	**0.9**	0.9
FuM – off platform[1]	**0.4**	0.2
FuM – total	**1.3**	1.1

1. Off platform FuM comprises model portfolios on third party platforms and Open Ended Investment Companies (OEICs) or other clients whose assets are held by a third party custodian.

	2018 £m	2017 £m
Revenue	**7.0**	5.5
Direct costs:		
Fixed staff costs	**(1.7)**	(1.5)
Variable staff costs	**(1.2)**	(1.1)
Other direct operating expenses	**(1.6)**	(0.7)
Contribution	**2.5**	2.2
Allocated costs	**(2.4)**	(2.5)
Operating profit/(loss)	**0.1**	(0.3)

KPIs:	2018	2017
Revenue margin[2]	**56bps**	60bps
Operating margin	**1.4%**	(5.5%)

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

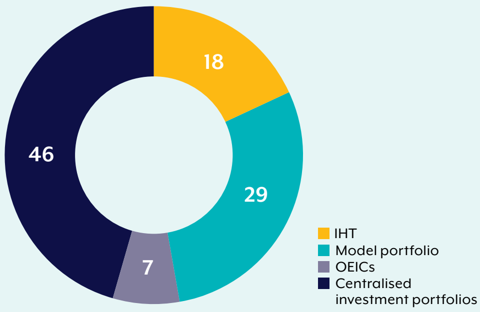
The division's FuM increased by 18.2% to £1.3 billion. As noted from the portfolio split chart, the main increase was recorded within the model funds and the Inheritance Tax Portfolio service driven from a combination of net inflows and investment performance.

The Asset Management division achieved an overall improvement in profitability year-on-year of £0.4 million as it moved from a loss in 2017 to a small profit of £0.1 million in 2018. This was a direct result of its revenue increasing 27.3% but its total costs by 19.0%.

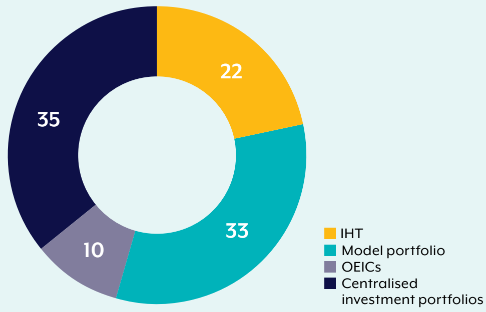
During the year the Asset Management division established a range of risk-rated funds for the launch of Charles Stanley's Personal Portfolio Service. This service is designed with our smaller clients in mind for whom a full discretionary service is not economic. Until the funds reach critical mass, estimated at approximately £100 million, their operational costs are being subsidised to keep them to an acceptable level for investors. In the current year the cost to the division was £0.6 million. At 31 March 2018 there was £43 million invested in the funds and focus will be given in the current year to grow these further.

Breakdown of FuM by service

2017 (%)



2018 (%)



Financial planning

Trading review

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

	2018 £m	2017 £m
Revenue	**6.3**	5.0
Direct costs:		
Fixed staff costs	**(3.9)**	(3.5)
Variable staff costs	**(1.5)**	(0.6)
Other direct operating expenses	**(1.5)**	(1.1)
Contribution	**(0.6)**	(0.2)
Allocated costs	**(2.1)**	(2.6)
Operating loss	**(2.7)**	(2.8)

KPIs:	2018	2017
Number of financial planners	**21**	18
Revenue per financial planner[1]	**£369k**	£268k
Operating margin	**(42.9%)**	(56.0%)

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

Financial Planning's revenues increased 26.0% to £6.3 million as a direct result of its roll-out of a new value proposition and pricing model for clients. Encouragingly the revenues per financial planner (based on annualised figures to take account of people who left and joined during the year) increased markedly from £268,000 to £369,000. These figures give us confidence in the validity of the model which we will continue to scale up through the recruitment of more financial planners.

Looking forward, our ambition for the division is to grow it to represent at least 10% of the Group's revenues. At this level, it will be of sufficient scale to contribute to the Group's goal of being a holistic wealth manager. The additional investment required to recruit new financial planners to meet this goal is likely to lead to an increase in the division's losses in the near term. This is for two reasons. First because of the cost of recruitment. Secondly because it typically takes a period of 18 to 24 months for a new financial planner to get their revenues up to our target levels which historically have been set, on average, at £300,000, but have now been moved to £350,000. In the longer term we believe this investment will lead to greater asset inflows, greater share of wallet, enhanced customer retention and better defensibility of revenue margins because the service meets a fundamental client demand. In the process we expect it to enhance the Group's profitability and quality of earnings.

Charles Stanley Direct

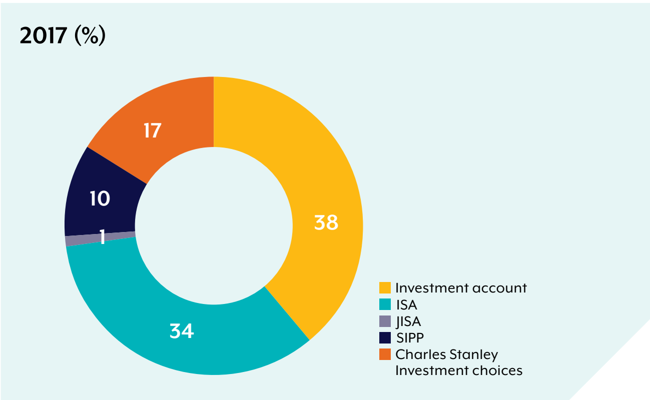
Trading review

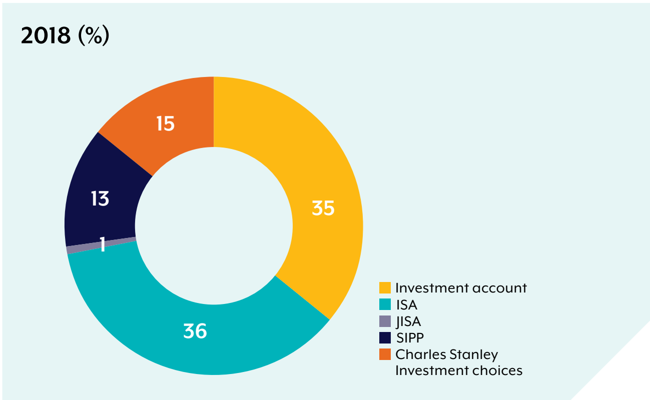
Charles Stanley Direct's financial performance is driven by the value of AuA on which a platform fee is charged and by the number of commission-earning bargains undertaken by clients.

	2018 £bn	2017 £bn
AuA:		
Charles Stanley Direct	**2.3**	1.9
Charles Stanley Investment Choices	**0.4**	0.4
Total	**2.7**	**2.3**

The division's AuA grew by 17.4% to £2.7 billion (2017: £2.3 billion). The assets on the Charles Stanley Direct online platform increased by 21.1% from £1.9 billion to £2.3 billion during the year. 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. The platform now services over 50,000 accounts. Charles Stanley Investment Choices, our paper-based fund broking business, maintained its assets over the year.

Split of CSD AuA by type





	2018 £m	2017 £m
Revenue	**5.9**	4.3
Direct costs:		
Fixed staff costs	**(1.3)**	(1.5)
Variable staff costs	**–**	(0.1)
Other direct operating expenses	**(2.0)**	(1.4)
Contribution	**2.6**	1.3
Allocated costs	**(2.9)**	(3.2)
Operating loss	**(0.3)**	(1.9)

KPIs:	2018	2017
AuA growth	**17.4%**	27.8%
Revenue margin	**24bps**	22bps
Operating margin	**(5.1%)**	(44.2%)

Charles Stanley Direct continues to make very encouraging progress and although it reported a small loss for the year of £0.3 million, it achieved a profit of £0.2 million in the second half. This was driven by a combination of ongoing growth in its customers and AuA on a relatively static cost base.

The main focus for the division in the near term is to enhance further the platform's mobile application and improve its website interface creating a full digital experience for both existing and new customers.

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. Ongoing costs for all Support Functions were £49.1 million in 2018, reflecting a marginal net increase of 0.6% on the prior year. The main increase was in respect of project-related spend including £0.8 million for the implementation of MiFID II and GDPR. Cost reductions in other areas, notably professional fees, marketing and administration expenses, helped minimise the overall increase in the Support Functions costs.

Looking forward, we see further opportunities to reduce Support Functions' operating costs by reviewing and streamlining process flows between the front to middle and back office functions. Conversely, we expect to see continued cost pressure in a number of areas including IT and regulation whilst also increasing spend on marketing and training.

Held for sale activities – EBS Management PLC

The Group completed the sale of EBS to Embark Group Limited on 31 May 2017. Consequently, two months' worth of trading activities are included within the 2018 results compared to a full year of trading in 2017. For this purpose, it is being presented as held for sale and stripped out from the Core Business year-on-year results comparison. However, in both years, EBS broke even and therefore has no impact on the Core Business profit comparison.

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 credit of £0.5 million. An explanation of these adjusting items, together with a reconciliation of profits, is provided below:

	2018 £m	2017 £m
Reported profit before tax	**11.4**	8.8
Gain on part sale of shares held in Euroclear PLC	**(1.9)**	–
Gain on sale of EBS Management PLC	**(0.7)**	–
Profit on disposal of investment in Runpath Group Limited	**(0.5)**	(0.4)
Recovery on prior years FSCS levy[1]	**(0.1)**	–
Amortisation of client relationships[1]	**1.1**	1.6
Impairment of freehold property	**1.0**	–
Accelerated amortisation of leasehold improvements[1]	**0.6**	–
London office rationalisation:		
1. Net gain on surrender of long-term lease	**–**	(3.2)
2. Overlapping rent and occupancy costs[1]	**–**	3.1
3. Dilapidations[1]	**–**	(0.1)
Impairment of goodwill	**–**	0.7
Refund of under-recovered VAT in prior years[1]	**–**	(0.7)
Net (credit)/charge from adjusting items	**(0.5)**	1.0
Profits from held for sale activities	**–**	–
Core Business profit before tax	**10.9**	9.8

1. These adjusting items are included within administrative expenses in the Consolidated income statement on page 103.

Gain on part sale of shares held in Euroclear PLC: (£1.9 million credit)
In April 2017, the Group participated in a share buy-back tender offer by Euroclear PLC. This resulted in the sale of approximately 60% of the Group's holding in Euroclear PLC, giving rise to a profit on disposal of £1.9 million.

Gain on sale of EBS Management PLC: (£0.7 million credit)
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 £2.0 million payable on the first and second anniversary of the completion date. A profit on disposal of £0.7 million was recognised from the transaction.

Profit on disposal of investment in Runpath Group Limited: (£0.5 million credit)
In October 2017, the Group entered into a sale and purchase agreement to dispose of its remaining holding in Runpath Group Limited to Experian for a consideration of £0.8 million resulting in an overall gain of £0.5 million.

Recovery on prior year FSCS levy: (£0.1 million credit)
During the year the Group received a refund of £0.1 million in respect of compensation paid in 2011 in connection with the KeyData case.

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.

Impairment of freehold property: (£1.0 million charge)
In accordance with IAS 16, the Group carried out an independent valuation of its freehold properties during the year. The updated valuation of one of these properties indicated that its fair value was impacted by the location and current condition of the building and was below the carrying value in the books. This resulted in a one-off impairment charge to the profit and loss account of £1.0 million.

Accelerated amortisation of leasehold improvements: (£0.6 million charge)
Following the recognition of leasehold dilapidations in respect of the Group's London headquarters in the year ended 31 March 2017, the Group undertook a review of its branch network and obligations for dilapidations. Consequently, a provision of £0.9 million for leasehold dilapidations in respect of the Group's branch network was recognised in the statement of financial position, with a corresponding amount shown as an addition to leasehold improvements. The charge of £0.6 million recognised in the year represents the accelerated depreciation of these leasehold improvements, for the expired portion of the various branch leases relating to prior years and therefore is shown as an adjusting item.

Taxation
The corporation tax charge for the year was £2.7 million (2017: £2.5 million) representing an effective tax rate of 23.7% (2017: 28.4%). The prior year effective tax rate was higher due to the disposal of fixed assets not allowable for tax purposes following the London office relocation. 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 were 17.23 pence (2017: 12.35 pence). The Core Business basic earnings per share increased from 15.33 pence to 16.06 pence in 2018.

Dividends
The Board has proposed a final dividend of 5.5 pence per share (2017: 4.5 pence per share). Taking into account the interim dividend of 2.5 pence per share, this results in a total dividend for the year of 8.0 pence per share (2017: 6.0 pence per share), an increase of 33.3%. The proposed total dividend is 2.2x times covered by basic reported earnings and 2.1x 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 24 July 2018.

Financial position

The Group maintained its strong financial position with total net assets at 31 March 2018 of £97.8 million (2017: £89.1 million) including £65.6 million of cash resources.

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 shows a deficit at 31 March 2018 of £6.5 million (31 March 2017: £10.5 million). The reduction in the scheme's deficit is attributable to a combination of liabilities extinguished on transfers out of the scheme, investment performance, actuarial gains 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 2018, the Group had regulatory capital resources of £74.0 million (2017: £61.4 million):

	2018 £m	2017 £m
Ordinary share capital	**12.6**	12.7
Share premium	**4.6**	4.4
Retained earnings	**61.1**	51.1
Other reserves	**15.2**	16.0
Regulatory adjustments	**(19.5)**	(22.8)
Total regulatory capital resources	**74.0**	61.4

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 November 2017. 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

Since the year end the markets have recovered strongly and our FuMA stood at £25.0 billion at the end of May 2018. If these conditions persist then they should provide a helpful tailwind for an improving performance.

The financial challenge for the Group, both for the 2019 financial year and beyond, is to achieve a greater rate of organic growth of funds under management, to improve the revenues we achieve from these assets and to translate more of this top line growth into bottom line profit. Whilst we achieved many important milestones in 2018 and overall made good financial progress, the increase in the operating margin from 7.1% to 8.8% (excluding the charge in respect of investment managers share options) was less than we had expected.

There are three principal reasons for this. Firstly, we are having to invest to ensure we are capable of delivering profitable future growth. This has a near term cost but a longer term payback. An example of this dynamic is the investment made in our Financial Planning division, both in the form of replacing the operating system and in the recruitment of new financial planners. Secondly, we have had to invest to ensure compliance with incoming regulatory standards. Although this is an ongoing feature for the industry as a whole, the 2018 financial year was particularly active with MiFID II and GDPR. The Governance overhaul referred to in the Chairman's statement also alluded to this. Thirdly, we have been reviewing the way we process business, both in the front and back offices, with a view to standardising many activities and maximising what we already have.

This process review is an ongoing major project, the benefits of which we believe will be to create more capacity in the Group, improve productivity and also make future development cycles quicker and cheaper because we will have less complexity to deal with than is currently the case. For example, we are looking to bring together the separate Charles Stanley and Charles Stanley Direct online platforms so that the underlying code is common and the user experience, whether via a PC or an App, is both the same and improved. Not only should this help us attract more new clients to Charles Stanley Direct, but also enable us to convert many managed clients online for communication and reporting purposes.

To summarise, we are confident that we will continue to make meaningful progress toward attaining our target 15% operating margin. This will be achieved by a combination of revenue growth and productivity gains. The speed with which we attain it will in part be dependent upon the pace of investment to develop sales channels and standardise processes, and in part on how quickly the Group assimilates change. With an engaged workforce we believe we can achieve a lot more and this is what we will pursue.

Risk management and principal risks

The Group's risk management framework is a fundamental component of the operating model and is embedded across all processes and controls. The Chief Risk Officer (CRO), 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 RAS, which is reviewed, challenged and approved by the Board on an annual basis. The RAS takes into consideration the Group's strategic objectives, strategy and business plans, and underpins the implementation of robust risk monitoring and risk reporting processes which continue to evolve.

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

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 Board agrees that the information it receives allows it to monitor and review the efficiency of the Group's Internal Control Framework in line with the FRC's guidance relating to Risk Management and Internal Control presented in the UK Corporate Governance code 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 37 to 40. This is then followed with the Director's Viability statement covering the three years to 31 March 2021.

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. 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. Counterparty limits for the purpose of trading are set by the Market Exposure Committee (MEC): • Counterparties with no set trading limits should be assessed on an individual basis on the day of the trade by the MEC • Breaches of any counterparty trading limits without approval must be escalated immediately to the MEC.	➡

Trend: ⬆ Increased risk ➡ Static risk ⬇ Decreased 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, 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. Through a combination of investment performance, transfers out from the scheme and the introduction of liability driven investments, the scheme's deficit has reduced from £10.5 million as at 31 March 2017 to £6.5 million as at 31 March 2018. 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 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 are driving the Groups 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 counterparties 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. 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.	➡
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.	The Group has built a reputation as a high-quality provider of wealth management services. This has been carefully developed over many years. The risk is monitored and managed by emphasis on compliance with all aspects of relevant regulation, including those of the FCA. There remains a significant regulatory change agenda with the Senior Managers and Certification Regime (SMCR), MiFID II, the Packaged Retail Investment and Insurance-based Products (PRIIPS) and the General Data Protection Regulation (GDPR) which came into force on 25 May 2018. 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.	➡

Trend: ⬆ Increased risk ➡ Static risk ⬇ Decreased risk

Viability statement

In accordance with the revised UK Corporate Governance Code, the Directors have carried out a robust assessment of the prospects of the Group's viability over the three-year period from 31 March 2018 to 31 March 2021. 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 (see Executing the Strategy section) and the changes within the business executed in the last two years, including the significant business divisional 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 (ERC) 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 89 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

Over the dozen years since we commenced reporting on corporate social responsibility (CSR) our activities and initiatives have gone from strength to strength. However, we still have more to do. We are committed to doing what we can to benefit our clients, colleagues, marketplace and wider communities in which we operate.

Our primary concern is the responsible stewardship and preservation of our clients' assets, ensuring that we conduct ourselves in a manner that enables the right outcomes. In addition, each year we report on our intentions and activities to further our CSR initiatives and practices in four key areas, namely: business integrity, our people, the community and the environment. The CSR activities are overseen by the Conduct and Culture Committee, chaired by the Chief Executive Officer. CSR events and initiatives are viewed as a group-wide responsibility, championed and supported from the top. This report evidences our commitment to report openly and honestly on our efforts at all levels across the business. It also provides a great opportunity to celebrate some of the important and noteworthy matters that have happened over the past year.

We remain mindful of the intrinsic importance of good corporate citizenship. We are committed to ensuring appropriate outcomes for the people around us (both clients and staff), understand that we have a duty of candour, and strive to conduct ourselves with sensitivity and understanding, especially with those who are vulnerable. We wish to preserve and support the areas and communities in which we operate. We appreciate that our business has an environmental and social impact on society through our actions, donations and contribution to the wider economy. We believe in being caring and fair, learning from our mistakes, and supporting progress where we can.

Business integrity

As indicated in our client survey results, which recorded both customer and staff attitudes towards the way in which we work, Charles Stanley is committed to ensuring appropriate client outcomes and our efforts are appreciated. Our bespoke wealth management approach is designed to deliver optimum outcomes for clients.

"Charles Stanley is committed to ensuring appropriate client outcomes and our efforts are appreciated. Our bespoke wealth management approach is designed to deliver optimum outcomes for clients."

We remain dedicated to preserving our clients' wealth, maximising investment returns in accordance with our contractual responsibilities, and conducting ourselves in an appropriate manner that is in line with our regulatory requirements.

Corporate governance
Following the governance review in early 2017, we now have a clear distinction between the activities of Charles Stanley Group's Board and that of Charles Stanley & Co Limited. Two new Non-Executive Directors (NEDs) have been recruited and we are pleased to report an equal gender split amongst our independent NEDS. This echoes our determination to foster diversity, as demonstrated by our membership of the Women in Finance Charter. We have a stated aim of having 30% female senior managers by the end of 2020. The Board provides leadership within a framework of prudent and effective controls, enabling risk to be assessed and managed.

The Board, through the Executive Committee, under the leadership of the Chief Executive Officer, is responsible for ensuring that strategic goals are achieved and that we have an enduring and sustainable business. The Board sets the strategic objectives and, via the Executive Committee, ensures that the necessary financial resources and people are in place to meet the business and client needs. The tone is set from the top and the Board is responsible for ensuring that the Company conducts its business in an appropriate and commendable manner.

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

We are mindful of the Proposed Revisions to the Code, made in the December 2017 Consultation, and responses, in particular the focus on risk management and controls, the links between remuneration structure and strategy and the emphasis placed on having an appropriate corporate culture, with the tone set from the top.

Having last year communicated our Values of Caring, Fair and Progressive, we have built upon the conduct and culture aspects of the Company; indeed the Conduct and Culture Committee, chaired by the Chief Executive Officer, meets regularly and has steered both the internal discussion and the actions. With this and the Executive Committee's support, we have now articulated expected behaviours to staff in all areas of the company and see these as essential for a healthy culture that can motivate and build trust with both internal and external parties.

It was gratifying that our actions in this area have been publicly recognised – Paul Abberley, the Chief Executive Officer, and Kate Griffiths-Lambeth, the Human Resources Director, were jointly awarded the Business Culture Award 2018 for Business Culture Leadership. Charles Stanley competes fairly in the markets in which we operate and we believe in the concept of business transparency and ethical behaviour. More details can be found in the Corporate Governance report on page 56.

Client care
We are committed to appropriate and proactive client care of the highest standards and support the regulatory framework, Treating Customers Fairly. Over the past year we have enhanced internal awareness of the need to be mindful of vulnerable clients, as well as ensuring that we interact and communicate with all clients in a manner that exceeds the requirements of the recently amended MiFID II.

- **HRD Awards:** Distinction in Employee Engagement & Experience
- **Business culture:** Leadership award received by Paul Abberley (Chief Executive Officer) & Kate Griffiths-Lambeth (Human Resources Director)

We care deeply for and about our clients. We work with them to ensure that relationships deliver investment performance and suitable advice. We try to protect clients from inappropriate or unnecessary risks and to communicate 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. Our disclosure policy (concerning instances of whistleblowing and data protection) is monitored and enforced where necessary. 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 regular risk assessments, including rolling criminal screening and county court judgement checks on all client-facing and significant members of staff, to determine exposure and the possibility of risks. Policies, systems and procedures are 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 while providing frequent training to staff to ensure understanding and compliance. We review our approaches on a regular basis and adhere to high-level principles for procurement and the establishment of third party service level agreements.

There have been a number of regulatory changes that have required a coordinated response to ensure that the Company remains compliant and continues to do the right things for its clients. The revised version of MiFID II came into effect on 3 January 2018, after seven years in the making. It is designed to offer greater protection for investors and inject more transparency into all asset classes.

Teams across the business worked to ensure that the Company met the requirements, for example by being able to provide clients with a breakdown of the costs for research. From 25 May 2018, GDPR is in effect and, as with MiFID II, the Company has run a Group-wide project to ensure that all policies and procedures are compliant with the new requirements.

People

The cliché "our people are our greatest asset" is true at Charles Stanley, as we are a people-driven business that specialises in providing wealth management solutions to private clients, charities, trusts, relevant third parties and institutions.

We believe that all people should be treated in a fair manner, with due care and consideration, and be given opportunities to progress both for their own benefit and for that of the individuals with whom they interact. People should be, are and will remain at the centre of all we do.

Employee involvement
We have greatly enhanced our ability to communicate with and gain feedback from our people. We believe that it is important to provide employees with information on matters of concern to them. We use a variety of approaches, including, but not limited to, the annual Engagement Survey, regular senior leader forums, the Group Conference, focus groups, individual and team meetings, and access to confidential email and telephone lines. We seek staff input on a regular basis and employees' views are taken into account when making decisions which are likely to affect them and their interests.

We use a variety of media to communicate with staff and employees including a very well received in-house magazine, regular "Ask ExCo" sessions and numerous articles and videos, all intended to raise awareness of the financial, economic and regulatory factors affecting the Company's performance and its strategy.

74%

of the engagement survey respondents indicated they have a good understanding of the direction in which the Group is heading.

It was pleasing to see the Engagement survey response to "I have a good understanding of the direction in which the company is heading" increased by 17 percentage points (57% to 74%), with respondents clearly indicating that they are aware of our intended direction. In addition 67% stated that they strongly believe in the Company's objectives. So, the communication is being heard and understood.

Training
Charles Stanley believes in providing a working environment where people can thrive and be their best selves. We support individual training and personal development, as well as ensuring that teams and individuals have appropriate professional qualifications and authorisation to undertake their roles in a suitable manner.

We saw the introduction of the Apprenticeship Levy, a government levy on larger UK employers, as an opportunity not only to bring new talent into our business, but also to up-skill and provide development opportunities for current employees. We have made great progress, and have committed to utilising over 84% of the fund available in our first year, although this training will occur over a three year period.

The Group Leadership Development Programme remains a key component of our development of top talent. The third cohort worked on a CEO project to determine how we could include the assessment of behaviours and conduct in the appraisal process. Many of the proposals made are being introduced over the course of the year ahead.

Benefits
Charles Stanley believes in 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.

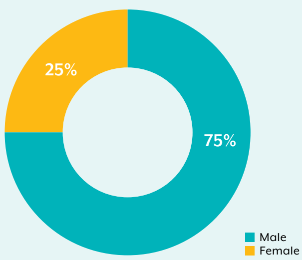
All employees are able to benefit from life assurance, permanent health insurance, an Employee Assistance Programme, access to the Best Doctors scheme and an above-market employer contribution towards their pension. We have established a Pensions Committee that oversees the performance and management of the Group's defined contribution pension plan and other investment options that employees select. Every year all eligible employees are given the opportunity to join a Save As You Earn scheme and eligible individuals can sign up to the Share Incentive Plan. This is designed to encourage employee involvement in the Company's performance.

In addition, employees can choose from an impressive array of flexible benefits, including: Childcare Vouchers; 3Rings (to support carers with vulnerable loved-ones); Babylon (private doctor consultation); health screening; extra holiday purchase of up to five days; will writing; Ride2Work; technology purchase; car leasing; discounts on leisure activities and charitable giving in a tax efficient manner. It is clear from the engagement survey feedback that employees appreciate the range of benefits that we provide and offer as part of their Total Reward.

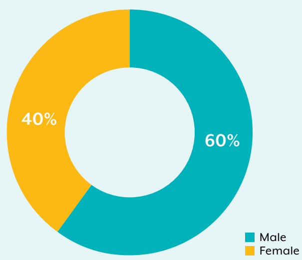
Diversity
Charles Stanley is committed to providing an environment in which all staff feel themselves to be valued and supported – we believe in having a workplace that reflects the Group Values of Caring, Fair and Progressive.

The Innovation Through Inclusion Group (ITI), established in February 2016, has undertaken much work over the past year to enhance the workplace and to foster the right attitudes within it. One of the initiatives was Charles Stanley signing up to the Treasury-led Women in Finance Charter in June 2017, a clear signal of our commitment to gender equality.

Male vs female split across the CSG Board (%)



Male vs female split across Charles Stanley (%)



We are working hard to make ourselves an employer of choice regardless of gender, age, race or ability. People across the Company are giving careful consideration to the entire employee journey, from ensuring that we have recruitment practices in place that provide access to the most diverse range of candidates, to fostering an inclusive and progressive culture. Interventions have been introduced to support career progression (such as mentoring and coaching). We want all employees to be able to fulfil their potential at Charles Stanley – this is not just the right thing to do, it is crucial for our future success as a business.

The ITI group draws its membership from employees in locations and divisions across the Company. Over the past year it has worked hard to foster an environment where all can thrive. We can demonstrate that we are gaining traction, for example we have seen an 11% increase in senior managers who are female, taking the percentage to 39% as of April 2018. We have launched the “Back to Business” programme, which provides support before during and after maternity/paternity/adoption leave. We have had people take up shared parental leave and were the earliest adopters within Wealth Management.

We have broadened our sources for recruitment to attract candidates who perhaps don’t fit the firm’s historic hiring profile. As a result we have seen the percentage of female hires rise to 46% for the first quarter of 2018, compared to 44% for 2017. We have introduced a formal mentoring scheme and are encouraging the creation of a coaching environment across the Company.

Members of the ITI have worked to inspire their colleagues through various initiatives including networking sessions and arranging for high profile speakers, such as the English Indian entrepreneur and peer, Lord Bilimoria of Chelsea, and the female business pioneer, Angela Mortimer, to come and talk about their routes to success. These have been very well received.

Charles Stanley published its first Gender Pay Gap report in March 2018, earlier than most of its peers and well within the deadline. More information can be found in the Directors’ Remuneration report on page 66.

Charles Stanley is committed to providing a workplace that supports all employees, including the vulnerable and less able. We always give full and fair consideration to applications for employment made by disabled persons and provide support for appointed and existing employees, their teams and managers.

We believe in being understanding and proactive and have arranged for both equipment and training for individuals who have become disabled whilst with the Company, for example by providing training on the use of specialist telephones and hearing equipment and/or screens to assist individuals who needed additional support to be able to work effectively and to continue in employment.

Community

We believe in being an upstanding and supportive member of the communities in which we operate. In 2017, we were active participants in the “This is Me, in the City” campaign to raise awareness and reduce the stigma of discussing mental health in the workplace. This was supported as part of the Lord Mayor’s Appeal to foster a working environment within the City of London (and beyond) that is healthy, skilled, inclusive and fair.

We are engaged and contributing members of the FCA-run Investment Management Cyber Coordination Group, which acts as an awareness, information dissemination and information collation mechanism that is closely aligned with the UK government’s National Cyber Security Centre. Unlike most members, who send their cyber security officer, we are represented by our Chief Executive Officer, with the Chief Operating Officer, deputising for him. This is appreciated by other members and the FCA, as it demonstrates how important we see cyber security to be, not just for Charles Stanley and its clients, but for our industry as a whole.

1 Over 20 employees took part in the 5km Great City Run

2 Charity cake sale held in the office

1

2

In our broader communities, numerous members of Charles Stanley play an active part. For example, our Leeds office founded a five-a-side football tournament to raise awareness and funds for the Leeds Hunslet Club, which helps educate teenagers that are excluded from mainstream schools in the area. The Group has continued its support for the Marylebone Cricket Club Foundation's initiative to promote cricket within UK state schools and thereby the health and well-being of young people. The Group is also sponsoring the National Schools Regatta to encourage young rowers and is working with British Rowing to support recreational rowing for the benefit of people of all ages, backgrounds and abilities to encouraging better health and well-being within the wider community.

We believe in supporting our industry: Gary Teper is on the Board of Directors of the Chartered Institute for Securities and Investment and Christopher Morgan, in our Bath branch, is on the exam panel.

Schools and educational establishments
Charles Stanley has a tradition of fostering strong relationships with people and the communities in the areas in which we operate. Across the country we have links with local schools and colleges. In London we have a long-established relationship with Lawdale Primary School via the Tower Hamlets Business Education Partnership and each week a group of employees go to the school to assist pupils with reading. In addition to the reading scheme, a number of branches and individuals have undertaken work to support local schools, colleges and educational establishments.

Charities
Each year we support a charity that has been nominated and voted for by our staff. This year the Charles Stanley Charity of the Year was The Princess Alexandra Hospital Neonatal Intensive Care Unit (NICU). This is a relatively small charity that provides extra care for babies with special needs. The NICU relies on donations to acquire lifesaving equipment. Becky Hancock proposed the charity. Over the year she has raised £25,000 (which includes a corporate donation of £4,000). A number of memorable events were held including "The Great Charles Stanley Bake Off", spin classes, quizzes, auctions and raffles for various prizes generously donated by staff and contacts, sponsored runs (including the annual Standard Chartered Great City Race in which 25 employees participated) and the challenging Tough Mudder obstacle race, held in September.

In addition to the Charity of the Year, members of Charles Stanley are involved in charitable activities across the UK. These include, but are not limited to, sponsoring the local philharmonic orchestra in Plymouth, and the East Anglian Air Ambulance in Ipswich. A number of branches support animals and wildlife: Simon Scott-White, the Branch Manager of the Oxford and Thames Valley office, was elected Committee Chairman of the Oxfordshire arm of the Game Wildlife Conservation Trust. He and other branch members have been involved in conservation work, advising and supporting local farmers and landowners to encourage biodiversity and enhance the countryside.

Gail de'Claire, in Cardiff, is proactively involved in supporting a local dogs' home. Our Birmingham office held a charity dinner in May for the Heart of England Community Foundation to raise funds for the Youth Action fund. £5,000 was raised, which Charles Stanley matched, thereby giving the fund £10,000.

As part of the Lions Club International Centennial Celebrations a two-day musical extravaganza was held in Leeds over a weekend in late November. Charles Stanley was proud to sponsor the main dinner for this "Sounds of the Century", which was held at the Royal Armouries. The event was a huge success, in part due to the inspirational efforts of Phil Nathan MBE, the Head of Charles Stanley's Dealing team and a past International Director for the Lions Club.

3


4

3 Two employees before completing the Brighton Marathon

4 Tough Mudder challenge took on by a number of brave employees

Environment

Environmental initiatives

Charles Stanley continued to consolidate its estate and amalgamated Oxford and Reading branches in a new office in Oxford and the Wimborne and Isle of Wight branches in a new office in Southampton. The Plymouth office also relocated to a smaller more efficient office.

All the new offices in Plymouth, Tunbridge Wells, Oxford and Southampton benefitted from energy efficient measures such as LED lighting. In addition the furniture from the offices that were closed was re-used in the new offices and anything surplus was donated to charity or removed by a company that specialises in recycling and refurbishing second hand furniture.

Charles Stanley is committed to recycling and in the past year recycled 10,240kg of paper, which is 14,330kg of CO_2 saved or the equivalent to saving 119 trees.

We continue to work with various external parties to enable greater efficiency and conservation. The firm who provide catering services to the London Head Office, CH&Co, through their subsidiary, Lusso, have provided educational seminars to employees. They are dedicated to using healthy ingredients sourced via sustainable farming and fishing approaches. Even small acts, such as encouraging the use of ceramic mugs and washable cutlery and crockery, instead of one-use disposable cups and plastic knives and forks, has helped to reduce our carbon footprint and adverse impact on the environment.

Greenhouse gas emissions report

This report details Charles Stanley's Greenhouse Gas (GHG) emissions for the period 1 April 2017 to 31 March 2018. The Group has collated data relating to its scope one and scope two 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 the emissions generated by the Group are associated with cooling and power for its data rooms, together with heating, cooling and lighting for its business premises. GHG emissions have been reduced by 44% during the period in comparison to 2017.

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

Carbon Dioxide Equivalent (CO_2e) Tonnes

	2018	2017
Scope 1 Direct emissions from burning gas, diesel for generators and road fuel	102.8	116.2
Scope 2 Indirect emissions from the Group's use of electricity	846.0	1,578.3
Total	948.8	1,694.5
Intensity Tonnes of CO_2e from scope 1 and 2 per FTE	1.10	1.83

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

Activity	2018		2017	
	Consumption	Emissions tCO_2e	Consumption	Emissions tCO_2e
Grid electricity	2,406,420 kWh	846.0	3,830,413 kWh	1,578.3

The primary reasons for this reduction in emissions are:

- The less energy efficient buildings in Finsbury Pavement and Luke Street in the City of London were vacated during 2016/17 and the employees consolidated into a single site in Bishopsgate. 2018 has the first full-year impact from this relocation and the new site benefits from a fit-out which includes many energy efficient measures such as LED lighting throughout. In addition the site at Chelmsford is now being utilised more which helps reduce the consumption per employee
- There has been a consolidation of some of the regional offices which has delivered a benefit by moving to smaller more efficient premises
- The Group continues to review and implement where possible the energy reduction opportunities identified in the 2015 ESOS report.

Charles Stanley has also benefited from the reduction in the UK's electricity carbon conversion factor. This is due to the generation of electricity in the UK becoming cleaner as coal fired power stations are replaced with cleaner generation such as wind and solar.

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

Governance introduction

During the year we have implemented the new governance framework following the restructure undertaken last year and set out in the 2017 Annual report and accounts.

Sir David Howard
Chairman

At 31 March 2018, the CSG Board comprised eight Directors: the Chairman, four independent Non-Executive Directors and three Executive Directors. David Pusinelli resigned from the Board at the conclusion of the 2017 AGM held on 27 July 2017. Hugh Grootenhuis was appointed on 7 September 2017 and Marcia Campbell was appointed on 16 October 2017.

The structure and representation of the various Board committees is shown on the right. The roles, main responsibilities and achievements during the year are set out in their respective reports on pages 51 to 55.

The Group's Executive Committee, chaired by Paul Abberley, and the underlying management teams have delivered further progress towards the Group's strategic objectives.

The biographies of the Board of Directors and Executive Committee members are set out on pages 51 to 55.

Charles Stanley operates in a highly and constantly developing regulatory environment. Therefore a great deal of time has been dedicated by the Board and Committees to regulatory matters to ensure that a robust 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 and the Board proactively seeks to promote and embed that in our culture.

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

CSC Board

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

Executive Committee

Paul Abberley (Chairman)
Christopher Aldous
Michael Bennett
Howard Burchett
Kate Griffiths-Lambeth
Chris Harris-Deans
Steve Jones
Peter Kelk
Andrew Meigh
Ben Money-Coutts
Gary Teper
Magnus Wheatley
Julie Ung

Audit Committee

Bridget Guerin
Chairman of the Audit Committee
Marcia Campbell
Independent Non-Executive Director
Andrew Didham
Independent Non-Executive Director
Hugh Grootenhuis
Independent Non-Executive Director

For more on the Audit Committee go to page 60

Nomination Committee

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

For more on the Nomination Committee go to page 64

Remuneration Committee

Bridget Guerin
Chairman of the Remuneration Committee
Marcia Campbell
Independent Non-Executive Director
Andrew Didham
Independent Non-Executive Director
Hugh Grootenhuis
Independent Non-Executive Director

For more on the Remuneration Committee go to page 66

Risk Committee

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

For more on the Risk Committee go to page 89

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 Services

Gary Teper joined Charles Stanley in November 1998. In 2000 he was appointed Group Company Secretary, in 2005 he was appointed a Director of Charles Stanley & Co. Limited and in July 2012 he was appointed to the Board of Charles Stanley Group PLC. Gary is a qualified solicitor and has an MSc in Financial Regulation. He is responsible for the Investment Management Services division and has oversight of the Legal functions. In October 2016, Gary joined the Board of the CISI as a Trustee.

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 1999. He was Lord Mayor of London in 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 and as Chairman of the CISI Examinations Board. He is an alternate member of the Takeover Panel and serves on the CREST Settlements Appeals Panel. He is a Director of The Personal Investment Management and Financial Advice Association (the private client stockbrokers' trade association). 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 Group's Remuneration and Audit Committee. 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.

Andrew Didham
BA (Hons), FCA
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, as well as being a Non-Executive Director of Jardine Lloyd Thompson Group PLC and chairs its Audit & Risk 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 Risk Committee, and of CSC's Board and Nomination Committee.

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

Marcia Campbell joined Charles Stanley as Non-Executive Director in October 2017. Marcia sits on each of the Audit, Remuneration and Risk Committees and both the CSG and CSC 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 joined Charles Stanley as an Non-Executive Director in September 2017. Hugh sits on each of the Audit, Remuneration and Risk Committees and both the CSG and CSC Nomination 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 formally Chief Executive of Waverton Investment Management Limited (previously J O Hambro Investment Management).

Executive Committee

Christopher Aldous
Head of Asset Management and Distribution

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.

Michael Bennett
Chief Operating Officer

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.

Howard Burchett
Director of Private Clients

Howard Burchett was appointed to the Executive Committee in March 2017. Howard is an investment manager with over 30 years of City experience including 25 years' continuous service initially with Shaw & Co who were acquired by Charles Stanley in 1997. He manages investments for a wide range of private clients, trusts and charities.

Steve Jones
Head of Compliance

Steve Jones joined Charles Stanley as Group 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.

Peter Kelk
Chief Risk Officer

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.

Andrew Meigh
Managing Director of Financial Planning

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 first 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.

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.

Corporate governance report

Compliance with the code

The Directors recognise the benefits of good corporate governance and this report, together with the Directors' report (pages 92 to 94), and the Strategic report (pages 4 to 49), describes how the Group has applied the Main Principles and complied with the Provisions of the UK Corporate Governance Code 2016 (the Code). The Code is available on the FRC website https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code. The Directors ensure that the Group keep up to date with all corporate governance developments and best practice wherever practical.

The Board has carried out a review of their compliance with the relevant provisions of the Code throughout the year 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 1999; A.3.1 of the Code refers.

Leadership

The Board of the Parent Company, 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 Executive Committee has managed the day-to-day running of the Company.

The roles of the Chairman and Chief Executive 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, Paul Abberley, has responsibility for the day-to-day management of the Group.

As at 31 March 2018 the Board comprised eight Directors: the Chairman, four independent NEDs and three Executive Directors. No individual or group of individuals therefore has unfettered powers of decision. The NEDs provide challenge in respect of all matters before the Board, and contribute to the development of strategy at both the annual strategy forum and during the year.

Independence

Andrew Didham, Bridget Guerin, Marcia Campbell and Hugh Grootenhuis have been determined by the Board to be independent. The NEDs 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 and his shareholding in the Company, is not considered to be independent.

Board operation and delegation of authority

The Board met four times during the year to review financial performance and strategy, and to follow a schedule of matters reserved for the Board. The Board held a two-day strategy meeting in February 2018 at which members of the Executive Committee presented their proposals for the strategy as set out in the Strategic report on pages 4 to 49. The Board attendance of the Directors 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 member of the Board if different to the total. 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.

As part of the governance framework review conducted during the previous year, it was decided to clearly delineate the Board and responsibilities of Charles Stanley & Co. Limited, the Group's principal operating subsidiary, from that of the main Board. The Board of Charles Stanley & Co. Limited takes principal responsibility for all the activities of the Group which are regulated by the FCA. It is chaired by Andrew Didham and held seven meetings during the year.

Board initiatives during the year included:

- Receiving reports from the CEO, CFO and CRO
- Approval of the annual budget
- Approval of the ICAAP
- Group Strategy Review
- Board Committee evaluations
- Training on a variety of issues
- 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 CEO set out in the Chairman's introduction.

Matters reserved to 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.

Matters delegated to 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
- Appointment of the CRO.

Matters delegated to the CEO 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
- Leading business development.

Typically, these will be discharged through the Executive Committee, whose members and biographies are shown on pages 52, 54 and 55.

	Board	Audit	Nomination	Remuneration	Risk
Number of meetings held during the year	**4**	**5**	**2**	**5**	**4**
Paul Abberley	4(4)	–	–	–	–
Ben Money-Coutts	4(4)	–	–	–	–
Gary Teper	4(4)	–	–	–	–
Marcia Campbell	1(1)	1(2)	0(0)	2(2)	1(1)
Andrew Didham	4(4)	5(5)	2(2)	5(5)	4(4)
Hugh Grootenhuis	2(2)	2(2)	0(0)	3(3)	2(2)
Bridget Guerin	4(4)	4(5)	2(2)	5(5)	4(4)
Sir David Howard	4(4)	–	2(2)	–	–
David Pusinelli	2(2)	3(3)	2(2)	2(2)	1(1)

Effectiveness

Information regarding the Directors and their experience is given in their biographies on pages 52 to 55, which is offered to shareholders in support of the re-election of all Directors at the AGM.

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. So to further strengthen the effectiveness of the Board and in view of David Pusinelli's decision to step down at the conclusion of the 2017 AGM, the Board has completed its search for additional NEDs with wealth management experience and also a strong understanding of operational matters within the wealth management sector, with Hugh Grootenhuis and Marcia Campbell being appointed during the year.

Wealth management industry experience was confirmed as an area of focus for recruitment and development when the Board members assessed their own experience and that of their peers via a skills matrix during the governance review. As a consequence, both the matrix results and the redefined role description for a NED were taken into account for the purpose of the recruitment of a new independent NED. Further details of the responsibilities and activities of the Nomination Committee throughout the year are detailed on page 64 of this report.

None of the Executive Directors have any external directorships. The NEDs' 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 Executive 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.

During the first quarter of FY18, with support from external consultants, the Group continued the review of its governance framework; this included an evaluation of the performance of the Board Committees and the Directors. Changes to enhance performance, where appropriate, have been approved by the Board and introduced.

The Group is committed to extending the proportion of female employment and representation; 25% of the Board is female. Further details about diversity in the Company are contained in the Corporate Social Responsibility report on page 42.

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 a fair, balanced and understandable assessment and 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 CRO and reports to the Board. Separately, the Board considers a report from the CRO 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 36. Further details of the responsibilities and activities of the Risk Committee throughout the year are detailed on page 89 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 60 of this report.

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 66 to 88 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 AGM, 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 AGM the number of proxy votes cast on resolutions.

Regulation

As at 31 March 2018, there were two companies within the Group regulated by the FCA.

Sir David Howard
Chairman
12 June 2018

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.

Bridget Guerin
Chairman of the Audit Committee

The Committee met on five occasions during the year. Details of attendance of these meetings is shown below.

	Number of meetings	Meetings attended
Bridget Guerin	5	4
Marcia Campbell[1]	2	1
Andrew Didham	5	5
Hugh Grootenhuis[2]	2	2
David Pusinelli[3]	3	3

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

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 approved by the Board in April 2018. For more information and the Committee's terms of reference please visit the Group's website: charles-stanley.co.uk

Membership and meetings

All members of the Committee are independent Non-Executive Directors. Some of the members also have recent and relevant financial experience.

The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, the internal audit partner and the external audit partner attend most meetings by invitation.

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 we have undertaken within the Committee during the last year principally fell into three main areas:

1. Accounting, tax and financial reporting

- Reviewed the 2018 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 2018 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 policy on the independence of the external auditor
- 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.

Internal audit

The provision of internal audit activities has been outsourced to Grant Thornton. Grant Thornton has 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 Chairman 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. We then overlay a risk assessment to determine the prioritisation of the internal audit plan for the coming year.

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 21 reviews were undertaken by internal audit and reviewed by the Committee. Internal audit fees incurred for this work amounted to £436,000 (2017: £352,000).

External auditor

During the year the Committee reviewed the effectiveness of KPMG, the Group's external auditor. Perception remained high of both performance and effectiveness of the external audit services received.

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-audit services during the year ended 31 March 2018.

In circumstances where KPMG are engaged to provide non-audit services, the Committee reviews the 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 2018 (2017: £50,000).

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

Audit tender
The UK Corporate Governance Code recommends that audits should be subject to tender at least once every ten years. KPMG was appointed as the Group's auditor for the 2011 year-end following a competitive tender process. The Committee intends to conduct an audit tender process again before the tenth anniversary of their appointment.

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 2018 consolidated financial statements:

- Impairment of goodwill
- Impairment of other intangible and non-financial assets
- Impairment of freehold property
- Available-for-sale financial assets
- Corporate transactions
- Pension scheme deficit.

Impairment of goodwill
Goodwill has arisen in prior years principally from the acquisition of subsidiaries and typically represents the difference between the total cost of acquisition and the fair values of the assets of the acquired business.

Goodwill is valued on the balance sheet at £14.1 million (31 March 2017: £14.1 million) and is detailed in note 14.

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 2017: £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 2017: £5.3 million) of the goodwill balance. This business comprises our online Execution-only platform and the direct Execution-only service, Charles Stanley Investment Choices Limited, 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 2018 (31 March 2017: £4.7 million). The hiring of individual 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 lists 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 the 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.

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.

Impairment of freehold properties

During the year, the Group carried out an independent valuation of its three freehold properties. The updated valuation for one of these properties indicated that its fair value was impacted by the location and current condition of the building and was below the carrying value on the balance sheet. Consequently, an impairment charge of £1.0 million was recognised in the Income Statement. The Committee has considered the freehold property revaluation and concludes that the impairment charge recognised is appropriate.

Available-for-sale financial assets

Management has appraised its investment in Euroclear PLC by reference to a recent share buy-back scheme from Euroclear PLC in which the Group participated and was successful in redeeming around 60% of its holding. The Committee has noted the results of the valuation exercise and concludes that its carrying value is appropriate.

Corporate transactions

On 1 April 2016, the Group sold its pensions consultancy business, CS Financial Solutions (CSFS) for £1.5 million in cash and deferred consideration in the form of loan notes totalling £0.5 million. The deferred consideration was fully impaired during the year ended 31 March 2017 following a default by CSFS on its loan repayment obligations. In view of these circumstances, the Committee considers it appropriate for the loan notes of £0.5 million to continue to be carried on the balance sheet at £nil value.

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.

Embark Group Limited has confirmed in writing to the Group that the deferred consideration of £1.0 million arising on the transaction anniversary, 31 May 2018, will be settled in full by 30 June 2018. In view of this fact and the EBS Management PLC's statement of revenues provided by Embark Group Limited on 31 May 2018, the Committee has no reason to believe that the outstanding deferred consideration of £1.0 million arising on 31 May 2019 would not be received 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 International Accounting Standard 19 actuarial valuation, which takes into account the latest triennial valuation, the pension fund shows a deficit position of £6.5 million at 31 March 2018 (31 March 2017: £10.5 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:

Bridget Guerin
Audit Committee Chairman
12 June 2018

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. In particular, the Committee manages the search process for new Directors, recommends suitable candidates to the Board and considers succession planning more widely.

Sir David Howard
Chairman of the Nomination Committee

The Nomination Committee met twice during the year. Details of attendance of these meetings is shown below.

	Number of meetings	Meetings attended
Sir David Howard	2	2
Marcia Campbell[1]	0	0
Andrew Didham	2	2
Hugh Grootenhuis[2]	0	0
Bridget Guerin	2	2
David Pusinelli[3]	2	2

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

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

Members and meetings

The Committee consists of Sir David Howard, Chairman of the Board, and four independent Non-executive Directors: Bridget Guerin who is also Chair of the Group's Remuneration and Audit Committee, Andrew Didham who chairs the Group's Risk Committee, and CSC's Board and Nomination Committee, Hugh Grootenhuis and Marcia Campbell. In addition, the Chief Executive Officer attends meetings by invitation and the Group Company Secretary acts as secretary to the Committee.

Main activities during the year

The Committee's main activity during the year was to appoint two new Non-Executive Directors to the Board and to the Board Committees. This concluded in the summer with Hugh Grootenhuis and Marcia Campbell being appointed. Hugh's experience in the wealth management sector and wider financial services experience will enable him to offer constructive scrutiny and challenge to the executives and contribute to the success of the Company. Marcia has more than 25 years' experience in financial services, she has held several key operational roles during her career and her experience and operational expertise will be a valuable addition to our Board as we continue our drive towards operational efficiency.

During the appointment process the Company enlisted the services of Trust Associates Limited, who are a specialist financial services Non-Executive search firm. Trust Associates has no other connection with the Company.

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 Nomination Committee supports the Group's aim to have the appropriate level of diversity in the boardroom 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 2018. Further details about diversity are included in the Corporate Social Responsibility report on page 42.

Changes to Committee membership

Effective at the conclusion of the 2018 AGM, the Board, following a recommendation from the Nomination Committee has agreed to make the following changes to the Chairmanship and membership of the Board Committees:

Audit Committee – Hugh Grootenhuis will become Chair of the Committee and Bridget Guerin will step down from the membership of the Committee.

Remuneration Committee – Bridget Guerin will remain Chair with Marcia Campbell stepping down from its membership.

Risk Committee – Marcia Campbell will become Chair of the Committee and Andrew Didham will step down from being Chair but will remain a member of the Committee.

Nomination Committee – the membership of this Committee will remain unchanged.

Sir David Howard
Nomination Committee Chairman
12 June 2018

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 was as follows:

	Number of meetings	Meetings attended
Bridget Guerin	5	5
Marcia Campbell[1]	2	2
Andrew Didham	5	5
Hugh Grootenhuis[2]	3	3
David Pusinelli[3]	2	2

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

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 review

Shareholders approved the Remuneration Policy at the AGM in 2015. As such, the Company is required to seek approval for the new policy at the AGM to be held on 24 July 2018. Details of the proposed policy are included in this report.

The Committee reviewed the senior remuneration framework during the year to ensure that it remains 'fit for purpose', providing an appropriate framework to fulfil the Company's reward philosophy which is, in turn, designed to support and drive the business strategy. The Committee felt the previously approved framework remains broadly appropriate and the proposed changes are set out below. A consultation exercise with the Company's top investors was undertaken and I would like to take this opportunity to thank investors for their constructive and positive feedback on the proposals.

The following is a summary of the changes made to the current Remuneration Policy approved in 2015, which form part of the new Remuneration Policy to be voted on at the 2018 AGM:

- Salary and benefits: No change
- Pension: No change, but future level of pension provision for new joiners is under review
- Annual bonus: Maximum individual opportunity for the Executive Directors to be set at 150% of salary but one bonus pool will now be operated for the whole Company with actual bonus payments dependent on assessment against a range of financial and non-financial targets. The on-target bonus for Executive Directors remains at 60% of salary.
- Long-term incentive plan: Maximum individual opportunity for the Executive Directors remains at 100% of salary but the EPS and margin targets will be driven from Core Business PBT and a two-year holding period is being introduced to ensure greater alignment of our remuneration with long-term stakeholder interests.
- Share Ownership Guidelines: Share Ownership Guidelines remain at 100% of salary for the Executive Directors.

Remuneration outcomes

As you will have read in the Strategic report the improvement in overall performance has continued over the year with growth in revenues and overall profitability. The size of the annual Executive Director bonus pool is based on a percentage of adjusted profit up to maximum of 6%. The Committee determined that a bonus pool of 5% was payable, which resulted in a total bonus pool of £504,682 to be allocated to the Executive Directors.

Despite the improvement in performance achieved during the year to 31 March 2018, the profit margin and EPS targets attached to the July 2015 PSP awards are not met and as a result the awards did not vest in June 2018.

Gender Pay Gap Reporting

In conformity with the new regulations, Charles Stanley published its first Gender Pay Gap Report in March 2018. As an industry, the Wealth Management firms' figures make for sober reading. The sector average for the mean pay gap is 40.87%, with a median pay gap of 36%. Charles Stanley is better than many with a mean of 34.8% and a median of 31.9%. 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 a number of initiatives are underway to support rising female talent and to attract more female employees into the Company. It should be noted that among "middle level" roles the split is broadly even.

Activity during the year

During the year David Pusinelli stepped down from the Committee following his resignation from the Board in July 2017. I would like to thank him for his constructive input during his time on the Committee. We also welcomed Hugh Grootenhuis and Marcia Campbell as Committee members following their appointment to the Board as independent Non-Executive Directors during the year.

The regulatory environment remains demanding, with MiFID II occurring during the year, and we will regularly monitor our policy to ensure it remains compliant, continues to support the interests of our shareholders and to reward our Executive Directors appropriately.

I trust that the above provides you with a summary of the main events in the past 12 months. If you have any questions or comments I would be delighted to hear from you or to discuss matters at the AGM on 24 July 2018.

Bridget Guerin
Remuneration Committee Chair
12 June 2018

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

Two votes on remuneration matters will be presented at the 2018 AGM: a binding vote on the Directors' Remuneration Policy as set out in the policy section of this report and 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.

Directors' remuneration policy

This section of the Remuneration report contains details of the Company's Directors' Remuneration Policy (the "Policy") which will govern the Company's approach to remuneration. Following a remuneration review conducted by the Committee, a revised Remuneration Policy is being proposed which will be put to shareholders for approval at the Company's AGM on 24 July 2018.

The Policy applies to the Executive Directors and Non-Executive Directors.

Subject to receiving majority shareholder support, the Policy will apply from the date of approval and is intended to remain in place for a maximum of three years. That said, the Remuneration Committee will keep the Policy under review to ensure that it continues to remain appropriate.

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 described in the table on pages 72 and 73.

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.

Element and purpose	Policy and operation	Opportunity
Base salary This is the core element of pay and reflects the individual's role and position within the Group, with some adjustment to reflect their capability and contribution.	Base salaries are considered with account taken of levels paid by companies of similar size, 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. Any base salary increases will normally take effect at the time of general workforce amendments, this is typically from 1 October. Base salary is paid monthly in cash.	Base salaries are intended to increase in line with inflation and general employee increases in salary. Higher increases may apply if there is a change in role, level of responsibility or experience or if the individual is new to the role. There is no maximum salary cap in place.
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.	Maximum opportunity is the total cost of providing the benefits. There is no monetary cap on benefits. The Committee will monitor overall benefit costs and will ensure that they do not increase by more than the Committee considers to be appropriate in all circumstances.
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. When setting the pension arrangement for a new Executive Director we will seek to align the level of pension benefit more closely with that awarded to other employees in the Group.
Annual bonus To incentivise Executive Directors to deliver against annual performance targets.	Annual bonus levels and the appropriateness of measures are reviewed annually to ensure they continue to support the Group's strategic goals. Bonus outcomes are paid in one tranche (less any deferred share award) following the year-end. Any bonus earned in excess of 50% of salary under the bonus plan is to be deferred into shares for a period of three years. During the period until vesting of deferred share awards, the numbers of shares awarded are increased by the value of dividends notionally payable in respect of the vesting shares. Malus/clawback provisions apply to amounts deferred which can be reduced in later years in exceptional circumstances such as: (i) material misstatement of accounts (ii) action that causes material reputational damage to the Group (iii) in the event of material regulatory censure.	To reflect the Group's strategic objective of driving growth and improved quality of profits, 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. The Remuneration Committee retains the ability to assess that the adjusting items which are excluded compared with reported PBT are appropriate. All bonuses, including those of the Executive Committee and Executive Directors will be limited in aggregate to the size of the pool. No Executive Director may receive a bonus in excess of 150% of their salary under this plan. Due to the aggregate bonus payments being calculated as a percentage of core PBT the payment at threshold is effectively zero and it is expected that on-target performance results in a payment equal to around 60% of base salary.

Performance measures	Implementation of policy
n/a	No increases to base salaries were made in October 2017 following the review that took effect from 1 April 2017. Current base salaries for the Executive Directors are as follows: **Paul Abberley**: £350,000 / **Ben Money-Coutts**: £250,000 / **Gary Teper**: £250,000
n/a	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. No changes were made to this element of remuneration in 2018 and none are proposed for 2019.
n/a	No changes were made to pension arrangements in 2018 and none are anticipated for 2019. The Executive Directors receive the following payments: Paul Abberley – 20% of base salary Ben Money-Coutts – 20% of base salary Gary Teper – 20% of base salary
Individual bonus payments will be dependent on an assessment of performance against a range of financial and non-financial targets set at the beginning of the financial year. These are expected to be based on measures such as Core Business PBT, achievement against strategic goals, personal performance and risk and conduct-based objectives. The annual bonus remains a discretionary arrangement and the Committee reserves discretion to adjust the outturn should it consider that to be appropriate (albeit within the limits set out in this policy table).	**2018 Annual bonus – existing policy** When reviewing the performance of the 2018 financial year, the Remuneration Committee determined that the bonus pool under this plan, for distribution to the Executive Directors, would be approximately 5% of adjusted PBT. 50% of this bonus pool was allocated across all the Executive Directors on an equal basis. The remaining 50% of the bonus pool was allocated to each Executive Director based upon their performance against pre-set individual performance objectives. Each of the Executive Directors were 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. Details of the Executive Directors' objectives are set out on page 83 and the bonus awards made to each are shown in the table on page 82. **2019 Annual bonus – new policy** The aggregate bonus will be calculated as a percentage of Core Business PBT for the whole Group. Individual payments will be calculated 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.

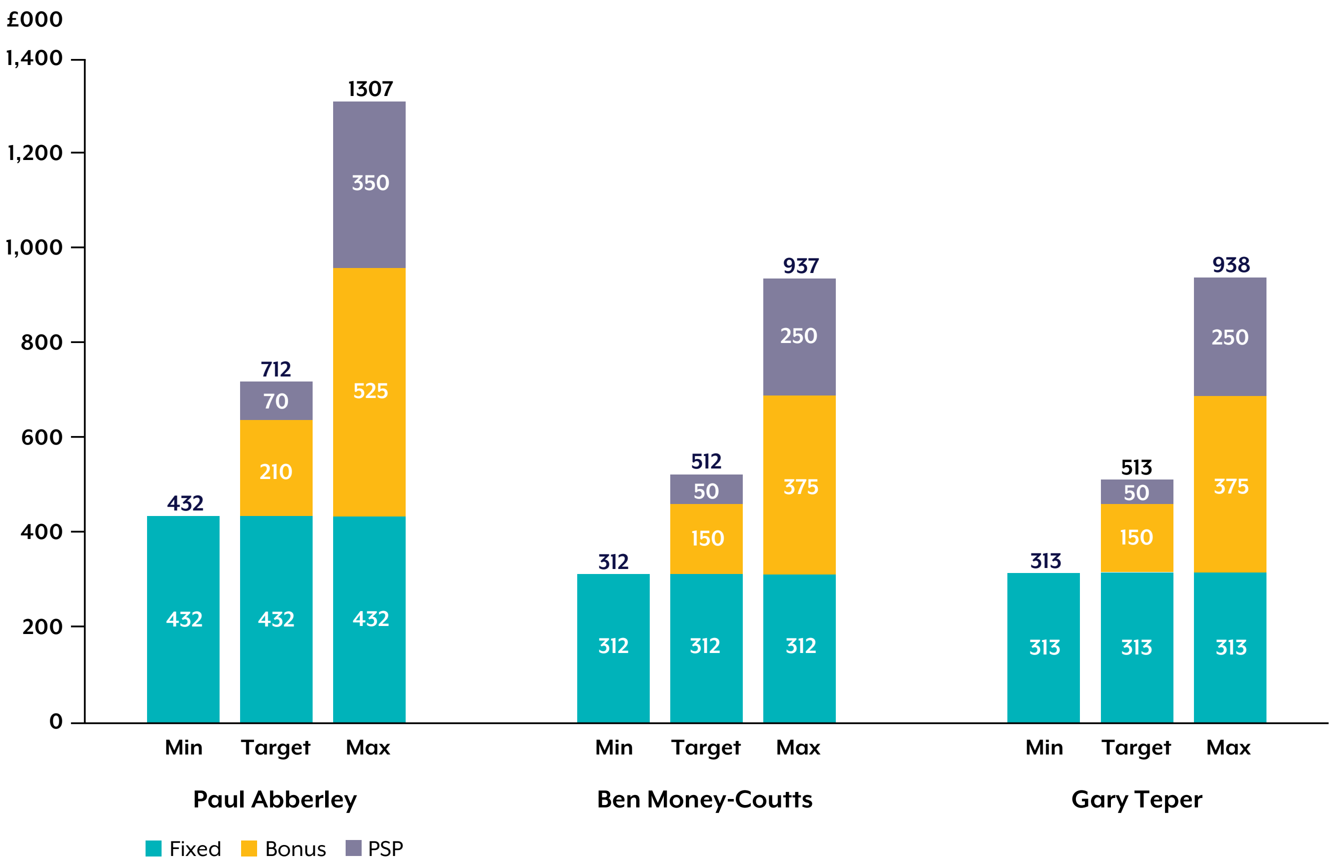
Element and purpose	Policy and operation	Opportunity
Long-term incentives To incentivise delivery of sustained performance over the long-term, the Company operates the Charles Stanley PSP.	Awards under the PSP may be in the form of nil-cost options, conditional awards (rights to receive shares for nil-cost) or cash-based 'phantom' awards. During the period until vesting of awards, the numbers of shares awarded are increased by the value of dividends notionally payable in respect of the vesting shares. Awards will be subject to a further two-year holding period after the vesting date. Recipients may sell sufficient shares to satisfy the tax liability on exercise but must retain the net number of shares until the end of this two-year holding period. Awards previously granted but not yet vested, and shares received following vesting, can be reduced/reclaimed in exceptional circumstances such as: (i) material misstatement of accounts, (ii) actions that cause material reputational damage to the Group, and/or (iii) in the event of material regulatory censure.	The formal limit under the PSP is 100% of salary (and 200% in exceptional cases). The Committee expressly reserves discretion to make such awards as it considers appropriate within these limits. Actual grant levels may be determined by reference to individual performance in the prior year, with vesting then based upon performance against three-year targets. At a threshold level of performance against these three-year targets, 20% of an award is capable of vesting.
Shareholding guidelines To encourage share ownership by the Executive Directors and ensure their interests are aligned with investors.	Executive Directors are required to retain 50% of shares (net of tax), which vest under the PSP or bonus deferral, until such time that they hold a specified value of shares as shown in the Opportunity column. These restrictions do not apply to other Charles Stanley shares that they may own. Once the shareholding guideline has been met, individuals are expected to retain these levels as a minimum. The Committee will review shareholdings annually in this context.	100% of salary for the Executive Directors.
All-employee share plans To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the shareholders.	Executive Directors are able to participate in all-employee share plans on the same terms as other Group employees.	Sharesave – individuals may save up to a maximum of £500 (or such amount permitted by the HMRC approved limit) each month for a fixed period of three or five years. At the end of this period, they may use their savings to buy shares in the Company at a discount currently set at 15% (although the rules permit 20%) of the market price set at the launch of each scheme. Share Incentive Plan – individuals may purchase, out of their pre-tax salary, shares in the Company up to a value of £150 per month (or such amount permitted by the HMRC approved limit). Free shares worth up to £3,600 (or such amount permitted by the HMRC approved limit) can also be granted each year. Also, the rules of the Plan allow matching shares to be granted based on the number of shares purchased (although the Company does not currently operate the free share and matching elements of the Plan).
Non-executive Director fees	The fees paid to the Non-Executive Directors aim to be competitive with other fully listed companies which the Board consider to be of equivalent size and complexity. Fee levels are periodically reviewed by Board. However, the Company does not adopt a quantitative approach to pay positioning and exercises judgement as to what it considers to be reasonable in all the circumstances as regards quantum. Additional fees are paid to Non-Executive Directors who chair a Board committee or who have other additional responsibilities (such as being Senior Independent Director). Non-executive Directors do not participate in the annual bonus or share incentive arrangements. Non-executive Directors may also receive benefits within prescribed limits as to value.	Fees are paid monthly in cash. Fee levels for Non-Executive Directors are reviewed annually in October and are only expected to increase in line with market norms and to take account of additional time commitments and responsibilities. The annual limit on benefits is £25,000. The cap on fees payable to Non-Executive Directors for their services is £0.45 million per annum. This will accommodate the appointment of additional Non-Executive Directors to strengthen the balance of the Board.

Performance measures	Implementation of policy
The Committee will set performance conditions for each annual PSP award which may relate to financial and/or share price performance and which will have the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders.	**June 2017 Awards** Awards were made under the PSP in June 2017 for 40,000 shares to each of the Executive Directors. Further details of the targets that will apply to the awards are set out in the Implementation report section of this Directors' remuneration report. **July 2018 Awards** The Remuneration Committee has determined that an award of shares equal to the value of 100% of salary be made to each of the Executive Directors. Further details of the targets that will apply to the awards are set out in the Implementation report section of this Directors' remuneration report.
n/a	n/a
Consistent with normal practice, these awards are not subject to performance conditions.	n/a
n/a	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. In 2018, the following fee structure was in place for the other Non-Executive Directors: • Base fee was £42,500 • Additional fee for holding the position of Senior Independent Director was £7,500 per annum • Additional fee for chairing one of the Board committees (Remuneration, Audit and Risk) was £7,500 per annum. Andrew Didham receives an additional annual fee of £35,000 as independent Non-Executive Chairman of Charles Stanley & Co. Limited. No changes are proposed to the above fee arrangements.

How the policy shapes actual Executive Directors' pay

Our remuneration policy results in a significant portion of the Executive Directors' pay being dependent on performance. The charts below demonstrate this, showing how their 2019 pay will vary based on different levels of performance (with increases in share price and dividend reinvestment ignored for these purposes):

- 'Minimum performance' – this assumes that performance is such that no annual bonus is warranted and no PSP awards vest (due to the minimum performance threshold not being reached). Therefore, Executive Directors only receive their fixed pay (salary, benefits and pension)
- 'On target performance' – this assumes a 'target' level of performance, resulting in threshold vesting of PSP awards (20% of the proposed July 2018 awards level) and an annual bonus payment equal to 60% of salary. Fixed pay remains unchanged
- 'Maximum performance' – this assumes a very strong level of performance, resulting in full vesting of July 2018 PSP awards and a maximum bonus payout of 150% of salary. Fixed pay also remains unchanged.



Discretions retained by the Committee in operating the incentive plans

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

- The selection of participants
- The timing of grant of an award/bonus opportunity
- The size of an award/bonus opportunity (subject to the overall plan limits set out in the policy table)
- The setting of PSP and bonus performance targets and the determination of performance against such targets and resultant vesting/bonus 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 (as summarised in the table on page 77)
- 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.

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.

Legacy arrangements

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

Travel and hospitality

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

Our approach to remuneration on recruitment

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

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

- In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to look to the general policy for Executive Directors as set out in the policy table on page 70 and structure a package in accordance with that policy
- Base salaries will be set based on the individual's role and experience, with consideration given to internal relativities
- Benefits will be provided in line with those offered to other employees at the similar level. In the case of new Executive Directors, individuals will be given a choice of either participation in a defined contribution pension or a cash allowance in lieu of pension
- Ignoring any special recruitment buy-out arrangements which may prove to be necessary, the annual bonus or long-term incentive arrangements will operate (including the maximum award levels) as detailed in the policy table in relation to any newly appointed Director
- For an internal appointment, any variable pay element or arrangement that exists in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate. For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate and/or make a contribution towards legal fees in connection with agreeing employment terms
- A new Executive Director will not, save in exceptional circumstances, be offered a service contract with a notice period in excess of one year
- Where it is necessary to make a special recruitment-related buy-out award to an external candidate, the Company will not pay more than is, in the view of the Committee, necessary and will in all cases seek, in the first instance, to deliver any such buy-out awards under the terms of the existing incentive pay structure as outlined in the policy table. It may, however, be necessary in some cases to make such special buy-out awards on terms that are more bespoke than the existing incentive plans in order to secure a candidate, which may require reliance upon Listing Rule 9.4.2. All such special buy-out awards will be appropriately disclosed and will take account of all relevant factors. For example, the commercial value of the buy-out award will reflect the commercial value of the amount forfeited from the previous employer, with the performance conditions and the potential timing of vesting also taken into account
- For the avoidance of doubt, the maximum amounts for incentive pay as stated in the policy will not apply to special buy-out awards. The Committee has not placed a maximum limit on any such buy-out awards as it is not considered to be in shareholders' interests to set any expectations for prospective candidates regarding such awards. However, as stated above, the commercial value of the amount forfeited from the previous employer will be reflected in the quantum of such award.

Our policy on Executive Directors leaving Charles Stanley

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

Incentives	Good leaver	Bad leaver	Exceptional events
Definitions	If a leaver is deemed to be a 'good leaver', such as leaving through redundancy, serious ill health or death or otherwise at the discretion of the Committee.	If a leaver is deemed to be a 'bad leaver', typically voluntary resignation or leaving for disciplinary reasons.	Such as a change in control.
Annual bonus	Prorated bonus, with any deferred shares vesting.	No awards made, with deferred shares lapsing (unless the Committee determines otherwise).	Prorated bonus, with any deferred shares vesting.
PSP	Will receive a prorated award subject to the application of the performance conditions at the normal measurement date or on cessation (as determined by the Committee). Committee discretion to disapply prorating. Awards can be clawed back for a breach of post-cessation obligations.	All awards will normally lapse.	Will receive a prorated award subject to the application of the performance conditions at the date of the event. Committee discretion to disapply prorating.

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

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 four 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 2018 the Committee's main responsibilities were:

- Agreeing the performance against the targets and payout for the 2017 Executive Director annual bonus awards paid in June 2017
- 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 2018 PSP awards
- Approving the Directors' Remuneration report for the 2018 Annual report
- Considering Executive Director base salary levels from 1 October 2017
- Receiving an update on the Group employee pay and conditions and share plans
- Reviewing Gender Pay Gap calculations and agreeing disclosures
- Reviewing the Remuneration Committee Terms of Reference.

The Committee meets formally at least twice a year but more frequently if required. During 2018, five Committee meetings were held and details on attendance at meetings are set out in the Corporate governance report on page 57. 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 2018 were £32,783 (2017: £19,750). 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 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:

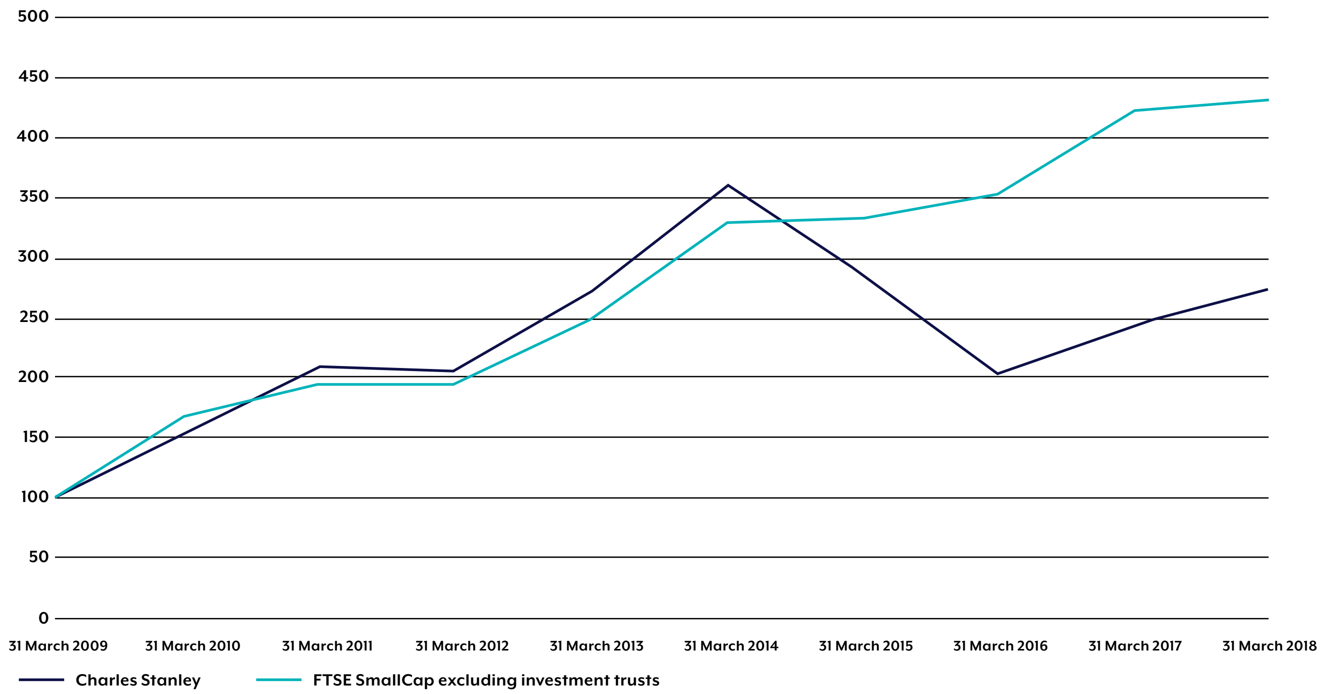
	2018	2017	Change
Employee costs	£56,831,247	£52,385,276	8.5%
Dividends[1]	£3,545,557	£2,534,170	39.9%

1. The dividend figures included in the above table are those paid during the respective financial years.

Review of past performance

The graph below shows the value at 31 March 2018, 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 nine-year period. The total remuneration figure includes the annual bonus paid in each of these years. The new 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.

Financial year	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sir David Howard single figure of total remuneration	–	–	–	£290,173	£413,639	£430,878	£610,409	£448,950	£530,923
Annual bonus paid	–	–	–	£nil	£72,800	£89,200	£85,400	£85,400	£78,400
Paul Abberley single figure of total remuneration	£640,000	£552,000	£372,094	£165,000	–	–	–	–	–
Annual bonus paid	£207,811	£180,000	£nil	£nil	–	–	–	–	–
Long-Term Incentive	0%	0%	–	–	–	–	–	–	–

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.

How any change in pay of the Chief Executive Officer between 2017 and 2018 compared to the wider workforce
In accordance with the new regulations, we must disclose the percentage change in the certain elements of the Chief Executive Officer's pay (namely salary, taxable benefits and annual bonus) compared to the average percentage change in the same pay elements for all employees.

This information is set out below:

	Change in salary	Change in benefits	Change in annual bonus
Paul Abberley	16.7[1]%	0%	15.5%
All-employee average	5.8%	1%	8.6%[2]

1. Paul Abberley did not receive a salary increase in the financial years ended 31 March 2016 and 2017. He had a salary increase in April 2017.
2. Percentage change in respect of the Group's discretionary bonus pool.

How our shareholders voted

Of the 85.3% of the issued share capital votes cast to approve the Implementation report within the Directors' remuneration report for the year ended 31 March 2017 at the 2017 AGM held on 27 July 2017:

	For		Against		Total votes	Votes withheld
	No. of Shares	% of total	No. of Shares	% of total		
Approval of the Implementation section of the Directors' remuneration report	43,252,384	99.99	6,369	0.01	43,258,753	12,353

Vote to approve Directors' remuneration policy at the 2015 AGM held on 31 July 2015:

	For		Against		Total votes	Votes withheld
	No. of Shares	% of total	No. of Shares	% of total		
To approve the Directors' remuneration policy	43,106,087	99.29	291,728	0.67	43,397,815	13,284

Implementation report – audited information

What the Directors earned in financial years ending 31 March 2018 and 2017

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

2017	Salary/Fees £000	Benefits £000	Annual bonus £000	Long-term incentives £000	Pension £000	Total £000
Executive Directors						
Paul Abberley	300	12	180	–	60	**552**
Michael Lilwall[1]	178	8	35	–	68	**289**
Ben Money-Coutts	225	12	120	–	45	**402**
Anthony Scott[2]	10	1	–	–	2	**13**
Gary Teper	230	14	120	–	46	**410**
Non-executive Directors						
Andrew Didham	50	1	–	–	–	**51**
Bridget Guerin	50	2	–	–	–	**52**
Sir David Howard	125	25	–	–	–	**150**
David Pusinelli	57	1	–	–	–	**58**
Total	1,225	76	455	–	221	**1,977**

1. Resigned on 23 November 2016
2. Resigned on 18 April 2016

Benefits
An explanation of the benefits received by the Executive Directors can be found in the policy table on pages 70 to 71. In summary, 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. While these payments are the reimbursement of expenses and not benefits per se, they are included as being a payment which is subject to tax. Sir David Howard formerly received benefits relating to contributions towards the provision of a car for business travel. This arrangement came to an end as of 31 March 2017.

Annual bonus outcomes for 2018
The further progress in profit growth has resulted in bonuses being awarded to the Executive Directors for the 2018 period. When assessing the performance for the year the Remuneration Committee determined that the overall size of the bonus pool available for distribution to the Executive Directors be 5% of adjusted PBT (compared with a maximum permitted under the policy of 6%).

50% of this bonus pool was allocated across all the Executive Directors on an equal basis, with the remaining 50% of the bonus pool being allocated to each Executive Director based upon their performance against pre-set individual performance objectives.

Paul Abberley was set objectives which included delivering the financial plan, ensuring that the Group was managed in a risk-aware manner, embedding the new governance framework, representing Charles Stanley within the community in which we operate, ensuring that all stakeholder interests and outcomes were appropriately managed.

Ben Money-Coutts was set objectives which included managing the Finance function with due regard for conduct risk and risk management and for ensuring that all internal audit points were addressed; promoting enhanced engagement amongst staff and delivering a financial operation that is efficient, informative and meets the needs of the Company's shareholders, staff and clients.

Gary Teper was set objectives which included enhancing engagement across the Investment Management Services division and running the division with due consideration for risks and appropriate conduct outcomes. He was responsible for the delivery of specified financial targets and for introducing certain cost efficiencies across the business.

Each of the Executive Directors were 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 £207,811, Ben Money-Coutts £148,435 and Gary Teper £148,435. These awards will be paid in cash apart from £32,811 payable to Paul Abberley, £23,435 to Ben Money-Coutts and £23,435 to Gary Teper that will be deferred into shares for a period of three years.

Pensions
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 page 70.

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 2018 £000**	Accrued pension 2017 £000	**Transfer value accrued pension 2018 £000**	Transfer value accrued pension 2017 £000	Decrease in value of Director's benefits £000
Sir David Howard	—	—	**182**	171	**3,063**	3,116	53

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 reduced cash equivalent transfer value of his deferred pension benefits as at 31 March 2018 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

In 2018, the Company operated three 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% 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 2018, the following Directors held interests under the Save As You Earn schemes:

	Date of grant	Option price (p)	At 31 March 2017	Granted	Exercised	**At 31 March 2018**	Exercise period
Ben Money-Coutts	23 December 2014	270	360	–	360[1]	–	1 February 2018 to 31 July 2018
	23 December 2015	287	1,881	–	–	**1,881**	1 February 2019 to 31 July 2019
	22 December 2016	240	1,095	–	–	**1,095**	1 February 2020 to 31 July 2020
	20 December 2017	323	–	300	–	**300**	1 February 2021 to 31 July 2021
Total			**3,336**	**300**	**360**	**3,276**	
Gary Teper	23 December 2015	287	1,881	–	–	**1,881**	1 February 2019 and 31 July 2019
	22 December 2016	240	1,500	–	–	**1,095**	1 February 2020 and 31 July 2020
Total			**3,381**	–	–	**3,381**	

1. The market price on exercise was 339p resulting in a gain on exercise of £248.

Deferred bonus awards

As at 31 March 2018, the following Directors held interests under deferred bonus awards:

	Date of grant	Share price on grant (p)	As at 31 March 2017	Granted	Lapsed	**As at 31 March 2018**	Exercise period
Paul Abberley	23 June 2017	361	–	8,314	–	**8,314**	23 June 2020
Ben Money-Coutts	23 June 2017	361	–	2,078	–	**2,078**	23 June 2020
Gary Teper	23 June 2017	361	–	1,385	–	**1,385**	23 June 2020

Performance Share Plan

The fourth grant of awards under the plan were made in June 2017 for all Executive Directors. The three-year performance period for these awards will be measured following the year ended 31 March 2020.

	Date of grant	Share price on grant (p)	As at 31 March 2017	Granted	Lapsed	**As at 31 March 2018**	Exercise period
Paul Abberley	9 January 2015	328	91,463	–	91,463	–	January 2018 to January 2021
	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
Total			228,578	40,000	91,463	**177,115**	
Ben Money-Coutts	9 January 2015	328	34,299	–	34,299	–	March 2018 to March 2021
	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
Total			129,780	40,000	34,299	**135,481**	
Gary Teper	9 January 2015	328	35,061	–	35,061	–	January 2018 to January 2021
	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
Total			116,664	40,000	35,061	**121,603**	

The awards granted to the Directors on 9 January 2015 reached the end of the performance period on 31 March 2017. These awards did not meet the minimum performance conditions measured both on an EPS and margin basis. Accordingly, these awards lapsed in full during the 2018 financial year.

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 will lapse in full during the 2019 financial year.

The remaining awards are all unvested. During the year ended 31 March 2018, the highest mid-market price of the Company's shares was 434p (on 30 August 2017) and the lowest mid-market price was 306p (on 3 April 2017). At 31 March 2018 the share price was 339p.

Performance Share Plan performance conditions

The tables below set out a summary of the PSP structure and details of the PSP performance measures and conditions.

Performance measures	EPS and margin		
Performance period	3 years		
Weighting of performance measures	50%		
		2015 – 2017 Awards	2018 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 2015 to 2018

Grant	July 2015	July 2016	July 2017	July 2018
Measurement financial year	31 March 2018	31 March 2019	31 March 2020	31 March 2021
EPS 0% vesting threshold	Below 20p	Below 20p	Below 30p	Below 30p
EPS 20% vesting threshold[1]	20p	20p	30p	30p
EPS 100% vesting threshold[1]	25p	25p	45p	45p
Performance	–	–	–	–
Element percentage vesting	–	–	–	–
Margin 0% vesting threshold	Below 10%	Below 10%	Below 12%	Below 12%
Margin 20% vesting threshold[2]	10%	10%	12%	12%
Margin 100% vesting threshold[2]	15%	15%	16%	16%
Performance	–	–	–	–
Element percentage vesting	–	–	–	–
Total percentage vesting	–	–	–	–

1. In cases where the measurement thresholds are between 20% and 100%, the vesting of the awards is calculated prorata 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.

The Remuneration Committee will determine all performance condition calculations and specifically has power to adjust the performance conditions to take account of certain circumstances or events.

The minimum performance thresholds for the July 2015 PSP awards have not been met and therefore these awards will lapse in full.

Directors' interests
As explained in the Directors' remuneration policy, the Executive Directors are subject to Share Ownership Guidelines and they are required to retain 50% of shares (net of tax) which vest under the PSP or bonus deferral arrangement until such time as they hold shares worth 100% of salary. There is no requirement for Non-executive Directors to hold shares in the Company. The shareholdings of each Director, together with whether they would have achieved the guideline requirements by 31 March 2017 (only including shares beneficially owned, that is excluding unvested share awards and shares 'otherwise held'), are as follows:

	Beneficially held as at 31 March 2017 or appointment if earlier	**Beneficially held as at 31 March 2018 or retirement if earlier**	Share Ownership Guidelines satisfied?
Paul Abberley	20,033	20,849	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	6,373	12,757	No
Gary Teper	42,436	44,128	No

Each of the Executive Directors acquired 132 additional shares after 31 March 2018.

Payments to former Directors
As disclosed in last year's Directors' remuneration report, Mike Lilwall received £35,000 being a pro-rated bonus sum in June 2017 following stepping down from the Board in November 2016.

There were no other payments to former Directors during the year.

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

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

Bridget Guerin
Remuneration Committee Chair
12 June 2018

Risk Committee report

The Group's approach to managing the risks it faces continues to evolve in response to the changing business and regulatory environment. The Risk Committee has worked to support these changes, particularly to help ensure that appropriate operational and cultural practices are embedded throughout the organisation.

Andrew Didham
Chairman of the Risk Committee

Risk Committee membership

The Risk Committee is composed of four independent Non-Executive Directors: Andrew Didham; Committee Chairman, Bridget Guerin, Hugh Grootenhuis and Marcia Campbell. During the financial year David Pusinelli stepped down from being a member of the Risk Committee following his resignation as a Director of Charles Stanley Group PLC. Details of the Directors' skills and experience can be found on page 52. The meetings are also attended by the Chief Risk Officer, the Chief Executive Officer, the Group's auditors and other members of the Management team as necessary.

The Committee's register of attendance is set out below.

	Number of meetings	Meetings attended
Andrew Didham	5	5
Marcia Campbell[1]	2	2
Hugh Grootenhuis[2]	3	3
Bridget Guerin	5	5
David Pusinelli[3]	1	1

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

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 (CSG) and Charles Stanley & Co. Limited (CSC) 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 risk management framework and internal control environment to ensure it is adequate and effective
- Reviewing the ICAAP
- Reviewing compliance-related Group procedures.

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 activities of the Enterprise Risk Committee
  - the regulatory environment and actions taken to ensure the firm meets the requirements.

Risk management framework

Following a review in 2017, the Group has implemented a new risk management framework. The key components of the framework are outlined below and we will continue to strengthen the framework and embed it in the fabric of the organisation over the coming year.

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 which have contributed to continued enhancements to the Group's risk oversight arrangements.

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 Group Chief Risk Officer provides input in the setting and ongoing review of the Group's strategy and business plan. A risk report is provided as input into the strategy discussions, which contains relevant risk information, including the latest risk and capital positions from the ICAAP, risk appetite monitoring and the Group's Top Risk Register. This includes reporting on the key risks and threats to the strategy and plan as well as the impact on the Group risk profile and appetite.

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
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.

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 – set 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, 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.

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

Risk and capital 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.

The financial year ended 31 March 2018 has seen considerable progress in embedding the continued strength of the Charles Stanley risk and governance arrangements. In the upcoming financial year, these will continue to be developed in line with our annual risk strategy and plan.

Andrew Didham
Risk Committee Chairman
12 June 2018

Directors' report

The Directors submit their report and financial statements for the year ended 31 March 2018.

Julie Ung
Company Secretary

Principal activities and business review

The Company and its Group undertakings provide 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 49, which is incorporated by reference into this report.

Post year-end events

On 1 April 2018, Charles Stanley Investment Choices Ltd (a fully owned subsidiary of the Group) transferred its assets to Charles Stanley & Co Limited (a fully owned subsidiary of the Group). The FCA permissions for Charles Stanley Investment Choices were withdrawn on 18th April 2018.

Dividends

The Directors have declared and now recommend the following dividends in respect of the year ended 31 March 2018:

	2018 £000	2017 £000
Interim dividend paid on 19 January 2018 of 2.5p (2017: 1.5p)	**1,265**	760
Final dividend proposed of 5.5p (2017: 4.5p)	**2,791**	2,281
	4,056	3,041

The final dividend proposed by the Directors will be subject to shareholders' approval at the Annual General Meeting on 24 July 2018. Once approved, this will be paid on 31 July 2018 to shareholders on the Company's register at close of business on 28 June 2018.

Change of control

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

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

Share capital

As at 31 March 2018, 50,742,827 fully paid ordinary shares of 25 pence each were in issue and listed on the London Stock Exchange. The rights and obligations attaching to the Company's ordinary shares are as follows:

- In terms of voting, every member who is present in person or by proxy at a general meeting of the Company should have one vote on a show of hands and one vote for every share held on a poll
- All shares in issue on the record date rank pari passu for dividends. Shareholders are entitled to receive dividends following declaration by the Company
- Employees are restricted from any transfer of shares of the Company that would result in a change in beneficial holding during the period between the end of the Group's financial year-end each year and the date on which the Group announces its preliminary financial results. This restriction also applies during the period between the end of the Group's financial half-year and the announcement of the Group's half-year results. Further restrictions may apply under the Disclosure 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 10 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 Share Trust

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 25,452 shares.

Insurance and indemnity

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

In 2015, 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.

Controlling shareholder

Sir David Howard, his family and connected interests are deemed to be a controlling shareholder under the Listing Rules (LR 6.1.2A). The Board confirms that:

1. the Company has entered into a Relationship Agreement as required by LR 9.2.2AR (2)(a) (the Agreement)

2. (i) the Company has complied with the independence provisions included in the Agreement during the period under review

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

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

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Each of the Company's Executive Directors has options as detailed in the Directors' remuneration report on page 66. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Company's Articles of Association may be amended by a special resolution of the Company's shareholders. Copies of the Articles of Association can be obtained from Companies House or by writing to the Company Secretary.

The Directors propose to renew the authority granted to them at the Annual General Meeting held in 2017 to allot equity securities up to an aggregate nominal value of £634,380 (the 'section 551 authority'). If approved at the forthcoming Annual General Meeting, the authority will expire no later than 15 months from the date on which the resolution is passed, or at the conclusion of the Annual General Meeting to be held in 2019, whichever is the earlier.

The Directors recommend that you 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), Andrew Didham, Bridget Guerin, Marcia Campbell (appointed 16 October 2017) and Hugh Grootenhuis (appointed 7 September 2017) (Non-executive Directors), and Paul Abberley, Ben Money-Coutts and Gary Teper (Executive Directors). Their biographies are set out on pages 52 to 55.

David Pusinelli did not offer himself for re-election as a Non-executive Director at the 2017 AGM and therefore stood down from the Board on 27 July 2017.

The rest of the Directors have agreed to voluntarily retire from the Board at the Annual General Meeting and, being eligible, will offer themselves for re-election by the members with the exception of Hugh Grootenhuis and Marcia Campbell who will be offering themselves for election, this being the first AGM since their appointment.

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 88.

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

Taxation status

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

Political donations and expenditure

There were no political donations or expenditure by any Group company (2017: £nil).

Report on greenhouse gas emissions

Details of the Group's emissions are contained in the Corporate Social Responsibility report on page 49.

Internal control and risk management

Details of how the Board monitor 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 36.

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 2018	% of total voting rights
Sir David Howard	**10,707,719**	21.10
Liontrust Investment Partners LLP	**5,210,279**	10.27
John L S Howard	**4,710,515**	9.28
Aberforth Partners LLP	**2,608,402**	5.14
Blackrock Inc.	**2,422,982**	4.78
J O Hambro Capital Management	**2,273,787**	4.48
Queen Street Securities (a company of which Sir David Howard is a Director)	**2,102,500**	4.14
The Wellcome Trust Limited	**1,617,700**	3.19

Auditors

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

Corporate governance statement

Rule DTR 7.2.1 requires the Group's disclosures on corporate governance to be included in the Directors' report. This information is presented on page 56 and the information in that section is incorporated by reference into this Directors' report and is deemed to form part of this report.

By order of the Board

Julie Ung
Company Secretary
12 June 2018

Directors' responsibilities

The Directors are responsible for preparing the Annual report and the Group and Parent Company financial statements in accordance with applicable law and Regulations.

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

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and appropriate
- State whether they have been prepared in accordance with IFRSs as adopted by the EU
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- 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, confirm that, to the best of their knowledge:

- The Group and Parent Company financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The 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
12 June 2018

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 2018 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 2018 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
- 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

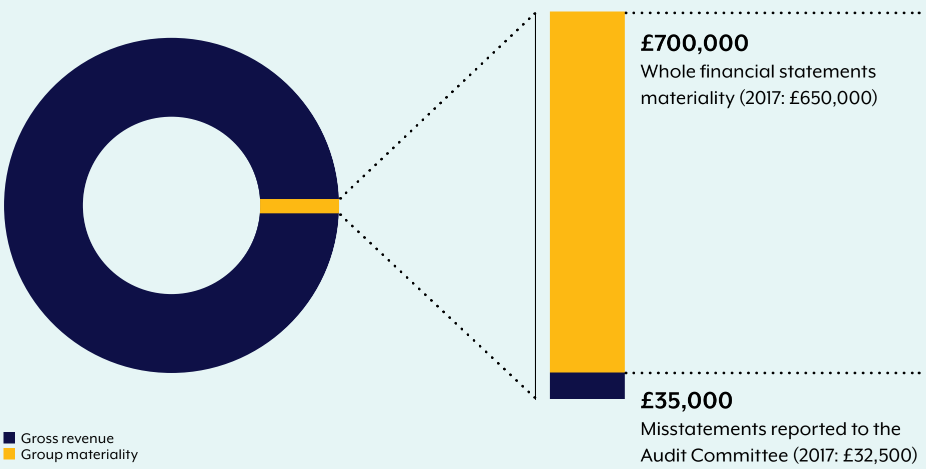
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with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

We were appointed as auditor by the directors on 1 October 2010. The period of total uninterrupted engagement is for the eight financial years ended 31 March 2018. 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	£0.7m (2017: £0.65m) 0.5% (2017: 0.5%) of gross Group revenue	
Coverage	100% (2017: 100%) of Group profit before tax	
Risks of material misstatement		**vs 2017**
Recurring risks	Carrying amount of goodwill (group only)	◀▶
	Valuation of actuarial liability (group only)	◀▶
	Recoverability of Parent Company's investment in subsidiaries (company only)	◀▶

Group's total revenue
£151m (2017: £142m)

Group materiality
£0.7m (2017: £0.65m)



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 decreasing order of audit significance, 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
Carrying amount of goodwill £14.1 million (2017: £14.1 million) Refer to page 62 (Audit Committee report), page 112 (accounting policy) and pages 132 to 133 (financial disclosures).	**Subjective valuation:** The carrying amount of goodwill could be materially misstated if inappropriate judgements and estimates were used by the Directors in calculating the fair values less costs to sell ("FVLCS") by reference to recent market transactions and multiples of funds under management for each cash generated unit ("CGU") as part at their impairment assessment. The CGU with the lowest amount of headroom between FVLCS and carrying value is Charles Stanley Direct, for which there are also few recent potentially comparable market transactions.	**Our procedures included:** · **Benchmarking assumptions:** Comparing the Group's assumptions in relation to ratios 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. · **Comparing valuations:** For Charles Stanley Direct we performed a discounted cash flow analysis to determine a value in use, since recoverable amount is the higher of FVLCTS and value in use. Accordingly we compared that to the FVLCS to assess the reasonableness of the carrying amount of the goodwill. · **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 valuation of goodwill. **Our results:** We found the carrying value of goodwill in the group to be acceptable (2017: acceptable).

	The risk	Our response
Valuation of defined benefit pension scheme actuarial liability (£26.4 million; 2017: £32.2million) Refer to page 63 (Audit Committee report), page 111 (accounting policy) and pages 126 to 130 (financial disclosures).	**Subjective estimate:** The valuation of the defined benefit pension 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.	**Our procedures included:** • **Benchmarking assumptions:** We challenged, 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:** We considered the adequacy of the Group's disclosure in respect of the defined benefit pension deficit and the assumptions used, and the sensitivity of the deficit to these assumptions. **Our results:** We found the valuation of the defined benefit pension obligation in the Group to be acceptable (2017: acceptable).
Recoverability of Parent Company's investment in subsidiaries for the company. (£38.2 million; 2017: £38.2million) Refer to page 116 (accounting policy) and page 156 (financial disclosures).	**Impairment assessment:** The carrying amount of the Parent Company investments in subsidiaries represents 74% (2017: 76%) of the company's total assets. Their recoverability is not a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	**Our procedures included:** • **Test of details:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' financial statements to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. • **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit teams on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. **Our results:** We found the Group's assessment of the recoverability of the investments in subsidiaries to be acceptable.

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 (2017: £0.65 million), determined with reference to a benchmark of Group gross revenue (of which it represents 0.5% (2017: 0.5%)). We consider Group 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 financial statements as a whole was set at £0.5million (2017: £0.4million), determined with reference to a benchmark of Parent total assets of which it represents 1% (2017: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £35,000 (2017: £32,500) for the Group and £26,000 (2017: £19,000) for the Parent, 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
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 twelve months from the date of approval of the financial statements
- The related statement under the Listing Rules is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

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
- 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 36 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

- 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.

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
- 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
- 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
- Certain disclosures of directors' remuneration specified by law are not made
- 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 95, 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 sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of regulatory capital and liquidity, conduct, financial crime including money laundering, sanctions list and market abuse regulations recognising the financial and regulated nature of the Group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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.

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
12 June 2018

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

Financial statements

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Financial statements pages 103 – 158

Consolidated income statement

Year ended 31 March 2018

	Notes	2018 £000	2017 £000
Revenue	4	**150,860**	141,630
Administrative expenses	4	**(142,146)**	(136,122)
Impairment of goodwill	4	**–**	(650)
Other income	6	**278**	186
Operating profit	7	**8,992**	5,044
Gain on surrender of lease	15	**–**	5,550
Loss on disposal of property, plant and equipment	15	**(45)**	(2,199)
Gain on sale of business	5	**707**	148
Gain on sale of corporate investments	17	**2,463**	423
Impairment of corporate loans	18	**–**	(500)
Impairment of freehold property	15	**(995)**	–
Finance income	8	**343**	397
Finance costs	8	**(18)**	(64)
Net finance and other non-operating income		**2,455**	3,755
Profit before tax		**11,447**	8,799
Tax expense	12	**(2,715)**	(2,539)
Profit for the year attributable to owners of the Parent Company		**8,732**	6,260
Earnings per share			
Basic	9	**17.23p**	12.35p
Diluted	9	**16.93p**	12.34p

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 109 to 150 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
Year ended 31 March 2018

	Notes	2018 £000	2017 £000
Profit for the year		**8,732**	6,260
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of the defined benefit scheme obligation	11	**3,863**	(1,093)
Related tax		**(657)**	81
		3,206	(1,012)
Items that are or may be reclassified to profit or loss			
Available-for-sale financial assets – realised gains and losses reclassified to profit or loss	17	**(2,863)**	170
Available-for-sale financial assets – unrealised gains and losses	17	**494**	737
Related tax	16	**398**	(195)
		(1,971)	712
Items that will not be reclassified to profit or loss			
Revaluation of freehold properties	15	**208**	–
Related tax	16	**(17)**	–
		191	–
Other comprehensive income for the year, net of tax		**1,426**	(300)
Total comprehensive income for the year attributable to owners of the Parent Company		**10,158**	5,960

The notes on pages 109 to 150 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 March 2018

Assets	Notes	2018 £000	2017 £000
Intangible assets	14	**19,293**	21,220
Property, plant and equipment	15	**9,680**	9,976
Net deferred tax asset	16	**2,075**	1,878
Available-for-sale financial assets	17	**5,819**	5,626
Trade and other receivables	18	**945**	–
Non-current assets		**37,812**	38,700
Trade and other receivables	18	**178,024**	144,673
Financial assets at fair value through profit or loss	19	**100**	73
Available-for-sale financial assets	17	–	2,450
Assets held for sale	13	–	8,965
Cash and cash equivalents	20	**65,639**	52,101
Current assets		**243,763**	208,262
Total assets		**281,575**	246,962
Equity			
Share capital	21	**12,686**	12,672
Share premium	21	**4,564**	4,429
Own shares	21	**(95)**	–
Revaluation reserve		**1,598**	3,378
Merger relief reserve		**15,167**	15,167
Retained earnings		**63,842**	53,424
Equity attributable to owners of the Parent Company		**97,762**	89,070
Non-controlling interests		**24**	24
Total equity		**97,786**	89,094
Liabilities			
Employee benefits	11	**6,460**	10,528
Provisions	22	**1,813**	1,108
Non-current liabilities		**8,273**	11,636
Trade and other payables	23	**171,666**	141,509
Current tax liabilities		**1,214**	994
Provisions	22	**2,636**	2,162
Liabilities held for sale	13	–	1,567
Current liabilities		**175,516**	146,232
Total liabilities		**183,789**	157,868
Total equity and liabilities		**281,575**	246,962

Approved by the Board of Charles Stanley Group PLC (company number 48796) on 12 June 2018 and signed on its behalf by:

Paul Abberley (Chief Executive Officer)

Ben Money-Coutts (Chief Financial Officer)

The notes on pages 109 to 150 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Year ended 31 March 2018

	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 109 to 150 are an integral part of these consolidated financial statements.

	Share capital £000	Share premium £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
1 April 2016	12,669	4,402	2,666	15,167	50,461	85,365	24	85,389
Profit for the year	–	–	–	–	6,260	6,260	–	6,260
Other comprehensive income:								
Revaluation of available-for-sale financial assets:								
– unrealised gains and losses	–	–	737	–	–	737	–	737
– realised gains and losses transferred to profit or loss	–	–	170	–	–	170	–	170
Deferred tax on available-for-sale financial assets	–	–	(195)	–	–	(195)	–	(195)
Remeasurement of defined benefit scheme liability:								
– actuarial loss in the year	–	–	–	–	(1,093)	(1,093)	–	(1,093)
– deferred tax movement on scheme liability	–	–	–	–	(20)	(20)	–	(20)
– current tax relief	–	–	–	–	101	101	–	101
Total other comprehensive income for the year	–	–	712	–	(1,012)	(300)	–	(300)
Total comprehensive income for the year	–	–	712	–	5,248	5,960	–	5,960
Dividends paid	–	–	–	–	(2,534)	(2,534)	–	(2,534)
Share-based payments:								
– value of employee services	–	–	–	–	249	249	–	249
– issue of shares	3	27	–	–	–	30	–	30
31 March 2017	12,672	4,429	3,378	15,167	53,424	89,070	24	89,094

The notes on pages 109 to 150 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
Year ended 31 March 2018

	Notes	2018 £000	2017 £000
Cash flows from operating activities			
Cash generated from operating activities	27	**15,485**	10,688
Interest received		**297**	195
Interest paid		**(18)**	(63)
Tax paid		**(2,985)**	(1,367)
Net cash generated from operating activities		**12,779**	9,453
Cash flows from investing activities			
Proceeds from surrender of lease		**–**	5,550
Acquisition of intangible assets		**(676)**	(1,089)
Purchase of property, plant and equipment		**(2,796)**	(2,562)
Purchase of available-for-sale financial assets		**(1,429)**	(1,842)
Proceeds from disposal of property, plant and equipment		**22**	–
Proceeds from sale of available-for-sale financial assets		**3,780**	1,642
Net cash (outflow)/inflow from disposal of business		**(1,256)**	1,180
Dividends received		**278**	186
Net cash (used in)/generated from investing activities		**(2,077)**	3,065
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	21	**149**	30
Purchase of own shares	21	**(95)**	–
Dividends paid	21	**(3,546)**	(2,534)
Net cash used in financing activities		**(3,492)**	(2,504)
Net increase in cash and cash equivalents		**7,210**	10,014
Cash and cash equivalents at start of year		**58,429**	48,415
Cash and cash equivalents at end of year		**65,639**	58,429
Cash and cash equivalents shown in current assets	20	**65,639**	52,101
Cash classified as assets held for sale	13	**–**	6,328
Cash and cash equivalents at end of year		**65,639**	58,429

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 109 to 150 are an integral part of these consolidated financial statements.

Notes to the financial statements

Year ended 31 March 2018

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, UK, EC2N 3AS.

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 151 to 158.

2.2 Functional and presentation currency

The Group and Parent Company financial statements are presented in GBP, which is the Group'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 4 and 23 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	Revalued amount
Available-for-sale financial assets	Fair value
Assets and liabilities held for sale	Lower of carrying amount and fair value less costs to sell
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 2018 to 30 September 2019 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

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

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

2.9.1 Commission

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

2.9.2 Fees

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

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

2.9.3 Dividend income

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

2.9.4 Interest income

Interest income is recognised using the effective interest method.

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.

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

2.12 Current and deferred income tax

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

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

2.14 Intangible assets

2.14.1 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.

2.14.2 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.

2.14.3 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)

2.15 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.

2.16 Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

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

2.16.1 Non-derivative financial instruments – recognition and derecognition

The Group recognises loans and receivables on the date when they are originated. All other financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

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)

2.16.2 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. Assets in this category are classified as current assets.

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.

Available-for-sale financial assets

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

Available-for-sale financial assets are carried at fair value. Gains or losses arising from changes in the fair value of available-for-sale financial assets are presented in the consolidated statement of comprehensive income in the period in which they arise. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the consolidated income statement.

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

Loans and receivables

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

Loans and receivables are carried at amortised cost using the effective interest method, less any impairment. Interest income is recognised using the effective interest rate, except for short-term receivables where the interest would be immaterial.

2.16.3 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.

2.17 Impairment

2.17.1 Impairment of non-derivative financial assets

The Group assesses 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 classified as available-for-sale, 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.

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

2.17.2 Impairment of non-financial assets

Intangible assets, such as goodwill, are regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. These assets are not 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 (CGUs).

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.

2.18 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.

2.19 Cash and cash equivalents

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

2.20 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.

2.21 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.

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

2.23 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.

2.24 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.

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

2.26 Employees' Share Trust
Charles Stanley Group PLC established the Charles Stanley Group PLC Employees' Share Trust on 8 August 2014. Charles Stanley Group PLC recognises the assets, liabilities and obligations of the 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.

2.27 Application of new and revised IFRSs and changes in accounting policy
The Group has consistently followed the same accounting policies, presentation and methods of computation in these consolidated financial statements as applied in the Group's consolidated financial statements for the year ended 31 March 2017.

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 April 2018. The following new standards are not applicable to these financial statements but are expected to have an impact when they become effective. The Group plans to apply these standards in the reporting period in which they become effective, the comparative figures will be restated as required by these standards when they are applied.

2.27.1 IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39 Financial Instruments: Recognition and measurement. It includes new guidance on the classification, measurement and impairment of financial instruments. IFRS 9 is effective for annual periods commencing on or after 1 January 2018. The Group has not adopted this standard early.

The Group has conducted an assessment of the impact of adopting IFRS 9 based on its existing financial instruments and is well advanced in its classification and measurement of financial assets under the new standard. The primary impact on the financial statements is expected to be the change in classification of financial assets. The Group has not identified any material differences in the measurement of financial assets.

The IAS 39 categories of available-for-sale, loans and receivables and held to maturity no longer exist in IFRS 9. Financial assets will fall into one of three categories: amortised cost, fair value through profit or loss, or fair value through other comprehensive income.

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

Based on the Group's assessment of the new standard:

- All listed investments currently measured at fair value will be classified as fair value through profit or loss, except for a holding of UK government gilts which will be measured at amortised cost. The impact of this is expected to be immaterial
- It is expected that an election will be made to recognise unlisted investments at fair value through other comprehensive income
- Trade and other receivables will continue to be measured at amortised cost
- Cash and cash equivalents will continue to be measured at amortised cost.

The classification and measurement of financial liabilities remains unchanged from IAS 39, therefore no impact is anticipated on the Group's financial liabilities on adoption of the new standard.

IFRS 9 introduces a new expected credit loss impairment model to replace the incurred loss model in IAS 39. Based on both past experience and an assessment of the Group's credit risk exposures relating to its existing financial instruments, the new impairment model is not expected to have a material impact on the financial statements.

2.27.2 IFRS 15 Revenue from Contracts with Customers

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. IFRS 15 is effective for periods commencing on or after 1 January 2018. The Group has not adopted this standard early.

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.

The Group has performed a review of its existing revenue streams and costs associated with obtaining contracts. Based on this review, there will be no material impact on the existing Group's revenue recognition policies. The primary impact of adopting IFRS 15 will be in respect of payments to investment managers for introducing customer relationships to the Group. These payments are currently capitalised if paid within 12 months of the investment manager joining the Group. Payments made after 12 months are expensed immediately to the income statement. Under IFRS 15 all costs of this nature, irrespective of when they are paid, will be capitalised if they are expected to be recovered. The Group has performed a preliminary assessment of the impact of this change in policy and estimates that there will be a pre-tax adjustment of approximately £0.6m to opening retained earnings. There will be a corresponding increase in intangible assets as a result of the additional capitalisation of costs previously expensed to the income statement.

2.27.3 IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases. It eliminates the classification of leases as either operating leases or finance leases. Any leases with more than 12 months' term are to be recognised as an asset in the statement of financial position with the related future lease obligations shown as a liability. IFRS 16 is effective for annual periods commencing on or after 1 January 2019. The Group does not intend to adopt this standard early.

On transition to IFRS 16, the Group can choose to apply either the full retrospective transition method, whereby the financial statements are prepared as if the new standard had always applied, or the modified retrospective approach with optional practical expedients.

The Group has performed a preliminary review of the impact of adopting IFRS 16 and concluded that its primary impact will be in respect of the Group's various leasehold offices. These leases will need to be shown in the statement of financial position, with a right of use asset and associated lease liability being recognised. Operating lease expenses currently recognised directly in the income statement will be replaced by depreciation and interest charges, which for individual leases will result in higher interest charges in early years of the lease compared to later years. These changes are expected to be material to the financial statements of the Group. The amount of the impact has not yet been quantified, however the Group had non-cancellable operating lease commitments at 31 March 2018 of £19.7m, as shown in note 28.

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 2.14. The recoverable amount is calculated based on assumptions which are set out in more detail in note 14.

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 Parent Company and the Group make 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 2018 resulted in a decrease in the actuarial deficit of £4.0 million which has been reflected in these financial statements.

3.1.3 Available-for-sale assets

Unlisted available-for-sale financial assets include an investment in Euroclear PLC. The Directors have estimated the fair value of this investment based on the latest share buyback process undertaken by Euroclear PLC in which the Group sold part of its shareholding.

Further information on the Group's available-for-sale financial assets is included in note 17. No new information has become available that would require a change in the valuation of any further unlisted investments.

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[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 above table is different to that presented in the divisional analysis within the Review of the year (on page 25) as the above table 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 upto the date of disposal of EBS Management PLC. The disposal was completed on 31 May 2017. See note 5 for further information.

4. Operating segments (continued)

	Investment Management Services[3] £000	Asset Management[3] £000	Financial Planning[2] £000	Charles Stanley Direct £000	Support Functions £000	Total £000
Year ended 31 March 2017						
Investment management fees	65,004	3,645	760	–	–	69,409
Administration fees	13,490	1,175	7,182	3,067	–	24,914
Total fees	78,494	4,820	7,942	3,067	–	94,323
Commission	45,303	702	25	1,277	–	47,307
Total revenue	123,797	5,522	7,967	4,344	–	141,630
Administrative expenses	(65,231)	(3,429)	(7,365)	(3,072)	(57,025)	(136,122)
Impairment of intangible assets	–	–	–	–	(650)	(650)
Other income	186	–	–	–	–	186
Operating contribution	58,752	2,093	602	1,272	(57,675)	5,044
Allocated costs	(48,830)	(2,369)	(3,358)	(3,118)	57,675	–
Operating profit/(loss)[1]	9,922	(276)	(2,756)	(1,846)	–	5,044
Segment assets	228,453	196	9,121	9,192	–	246,962
Segment liabilities	148,880	170	6,310	2,508	–	157,868

Notes
1. The operating profit/(loss) as per the above table is different to that presented in the divisional analysis within the Review of the year (on page 25) as the above table includes adjusting items which are excluded from the Core Business analysis.
2. The revenues, costs, assets and liabilities of EBS Management PLC are included within the Financial Planning division results. As at 31 March 2017, its assets and liabilities were classified as held for sale. The disposal of EBS Management PLC was completed on 31 May 2017. See note 13 for further information.
3. The 2017 figures have been restated to reflect the transfer of an investment management team from Asset Management to Investment Management Services during 2018 in order to provide more appropriate reporting.

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:

	2018 £000
Trade and other receivables	828
Cash and cash equivalents	3,256
Trade and other payables	(2,214)
Attrituable 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 period. Deferred consideration of £2.0 million is 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 has been discounted to fair value at the disposal date. The discount is being unwound over the two-year period and recognised as finance income.

6. Other income

	2018 £000	2017 £000
Dividend income on available-for-sale financial assets	278	186

7. Operating profit

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

	2018 £000	2017 £000
Depreciation of property, plant and equipment	**2,256**	2,112
Amortisation and impairment	**2,603**	3,975
Losses/(gains) on financial assets at fair value through profit or loss	**8**	(15)
Gains on foreign currency exchange	**(82)**	(232)
Operating lease rentals payable	**3,281**	4,521
Financial Services Compensation Scheme Levy	**1,211**	817

Fees payable to the Company's auditor for audit services:		
Audit of the Company's annual accounts	**52**	52
Audit of the Company's subsidiaries	**164**	178

Fees payable to the Company's auditor for other services:		
Tax compliance services	**–**	30
Regulatory-related assurance services	**90**	70
Other assurance services	**27**	46

8. Net finance income

	2018 £000	2017 £000
Interest income	**297**	195
Gains on available-for-sale financial assets	**46**	202
Finance income	**343**	397
Interest payable on bank borrowings	**(11)**	(63)
Interest payable on other loans	**(7)**	(1)
Finance costs	**(18)**	(64)
Net finance income	**325**	333

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	**2018 pence**	2017 pence
Basic earnings per share	**17.23**	12.35
Diluted earnings per share	**16.93**	12.34

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	**2018 £000**	2017 £000
Earnings used in the calculation of basic earnings per share and diluted earnings per share	**8,732**	6,260

Number of shares	**2018 000**	2017 000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**50,682**	50,683
Effect of potentially dilutive share options	**881**	41
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**51,563**	50,724

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 margin of he employed investment management teams collectively was 12.8% 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 2017						
SAYE: 22 December 2016	£2.89	£2.40	35.75%	3 years	1.73%	0.24%
Year ended 31 March 2018						
Investment Managers Share Plan: 15 June 2017	**£3.60**	**£0.25**	**29.49%**	**3 years**	**1.67%**	**0.20%**
SAYE: 20 December 2017	**£3.75**	**£3.23**	**22.15%**	**3 years**	**1.60%**	**0.57%**

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:

	2018 Number of options	**2018** Weighted average exercise price £	2017 Number of options	2017 Weighted average exercise price £
Brought forward	**1,579,807**	**1.27**	1,060,016	1.42
Exercised	**(54,207)**	**2.71**	(11,742)	2.56
Forfeited	**(384,012)**	**0.81**	(153,785)	2.49
Granted	**2,788,148**	**0.37**	685,318	1.34
Carried forward	**3,929,736**	**0.66**	1,579,807	1.27

The options outstanding at 31 March 2018 had an exercise price in the range of £nil to £4.11 (2017: £nil to £4.11) and a weighted average contractual life of 2.0 years (2017: 3.1 years).

The weighted average share price at the date of exercise for share options exercised in the year was £3.71 (2017: £3.12).

The Group recognised total expenses in the year of £2.3 million (2017: £0.2 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 2018. 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

	2018 £000	2017 £000
Fair value of scheme assets	**19,897**	21,667
Present valuation of defined benefit obligation	**(26,357)**	(32,195)
Deficit in scheme	**(6,460)**	(10,528)
Liability recognised in consolidated statement of financial position	**(6,460)**	(10,528)

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 2018.

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

	2018 £000	2017 £000
Defined benefit obligation brought forward	**32,195**	36,651
Interest expense	**765**	1,148
Actuarial (gains)/losses due to scheme experience	**(2,094)**	180
Actuarial losses due to changes in demographic assumptions	**(254)**	(1,770)
Actuarial (gains)/losses due to changes in financial assumptions	**(109)**	5,566
Benefits paid and expenses	**(597)**	(560)
Liabilities extinguished on settlements	**(3,549)**	(9,020)
Defined benefit obligation carried forward	**26,357**	32,195

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

	2018 £000	2017 £000
Fair value of scheme assets brought forward	**21,667**	26,561
Interest income	**525**	803
Return on scheme assets	**683**	2,883
Contributions by the Group	**445**	507
Benefits paid and expenses	**(597)**	(560)
Assets distributed on settlements	**(2,826)**	(8,527)
Fair value of scheme assets carried forward	**19,897**	21,667

Transfer values have been paid in full settlement of four members' 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

	2018 £000	2017 £000
Past service cost and gains from settlement	–	(493)
Net interest cost	240	345
Total amount recognised in consolidated income statement	240	(148)

Defined benefit costs recognised in consolidated statement of comprehensive income

	2018 £000	2017 £000
Return on scheme assets	683	2,883
Experience gains/(losses) arising on the scheme liabilities	2,817	(180)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	254	1,770
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	109	(5,566)
Total amount recognised in consolidated statement of comprehensive income	3,863	(1,093)

Scheme assets

	2018 £000	2017 £000
Equities	11,977	13,073
Bonds	6,331	6,086
Property	681	970
Cash	198	481
Alternatives	710	1,057
Total assets	19,897	21,667

None of the fair values of the assets shown above include any direct investments in the Charles Stanley Group's own financial instruments (2017: shares amounting to £0.9 million) 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 de-risking 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

	2018 %	2017 %
Inflation – Consumer Prices Index (CPI)	**2.30**	2.40
Rate of discount	**2.60**	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)	**2.30**	2.40

The mortality assumptions adopted at 31 March 2018 are 100% (2017: 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:

	2018	2017
Male retiring in current year	**21.9**	22.0
Female retiring in current year	**23.8**	24.0
Male retiring in twenty years	**23.1**	23.3
Female retiring in twenty years	**25.0**	25.5

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 4.7%
Rate of inflation	Increase of 0.25% p.a.	Increase by 1.2%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.7%

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 2018 was 19 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 2018 is £0.5 million (2017: £0.4 million).

11.3 Employee benefit expenses

The average number of persons employed (including Directors) during the year was 773 (2017: 810).

	2018 £000	2017 £000
Employee costs for the Group during the year:		
Wages and salaries	**44,244**	43,038
Social Security costs	**6,269**	5,371
Share-based payments	**2,303**	249
Pension costs:		
Defined contribution scheme	**3,775**	3,875
Defined benefit scheme	**240**	(148)
	56,831	52,385

12. Income taxes

Tax recognised in the consolidated income statement

	2018 £000	2017 £000
Current taxation		
Current year expense	**2,703**	2,283
Adjustment in respect of prior years	**501**	306
	3,204	2,589
Deferred taxation		
Credit for the year	**(336)**	(50)
Adjustment in respect of prior years	**(153)**	–
	(489)	(50)
Total tax expense	**2,715**	2,539

In addition to amounts charged to the consolidated income statement, a deferred tax credit of £0.4 million (2017: £0.2 million charge) relating to the revaluation of available-for-sale financial assets has been recognised directly to equity. A further credit of £0.02 million (2017: £nil) in relation to deferred tax on revaluation of freehold property has been recognised directly to equity. A current tax credit of £nil (2017: £0.1 million) and deferred tax charge of £0.7 million (2017: £0.02 million) 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% (2017: 20%). The differences are as follows:

	2018 £000	2017 £000
Profit before tax from continuing operations	**11,447**	8,799
Profit multiplied by rate of corporation tax in the UK of 19% (2017: 20%)	**2,175**	1,760
Tax effects of:		
Income not subject to tax	**(44)**	(37)
Expenses not allowed for tax	**181**	40
Share-based payments	**(53)**	31
Adjustments in respect of prior years	**348**	306
Intangible asset impairments	**–**	8
Fixed assets differences	**302**	468
Disposal of business not subject to tax	**(143)**	(63)
Change in tax rate	**31**	38
Other adjustments	**(82)**	(12)
	540	779
Total tax expense for the year	**2,715**	2,539

13. Assets and liabilities held for sale

The Group completed the sale of EBS Management PLC to Embark Group Limited on 31 May 2017. Accordingly, the assets and liabilities of EBS Management PLC were presented in the prior year consolidated statement of financial position as held for sale. Further information on the terms of the disposal are included in note 5.

There were no assets or liabilities held for sale at 31 March 2018. The following table sets out the assets and liabilities held for sale in the prior year:

	2018 £000	2017 £000
Intangible assets	–	1,294
Trade and other receivables	–	1,343
Cash and cash equivalents	–	6,328
Assets held for sale	–	8,965
Trade and other payables	–	1,558
Current tax liabilities	–	9
Liabilities held for sale	–	1,567

14. Intangible assets

Cost	Goodwill £000	Customer relationships £000	Internally generated software £000	Total £000
At 1 April 2016	21,507	23,393	6,088	50,988
Additions	–	32	1,057	1,089
Transfer to held for sale	(1,294)	–	–	(1,294)
At 31 March 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**
Amortisation				
At 1 April 2016	5,511	17,133	2,944	25,588
Charge for the year	–	1,556	1,769	3,325
Impairment	650	–	–	650
At 31 March 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**
Net book value				
At 31 March 2018	**14,052**	**4,003**	**1,238**	**19,293**
At 31 March 2017	14,052	4,736	2,432	21,220

None of the intangible assets have been pledged as security.

14. Intangible assets (continued)

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

	2018 £000	2017 £000
Investment Management Services	**8,805**	8,805
Charles Stanley Direct	**5,247**	5,247
	14,052	14,052

14.1 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 0.82% and 2.70%). 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 2018, 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, the no impairment charge (2017: £0.7 million) has been recognised in the consolidated income statement.

14.1.1 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 2018. 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.

14.1.2 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 2018. The recoverable amount was determined to be higher than the carrying amount of the CGU and therefore the goodwill carrying value is adequately supported.

14.2 Customer relationships

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

14.3 Internally generated software

Internally generated software is software designed, developed and commercialised by the Group.

15. Property, plant and equipment

Cost or valuation	Freehold premises £000	Long leasehold premises £000	Short leasehold premises £000	Office equipment and motor vehicles £000	Total £000
At 1 April 2016	5,013	1,021	7,479	17,212	30,725
Additions	–	–	2,563	999	3,562
Disposals	–	(1,021)	(4,162)	(454)	(5,637)
At 31 March 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**
Depreciation					
At 31 April 2016	380	381	4,504	14,728	19,993
Charge for the year	130	36	554	1,392	2,112
Disposals	–	(417)	(2,777)	(237)	(3,431)
At 31 March 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**
Net book value					
At 31 March 2018	**3,610**	**–**	**3,851**	**2,219**	**9,680**
At 31 March 2017	**4,503**	**–**	**3,599**	**1,874**	**9,976**

Freehold premises are carried at revalued amount. The most recent valuations of freehold premises were carried out in February 2018 by independent chartered surveyors. Following these valuations, an impairment loss of £1.0 million (2017: £nil) has been recognised in the Consolidated income statement.

If freehold premises had been carried under the cost model, their carrying value would have been £3.7 million (2017: £4.6 million).

The cost and accumulated depreciation of property, plant and equipment in the above table includes £18.8 million (2017: £13.2 million) in respect of fully depreciated assets which are still in use.

16. 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 2016	1,817	1	563	240	2,621
Recognised in profit or loss					
Current year	(8)	17	64	–	73
Change in rate	1	–	(34)	–	(33)
	(7)	17	30	–	40
Recognised in other comprehensive income					
Current year	85	–	–	–	85
Change in rate	(105)	–	–	–	(105)
	(20)	–	–	–	(20)
At 31 March 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**

16. Net deferred tax asset (continued)

Deferred tax liabilities	Intangible assets £000	Property, plant and equipment £000	Available-for-sale financial assets £000	Total £000
At 1 April 2016	(90)	(6)	(482)	(578)
Recognised in profit or loss				
Current year	15	–	–	15
Change in rate	(5)	–	–	(5)
	10	–	–	10
Recognised in other comprehensive income				
Current year	–	–	(234)	(234)
Change in rate	–	–	39	39
	–	–	(195)	(195)
At 31 March 2017	**(80)**	**(6)**	**(677)**	**(763)**
Recognised in profit or loss				
Current year	**30**	**(14)**	**(20)**	**(4)**
Change in rate	**1**	**–**	**–**	**1**
	31	**(14)**	**(20)**	**(3)**
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)**

Net deferred tax asset	
At 31 March 2018	**2,075**
At 31 March 2017	1,878

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 2018 has been calculated based on the rate expected to apply when the relevant timing differences are forecast to unwind.

17. Available-for-sale financial assets

Fair value	Listed investments £000	Unlisted investments £000	Total £000
At 1 April 2016	3,760	3,209	6,969
Additions	1,342	500	1,842
Disposals	(1,517)	(125)	(1,642)
Revaluations	(39)	946	907
At 31 March 2017	**3,546**	**4,530**	**8,076**
Additions	**1,429**	**–**	**1,429**
Disposals	**(792)**	**(525)**	**(1,317)**
Revaluations	**(7)**	**501**	**494**
Realised gains transferred to profit or loss	**(46)**	**(2,817)**	**(2,863)**
At 31 March 2018	**4,130**	**1,689**	**5,819**

Available-for-sale financial assets are split between current and non-current assets as shown below:

Current	**2018 £000**	2017 £000
Unlisted investments	–	2,450
	–	2,450
Non-current		
Listed investments	**4,130**	3,546
Unlisted investments	**1,689**	2,080
	5,819	5,626

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

Listed investments include a £2.0 million (2017: £2.0 million) holding in gilts which is pledged to a clearing house.

Unlisted investments include the Group's holding of 2,358 shares in Euroclear PLC. This shareholding has been valued at €774 per share-based on the Group's successful tender of 3,672 shares in Euroclear PLC's buyback auction in June 2017. The valuation has been translated into its GBP equivalent at the balance sheet date.

18. Trade and other receivables

Current	2018 £000	2017 £000
Trade receivables	**169,193**	137,736
Other receivables	**4,212**	3,217
Prepayments and accrued income	**4,619**	3,720
	178,024	144,673
Non-current		
Deferred consideration	**945**	–
	945	–

Trade and 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 £2.0 million is 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 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.

Also included within trade and other receivables is the deferred consideration balance receivable in relation to the sale of Charles Stanley Financial Solutions Limited (CSFS) to CS Financial Solutions Holdings Limited on 1 April 2016, net of provision for impairment. The deferred consideration of £0.5 million LIBOR plus 2% Secured B Loan Notes 2019 was fully impaired in the year ended 31 March 2017. The terms of the agreement were restructured during the current year. The balance is now payable in equal instalments on a quarterly basis over three years commencing 1 April 2018. The balance of the loan receivable remained fully impaired at 31 March 2018.

A breakdown of the net deferred consideration receivable recognised in the statement of financial position is presented below:

Current	2018 £000	2017 £000
Deferred consideration	**1,159**	167
Provision for impairment	**(167)**	(167)
	992	–
Non-current		
Deferred consideration	**1,278**	333
Provision for impairment	**(333)**	(333)
	945	–

19. Financial assets at fair value through profit and loss

Current	2018 £000	2017 £000
Listed investments	**100**	73

20. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	**65,639**	52,101

In addition to the amounts presented above, £6.3 million of cash and cash equivalents was also included within assets held for sale in the prior year. Total cash and cash equivalents at the reporting date were therefore £65.6 million (2017: £58.4 million).

21. 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 2016	50,677	12,669	4,402	17,071
Exercise of share options	12	3	27	30
At 31 March 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**

21.1 Ordinary shares

The rights and obligations attached to the Parent Company's ordinary shares are set out in the Directors' report (page 93).

During the year 54,000 ordinary shares were issued fully paid for cash at an average price of £2.71 per share following the exercise of options by employees. These shares had a nominal value of £13,500 and total consideration was £146,340.

21.2 Own shares

At 31 March 2018, the Group held 25,452 (2017: nil) own shares, which are held in an employee benefit trust.

21.3 Dividends

The following dividends were declared and paid by the Parent Company in the year:

	2018 £000	2017 £000
Final dividend paid for 2017: 4.5p per share (2016: 3.5p)	**2,281**	1,774
Interim dividend paid for 2018: 2.5p per share (2017: 1.5p)	**1,265**	760
	3,546	2,534

Dividends are payable from the Parent Company's distributable reserves which comprise retained earnings and the merger relief reserve, as shown in the Parent Company statement of financial position on page 151.

22. Provisions

Non-current	2018 £000	2017 £000
Balance brought forward	**1,108**	–
Provisions made during the year	**705**	1,108
	1,813	1,108

Current	2018 £000	2017 £000
Balance brought forward	**2,162**	4,367
Provisions made during the year	**1,147**	237
Provisions used during the year	**(513)**	(2,442)
Unused provisions transferred to income statement	**(160)**	–
	2,636	2,162

The Group held provisions as at 31 March 2018 in respect of certain legal claims and leasehold property dilapidations.

23. Trade and other payables

	2018 £000	2017 £000
Trade and other payables	**141,414**	113,945
Other taxes and Social Security costs	**5,025**	3,263
Other payables	**15,984**	14,804
Accruals and deferred income	**9,243**	9,497
	171,666	141,509

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

24. 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.

24.1 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.

24.1.1 Equity risk

The Group is exposed to equity market risk through its own equity holdings. These comprise:

i) Available-for-sale financial investments

ii) Held for trading assets and liabilities.

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.

24.1.1.1 Available-for-sale investments

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

29% of the Group's available-for-sale investments are unlisted. A 10% increase or decrease in the Group's investments would increase or reduce reserves by £0.6 million (2017: £0.8 million).

24.1.1.2 Held for trading assets and liabilities

The Group's exposure to market risk on its held for trading positions is monitored daily and reported to the appropriate Directors and senior managers. Positions are monitored against limits determined by the Risk Committee. Any breaches of the limits are notified immediately to the Head of Compliance.

A 10% increase or decrease in equity prices of trading assets and liabilities would increase or reduce profit in the consolidated income statement by £10,000 (2017: £7,000).

24.1.1.3 Investment Management Services fees

A 10% increase or decrease in equity prices would increase or reduce investment management fees in the consolidated income statement by £5.4 million (2017: £4.7 million).

24. Fair values and risk management (continued)

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

Net assets	2018 £000	2017 £000
Euros	**26**	–
US dollars	**303**	29
Other currencies	**6**	30
	335	59

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 2018 these totalled £1,500 (2017: £16,000).

24.1.3 Interest rate risk
The Group holds interest-bearing assets, principally cash and cash deposits, available-for-sale financial assets 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 £1.3 million higher (2017: £1.2 million). If interest rates had been 200 basis points lower, profit for the year would have been £0.1 million lower (2017: £0.2 million).

24.2 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 and cash equivalents 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.

24. Fair values and risk management (continued)

An ageing analysis of the Group's financial assets is presented in the following table:

At 31 March 2018	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	**4,620**	**173,404**	–	–	–	**178,024**
Cash and cash equivalents	**65,639**	–	–	–	–	**65,639**
At 31 March 2017						
Trade and other receivables	3,720	140,953	–	–	–	144,673
Cash and cash equivalents	52,101	–	–	–	–	52,101

Excluded from the above table are trade receivables of £nil (2017: £0.2 million) for which provision of £nil (2017: £0.2 million) has been made.

24.3 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 a mixture of cash and cash equivalents that are designed to meet the Group's operational and trading activities. The Group does not use the wholesale markets for any funding and is confident that it has sufficient liquidity for the foreseeable future. At 31 March 2018 the Group had £65.6 million (2017: £58.4 million) in bank accounts and accordingly a high degree of liquidity.

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

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 cash 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.

24. Fair values and risk management (continued)

24.3.1 Fair value of financial instruments

24.3.1.1 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	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	17	–	–	5,819	–	5,819
Fair value through profit and loss – listed investments	19	100	–	–	–	100
Total		100	–	5,819	–	5,919
Financial assets not measured at fair value						
Trade and other receivables	18	–	178,024	–	–	178,024
Cash and cash equivalents	20	–	65,639	–	–	65,639
Total		–	243,663	–	–	243,663
Financial liabilities not measured at fair value						
Trade and other payables	23	–	–	–	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	17	4,130	–	1,689	5,819
Fair value through profit and loss – listed investments	19	100	–	–	100
Total		4,230	–	1,689	5,919

24. 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 2017						
Financial assets measured at fair value						
Available-for-sale investments	17	–	–	8,076	–	8,076
Fair value through profit and loss – listed investments	19	73	–	–	–	73
Total		73	–	8,076	–	8,149
Financial assets not measured at fair value						
Trade and other receivables	18	–	144,673	–	–	144,673
Cash and cash equivalents	20	–	52,101	–	–	52,101
Total		–	196,774	–	–	196,774
Financial liabilities not measured at fair value						
Trade and other payables	23	–	–	–	141,509	141,509
Total		–	–	–	141,509	141,509

Fair value	Notes	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2017					
Financial assets measured at fair value					
Available-for-sale investments	17	3,546	–	4,530	8,076
Fair value through profit and loss – listed investments	19	73	–	–	73
Total		3,619	–	4,530	8,149

24.3.1.2 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).

24. 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 using recent prices at which Euroclear PLC has repurchased its own shares	Euroclear PLC shares are highly illiquid so the Group's ability to realise the value of this shareholding is uncertain as it is highly dependent on the actions of Euroclear PLC	The value of the shares may increase if the market for the shares becomes more liquid

There were no transfers between any of the levels of the fair value hierarchy during the year ended 31 March 2018 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:

	Equity securities available-for-sale £000
Balance brought forward	4,530
Disposals	(525)
Total realised gains and losses for the year transferred to profit or loss	(2,817)
Total unrealised gains and losses for the year included in other comprehensive income	501
Balance carried forward	**1,689**

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.

24.3.2 Equity securities – available-for-sale

The Level 3 balance relates to holdings in unlisted investments. At 31 March 2018 these unlisted investments had a fair value of £1.7 million (31 March 2017: £4.5 million). Included within this balance is the Group's holding of 2,358 shares (31 March 2017: 6,030 shares) in Euroclear PLC which had a fair value of £1.6 million (31 March 2017: £4.0 million). Fair value was determined using a valuation technique that required significant unobservable inputs.

25. 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, UK, EC2N 3AS.

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	England & Wales	100%
Exempt Nominees Limited	Nominee company	3	England & Wales	100%
Charles Stanley Investment Choices Limited	Financial intermediary	2,4	England & Wales	100%
Gryphon Investments Limited	Dormant		England & Wales	98%
Jobson James Financial Services Limited	Dormant	2	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

26. 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:

	2018 £m	2017 £m
MI Charles Stanley Monthly High Income Fund	**69.2**	62.6
MI Charles Stanley Equity Fund	**9.7**	10.8
MI Charles Stanley UK & International Growth Fund	**105.1**	116.9
MI Charles Stanley Multi Asset 1 Defensive Fund	**3.8**	19.1
MI Charles Stanley Multi Asset 2 Cautious Fund	**1.6**	–
MI Charles Stanley Multi Asset 3 Moderate Fund	**15.3**	–
MI Charles Stanley Multi Asset 4 Growth Fund	**23.0**	9.5
MI Charles Stanley Multi Asset 5 Adventurous Fund	**1.8**	–
The MOTIM Fund	**12.6**	13.2
The Helm Investment Fund	**–**	8.3
Total	**242.1**	240.4

Included in the consolidated statement of financial position is accrued income of £0.1 million (2017: £0.2 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.

	2018 £000	2017 £000
MI Charles Stanley Monthly High Income Fund	**528**	486
MI Charles Stanley Equity Fund	**81**	79
MI Charles Stanley UK & International Growth Fund	**1,127**	1,101
MI Charles Stanley Bond Fund	**39**	–
The MOTIM Fund	**67**	61
The Helm Investment Fund	**19**	22
Total	**1,861**	1,749

27. Reconciliation of net profit to cash generated from operations

	2018 £000	2017 £000
Profit before tax	11,447	8,799
Adjustments for:		
Depreciation	2,256	2,112
Amortisation of intangible assets	2,603	3,325
Impairment of goodwill	–	650
Impairment of corporate loans	–	500
Impairment of freehold property	995	–
Gain on surrender of lease	–	(5,550)
Share-based payments – value of employee services	2,026	249
Retirement benefit scheme	(205)	(655)
Dividend income	(278)	(186)
Interest income	(297)	(195)
Interest expense	18	63
Profit on disposal of available-for-sale financial assets	(2,471)	–
Loss on disposal of property, plant and equipment	45	2,199
Gain on disposal of business	(707)	(148)
Changes in working capital:		
Increase in financial assets at fair value through profit or loss	(27)	(1)
(Increase)/decrease in receivables	(33,470)	467
Decrease/(Increase) in payables	33,550	(941)
Net cash inflow from operations	15,485	10,688

28. Operating leases

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

	2018 £000	2017 £000
Not later than one year	3,418	3,473
Later than one year but not later than five years	12,978	11,917
Later than five years	3,297	4,809
	19,693	20,199

29. Contingent liabilities

In the normal course of business, the Group is exposed to certain legal and tax issues which could, in the event of a dispute, develop into litigious proceedings and in some cases may result in contingent liabilities. During the year, the Group has not become engaged or involved in, or otherwise subject to, any litigation which gives rise to a contingent liability.

30. Commitments

At 31 March 2018, capital expenditure authorised and contracted for, but not included in the financial statements, amounted to £nil (2017: £nil).

31. Subsequent events

There were no material adjusting events or events requiring disclosure prior to the date of signing this report.

32. Related parties

Transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

32.1 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.

32.2 Remuneration of Key Management Personnel
Key Management Personnel has been determined as being members of the CSG Board (2017: CSG Board and Executive Committee members). The compensation paid to Key Management Personnel is detailed below:

	2018 £000	2017 £000
Salaries and short-term employee benefits	**1,181**	2,162
Post-employment benefits	**170**	237
Share-based payments	**43**	155
Social Security costs	**234**	280
	1,628	2,834

Parent Company statement of financial position

As at 31 March 2018

Assets	Note	2018 £000	2017 £000
Intangible assets	34	**9,792**	10,260
Deferred tax asset	35	**505**	42
Available-for-sale financial assets	36	**2,127**	1,515
Trade and other receivables	39	**945**	–
Investments in subsidiaries	37	**38,196**	38,178
Non-current assets		**51,565**	49,995
Trade and other receivables	39	**995**	1,304
Current tax assets		**–**	503
Assets held for sale	38	**–**	1,533
Cash and cash equivalents	40	**561**	1,090
Current assets		**1,556**	4,430
Total assets		**53,121**	54,425
Equity			
Share capital	21	**12,686**	12,672
Share premium	21	**4,564**	4,429
Own shares	21	**(95)**	–
Revaluation reserve		**159**	205
Merger relief reserve		**15,167**	15,167
Retained earnings		**4,099**	5,090
Total equity		**36,580**	37,563
Liabilities			
Trade and other payables	41	**16,293**	16,862
Current tax liabilities		**248**	–
Current liabilities		**16,541**	16,862
Total liabilities		**16,541**	16,862
Total equity and liabilities		**53,121**	54,425

Approved by the Board of Charles Stanley Group PLC (company number 48796) on 12 June 2018 and signed on its behalf by:

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

The notes on pages 154 to 158 are an integral part of these Parent Company financial statements.

Parent Company statement of changes in equity

Year ended 31 March 2018

	Share capital £000	Share premium £000	Own shares £000	Revaluation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000
At 1 April 2016	12,669	4,402	–	190	15,167	8,229	40,657
Loss for the year	–	–	–	–	–	(854)	(854)
Other comprehensive income:							
Losses on available-for-sale financial assets	–	–	–	(13)	–	–	(13)
Deferred tax on available-for-sale financial assets	–	–	–	28	–	–	28
Total other comprehensive income for the year	–	–	–	15	–	–	15
Total comprehensive income for the year	–	–	–	15	–	(854)	(839)
Dividends paid	–	–	–	–	–	(2,534)	(2,534)
Share-based payments:							
– value of employee services	–	–	–	–	–	249	249
– issue of shares	3	27	–	–	–	–	30
At 31 March 2017	**12,672**	**4,429**	**–**	**205**	**15,167**	**5,090**	**37,563**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**2,536**	**2,536**
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**	**2,490**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(3,456)**	**(3,456)**
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**

The notes on pages 154 to 158 are an integral part of these Parent Company financial statements.

Parent Company statement of cash flows

Year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Cash generated from operating activities	42	1,090	1,903
Tax refund received		284	–
Net cash generated from operating activities		1,374	1,903
Cash flow from investing activities			
Acquisition of intangible assets		(351)	(32)
Proceeds from sale of business		–	1,500
Proceeds from sale of available-for-sale financial assets		837	1,436
Purchase of available-for-sale financial assets		(1,430)	(1,292)
Investment in subsidiary		1,533	(350)
Dividends received		1,000	74
Net cash generated from investing activities		1,589	1,336
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		149	30
Purchase of own shares		(95)	–
Dividends paid	21	(3,546)	(2,534)
Net cash used in financing activities		(3,492)	(2,504)
Net (decrease)/increase in cash and cash equivalents		(529)	735
Cash and cash equivalents at start of year		1,090	355
Cash and cash equivalents at end of year	40	561	1,090

The notes on pages 154 to 158 are an integral part of these Parent Company financial statements.

Notes to the Parent Company financial statements

Year ended 31 March 2018

33. 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 £2.5 million (2017: loss £0.9 million).

34. Intangible assets

Cost	Goodwill £000	Customer relationships £000	Total £000
At 1 April 2016	10,027	19,777	29,804
Additions	–	32	32
At 31 March 2017	**10,027**	**19,809**	**29,836**
Additions	**–**	**351**	**351**
At 31 March 2018	**10,027**	**20,160**	**30,187**
Amortisation			
At 1 April 2016	2,511	15,125	17,636
Amortisation charge	–	1,290	1,290
Impairment	650	–	650
At 31 March 2017	**3,161**	**16,415**	**19,576**
Amortisation charge	**–**	**819**	**819**
At 31 March 2018	**3,161**	**17,234**	**20,395**
Net book value			
At 31 March 2018	**6,866**	**2,926**	**9,792**
At 31 March 2017	6,866	3,394	10,260

Details of the annual impairment assessment can be found in note 14.

35. Deferred tax asset

Revaluation	Total £000
At 1 April 2016	11
Revaluation of available-for-sale financial assets	28
Other timing differences	3
At 31 March 2017	**42**
Revaluation of available-for-sale financial assets	**(19)**
Other timing differences	**482**
At 31 March 2018	**505**

Deferred tax assets and liabilities are calculated using an effective tax rate of 17% (2017: 17%).

36. Available-for-sale financial assets

Fair value	Listed investments £000
At 1 April 2016	1,451
Additions	1,292
Disposals	(1,215)
Revaluation in year	(13)
At 31 March 2017	**1,515**
Additions	**1,430**
Disposals	**(791)**
Revaluation in year	**(27)**
At 31 March 2018	**2,127**

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

37. Investments in subsidiaries

Cost	Total £000
At 1 April 2016	52,974
Additions	350
Share options	249
Transfer to held for sale	(1,533)
Disposals	(302)
At 31 March 2017	**51,738**
Share options	**18**
At 31 March 2018	**51,756**
Impairment	
At 1 April 2016	13,560
Charge for the year	–
At 31 March 2017	**13,560**
Charge for the year	**–**
At 31 March 2018	**13,560**
Net book value	
At 31 March 2018	**38,196**
At 31 March 2017	38,178

38. Assets held for sale

The Group completed the sale of EBS Management PLC to Embark Group Limited on 31 May 2017. The investment in EBS Management PLC was included in the prior year Parent Company statement of financial position as held for sale. Refer to note 13 for details of the consolidated assets and liabilities held for sale.

Assets held for sale are presented in the table below.

	2018 £000	2017 £000
Investment in subsidiaries	–	1,533
	–	1,533

39. Trade and other receivables

Non-current	2018 £000	2017 £000
Deferred consideration	**945**	–
	945	–

Current	2018 £000	2017 £000
Amounts due from Group undertakings	–	1,300
Other debtors	**995**	4
	995	1,304

40. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	**561**	1,090

41. Trade and other payables

Current	2018 £000	2017 £000
Amounts due to Group undertakings	**16,020**	16,598
Other payables	**273**	264
	16,293	16,862

42. Reconciliation of net profit/ (loss) to net cash generated from operations

	2018 £000	2017 £000
Profit/(loss) before tax	**2,522**	(1,371)
Adjustments for:		
Amortisation of intangible assets	**819**	1,290
Impairment of goodwill	**–**	650
Impairment of corporate loans	**–**	500
Dividend income	**(1,000)**	(74)
Profit on disposal of available-for-sale financial assets	**(46)**	(221)
Profit on disposal of business	**–**	(1,245)
Changes in working capital:		
(Increase)/decrease in receivables	**(636)**	174
(Decrease)/increase in payables	**(569)**	2,200
Net cash generated from operations	**1,090**	1,903

43. 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	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Charles Stanley & Co. Limited	**–**	–	**15,726**	16,142
EBS Management PLC	**–**	–	**–**	160
EBS Pensioneer Trustees Limited	**–**	–	**–**	2
Gryphon Investments PLC	**–**	–	**294**	294
Charles Stanley Investment Choices Limited	**–**	1,300	**–**	–
	–	1,300	**16,020**	16,598

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 £1.0 million (2017: £nil) from Charles Stanley Investment Choices Limited.

EBS Management PLC was sold on 31 May 2017 so was not a related party after that time.

Unaudited five year record
2014–2018

Income statement year ended 31 March	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Continuing operations					
Revenue	**150,860**	141,630	138,650	144,264	137,894
Administrative expenses	**(142,146)**	(136,122)	(139,163)	(141,697)	(134,859)
Impairment of intangible assets	–	(650)	(465)	(8,277)	–
Other income	**278**	186	153	132	140
Operating profit/(loss)	**8,992**	5,044	(825)	(5,578)	3,175
Gain on surrender of lease	–	5,550	–	–	–
Loss on disposal of fixed assets	**(45)**	(2,199)	(131)	(178)	3
Gain on sale of business	**707**	148	299	1,200	–
Gain on sale of corporate investments	**2,463**	423	–	–	–
Impairment of corporate loans	–	(500)	–	–	–
Impairment of freehold property	**(995)**	–	–	–	–
Finance income	**343**	397	69	185	484
Finance costs	**(18)**	(64)	(99)	(75)	(85)
Net finance and other non-operating income	**2,455**	3,755	138	1,132	402
Profit/(loss) before tax	**11,447**	8,799	(687)	(4,446)	3,577
Tax (expense)/credit	**(2,715)**	(2,539)	47	(413)	(784)
Profit/(loss) from continuing operations	**8,732**	6,260	(640)	(4,859)	2,793
Discontinued operations					
Profit/(loss) from discontinued operations	–	–	333	(1,287)	1,965
Profit/(loss) for the year attributable to owners of the Parent Company	**8,732**	6,260	(307)	(6,146)	4,758
Earnings per share					
From continuing and discontinued operations					
Basic	**17.23p**	12.35p	(0.61p)	(13.46p)	10.42p
Diluted	**16.93p**	12.34p	(0.61p)	(13.46p)	10.42p
From continuing operations					
Basic	**17.23p**	12.35p	(1.27p)	(10.64p)	6.12p
Diluted	**16.93p**	12.34p	(1.27p)	(10.64p)	6.12p

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	The combined activities of Investment Management Services, Asset Management, Financial Planning and Charles Stanley Direct divisions
CGU	Cash Generating Unit
CISI	Chartered Institute for Securities & Investment
CMI	The 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
CRO	Chief Risk Officer
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
CSIC	Charles Stanley Investment Choices Limited, a wholly owned operating subsidiary
CSFS	Charles Stanley Financial Solutions Limited
CSR	Corporate Social Responsibility
DTR	Disclosure Guidance and Transparency Rules
EBS	EBS Management PLC
EPS	Earnings per share
ESOS	Energy Savings Opportunity Scheme
EU	European Union
FCA	UK Financial Conduct Authority
FIT	FIT Remuneration Consultants LLP
FRC	UK Financial Reporting Council
FSCS	Financial Services Compensation Scheme
FuM	Funds under Management
FuMA	Funds under Management and Administration

Abbreviation	Definition
FY	Financial year, being the reporting period ended on 31 March of the stated year
GBP	British Pound Sterling
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
VAT	Value Added Tax
VCT	Venture Capital Trust
XO	Execution-only

Company information

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Julie Ung

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Brokers

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London EC2V 7QR

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Moor House
120 London Wall
London EC2Y 5ET

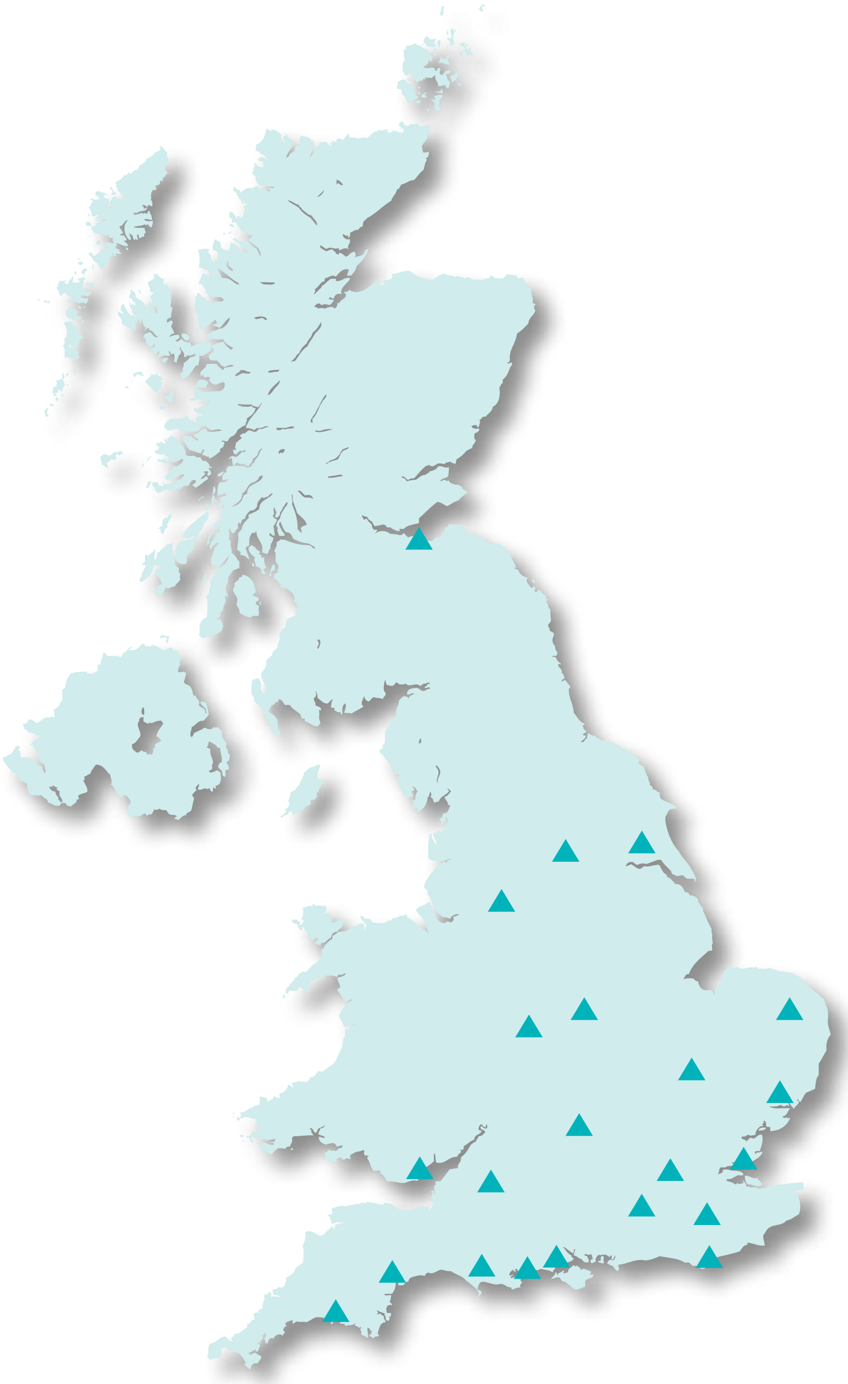
Financial calendar

13 June 2018	Results announcement
28 June 2018	Ex-dividend date for final dividend
29 June 2018	Record date for final dividend
24 July 2018	Annual General Meeting
31 July 2018	Final dividend paid

Where we are

We operate in 22 UK locations.

For a list of our offices visit:
charles-stanley.co.uk



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