Focusing on clients

Annual report and accounts 2020

CHARLES STANLEY

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.

Who we are

Charles Stanley provides holistic wealth management services to private clients, charities, trusts and institutions. Its origins trace back to 1792 and it is one of the oldest firms on the London Stock Exchange. The Company has a national presence, with 27 locations and 850 professionals. Its wealth management services are provided direct to clients and to intermediaries.

Our values

Charles Stanley has three core values. It aims to be Caring, Fair and Progressive. These values underpin the Company's strategy and the way it operates. The Company believes that it should work in the best interests of its clients and seeks to offer a truly personal service.

Our purpose

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

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

Contents

At a glance

Group highlights

Revenue up 11.5%

Higher revenues across all divisions and overall revenue increased to £173.0 million in FY 2020

Profit before tax up 57.3%

Reported profit before tax of £17.3 million up due to revenue growth and cost control

Dividend up 2.9%

FY 2020 dividend increased by 2.9% to 9.0 pence per share

Capital resources up 13.5%

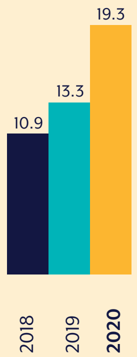
13.5% increase in Group's regulatory capital resources to £94.1 million

Simplification & Standardisation

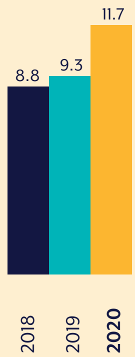
FY 2020 focus on simplifying and standardising our operations to deliver an integrated business model and seamless customer proposition

Financial highlights

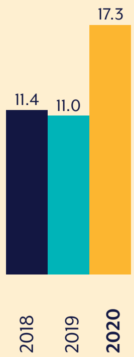
Underlying profit before tax (£m)[1]



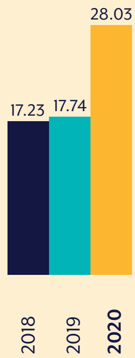
Underlying pre-tax profit margin (%)[2]



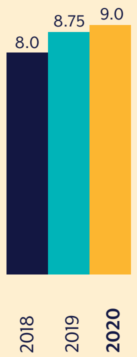
Reported profit before tax (£m)



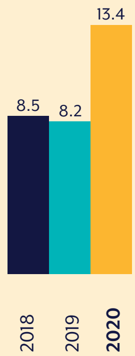
Reported basic earnings per share (p)



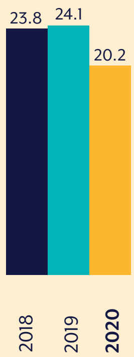
Dividend per share (p)



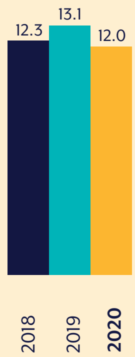
Return on capital employed (%)[3]



FuMA (£bn)



Discretionary funds (£bn)



Divisional revenue

Investment Management Services

£154.8m

(2019: £140.2m)

Charles Stanley Direct

£9.5m

(2019: £7.7m)

Financial Planning

£8.7m

(2019: £7.3m)

Group revenue

£173.0m

(2019: £155.2m)

1. The underlying figures represent the Group results excluding adjusting items which are listed out on page 25.
2. This represents the underlying profit as defined in note 1 above and excluding the charge in respect of non-cash share options awarded to certain investment management teams under revised remuneration arrangements settled in 2017, expressed as a percentage of underlying revenues (see page 23).
3. Return on capital employed represents reported operating profit for FY 2020 and FY 2019 divided by capital employed (total assets less current liabilities as at the reporting period).

Our business

Charles Stanley offers a genuinely personal service across the full range of wealth management services, which has led to high levels of trust and overall client satisfaction scores of 88%.

We provide these services in three forms: the time we take to interact with clients, our investment insights and our willingness to make investment and financial planning decisions on our clients' behalf, ensuring they deal directly with the person investing their wealth.

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

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

Holistic Wealth Management

Investment Management Services

Offering personal Discretionary, Advisory and Execution-only services to private clients, trusts, charities and companies. Our bespoke service creates deep relationships with clients and helps them invest for the longer-term.

This division also provides a range of pooled funds, model portfolios, open-ended investment company (OEIC) funds and segregated accounts, including inheritance tax solutions. Clients include financial advisers, defined benefit pension schemes, institutional investors and high net worth individuals.

Charles Stanley Direct

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

Financial Planning

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

Awards received this financial year:

Boring Money:
Best Buy rating – Charles Stanley Direct

City of London Wealth Management Awards 2020:
Best Advisory Service and Best Financial Planning

Investment Week Gold Standard Awards 2019:
Discretionary Fund Management

FT advisor Top 100 Financial Advisors 2019:
6th place

Our markets

The Brexit-driven political paralysis significantly influenced our markets during the period, creating uncertainty. The spread of COVID-19 caused a significant shock to the global economy but the main impact will be seen in the next financial year. While some investors are now nervous and reluctant to commit new money to markets, others see market falls as an opportunity.

Overview

Despite a backdrop of Brexit and a general election, further regulatory developments, margin compression and evolving customer preferences, global equity markets hit a series of all-time highs prior to the end of last year. In the final quarter of the year the situation changed dramatically with COVID-19 creating new uncertainty. However Charles Stanley can see opportunities ahead, particularly around our use of digital platforms and processes.

A challenging market

The restriction of movement for individuals in major global economies means a deep global recession looks inevitable and its depth and length remain unpredictable. These conditions are expected to prevail for the first half of the new financial year, possibly longer. However, despite a challenging outlook, we predict a growing demand for wealth management services, particularly in Financial Planning where we have a strong offering.

An evolving market

Combining high tech with high touch

The rising use of mobile technology and the rapid demand for digital engagement has led to a competitive and diversified investing landscape in the UK for investors. There are exciting opportunities for wealth managers to leverage newer technologies and interact with clients in innovative and more automated ways. Conversely, fintechs and robo-advisers are now having to marry digital experiences with personal customer service as the desire for the human touch remains, an area where more traditional wealth managers are ahead of the game.

Wealth managers must also harness the power of technology to drive efficiencies, automate processes and reduce overheads, highlighted by the COVID-19 lockdown which has increased reliance on technology.

Intermediary sales

There is a continued focus in the industry on the shift from direct clients to intermediaries as they are increasingly playing a key role in the delivery of services. Linked to this is the rise in the use of model portfolio services.

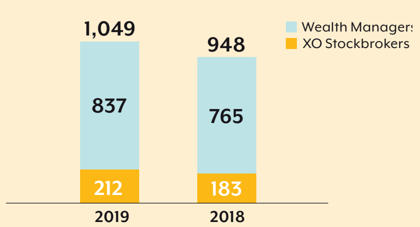
Socially responsible investing more mainstream

A combination of upcoming regulatory change, a rising green agenda and increasing investor scrutiny on the impact companies have on the environment, is generating increased consumer interest in socially responsible investing: Environmental, Social and Governance ('ESG') issues are becoming much more embedded in the activities of the financial sector.

Changing demographics and client needs

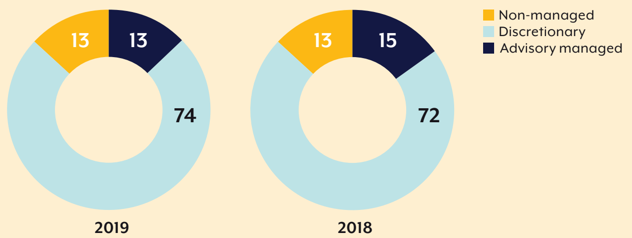
The underlying dynamics of the industry are changing as baby boomers, who have underpinned the substantial growth of the wealth management industry over the last couple of decades, are starting to decumulate their savings to fund their retirement, and millennials are set to inherit more than £20 trillion of wealth over the next 20-30 years. Wealth managers now need to create multigenerational appeal and ensure they are relevant to a broad range of clients and needs. This involves building relationships and adapting business models to meet the difference in demand and expectations across those generations.

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



Source: Compeer Limited, data at 31 December 2019

Wealth manager business mix (%)
The chart below is based on a calendar year



Chairman's statement

Sir David Howard
Chairman

Strong results underpin another year of delivering upon our strategic aims with impressive revenue growth across all divisions. Our Investment Management Services division delivered a significant increase in profits and we continue to invest in our sales distribution, financial planning and online dealing capabilities, all reflecting progressive steps in our strategic journey.

Recent months have been dominated by the COVID-19 pandemic, which has resulted in unprecedented emergency measures by governments. I am proud of the Group's exemplary response to this critical situation. Our IT department in particular has ensured the firm's operations have been unaffected as we moved to ensure staff safety while maintaining the smooth running of all our services for clients.

It is difficult to predict the full impact of the COVID-19 pandemic on the UK economy and on our business. However, it is clear that comparatives for the new financial year will be far less favourable compared to the year just ended. Nonetheless, the Group is well placed, both operationally and financially, to withstand the impacts, so we look forward with confidence.

Financial results

Group revenues for the year ended 31 March 2020 increased by 11.5% to £173.0 million (2019: £155.2 million) with improvements across all divisions, in particular Investment Management Services where revenues rose by 10.4% to £154.8 million (2019: £140.2 million).

Reported profit before tax increased by 57.3% to £17.3 million, a significant improvement on the prior year (2019: £11.0 million).

Charles Stanley Direct, our online Execution-only platform, contributed an increased record profit with £1.6 million (2019: £1.0 million), marking continued progress in a competitive marketplace.

Funds under Management and Administration ('FuMA') at 31 March 2020 were £20.2 billion (2019: £24.1 billion), a decrease on the prior year as the last financial quarter was affected by the impact on global markets of the COVID-19 pandemic. Despite this, the Group's average FuMA for the year was maintained at £24.2 billion (2019: £24.3 billion). Average FuMA for Discretionary Funds increased by 5.4% to £13.6 billion (2019: £12.9 billion), reflecting the Group's continued focus on growing its higher margin services.

The Group's cash balances, including Treasury Bills, remained strong, ending the year 15.1% higher at £93.5 million (2019: £81.2 million). Likewise our regulatory capital solvency ratio is robust at 189%.

75%

Our staff engagement score of 75% remained in line with the prior year (December 2018: 76%), a big achievement in light of significant change

£24.2 billion

Average Funds under Management and Administration was stable compared to the prior year (2019: £24.3 billion)

Governance
We have continued to build upon Charles Stanley's existing effective governance structure. We put in place measures to meet the Senior Managers and Certification Regime (SMCR) which came into effect in December 2019 to reinforce individual accountability for conduct and competence and tightened up oversight structures. We also introduced enhanced and tailored training around conduct rules to underpin the certification framework.

Risk
There have been ongoing enhancements to our risk management and risk appetite framework. We have continued to improve systems and controls in order to be vigilant against the risks of cyber crime and fraud.

Our work to strengthen our operational resilience in the event of disruption has proved very valuable during the COVID-19 lockdown and enabled us to continue to operate and maintain the highest levels of service that our clients expect from us.

Finally, as part of the UK Financial Conduct Authority's ('FCA's') Internal Capital Adequacy Assessment Process ('ICAAP'), we continued to identify potential risks the business faces and assess how we govern and control them.

Culture
Staff engagement is very important to us and is one of our key measures of success. Despite the significant changes that have taken place throughout the organisation, I am delighted that we maintained our staff engagement levels, with a first quartile score of 75% in the latest staff engagement survey, compared to 76% in the prior year.

We made further progress in our drive to achieve enhanced diversity at senior level with 36.6% of female representation at senior management level, up from 30.0% last year. This exceeded our commitment under the HM Treasury Women in Finance Charter. As part of our 'Inclusion Through Innovation' Group work and our ESG commitment, we are taking part in The Investment Association's 'Investment20/20' initiative and are offering Year 13 students work experience opportunity. We hope this will help to inspire and attract more diverse talent into all aspects of our business.

Board changes
As previously announced, after many years of service to the Group, Gary Teper, previously Head of Investment Management, departed in May 2019. He leaves with our very best wishes and thanks.

Dividend
The Board is pleased to recommend a final dividend of 6.0 pence per share. Together with the interim dividend of 3.0 pence per share, this takes the total dividend for the year to 9.0 pence per share, an increase of 2.9% on the prior year (2019: 8.75 pence per share).

Outlook
The new financial year is likely to be challenging and there are significant uncertainties ahead, reflecting the still unfolding effects of the COVID-19 pandemic. Market values have declined sharply and interest rates have been cut. However, the steep market sell-off has led to greater market volatility and increased trading, so commission income is currently holding up well.

There are also opportunities for us in areas such as Financial Planning as people seek to deal with the current change in circumstances, and at Charles Stanley Direct, reflecting the increased move to digital services.

Charles Stanley is in a stronger position as a result of our ongoing transformation programme, and financially we are in robust shape. The Group generates good cash flows, carries no debt, and has a strong balance sheet and high level of regulatory capital. Therefore, despite the current challenges, we are in a position to continue to provide a first-class service to our clients and make further progress.

Finally, on behalf of the Board, I would like to extend our thanks to all our staff for their contribution to these excellent results, particularly in the current, exceptionally difficult conditions. I would also like to pay particular tribute to Paul Abberley, for his leadership during the year.

Sir David Howard
Chairman
27 May 2020

For more information on corporate governance please turn to page 56

For further information please go to charles-stanley.co.uk/investor-relations/corporate-governance

Chairman's summary
- Reported profit up 57.3% to £17.3 million
- Strengthened governance and risk arrangements
- Exemplary management through COVID-19
- Demanding trading outlook but Group well positioned
- Dividend increased 2.9% to 9.0 pence per share

Chief Executive Officer's report

Paul Abberley
Chief Executive Officer

FY 2020 builds upon previous strong results with an encouraging improvement in underlying profit. In addition to business improvements, I am proud of the way the firm has responded to the COVID-19 pandemic. I am confident that we are well placed to improve on our successes when we emerge from the current crisis.

We have been delivering against our strategic objectives and have laid strong foundations to modify our management structures, creating a single middle and back office and improving the rate of top-line growth.

Financial performance

The Group's profitability continued to improve, with underlying profit before tax up 45.1% year-on-year to £19.3 million (2019: £13.3 million) and underlying earnings per share (EPS) up by 47.1% to 31.41 pence.

On a reported basis, profit before tax increased by 57.3% to £17.3 million (2019: £11.0 million) and earnings per share rose by 58.0% to 28.03 pence (2019: 17.74 pence).

We remain focused on accelerating the improvement in our financial metrics to match the standard of delivery qualitatively across the business.

Strategy implementation

It has been a very encouraging year and the hard work behind our transformation and restructuring programme is delivering clear benefits and tangible results. We expect to see further improvements in operational efficiency and productivity over the coming year.

In our drive to remove silos and create an unified approach, we have begun to standardise processes throughout the organisation and harmonise the customer experience. A key element of this was the creation of a single middle and back office which was completed during the year. We have also streamlined our management and organisational structure and started our programme to outsource the management of IT infrastructure.

Our digital offering across the Group has been centralised and we have invested in new technology to empower our investment managers.

We are seeing the benefits of our successful repricing exercise which brought us in line with the rest of the market. Additionally, the proportion of FuMA which is discretionary managed continues to increase. Elsewhere we have seen continued progress in our online Execution-only platform, Charles Stanley Direct, which achieved a 23.4% increase in revenues and 60% increase in profit. There has been good revenue growth in the Financial Planning division too, taking it one step closer to moving into profitability once initial investment costs are recouped.

31.41p

The Group's underlying earnings per share increased by 47.1% to 31.41 pence (2019: 21.36 pence). This reflects a continued improvement in performance from the previous year

We continue to deliver against our strategic vision measures, specifically achieving high levels of client satisfaction and consistent top quartile staff engagement scores. Our total shareholder return over the past three years has also been top quartile amongst our peer groups. This is pleasing given the backdrop of high levels of change.

Business transformation

The heightened uncertainty introduced by the COVID-19 pandemic will make for a particularly challenging year ahead. A combination of strong teamwork, adaptability, rapid technology deployment and supportive clients enabled us to transition smoothly to the new temporary operating environment. I am grateful to all our stakeholders who were instrumental in enabling us to continue to serve our clients so effectively. Alongside the development of our service proposition, the transformation work we are doing means we will be better placed as we move ahead.

We will continue to focus on further improving operational efficiency across the Group, building upon the work already under way in our transformation programme. This is designed to enhance IT, customer service and middle and back office performance. Alongside this we are focused on revenue growth, understanding that a significant portion of revenues are linked to the level of financial markets via ad valorum fees, and a prolonged downturn in equity markets will negatively impact these.

Developing our service proposition will include a dedicated ESG project to enhance our investment process, marketing and proposition strategies. We have already launched 'Investing with Conscience', a socially responsible investing initiative available through our Charles Stanley Direct platform. As ever, our client-centric approach remains at the heart of the business and with it the objective to deliver high value, bespoke solutions, complemented by the adaptation and streamlining of services to meet the needs of a wider group of clients.

While there are challenges ahead, we remain focused on our growth plans and the Group is in a strong position to navigate securely through current uncertainties.

Paul Abberley
Chief Executive Officer
27 May 2020

The focus for the year ahead – continuation of the business transformation programme:

Evolving holistic proposition
- Meeting changing needs and circumstances
- Harmonising the customer experience

The role of digital
- Developing our IT capability
- Amplifying our digital offering

Increasing efficiencies
- Streamlining ways of working
- Coordinated approach to business development

For more information on business transformation please turn to page 12

For more information on our client services please go to charles-stanley.co.uk/about-us

Chief Executive Officer's summary
- Underlying profit before tax up 45.1%
- High client and staff engagement scores
- Strategic implementation and business transformation programme on track
- Focus for the year ahead on client experience, increasing efficiences and developing our digital offering

Strategic report – **Where we are going**

We remain committed to delivering further top-line growth, streamlining our operating model and improving the productivity of the firm through our business transformation programmes. COVID-19 has highlighted the resilience of our systems and infrastructure and the opportunities created from this experience will now be accelerated into the business. As we evolve, our focus will be to make it easier for clients to access and move seamlessly across each of our services, meeting changing needs of a broader range of clients.

Overview of strategy and operating principles

Sustainable growth

Strategy implementation

Strategic review

Three key objectives set in FY 2015:

- To focus exclusively on wealth management and divest non-core operations
- Deliver holistic wealth management services through three core services
- Provide a full-service offering through the Investment Management Services division, delivered by investment professionals using an autonomous investment model

Achievements in FY 2020:

- Group sales, distribution and marketing reorganised under newly appointed Head of Distribution
- Strengthened our intermediary sales network and profile in this market
- Created a single middle and back office to streamline processes
- Restructured and upgraded our existing IT infrastructure
- Improved profitability of investment management teams
- Growth of Financial Planning division

Objectives for FY 2021:

- Leverage holistic offering across our client base
- Continue simplification and standardisation across the business
- Increase market share in intermediary sales network
- Grow and integrate financial planning capabilities
- Development of Environment, Social and Governance (ESG)
- Continue investment in digital to augment our existing proposition

"Using Charles Stanley Direct has given me the confidence to start investing."

Client A (Age 29)

- **Priorities:** Lifestyle needs; First time buyer; Career ladder; Financial independence
- **Needs:** Savings advice; Pension advice; ISA advice; Financial education
- **Related Charles Stanley services:** Our range of Execution-only services are popular when starting out, which include:

  – Charles Stanley Direct (online DIY services)
  – Execution-only (dealing telephone service)
  – Charles Stanley Investment Choices (guided telephone service)

"Once I had a family it wasn't just about me anymore, Charles Stanley helped me think about the future."

Client B (Age 38)

- **Priorities:** Marriage, Settling down; Larger family home, Building equity; Career building and development; Disposable income
- **Needs:** Family Protection; School fees planning; Pension planning and advice; Tax-effective investments
- **Related Charles Stanley services:** Financial Planning helps people to think about the future, supplemented by our holistic offering which could include:

  – Charles Stanley Investment Choices
  – Personal Portfolio Service

Strategic measures

How we are measuring success:

Client satisfaction

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

Staff engagement

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

Equity market rating

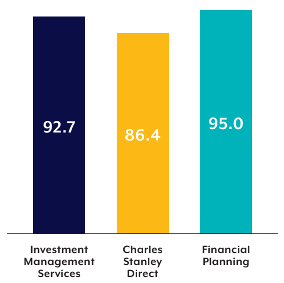
We compare the Group's three-year total shareholder return to a selection of peer group listed companies.

Client satisfaction

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

Our results
Client satisfaction surveys were carried out for all our operating divisions during the year. The results of the surveys were overwhelmingly encouraging, with high satisfaction scores achieved by every division and an increase in overall satisfaction to 88% with Charles Stanley.

Client satisfaction by division (%)



Staff engagement

Our objective
Staff engagement is fundamental to our success. In November 2019, we carried out our fourth annual staff engagement survey and had a 75% response rate.

Our results
Charles Stanley's Staff Engagement Index value of 75% remains comfortably in the upper quartile when benchmarked against data from the FTSE 100/250 Employee Engagement Index. For 2019 an upper quartile score is in excess of 69%.

86%
of respondents praised Charles Stanley for being a friendly place to work

91%
of respondents understand how their role contributes to the success of the Group

Equity market rating

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

Company name	2020	2019
Charles Stanley Group PLC	**1**	**3**
Brewin Dolphin Holdings PLC	2	1
Brooks Macdonald Group Plc	3	4
Rathbone Brothers Group Plc	4	2
Walker Crips Group PLC	5	5

Strategic report – **What we are working towards**

The Group has set a medium-term objective of achieving improved underlying pre-tax profit margins and has identified targets for three key levers that will lead to achieving this target.

Levers to improving underlying pre-tax profit margin

Operating lever	Target	FY 2020 progress
Grow FuMA	**Grow average FuMA** The Group's level of FuMA is a significant driver of top-line revenues A key driver to achieve the target margin is to grow FuMA from FY 2019's average of £24.3 billion	• Closing FuMA was down 16.2% to £20.2 billion, while average FuMA for 2020 was static at £24.2 billion • The Group generated £1.0 billion of inflows from new clients. These were offset by outflows from lost and existing clients totalling £2.7 billion • The Group expanded intermediary sales revenue by 33.9%
Increase revenue margin	**Achieve a Group revenue margin of 66bps to 68bps** The Group's revenue margin represents the income generated by the Group's FuMA	The Group has achieved this target, with the revenue margin increasing from 64bps to 72bps in FY 2020, being driven by: • Completion of the repricing of managed and non-managed books to market levels in the prior year • Continued growth in Financial Planning • Increased proportion of FuMA in higher earning Discretionary service • Improvement in interest turn
Improve operating efficiency	**Reduce non-variable costs as a percentage of revenue to below 55%** The Group's formulaic variable reward arrangements require a reduction in fixed costs to improve the net profit margin	• For FY 2020 non-variable costs were 55% of revenue (2019: 59%) • Middle office teams now in place and implementation of the business plan is continuing • Continued to focus on managing fixed costs through appropriate budgeting and monitoring • Automation of processes, reducing risk and increasing scalability and efficiency

Focus for FY 2021	Principal challenges
• Ongoing development of our core customer propositions to tap into specific target market opportunities • Build on business plans for each investment management team designed to generate targeted new fund inflows • Retain funds from existing clients by continuing to provide exemplary service and positive client outcomes • Increase share of wallet by promoting holistic services and leveraging our strong net promoter score	• A sustained market downturn, as a result of COVID-19 or other factors, which would negatively impact FuMA • Achieving organic growth targets • Retaining existing clients and increasing share of wallet • Reducing outflows and challenge of client lifecycle decumulation
• Review client service levels and move to Discretionary service, where appropriate • Continue to build capacity in Financial Planning • Maintain momentum and development of Charles Stanley Direct • Maintain high levels of client service and commitment to customer outcomes • Build brand and market presence across key target markets	• Competitive pressure on fees • Lower interest rates than in FY 2020 • Decline in commission income
• Deliver efficiency gains from programmes already identified • Implement standardised operating processes across the Group • Remove duplication of work • Implement the outsourcing of ICT infrastructure support • Increase usage of websites to access documents and information to ensure greater security and privacy	• Below target revenues would negatively impact this ratio • Ensuring identified programmes deliver foreseen efficiency improvements • Unforeseen costs arising from external forces such as regulatory change

For more information on executing the strategy please turn to page 16

For more information on our transformation journey please go to charles-stanley.co.uk/investor-relations

Strategic report – **The focus for the year**

We will maintain the momentum of our transformation programme, which is progressing at a rapid pace. We will continue to create efficiencies across the business to increase productivity and increase revenues. We will further build upon our holistic range of high-quality services to meet a wider range of client needs and groups.

Evolving holistic proposition

Meeting changing needs and circumstances
We will look to develop our proposition to meet the changing needs of a wider group of clients. From our highly bespoke traditional client base, to streamlined investment solutions for the next generation of investors, we will ensure our holistic proposition continues to serve a broader range of clients' needs and objectives. We will also look at how we can provide more synergy across our offerings, such as further expanding our Financial Planning services across our products and services.

Harmonising the customer experience
We remain committed to providing the high quality, bespoke personal service which is our hallmark and at the heart of our business. In particular, our personalised approach has been seen as a great benefit to clients during times of such uncertainty. Regardless of the service being used, we want to provide the same great experience and high levels of care and make it easy to choose the most appropriate products at each lifestage.

The role of digital

Developing our ICT capability
Our programme to optimise our existing ICT systems in order to maximise automation and efficiency is under way and will progress. Our ICT capability will be further developed to meet the needs of staff and avoid duplication, and we will augment our use of technology and data across the organisation to help with client segmentation and reduce manual processes.

Amplifying our digital offer
Further improvements to our digital offering will be made to enhance our customer journey, including website redesign and optimised onboarding processes. These are designed to make it easier to access and navigate products and services and ensure greater adoption of these channels by clients.

Increasing efficiencies

Streamlining ways of working
The continued delivery of our transformation projects remains a priority in order to create further opportunities for operational efficiencies, standardisation and centralisation, in our drive to reduce duplication and silos.

One approach to business development
To meet our strategic objective of revenue growth, driving sales and new business activity remains a priority. We will continue to roll out our distribution strategy across the Group to ensure a joined-up and integrated approach and to broaden and deepen our client base. Focus areas include improving prospect conversion rates and raising brand awareness.

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

"I value the personal relationship more than anything. They have my long-term interests at heart and it's a lifetime relationship."

Client C (Age 60)

- **Priorities:** Children have left home; Large family home, considering downsizing; High level of disposable income; Consolidating wealth, Retirement income, Defined Benefit valuation; Non-executive, Charity Trustee, Business advisory role
- **Needs:** Pre-retirement advice, life planning, estate planning; Focus on reducing asset risk; Maximise all allowances; Early retirement
- **Related Charles Stanley services:** Holistic wealth management services comprising Discretionary Managed Portfolio Service and Financial Planning are important. Other helpful services include:

  – Inheritance Tax Portfolio Service

Strategic report – **Executing the strategy**

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

Investment Management Services

Implementation milestones achieved during FY 2020
- Created Investment Management Services division by combining Private Client Investment Management (PCIM) and Asset Management divisions
- Increased productivity and Funds under Management and Administration (FuMA) per investment professional
- Expansion with new office in Glasgow and purchase of Myddleton Croft in Leeds
- Strong investment performance (first quartile) in inheritance tax (IHT) services and growth in model portfolios

Opportunities for development
- Continue to improve our digital offering
- Continue to work with Independent Financial Advisors (IFAs) and professionals
- Growth of model portfolio activity and continued development of IHT and Fiduciary offerings
- Further integration of financial planning services with existing clients

Implementation milestones planned for FY 2021
- Continue with improved productivity initiatives
- Continue to work closely with the Financial Planning division to provide holistic wealth management services
- Streamline investment solutions to meet wider client needs

Charles Stanley Direct

Implementation milestones achieved during FY 2020
- Influencer recruited to drive engagement through original content
- Launched socially responsible investing campaign
- Enhanced and initiated incentivised referral schemes
- Greater centralised operational processing to create efficiencies
- Further app development including the introduction of Stocks & Shares trading

Opportunities for development
- Widen audience reach through social media and increasing marketing opt-ins
- Improving user journey and optimising online onboarding processes
- Expansion of on-platform notification to provide targeted content and promotions
- Further digital transformation of manual processes

Implementation milestones planned for FY 2021
- Video and content production to drive traffic
- Complete front-end redesign of website to increase client conversion rate
- Launch novice investor campaign aimed at next-generation investors
- Improve design and functionality of the mobile app

Support Functions

Implementation milestones achieved during FY 2020
- Reorganisation of management structure using a matrix model largely complete
- Creation of middle office and execution of plans to de-duplicate, automate and re-engineer processes under way
- Outsourcing of ICT infrastructure on track
- Expanded the intermediary sales and distribution teams

Opportunities for development
- Further plans to optimise use of technology and data across the organisation
- Raise brand awareness through new partnerships
- Improve prospect conversion rates

Financial Planning

Implementation milestones achieved during FY 2020
- Continued growth in number of financial planners
- Revenues growing to record levels
- Further geographical expansion in Scotland and Northern Ireland
- Enhancements to advice quality and timeliness in providing advice to clients

Opportunities for development
- Garner the continued benefits of a considerable investment programme
- Take advantage of wider consumer demands for Financial Planning services
- Harness the productivity gains from a greater use and acceptance of technological solutions

Implementation milestones planned for FY 2021
- Complete the installation and take up of our cashflow modelling and risk profiling tools
- Conduct an additional client segmentation exercise
- Complete a full revamp of the Client Review process
- Meet the requirements of the new key performance indicators ('KPIs') rolled out in the division

Implementation milestones planned for FY 2021
- Explore further operational efficiencies and opportunities for centralisation
- Greater adoption of digital channels and automated solutions
- Optimise our existing IT systems to maximise automation and efficiency

Section 172 Statement

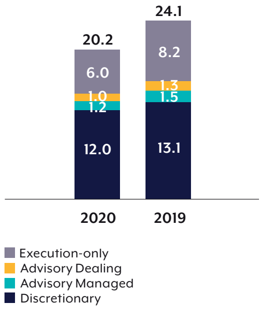
Section 172 of the Companies Act 2006 requires the Directors to act in a way that they consider to be in good faith and would be most likely to promote the success of the Company for the benefit of its members as a whole. Further details of stakeholder engagement can be found on pages 94 to 96 of the Directors' report.

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 2020 against the prior year comparative.

FuMA

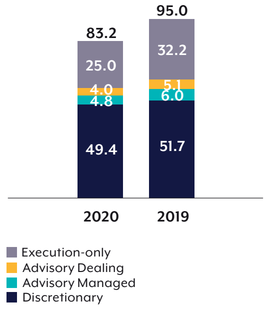
Funds under Management and Administration (£bn)



Definition
FuMA by investment category.

Performance
Overall FuMA decreased by 16.2% largely due to fall in global stock market values in Feburary and March 2020.

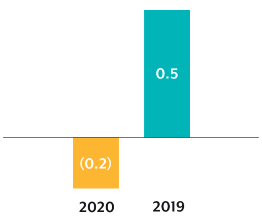
FuMA per Certified Staff (£m)



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

Performance
The decrease from £95.0 million to £83.2 million in 2020 was due to the overall decrease in FuMA which was partially offset by a reduction in Certified Staff.

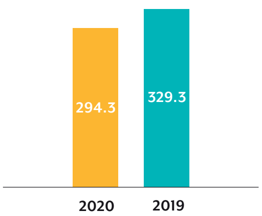
Discretionary funds (outflows)/inflows (£bn)



Definition
Value of net inflows for Discretionary funds.

Performance
Net outflows in Discretionary funds were £0.2 billion in 2020 compared to inflows of £0.5 billion recorded in the prior year.

Average discretionary client account portfolio size (£000)

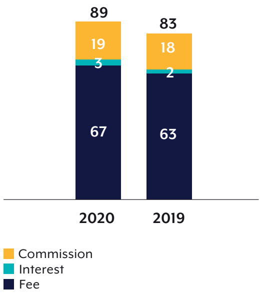


Definition
Discretionary funds divided by the number of Discretionary client accounts.

Performance
The Discretionary average client portfolio size decreased by 10.6% during the year to £294,300.

Revenue margins

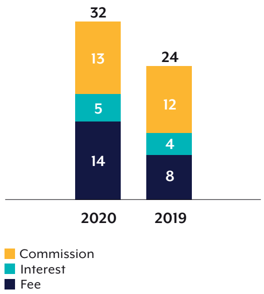
Discretionary revenue margin (bps)



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

Performance
Total Discretionary revenue margin increased by 6bps overall, with a 4bps increase in fee revenue and a 1bp increase in both interest and commission.

Execution-only revenue margin (bps)

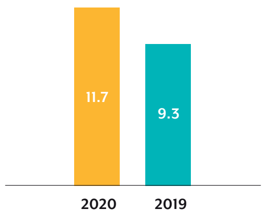


Definition
Fee, commission and interest income measured as a percentage return on average annual Execution-only assets.

Performance
The return on Execution-only assets increased by 8bps during the year, as a 6bps increase in fee income and a 1bp increase in both interest and commission.

Operating efficiency

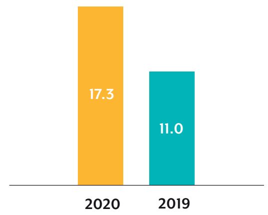
Underlying pre-tax profit margin (%)



Definition
Profit before tax measured as a percentage of revenue for the underlying business, excluding the charge/credit in respect of non-cash share options.

Performance
This margin increased to 11.7% for the year.

Reported profit before tax (£m)

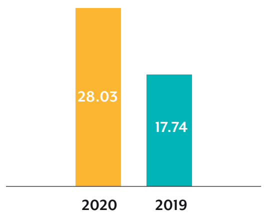


Definition
The reported profit or loss before tax for the Group.

Performance
Reported profit before tax increased 57.3% from the prior year to £17.3 million.

Shareholder return / Balance sheet strength

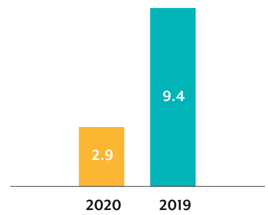
Reported basic earnings per share (p)



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

Performance
The increase in earnings per share is due to a higher reported profit after tax.

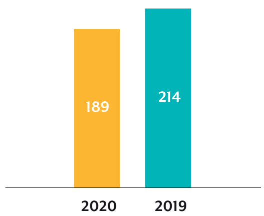
Dividend per share growth (%)



Definition
The percentage change in the total dividend per share.

Performance
The total dividend per share for 2020 increased by 2.9% to 9.0 pence per share.

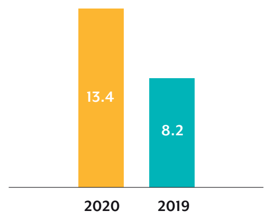
Capital adequacy ratio (%)



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

Performance
The ratio decreased from 214% to 189% due to an increase in the Group's capital requirement during the year.

Return on capital employed (%)



Definition
Reported operating profit (see page 23) divided by capital employed (total assets less current liabilities; see page 107).

Performance
The return on capital employed was higher in 2020 at 13.4% as a result of a higher operating profit.

KPI	Relevance
Funds under Management and Administration (FuMA)	The amount of funds we manage directly impacts the level of income we receive
FuMA per Certified Staff	This metric indicates the average amount of funds managed or administered by each front office professional and therefore gives an indication of their operational efficiency
Discretionary fund (outflows)/inflows	Measures the rate of organic growth of discretionary FuMA, excluding the effect of market movements on value
Average discretionary client account portfolio size	In an industry with relatively fixed costs per account, this key performance indicator is another measure of operational efficiency
Discretionary revenue margin	Indicates the level of income generated each year per £1 of discretionary assets managed
Execution-only revenue margin	Indicates the level of income generated each year per £1 of execution-only assets administered
Underlying pre-tax profit margin	This measure enables the Group's operational and segmental performance to be understood, reflecting drivers of long-term profitability
Dividend per share growth	Dividends form an important part of total returns to shareholders
Capital adequacy ratio	We are required to maintain certain levels of capital by the Financial Conduct Authority. This ratio measures the extent of our surplus above that minimum requirement and is an indication of financial resilience
Return on capital employed	A useful measure of financial efficiency as it indicates the level of profitability relative to the capital invested

Review of the year

Ben Money-Coutts
Chief Financial Officer

Charles Stanley delivered a good financial performance across all key metrics for the year ended 31 March 2020. This reflected both improved operations and relatively benign markets for all bar the last two months of the financial year when the COVID-19 pandemic took hold.

Overview of financial year 2020 results

The Group's reported revenues for the year were £173.0 million, representing an increase of 11.5% on the prior year. The increase was driven by the benefits of the repricing exercise concluded in FY 2019 and higher fee income from Financial Planning.

Underlying expenditure increased by 7.4% to £153.2 million (2019: £142.7 million). This was primarily a result of variable pay increases that are linked to revenue and profit levels.

Net finance costs of £0.6 million (2019: income of £1.5 million) have been recognised. The increase in the cost was mainly attributable to the change in accounting for leases on the adoption of IFRS 16.

Underlying profits increased by 45.1% to £19.3 million (2019: £13.3 million). Consequently, the underlying pre-tax profit margin (excluding the non-cash credit/charge for share options) improved to 11.7% from 9.3%.

Exceptional expenditure amounted to £2.0 million (2019: £3.1 million). Aside from the amortisation of client relationships which accounted for £1.2 million (2019: £1.1 million), £3.5 million concerned the transformation projects and £0.3 million was for the impairment of goodwill. These costs were offset by an exceptional credit of £3.0 million in relation to certain share options previously expensed but no longer expected to vest.

Reported profit before tax ('PBT') for the financial year was £17.3 million, a 57.3% increase on last year (2019: £11.0 million). The reported profit margin was 10.0% (2019: 7.1%).

Increased profits strengthened the Group's balance sheet. At year end the Group had net assets of £116.5 million (2019: £106.4 million), net cash (including Treasury Bills) of £93.5 million (2019: £81.2 million) and regulatory capital resources at 189% of the requirement.

For more information on financial performance please turn to page 23

For more information on financial results please go to charles-stanley.co.uk/investor-relations

11.7%

Underlying pre-tax profit margin increased from 9.3% to 11.7%

Funds under Management and Administration

The Group's revenue is substantially driven by the level of its FuMA. Average FuMA for the year was stable at £24.2 billion (2019: £24.3 billion). However, it declined sharply towards the financial year end because of the impact COVID-19 had on global market values. Year-on-year the FTSE All Share index fell 21.9% and Charles Stanley's FuMA fell by 16.2%.

FuMA as at 31 March

	2020 £bn	2019 £bn	Change %
Discretionary funds	**12.0**	13.1	(8.4)
Advisory Managed funds	**1.2**	1.5	(20.0)
Total Managed funds	**13.2**	14.6	(9.6)
Advisory Dealing funds	**1.0**	1.3	(23.1)
Execution-only funds	**6.0**	8.2	(26.8)
Total Administered funds	**7.0**	9.5	(26.3)
Total Funds under Management and Administration	**20.2**	24.1	(16.2)
MSCI WMA Private Investor Balanced Index	**1,423**	1,587	(10.3)

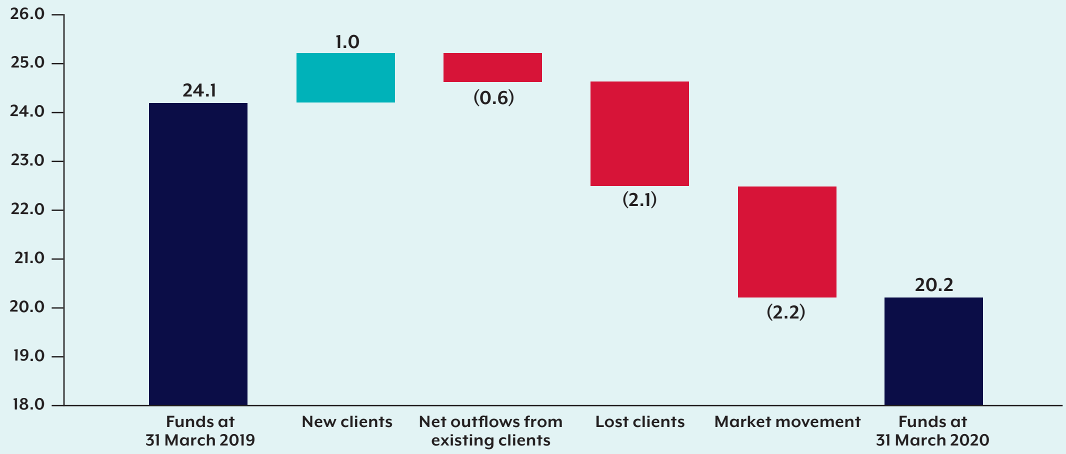
The mix of FuMA continues to shift toward the higher-value managed service propositions, with these accounting for 65.3% of FuMA at year end (2019: 60.6%). The benefit of these managed services to clients has been clearly demonstrated during the recent market collapse, with non-managed FuMA declining 25.7% between 31 December 2019 and 31 March 2020 by comparison to managed FuMA down 16.7%.

Review of the year summary

- Average FuMA remained stable at £24.2 billion (2019: £24.3 billion)
- Revenues of £173.0 million, up by 11.5%
- 57.3% increase in reported PBT
- Strong cash position of £93.5 million
- Regulatory capital resources 189% of the requirement

The composition of the overall movement in FuMA for the year is shown in the chart below. Inflows from new clients of £1.0 billion were offset by outflows from existing (£0.6 billion) and lost (£2.1 billion) clients some of whom left because of the repricing exercise. Market performance accounted for a negative movement of £2.2 billion, largely due to the impact of the COVID-19 pandemic in the last two months of the financial year.

FuMA flows (£bn)



1. New clients represent FuMA of new client accounts established during the year.
2. Net outflows from existing clients include fees paid out of clients' accounts and income withdrawn.
3. Lost clients represent all client accounts closed during the year.
4. Market movement represents all other movements.

Discretionary funds decreased by £1.1 billion or 8.4% for the year. Advisory Managed and Advisory Dealing both decreased by £0.3 billion (20.0% and 23.1% respectively), largely as a result of transfers to the other service categories (both by way of upselling to Discretionary and to Execution-only as part of ongoing accounts reviews). Execution-only services decreased by £2.2 billion or 26.8%.

Since the end of the financial year FuMA has improved in line with markets and at the end of April 2020 FuMA stood at £21.5 billion, an increase of 6.4%.

Results and performance

The following tables show the Group's financial performance for the year ended 31 March 2020 and for the prior year. These reconcile the underlying performance, which the Board considers to be the best reflection of the Group's success, to the statutory reported results. The difference comprises adjusting items, which are stripped out so as not to distort the underlying performance. These adjusting items are detailed on pages 25 to 26.

	Underlying performance £m	Adjusting items £m	Reported performance £m
31 March 2020			
Revenue	**173.0**	**–**	**173.0**
Expenditure	**(153.2)**	**(2.0)**	**(155.2)**
Other income	**0.1**	**–**	**0.1**
Operating profit/(loss)	**19.9**	**(2.0)**	**17.9**
Net finance and other non-operating costs	**(0.6)**	**–**	**(0.6)**
Profit/(loss) before tax	**19.3**	**(2.0)**	**17.3**
Tax (expense)/credit	**(3.4)**	**0.3**	**(3.1)**
Profit/(loss) after tax	**15.9**	**(1.7)**	**14.2**
Basic earnings per share (p)	**31.41**	**–**	**28.03**
Pre-tax profit margin[1] (%)	**11.7**	**–**	**10.0**

	Underlying performance £m	Adjusting items £m	Reported performance £m
31 March 2019			
Revenue	155.2	–	155.2
Expenditure	(142.7)	(3.1)	(145.8)
Other income	0.1	–	0.1
Operating profit/(loss)	12.6	(3.1)	9.5
Net finance and other non-operating income	0.7	0.8	1.5
Profit/(loss) before tax	13.3	(2.3)	11.0
Tax (expense)/credit	(2.4)	0.4	(2.0)
Profit/(loss) after tax	10.9	(1.9)	9.0
Basic earnings per share (p)	21.36	–	17.74
Pre-tax profit margin[1] (%)	9.3	–	7.1

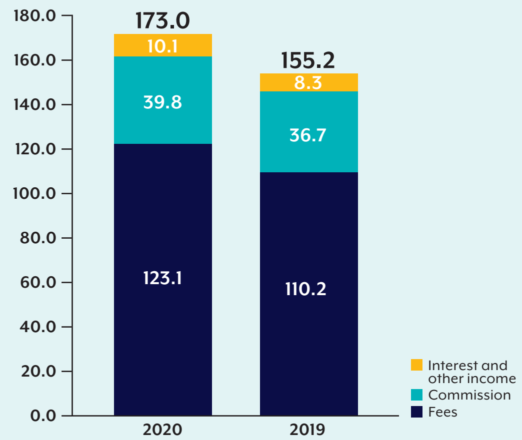
1. The underlying pre-tax profit margin is based on the underlying profit before tax of £19.3 million (2019: £13.3 million) adjusted for the charge of £1.0 million (2019: £1.1 million) in respect of 40% of non-cash share-based option arrangements awarded to certain investment management teams under revised remuneration arrangements settled in 2017.

Revenue

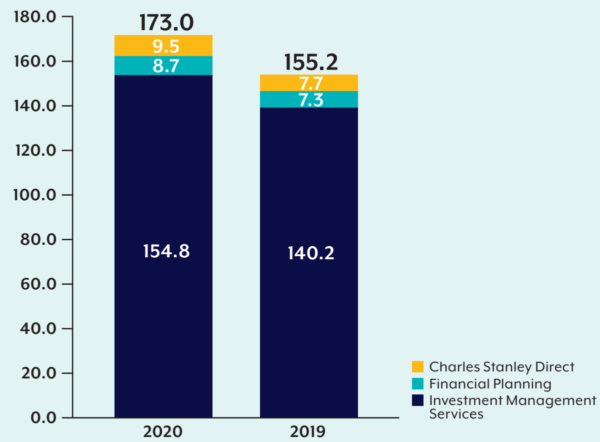
Revenues grew by 11.5% to £173.0 million in FY 2020 (2019: £155.2 million). Given that average FuMA during the year was stable, this increase was largely the result of benefits arising from the repricing exercise concluded in the prior year. This helped the overall revenue margin to increase from 64bps to 72bps.

The change in the composition of the Group's revenues compared to the prior year is shown in the charts below. Fee income now accounts for 71.2% of Group revenues and grew by 11.7% over the year to £123.1 million. Commission income rose by 8.4% to £39.8 million and interest income increased by 21.7% to £10.1 million.

Revenue by type (£m)



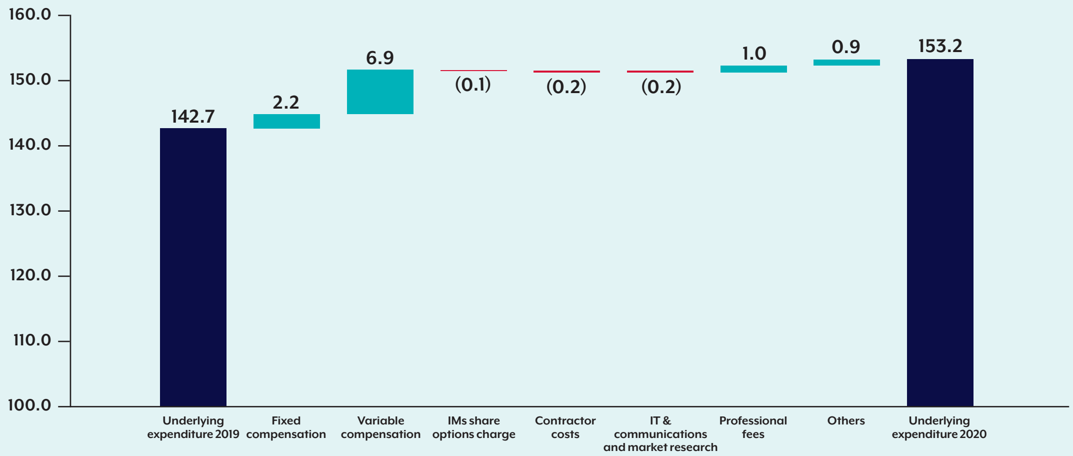
Revenue by division (£m)



Underlying expenditure

Underlying expenditure increased by £10.5 million (7.4%) on the prior year to £153.2 million (2019: £142.7 million). The majority of this increase was accounted for by variable remuneration which rose by £6.8 million in line with higher revenues and profits. Other expenditure was up 4.0% to £95.2 million (2019: £91.5 million). The chart below shows the principal changes in costs year-on-year:

Underlying expenditure (£m)



Underlying pre-tax profit

Underlying profit before tax improved significantly, increasing to £19.3 million (2019: £13.3 million). This is due to continued progress in the underlying business performance, with revenue growth exceeding the increase in costs.

Adjusting items

The Board considers underlying profit before tax and earnings per share to be better reflections of underlying business performance than the statutory figures reported in the consolidated financial statements. To calculate the underlying results, the Board has excluded certain adjusting items totalling a net charge of £2.0 million (2019: £2.3 million). An explanation of these adjusting items, together with a reconciliation of profits, is provided below:

	2020 £m	2019 £m
Underlying profit before tax	**19.3**	13.3
Restructuring costs	**(3.5)**	–
Investment Management Services non-cash share options[1]	**3.0**	(1.7)
Amortisation of client relationships[1]	**(1.2)**	(1.1)
Impairment of goodwill	**(0.3)**	–
Net other one-off charges/(gains) in prior year	–	0.5
Net charge from adjusting items	**(2.0)**	(2.3)
Reported profit before tax	**17.3**	11.0

1. These adjusting items are included within administrative expenses in the Consolidated income statement on page 105.

Restructuring costs (£3.5 million charge)

A year ago we announced a multi-year transformation programme to improve productivity and operational efficiency. This programme has a number of elements to it including enhancing IT, client service and middle and back office performance. We estimated that it would take up to three years to implement at a total cost of around £9.5 million and yield annualised benefits of approximately £4.5 million.

In the financial year under review, we incurred exceptional costs of £3.5 million relating to the programme. Approximately half of that cost was incurred in outsourcing our IT infrastructure while the other half related to the creation of a centralised middle office and the organisational redesign of parts of the front office. Owing to the outbreak of COVID-19 and move to home office working, we have deliberately made minor delays to elements of the outsource hand-over and will continue to bear some double running costs in the current financial year, but overall it remains on course. We also see opportunities for leveraging the outsource arrangements further. Similarly, the functional and organisational redesign remains on course. With the infrastructure of this in place, the challenge is now to implement greater process standardisation across the Group and realise productivity improvements as we do so.

Our current expectation is that the overall cost of implementation is likely to be less than originally anticipated with the majority of the balance to be incurred in the current financial year. We are, however, reviewing the level of our spend on digital development with a view to increasing the pace of that. Social distancing and working from home have not only proved how well the technology can work, but have also accelerated the demand for more to be done both to make it easier for clients to interact with us and for further improving our own working practices.

We remain on course to deliver annualised benefits from the transformation projects of £4.5 million per annum from FY 2022 onwards, including approximately £2.6 million for the year ending FY 2021.

Investment Management Services non-cash share options (£3.0 million credit)
In 2017, shareholders approved the terms of a share option scheme for employed investment managers over a total of 2,412,725 shares. Of these, 40% vest unconditionally on the publication of the results for the year ended 31 March 2020, whereas the residual 60% are conditional upon these investment managers collectively achieving a 15% net margin by no later than 31 March 2022. The Company had been accruing a charge through underlying expenses in anticipation of these options vesting, but in view of the recent budget and outer year forecasts it is not likely that these options will vest. Furthermore, the sharp decline in FuMA in the last quarter of the financial year and the impact that this is likely to have on revenues and overall profitability, vesting, though possible, is no longer likely. Consequently, the entirety of the accrual has been written back and, in view of its materiality to overall profits, treated as an adjusting item.

Amortisation of client relationships (£1.2 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 ten years. This amortisation charge has been excluded from the underlying profit since it is a significant non-cash item.

Impairment of goodwill (£0.3 million charge)
An impairment charge has been made for goodwill relating to the Isle of Wight client book, originally purchased in 2001. The impairment of £0.3 million reduced the carrying value of this cash generating unit (CGU) to nil. The reason for the impairment has not been the loss of clients but the closure of the branch, combined with the subsequent retirement and departure of the remaining investment managers.

Net other one-off charges/(gains) in prior year (£0.5 million credit)
The net credit of £0.5 million recognised as an adjusting item in the prior financial year consisted of the gains arising on the sale of freehold property (£0.3 million) and the reversal of impairment of Charles Stanley Financial Solutions Limited ('CSFS') loan notes which were repaid in full (£0.5 million). These were offset by a charge of £0.3 million in respect of the expected cost of equalisation of guaranteed minimum pensions for the defined benefit pension scheme.

Divisional reviews

The tables below show the underlying results broken into the Group's three main operating divisions: Investment Management Services, Charles Stanley Direct and Financial Planning. The services provided by each division are set out on pages 27 to 31.

	Investment Management Services £m	**Charles Stanley Direct £m**	**Financial Planning £m**	**Underlying performance £m**
31 March 2020				
Revenue	**154.8**	**9.5**	**8.7**	**173.0**
Expenditure	**(131.5)**	**(7.9)**	**(13.8)**	**(153.2)**
Other income	**0.1**	**–**	**–**	**0.1**
Operating profit/(loss)	**23.4**	**1.6**	**(5.1)**	**19.9**
Net finance and other non-operating costs	**(0.6)**	**–**	**–**	**(0.6)**
Profit/(loss) before tax	**22.8**	**1.6**	**(5.1)**	**19.3**

	Investment Management Services[1] £m	Charles Stanley Direct £m	Financial Planning £m	Underlying performance £m
31 March 2019				
Revenue	140.2	7.7	7.3	155.2
Expenditure	(125.3)	(6.7)	(10.7)	(142.7)
Other income	0.1	–	–	0.1
Operating profit/(loss)	15.0	1.0	(3.4)	12.6
Net finance and other non-operating income	0.6	–	0.1	0.7
Profit/(loss) before tax	15.6	1.0	(3.3)	13.3

1. The FY 2019 figures have been restated to reflect the amalgamation of the Asset Management division into the Investment Management Services division with effect from 1 April 2019.

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.

	2020 £bn	2019 £bn
Average FuMA	**20.7**	21.0

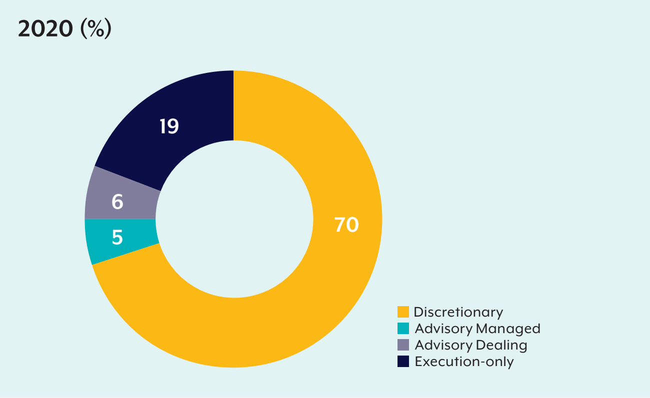
	2020 £m	2019[2] £m
Revenue	**154.8**	140.2
Direct costs:		
Fixed staff costs	**(20.9)**	(21.8)
Variable staff costs	**(48.2)**	(41.7)
Investment managers' share options charge	**(1.0)**	(1.1)
Other direct operating expenses	**(12.4)**	(17.5)
Other income	**0.1**	0.1
Contribution	**72.4**	58.2
Allocated costs	**(49.0)**	(43.2)
Operating profit	**23.4**	15.0

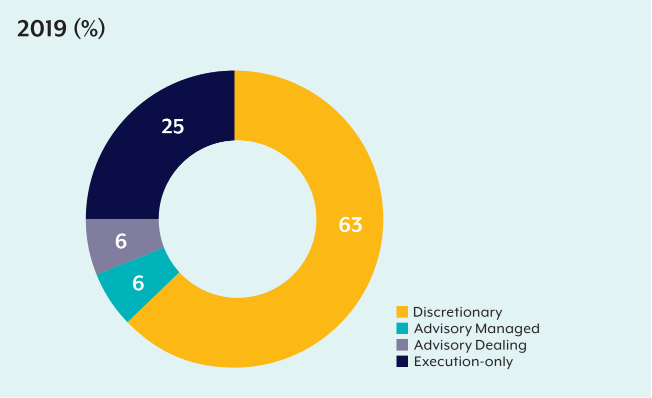
KPIs:	2020	2019
Average Discretionary funds per Certification Staff	**£61.3m**	£61.1m
Discretionary funds as a percentage of total FuMA	**69.8%**	63.3%
Discretionary average client account size	**£294k**	£329k
Discretionary revenue margin	**87bps**	81bps
Total revenue margin	**75bps**	67bps
Staff costs to revenue ratio[1]	**44.6%**	45.3%
Other costs to revenue ratio	**39.6%**	43.3%
Operating margin[1]	**15.8%**	11.5%

1. Excluding the charge for the investment managers' share options. The credit is in respect to the 60% of the non-cash share options which are no longer expected to vest.
2. The figures for FY 2019 have been restated to reflect the amalgamation of the Asset Management division into the Investment Management Services division with effect from 1 April 2019.

The division's total FuMA of £17.2 billion at 31 March 2020 was down 16.9% compared to the prior year primarily as a result of the market decline in the last two months. Average FuMA decreased marginally by 1.4% to £20.7 billion (2019: £21.0 billion). Underlying the change in total FuMA is an improvement in the division's asset mix, with Discretionary funds now representing 69.8% (2019: 63.3%). Together with a reduction in the number of Certification Staff employed in the division, this has resulted in an increase in the average discretionary funds per Certification Staff, despite the drop-off in market values.

IMS split of funds





Revenues for the division rose by £14.6 million (10.4%) as a consequence of the full-year benefits of the repricing exercise completed in the prior year, improved asset mix and increased interest income.

The division's total costs increased by 4.9% during the year to £131.5 million. This was due to the combination of higher variable remuneration and allocated central costs.

The division's overall operating margins increased to 15.8% (2019: 11.5%).

Charles Stanley Direct

Trading review

As an online platform, Charles Stanley Direct's financial performance is highly operationally geared both to the value of Assets under Administration ('AuA') on the platform and to interest rates.

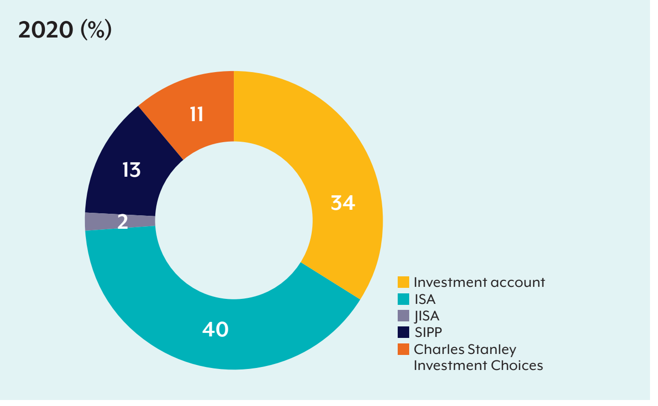
	2020 £m	2019 £m
Revenue	**9.5**	7.7
Direct costs:		
Fixed staff costs	**(0.9)**	(1.4)
Variable staff costs	**(0.2)**	(0.1)
Other direct operating expenses	**(2.9)**	(1.8)
Contribution	**5.5**	4.4
Allocated costs	**(3.9)**	(3.4)
Operating profit	**1.6**	1.0

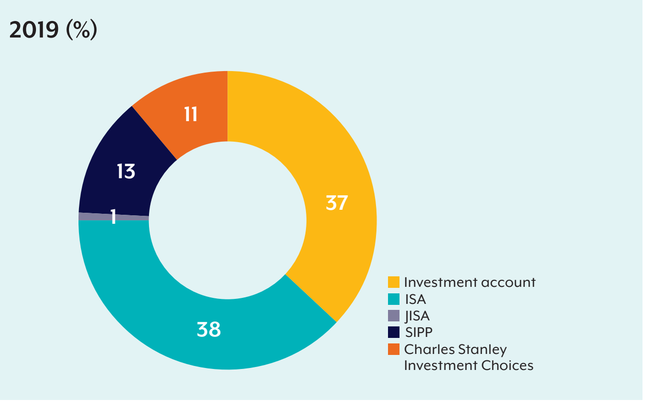
KPIs:	2020	2019
AuA growth	**(10.0%)**	11.1%
Revenue margin	**30bps**	26bps
Operating margin	**16.8%**	13.0%

Average AuA increased by 6.9% to £3.1 billion in FY 2020 (2019: £2.9 billion). At the end of December 2019 the division's assets had grown by 8.8% but then fell 18.0% in the last quarter to £2.7 billion at 31 March 2020 as the FTSE All Share index dropped 26.0%.

	2020 £bn	2019 £bn
Average AuA:		
Charles Stanley Direct	**2.8**	2.5
Charles Stanley Investment Choices	**0.3**	0.4
Total	**3.1**	2.9

CSD split of funds





Revenues for the year grew by 23.4%, reflecting the benefits of the repricing programme completed the previous year and higher interest income. It was also pleasing to see a near doubling of commission income in the fourth quarter, as market volatility led to greater trading activity and helped offset pressure on ad valorum charges. While costs, especially related to IT systems, increased during the year, overall profits improved by 60% to £1.6 million (2019: £1.0 million).

Financial Planning

Trading review

The Group has continued to invest in its Financial Planning division as a core component of its wealth management offering to clients. This has led to revenues (excluding investment management fees which are credited to the Investment Management Services division) growing by 13.7%. However, costs have also increased as a result of the recruitment of additional planners who typically take up to 24 months to achieve full productivity, and this has led to a reduced contribution, and after the absorption of a larger share of central overheads, a reported operating loss of £5.1 million (2019: £3.4 million).

	2020 £m	2019 £m
Revenue	**8.7**	7.3
Direct costs:		
Fixed staff costs	**(6.7)**	(5.1)
Variable staff costs	**(1.7)**	(1.4)
Other direct operating expenses	**(2.2)**	(1.7)
Contribution	**(1.9)**	(0.9)
Allocated costs	**(3.2)**	(2.5)
Operating loss	**(5.1)**	(3.4)

KPIs:	**2020**	2019
Average number of financial planners	**27**	21
Revenue per financial planner[1]	**£330k**	£340k
Operating margin	**(58.6%)**	(46.6%)

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

Financial Planning's loss has been the expected near-term consequence of investment made. Once new planners reach full productivity, the Group should benefit from greater asset inflows, greater share of wallet and enhanced customer retention as the service satisfies a fundamental client demand. In turn, this should lead to the division generating profits.

Support Functions

The costs incurred by the Group's Support Functions are either charged directly to the three main operating divisions, such as for market data costs, or recharged as an allocated cost. Support Functions costs were £52.6 million in FY 2020, reflecting an increase of 8.5% on the prior year. The main drivers of the increase were: the creation of the new middle office with a number of staff moving out of front office divisions into this area; investment in the Group's distribution capabilities; and a higher discretionary bonus pool reflecting the improved Group performance.

Taxation

The corporation tax charge for the year was £3.1 million (2019: £2.0 million), representing an effective tax rate of 17.9% (2019: 18.2%). A detailed reconciliation between the standard and effective rate of corporation tax is provided in note 13 of the Consolidated financial statements.

Earnings per share

The Group's reported basic earnings per share for the year was 28.03 pence (2019: 17.74 pence). The underlying basic earnings per share increased from 21.36 pence to 31.41 pence.

Financial position

The Group maintained its strong financial position with total net assets at 31 March 2020 of £116.5 million (2019: £106.4 million). Cash resources including Treasury Bills amounted to £93.5 million (2019: £81.2 million).

The Group operates a defined benefit pension scheme, which was closed to new members in 1998 and also closed to further accruals for the remaining 25 active members at 31 March 2016. The most recent actuarial assessment of the Group's defined benefit scheme's liabilities showed a deficit at 31 March 2020 of £5.1 million (2019: £6.8 million). The decrease in the scheme's deficit is attributable to changes in actuarial assumptions, investment performance and contributions made by the Group to the scheme.

Regulatory capital resources

Charles Stanley & Co. Limited (CSC), 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 2020, the Group had regulatory capital resources of £94.1 million (2019: £82.9 million) and its regulatory capital solvency ratio stood at 189% (2019: 214%).

	2020 £m	2019 £m
Ordinary share capital	**12.5**	12.5
Share premium	**5.2**	4.6
Retained earnings (net of dividends)	**77.1**	69.1
Other reserves	**15.2**	15.2
Regulatory adjustments	**(15.9)**	(18.5)
Total regulatory capital resources	**94.1**	82.9

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

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 full review of the ICAAP conducted and signed off by the Board was in October 2019 although aspects of it, specifically operational risks, stress testing and reverse stress testing, have been updated in light of the COVID-19 pandemic. 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 provides further details about the Group's regulatory capital resources and requirements.

Financial outlook

Since the financial year end there has been a slight recovery in markets, which has led to a 6.4% rise in FuMA to £21.5 billion at the end of April 2020 compared to 31 March 2020.

Looking ahead, there are significant uncertainties, with the full impact of the COVID-19 pandemic hard to predict with certainty. Depressed market values and lower interest rates will significantly reduce our revenues and this, in turn will impact profits since between 55%-65% of our costs are fixed or semi-fixed. While the deterioration of our fee-based revenue since February 2020 has been cushioned to some extent by our commission income, which has benefited from volatile markets, it represents about 23% of revenues, so by no means provides a full counterweight.

It seems clear that governments and their central banks are prepared to provide significant sums to support economies, which has helped to underpin the mini-recovery in markets since March. However, in so doing, interest rates have been cut significantly and are likely to remain low for some time.

We believe that service-based companies such as Charles Stanley are unlikely to return to the same ways of operating as occurred previously. We have demonstrated that flexible remote working is compatible with delivering a high level of client service, and in many ways, is more productive. In order to capture the full benefits, we will need to invest more rapidly in our IT systems, both to improve remote working capabilities, and more importantly to enhance the client interface and experience. This is critical because the ability to have face-to-face meetings is likely to diminish, not least since many of our clients are elderly and more vulnerable. In addition, there may be opportunities to rationalise our real estate footprint and many of the costs associated with it.

We are also aware that in environments of general financial stress and market dislocation, there will be opportunities to gain market share for those companies with the financial strength to take a measured approach. While there are challenges ahead, we believe that Charles Stanley is well placed financially and operationally to navigate current uncertainties and develop its market position. We therefore continue to look forward to the future with confidence.

Dividends

The Board's objective is to maintain a progressive dividend policy and 2x cover over the cycle. While the results for the year ended March 2020 and the Group's capital and cash reserves support an increase in the final dividend, the Board is mindful of the deterioration of markets triggered by the global COVID-19 pandemic and the likely impact this will have on future profits. There is also a significant degree of uncertainty about the medium-term outlook. During such adverse times, typically companies with strong reserves are able to emerge with improved market share. Accordingly, and seeking to balance the interests of all our stakeholders, the Board proposes a maintained final dividend of 6.0 pence per share (2019: 6.0 pence per share). Taking into account the interim dividend of 3.0 pence per share, this results in a total dividend for the year of 9.0 pence per share (2019: 8.75 pence per share), an increase of 2.9%. The proposed total dividend is 3.1 times covered by basic reported earnings and 3.5 times covered by basic underlying earnings. The recommended final dividend is subject to shareholders' approval, which will be sought at the Company's Annual General Meeting ('AGM') on 9 July 2020.

Risk management and principal risks

Guillaume Rimbaut
Chief Risk Officer

The Chief Risk Officer, under the supervision of the Risk Committee, has the principal responsibility for the design and implementation of the Group's risk management framework. The Risk function oversees and challenges risk activities and ensures that risks are being appropriately identified and managed within our risk appetite.

Risk culture

The Board is responsible for setting a strong risk culture with a clear and consistent tone from the top and, through our Senior Management team, encouraging appropriate behaviours and collaboration on managing risks across the business. Risk management is accepted as being part of everyone's day-to-day responsibilities and is linked to performance.

Risk management framework and appetite

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

We follow industry practice for risk management with a 'three lines of defence' model to manage risk and provide assurance about the effectiveness of the control environment to Senior Management and the Board.

The first line of defence is the business that owns and manages the risk; the second consists of the control functions that monitor and facilitate the implementation of effective risk management practices and regulatory compliance; and the third line is independent assurance provided by the internal audit performed by Grant Thornton.

Risk assessment process

The Board and Senior Management are actively involved in a continuous risk assessment process as part of our risk management framework, supported by the ICAAP, which assesses the risks facing the Group to maintain sufficient capital facing these risks. Stress tests include consideration of severe but plausible events or changes in economic circumstances that could impact the viability of the firm and defining proportionate management responses to avoid or reduce the impact or occurrence of the underlying risks.

"The work that we have done to develop the Group's operational resilience framework has served us well during the current COVID-19 pandemic. Our business has continued to operate in this exceptional environment, while maintaining the high levels of service our clients have come to expect from us."

Principal risks and uncertainties

We categorise risks into four risk groups covering strategy, financial performance & strength, operational & infrastructure, and conduct & regulatory.

Strategy	Financial Performance & Strength	Operational & Infrastructure	Conduct & Regulatory
Business Model and Strategy	Financial Strength Liquidity Market Credit and Counterparty Pension Obligation	Operational Resilience and IT Infrastructure IT Security and Cyber Security	People and Conduct Legal and Regulatory

Our risk assessment process considers both the impact and the likelihood of risk events which could materialise, affecting the delivery of strategic goals and annual business plans. A top-down and bottom-up approach ensures that our assessment of key risks is challenged and reviewed on a regular basis. The Board Committees and Executive Control Committees receive regular risk reports and management information.

Responding to COVID-19

The COVID-19 pandemic has tested our operational resilience through weeks of disruption to normal activities. This experience has helped us to improve collaboration and prioritise business-critical functions as our staff have adapted to new ways of working.

Whilst the impact of the COVID-19 pandemic on global investment markets means that there is much more uncertainty about the outlook, the Group has demonstrated that it is operationally and financially resilient and that it is well placed to emerge strongly from the current crisis.

Emerging risks

While the threat of a trade war between the US and China appears to have receded, global financial markets have reacted sharply to the spread of COVID-19. While we cannot influence the economic impact of the COVID-19 pandemic nor manage the market's reaction to it, our work on stress testing has shown the Group's financial resilience to withstand severe geopolitical and economic scenarios.

The Group's exposure to market risk is minimal as it does not hold any proprietary positions.

The Group has decided to outsource major parts of its IT function. Careful consideration has been given to ensure that risks are appropriately mitigated with no impact on clients and service levels.

As a UK-based entity, we are closely monitoring the Brexit negotiations and making preparations to ensure the Group is well positioned to mitigate any adverse risks arising from a worst-case scenario.

The tables below detail the principal risks and uncertainties we have identified. We have a process to regularly report key risk metrics and identify changes in the profile of these principal risks.

Strategy risks

Business Model and Strategy

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 are adversely impacted.

Oversight	Key Mitigants and Controls	Example of Metrics
Board	• Stress testing and reverse stress testing are undertaken as part of the ICAAP to assess their impacts on the business model and strategy • The Board considers emerging and top risks to the business as part of the Group's strategic plans	• Long-term operating margin • Revenues and budgets
Trend	• No material changes have been made to the business model and strategy	↔

Business Performance & Financial Strength

Financial Strength

The risk that the Group fails to maintain sufficient financial strength in order to support business objectives, meet regulatory capital requirements and provide shareholders with an acceptable return.

Oversight	Key Mitigants and Controls	Example of Metrics
Board	• To achieve our financial goals, a series of risk appetite limits have been set which are monitored by the Board on a regular basis	• Operating margin • Regulatory capital • Target dividend cover
Trend	• Increased profits have led to a strengthening of the Group's financial resources over the past year. However the impact of the COVID-19 pandemic on global investment markets means that there is much more uncertainty about the outlook so the risk to the Group's financial position has increased	↑

Liquidity

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.

Oversight	Key Mitigants and Controls	Example of Metrics
Treasury Committee	• The Group ensures that all legal entities have sufficient funds to meet their liabilities as they fall due • Liquidity risk framework and stress testing • Contingency funding plans	• Amount of cash on call • Daily cash flow monitoring
Trend	• The Group's available liquid resources have continued to improve and were £93.5 million (including Treasury Bills) at 31 March 2020 with no borrowings. However, the impact of the COVID-19 pandemic on global investment markets means that there is much more uncertainty about the outlook and this may result in increased pressure on liquidity	↑

Market

The risk of losses arising as a result of exposure to market movements, including foreign exchange and interest rates.

Oversight	Key Mitigants and Controls	Example of Metrics
Treasury Committee	• Charles Stanley does not hold any proprietary positions other than a limited investment portfolio in its own name for the purpose of operating a model portfolio • 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	• Foreign currency exposures • Interest rate modelling
Trend	• Group's market exposure risk is limited and remains constant	↔

Business Performance & Financial Strength (continued)

Credit and Counterparty

The risk that clients or counterparties fail to fulfil their contractual obligations.

Oversight	Key Mitigants and Controls	Example of Metrics
Treasury Committee / Market Exposure Committee (MEC)	• Charles Stanley does not offer any formal lines of credit to clients, therefore its exposure to credit risk resides in the failure of its clients and counterparties to fulfil their contractual obligations • Assets will only be placed and maintained with authorised institutions • Trading counterparties reviewed annually and given defined exposure limits which are monitored by the MEC • Breaches of any counterparty trading limits without approval must be escalated immediately to the MEC	• Banking counterparties diversification • Trading counterparties exposure limits • Aggregated defined exposure limit • Daily trading volume
Trend	• Strong internal controls mitigate the exposure to failing counterparties, therefore the risk remains constant	↔

Pension Obligation

The risk that the cost of the Group's defined benefit pension scheme ('the 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.

Oversight	Key Mitigants and Controls	Example of Metrics
Board	• The scheme is closed to new members and ceased accruing for existing members at 31 March 2016. It is reviewed regularly for viability and to remain within an agreed deficit level • The Group works closely with the trustees of the scheme to reduce the deficit and, where possible, match investments with future liabilities	• Defined benefit scheme deficit • Funding level
Trend	• Over recent years the deficit has been gradually reducing as the agreed upon deficit reduction programme and flight path to attain solvency have been followed. However, the actuarial assessment of the scheme's liabilities is highly sensitive to changes in the underlying assumptions and the liability could increase again because of changes to these or poor investment performance	↔

Operational & Infrastructure risks

Operational Resilience and IT Infrastructure

The risk that a material failure of business processes or IT infrastructure may result in unanticipated financial loss, harm to customers or reputational damage.

Oversight	Key Mitigants and Controls	Example of Metrics
Board Risk Committee / Enterprise Risk Committee	• Operational resilience framework in place to maintain the continuity of important business services • Proactive identification, mitigation and oversight of non-financial risks • Constructed framework of internal controls to minimise the risk of unanticipated financial loss or potential harm • 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	• Dealing losses • Operational losses • Business Continuity Plan testing • Penetration testing • ICT service availability • 50+ operational risk indicators across all operational risks
Trend	• As a consequence of the IT outsourcing project and the current pandemic, the potential risk of operational disruption remains heightened	↑

IT Security and Cyber Security

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.

Oversight	Key Mitigants and Controls	Example of Metrics
Board Risk Committee / Enterprise Risk Committee	• A set framework to prevent and detect unauthorised access attempts to the Group's business systems • Develop systems which 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	• Phishing tests • Anti-virus and system patching • 50+ operational risk indicators across all operational risks
Trend	• Rise of external threats and attempted attacks across the industry	↑

Conduct & Regulatory risks

People and Conduct

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.

Oversight	Key Mitigants and Controls	Example of Metrics
Board Risk Committee / Conduct & Culture Committee	• Conduct & Culture Committee was instituted 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 • Careful monitoring of investment decision-making against the risk profile ensures that we achieve appropriate and suitable outcomes for our clients	• 18 conduct outcomes and 43 underlying risk measures
Trend	• Risk remains constant as we continue to embed the Group's core values and the new Senior Managers and Certification Regime	↔

Legal and Regulatory

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.

Oversight	Key Mitigants and Controls	Example of Metrics
Board Risk Committee / Enterprise Risk Committee	• The risk is monitored and managed by emphasis on compliance with all aspects of relevant regulation, including those of the FCA • Charles Stanley monitors changes in the regulatory and legal agenda and has formal projects for major changes to ensure their successful implementation • The Group runs programmes to ensure all policies, operating procedures and processes are compliant with any new significant regulatory change requirements	• Timeliness of regulatory returns • Breach and complaints logs and monitoring • Compensation payouts • Litigation cases
Trend	• The ongoing regulatory change environment and the uncertainties linked to COVID-19 and Brexit increases the risk	↑

Assessment of the Group's prospects and Viability statement

The Board aims to maintain and build a sustainable wealth management business over the long term. The Board monitors a three-year strategic plan that provides a robust planning tool against which strategic decisions are made. This plan was discussed at the Board's strategy meeting in February 2020, subsequently reviewed as a result of the outbreak of the COVID-19 pandemic and approved on 27 May 2020.

The full impact of the COVID-19 pandemic on the economy in general and the Group in particular is not yet fully known and is unlikely to be for a while. The impact will depend on many factors including the length of the enforced closure of certain business and social facilities, the social distancing measures, and the success and continuity of the government's and Bank of England's support measures.

In view of these uncertainties and in addition to the Group's core strategy and budget documents which cover the three-year period to 31 March 2023, the Board has reviewed detailed papers prepared by Management that consider the Group's expected future profitability, dividend policy, capital position and liquidity, both as they are expected to be and under even more severely stressed conditions. The stressed scenarios reviewed include both a prolonged three-year downturn in capital markets and, separately, a resurgence of the COVID-19 pandemic. Unrelated idiosyncratic liquidity stress tests have been overlaid as well. The assumptions upon which the scenarios were modelled are based on management's own judgements, taking account of external research, including a more pessimistic view than taken by the 'Rates Down' guidance provided by the Bank of England. The Board has also reviewed the management actions that could be taken in these scenarios.

The Board has taken account of reports from Management concerning the operational resilience of the business which have been updated to reflect the switch to remote home working in compliance with Government advice. The Board is satisfied that the business can successfully operate in these conditions as it has demonstrated since mandatory social distancing measures came into force in March 2020. The majority of our staff are now working from home and our material outsourced suppliers continue to provide their services and we believe can continue to do so for an extended period.

Finally, the Board has reviewed a reverse stress test analysis to consider the length and depth that a recession would have to reach to cause the Group to cease to be viable.

In assessing the future viability of the overall business and the analysis described, the Directors have also considered:

- the quantity and quality of capital resources available to support the delivery of the Group's objectives including consideration of the effects of a changing regulatory landscape together with the effect of the Group's capital contingency plan to restore the capital position in scenarios of capital headwinds;
- the changes within the business executed in the last three years, including the significant business restructuring, and the planned changes over the coming 12 months; and
- other top and emerging risks for the business, including:
- a review of the cyber security threat;
- the annual information risk assessment together with the technology roadmap for improvements in the technology environment.

Based on the work performed and actions already taken by management to respond to the COVID-19 pandemic, the Directors believe that the Group has adequate resources to continue in operational existence for the period of 12 months from the date of signing these accounts and therefore operate as a going concern.

Furthermore, the Directors have a reasonable expectation that the Group will be able to continue in operation as a viable entity and meet its liabilities as they fall due over a period of at least three years.

Environmental, Social and Governance report

Charles Stanley has an excellent reputation for acting in the best interests of its clients, colleagues and the wider community. We have always taken Environmental, Social and Governance (ESG) seriously because we genuinely care.

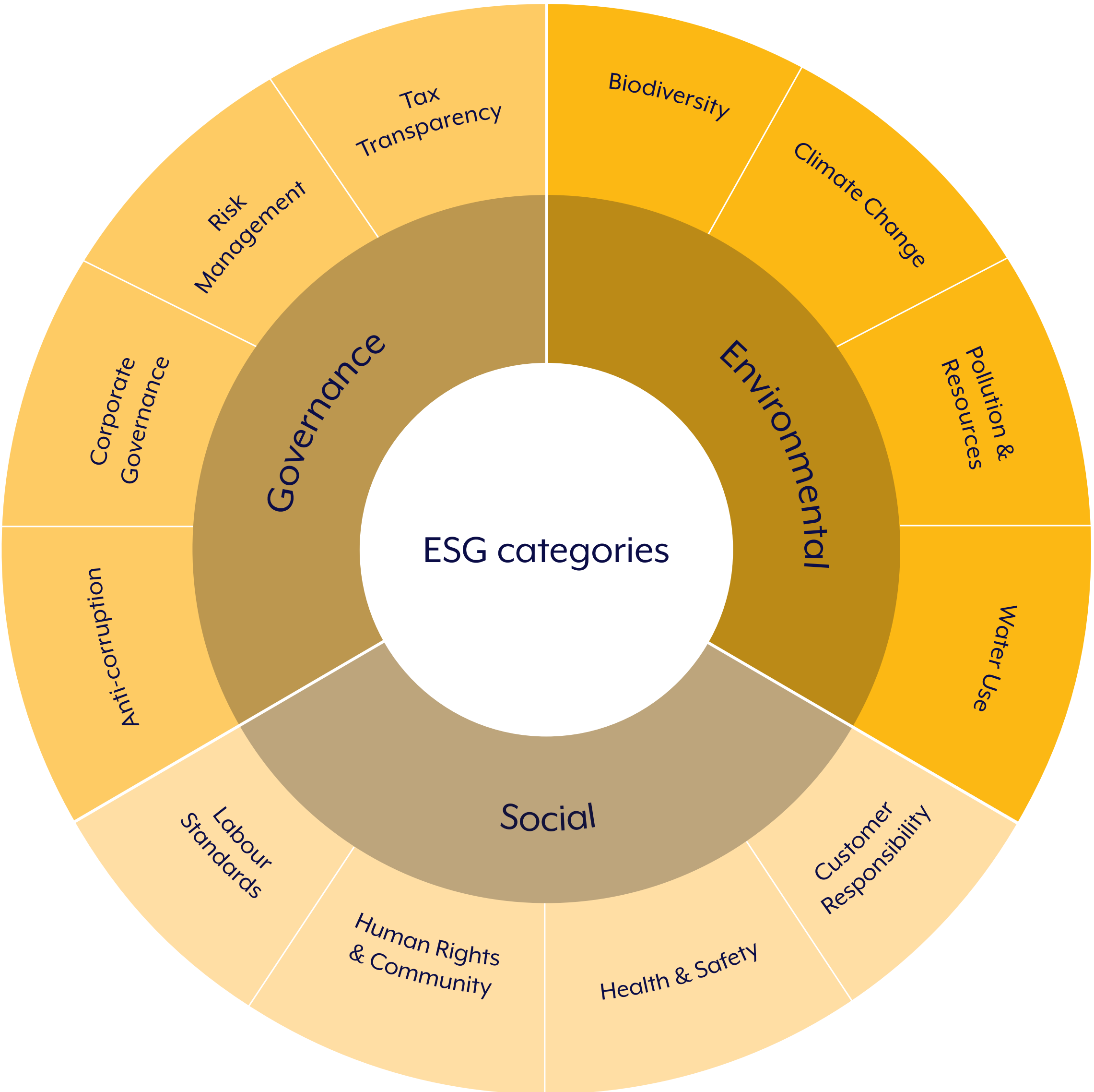
Throughout the past financial year, Charles Stanley has continued to focus on operating in an ethical, appropriate and socially responsible manner.

Charles Stanley's core values of being Caring, Fair and Progressive are clearly lived: we have a culture of continuous improvement for the benefit of others, as is ably illustrated by the speed with which we responded to the COVID-19 pandemic and resultant lockdown in March 2020, making sure that we could work remotely for the benefit of our clients and staff. We also took swift action to provide support for the vulnerable and those in need, creating a Community; we genuinely care.

In this Environmental, Social and Governance (ESG) report we have used the categories proposed by FTSE Russell, a wholly-owned subsidiary of the London Stock Exchange Group; with the intention of providing information in a format that we believe will become increasingly common and familiar.

1 The Marchioness of Salisbury opens the record-breaking Charles Stanley show garden at the Country Life Fair at Hatfield House

2 Attendees at a Charles Stanley event held at the Royal Academy Summer Exhibition



ESG categories (source: FTSE Russell)

Environmental categories

Environment

Given the nature of Charles Stanley's business, which is predominantly knowledge and relationship based, and requires little heavy equipment or travel, our adverse impact on the environment is minimal compared to many other organisations.

One of the ways in which Charles Stanley can have a favourable impact on the environment is via the investment proposals we make to our clients and our ability to influence as stewards. Early in 2019 Charles Stanley founded an ESG taskforce with members drawn from across all areas of the Company – this group looks at a wide range of initiatives from investments, the role of stewardship, the activities of third parties such as suppliers, as well as Charles Stanley's own initiatives. The notion of 'sustainability' has most frequently been linked with climate change, but, in our opinion, sustainability goes way beyond the single, albeit very important, focus of reducing our carbon footprint.

Charles Stanley is a signatory to the United Nations' Principles of Responsible Investment. This is a voluntary and aspirational set of principles that offer a menu of possible criteria for incorporating ESG factors into investment practice. By signing up, Charles Stanley has made a public commitment to socially responsible investment, acknowledging the importance of considering ESG issues.

Biodiversity

Although Charles Stanley's own ability to support biodiversity is limited, due to the company being predominantly located in a few UK-based branches and offices, we try to foster biodiversity through our responsible attitude towards the environment and the investment recommendations made to clients. Throughout the year our Execution-only digital business, Charles Stanley Direct, has focused on socially responsible investment, with regular communications and briefings on options via the website, specialist publications and social media.

Climate Change

Charles Stanley works in conjunction with various external parties to enable greater efficiency and conservation. We strive to keep our carbon footprint to a minimum to reduce our adverse impact on the climate. Early in 2019 we introduced screens in many of the meeting rooms in offices across the country to support video-enabled collaboration with colleagues, and meetings with clients and others, as well as to use for training and events. We now hold 'town hall' sessions with attendees from across the UK, and no travel required. In addition, as part of the digital strategy, we have installed video conferencing on all laptops, iPads and PCs. This has enabled the company to continue to operate effectively whilst remote working and provide the support our clients need.

We monitor our greenhouse gas emissions with assistance from the specialist independent firm EnStrat (UK) Ltd, who have verified the data and calculations for the period from 1 April 2019 to 31 March 2020.

In the past year we have recycled 800kg of paper, which is 1,120kg of CO_2 saved or the equivalent to saving ten trees.

For more information on how ESG impacts our stakeholder engagement turn to page 94

For more information on ESG go to charles-stanley.co.uk/corporate-social-responsibility

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

Carbon Dioxide Equivalent (CO_2e) Tonnes

	2020	2019
Scope 1 Direct emissions from burning gas, diesel for generators and road fuel	**64.4**	38.4
Scope 2 Indirect emissions from the Group's use of electricity	**518.2**	595.5
Total	**582.6**	633.9
Intensity Tonnes of CO_2e from Scope 1 and 2 per full-time employee	**0.72**	0.77

Overall Charles Stanley's carbon dioxide (CO_2e) emmissions reduced by 8.1% in FY 2020. Scope 1 Direct emissions increased by 26.0 CO_2e tonnes because we tested our back up generators at our Disaster Recovery Site more frequently during the course of the year. This was more than offset by a 77.3 CO_2e tonnes reduction arising from Scope 2 indirect emissions achieved via the measures set out below.

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

Activity	2020		2019	
	Consumption	Emissions tCO_2e	Consumption	Emissions tCO_2e
Grid electricity	**2,027,187 kWh**	**518.2**	2,103,688 kWh	595.5

The Group continues to review and implement, where possible, emission and energy reduction opportunities, including those identified in the emissions reports. In the last year this has included measures such as:

- Installing timers to hot and cold water taps to ensure they are only operational during business hours
- Reducing lighting levels by 10% in the head office
- Replacing old boilers with more efficient models
- Ensuring all new fit-outs use LED lighting throughout
- Working with energy providers to install Automatic Meter Readings (AMRs) to enable better management of consumption and identification of opportunities

Pollution & Resources

We are conscientious in our rigorous efforts to introduce and adopt sustainable approaches within the workplace to recycle and reuse. All our new offices (we opened in Glasgow, Aberdeen and Belfast, and moved office in Leeds over the past year) benefit from energy-efficient measures such as LED lighting. We have introduced an automated system that switches off PCs and printers overnight, thereby saving electricity. Charles Stanley has for a number of years procured its electricity from 'green' renewable energy sources as part of its contribution towards reducing pollution. In addition we conserve energy in the London head office by switching the air conditioning units off each night and over the weekends.

We provide recycling bins for a range of materials in most offices and branches and work with suppliers to minimise waste. We use recycled paper for internal documents. The London office canteen has ceased using disposable cutlery, and drinks are sold at a discount if a mug is proffered for hot beverages.

Charles Stanley is moving nearer to becoming a paperless business. This progression was accelerated as from March 2020, when the Company was forced into altering its staff's working patterns due to the social isolation required to combat the COVID-19 pandemic. Increasingly clients are welcoming receiving electronic notifications via the secure My Charles Stanley portal, rather than paper documentation sent through the post. It is probable that one legacy of the virus and people being housebound for so long will be that an ever increasing number of individuals will be digitally proficient.

Water Use

We aim to consume no more water than nature can replenish and cause no more pollution than is acceptable for the health of humans and natural ecosystems. Being mindful of precious resources, Charles Stanley has stopped buying bottled water and provides filtered tap water for clients and staff in all offices. The taps in the head office are all on timers (as indeed are the lights) to limit usage and reduce waste.

Social categories

Labour Standards

Charles Stanley is dependent on the abilities and approach of its staff to ensure desirable outcomes for clients and business success. To attract, motivate and retain the best, we have to provide an appealing and fitting environment that is conducive to professional working. 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 carried out in a manner that will enhance the Group's standing and safeguard against unfair or unethical business practices.

Disclosure and whistleblowing

Our disclosure policy (concerning instances of whistleblowing and data protection) is monitored and enforced where necessary. It is important that Charles Stanley staff understand the importance of remaining vigilant to suspicious activity and that everyone knows how to voice concerns. The Company's Whistleblowing Policy was enhanced in 2019, to enable former employees to whistleblow with greater ease, should the need arise. We had no whistleblowing incidents during the year, but we continue to encourage people to speak out.

Bribery and corruption

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 undertake regular risk assessments on all client-facing and significant members of staff, to determine exposure and the possibilities of risks. Policies, systems and procedures are reviewed on a regular basis and amended when appropriate to ensure that they remain fit for purpose and so that they help mitigate risks. We have strict Anti-bribery, Anti-slavery, and Gifts and Hospitality policies in place and provide regular training to all staff to ensure understanding and compliance. We have recruited procurement specialists in Finance, Distribution and ICT to ensure that our relationships with third parties are well defined.

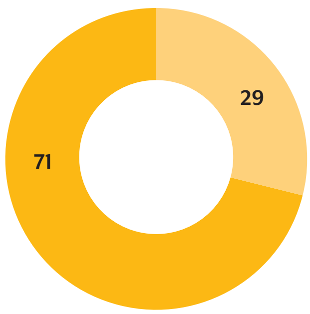
Diversity

Charles Stanley values diversity in its many forms and has a culture that encourages inclusion. We scored 86% for being a friendly place to work in the 2019 Staff Engagement Survey. We were an early signatory to HM Treasury's Women in Finance Charter and have already achieved our specified targets ahead of the 2020 deadline. In 2019 we signed up to 'The 30% Club' and have a group of amazing women being mentored as well as members of the Executive Committee mentoring women outside the Company. We are pleased to be regarded as an employer of choice regardless of gender, age, race or ability. Charles Stanley believes in supporting its people and helping them to develop skills and gain and maintain the professional credentials necessary to do their job to the best of their ability. We have taken advantage of training opportunities via the Apprenticeship Levy and have entry level staff obtaining qualifications to commence their careers, as well as longer-serving employees gaining accredited qualifications, for example as managers via the ILM Level 3 for team leaders. We have managed to donate a small excess amount of our Levy fund to the charity Onside Youth Zone.

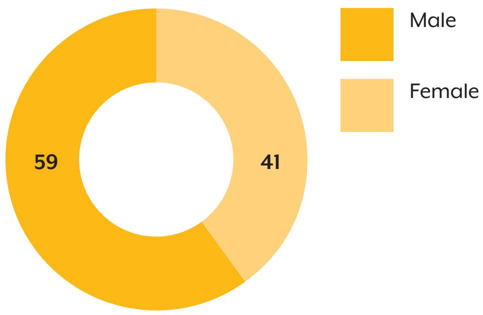
Senior Managers and Certification Regime

As of 9 December 2019, Charles Stanley came under the Senior Managers and Certification Regime (SMCR). The Regime is intended to foster a culture of greater individual accountability, and all our Senior Managers have confirmed revised job descriptions that include Statements of Responsibility. We are ready to commence certification of pertinent staff later in 2020.

Male vs female split across the CSG Board (%)



Male vs female split across Charles Stanley (%)



Human Rights & Community

The Group's core values are Caring, Fair and Progressive; we are genuinely concerned about the experiences and futures of our people, our clients and those in the wider community. We strongly believe in protecting human rights and each new joiner is taught about the Company's stance against slavery (including our rigorous approach towards suppliers). According to research published just after the end of the year, almost two thirds of UK employers are making use of the Coronavirus Job Retention Scheme (source: Reward & Employee Benefits Association, 8 April 2020). However, Charles Stanley made a conscious decision not to furlough employees at the current time – we believe that we should be responsible members of the wider community, contributing taxes to support the nation's needs.

Like every organisation in the UK, Charles Stanley was impacted by the COVID-19 pandemic and the resultant lockdown. Specialist teams, including those who conventionally organise events, have had to pivot and refocus their skills in a different way, for example by creating the Charles Stanley Community, which established contact with clients and colleagues, and enabled vulnerable members of the community to be supported.

Each year, Charles Stanley staff vote for a Charity of the Year. This year our Charity has been Cardiac Risk in the Young (CRY), championed by Katie Alcock, who works in Financial Planning out of our Birmingham office. Katie set herself a target of £20,000 and arranged many activities for her cause, including a summer party, a musical bingo night and various sponsored walks and runs. Due to the lockdown it was not possible to retrieve and count the contents of the collection boxes based in every branch and office at year-end, however, it is clear that CRY will be receiving over £30,000.

In addition, Charles Stanley supports charitable initiatives, with a day's extra holiday provided for employees to take part in a volunteering activity for staff drawn from various teams across the Group.

Health & Safety

Charles Stanley takes its health and safety responsibilities very seriously. A dedicated Health and Safety Officer was hired for the Group during the course of the year. We have trained two cohorts of Mental Health First Aiders, to complement our existing trained Medical First Aiders. In addition, we provided advice to all staff on health-related matters as soon as the Company commenced remote working during the lockdown.

Customer Responsibility

Our clients are our prime responsibility and we are proud to serve them, offering a range of integrated services to meet their needs. Being able to satisfy our clients' needs, and realising their desired outcomes are key drivers for us. In turbulent times we are here to offer reassurance and insight. We are committed to fostering long-term relationships and achieving industry-leading levels of customer satisfaction.

We continually look at ways of enhancing our clients' experience and we try to protect them from inappropriate or unnecessary risks. We offer training and support on matters such as cyber security and fraud, and Charles Stanley staff are regularly reminded of the needs of those who are vulnerable.

Governance categories

Corporate Governance and Risk Management

Please refer to the Governance section for discussion of the Group's Governance arrangements, including oversight of risk management.

Anti-corruption

Charles Stanley is rigorous in its stance against corruption. All staff take annual training on how to spot and report issues such as money laundering and fraud, and the Compliance team investigate and monitor, to ensure that nothing untoward is happening within the business. Being independent with a bespoke approach towards clients' portfolios, we offer unbiased recommendations. The Research team undertakes independent research across markets, asset classes and individual companies. We regularly meet with, monitor, review and challenge fund managers and companies that we invest in as part of our client portfolios or institutional asset management offering. By doing so we are given an opportunity to assess the performance and approaches of companies, which will influence our appetite for investment. We encourage a culture in which individuals feel comfortable in speaking out and raising concerns. We also rescreen at least once every three years and vet every client-facing individual and person in a position of influence in the Company (for example, the Senior Managers) as part of our internal initiatives to prevent corruption or dishonest or undesirable conduct. All external suppliers have to meet our rigorous standards, and contracts are reviewed on a regular basis, along with performance against specified service level agreements, with assistance from our internal procurement specialists.

Tax Transparency

Being a business that seeks to advise on and assist with the financial affairs of our clients, it is crucial that the Group is open and transparent, both about its own financial affairs, and also in the support and services we offer to others. We take our responsibilities seriously and seek to maintain tax transparency and always operate in a responsible and open manner. Our current and deferred tax charges are outlined in the financial section of this report.

We pride ourselves on the support we give to clients, enabling them to plan for their futures and those of successive generations. We provide a range of wealth management, financial planning and Execution-only services for private clients, charities, trusts and institutions. As part of our service, and where warranted by individual circumstances and/or planning goals, our proposals may involve the use of tax wrappers such as ISAs, SIPPs and Offshore Bonds. We do not advise on any structuring arrangements that fall under the Disclosure of Tax Avoidance Schemes (DOTAS) provisions nor engage in any specialist tax advice. We have a policy of not investing in schemes and products that may be regarded as having aggressive tax mitigation features.

Governance introduction

Sir David Howard
Chairman

During the year we have continued to enhance the new governance framework following the restructure implemented in 2018.

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

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

The structure and representation of the various Board Committees is shown on the right. Their roles, main responsibilities and achievements during the year are set out in their respective reports on pages 52 to 53. The biographies of the Board of Directors and Executive Committee members are also set out on pages 52 to 55.

"Our values revolve at all times around the best interests of our clients, shareholders and other stakeholders. The Board proactively seeks to promote and embed them into 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

CSC Board

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

Executive Committee

Paul Abberley (Chair)
Freddy Barker
Michael Bennett
Louise Fletcher
Kate Griffiths-Lambeth
Chris Harris-Deans
Steve Jones
Peter Kelk
Shelley Leaney
Andrew Meigh
Ben Money-Coutts
John Porteous
Guillaume Rimbaut
Julie Ung

Audit Committee

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

60 For more on the Audit Committee go to page 60

Nomination Committee

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

66 For more on the Nomination Committee go to page 66

Remuneration Committee

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

68 For more on the Remuneration Committee go to page 68

Risk Committee

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

88 For more on the Risk Committee go to page 88

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 at 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.

Non-Executive

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

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

Bridget Guerin
MA (Cantab)
Independent
Non-Executive Director

Bridget Guerin joined Charles Stanley as a Non-Executive Director in September 2012. She has over 30 years' experience in the financial services industry, most recently serving as a Director of Matrix Group Limited. Prior to that Bridget was Marketing Director of Schroder Unit Trusts Limited. Bridget is Chair of the Remuneration Committee and is also a member of the Nomination and Risk Committees. Other appointments include being a Non-Executive Director of Mobeus Income & Growth VCT and Invesco Perpetual UK Smaller Companies Fund and Chairman of Schroder Income Growth Fund PLC. She is also on the Boards of GAM Systematic Multi Strategy Fund and GAM Systematic Core Macro Fund. Bridget is also on the Boards of Beverley and York Racecourses and is a trustee of the York Racecourse Pension Fund.

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

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

Hugh Grootenhuis
MA (Cantab)
Independent
Non-Executive Director

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

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

Marcia Campbell joined Charles Stanley as a Non-Executive Director in October 2017. Marcia is Chair of the Risk Committee and is a member of the Audit and Nomination Committees. Marcia was formerly Group Operations Director and CEO Asia Pacific at Standard Life. She currently sits on the Boards of 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.

Executive Committee

Freddy Barker
Head of Business Change

Freddy Barker was appointed Head of Business Change in September 2018 and interim Head of Commercial Analytics in 2019. By training, Freddy is a Chartered Manager and a Chartered Wealth Manager. Beyond Charles Stanley, Freddy's largest pro bono brief is as Chairman of the Chartered Institute for Securities & Investment's (CISI's) Wealth Management Forum, the industry's largest special interest group with 7,500 members.

Michael Bennett
Chief Operating Officer

Michael Bennett was appointed as Charles Stanley's Chief Operating Officer and joined the Executive Committee in January 2015, having first 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.

Shelley Leaney
Director of Private Clients

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

Andrew Meigh
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. Since then he has overseen a major repositioning and significant growth in the business.

Kate Griffiths-Lambeth
Director of Human Resources

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

Chris Harris-Deans
Director of Investment Management Development

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

Steve Jones
Head of Compliance & MLRO

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

John Porteous
Group Head of Distribution

John Porteous was appointed Head of Distribution in March 2019 from Quilter PLC, where he was the group's Retail Client Services Solutions Director. Prior to that, John was Director in charge of overall Client Proposition at Tilney (formerly Towry), also chairing their Investment Committee. John has chaired and served as a Director on a number of Professional and Trade Bodies. John is a Chartered Fellow of both the CISI and Personal Finance Society.

Peter Kelk
Managing Director
Investment Management Services

Peter Kelk was appointed Managing Director of Investment Management Services in 2019. Prior to this Peter was Chief Risk Officer of Charles Stanley. He has been on the Executive Committee since 2015. Previously a Managing Director at Merrill Lynch Wealth Management, Peter has a broad experience gained over many years in a variety of disciplines including Wealth Management, Global Markets, Finance, Sourcing & Procurement, Fixed Income and Operations.

Guillaume Rimbaut
Chief Risk Officer

Guillaume Rimbaut joined Charles Staney as Head of Risk in 2016 and was appointed to the Executive Committee as Chief Risk Officer in 2019. Prior to Charles Stanley, Guillaume was Head of Risk for the Legal & General Savings Division. Guillaume has broad experience in risk management gained over many years in a variety of key risk roles with major financial institutions, including banking, general insurance and investment firms.

Julie Ung
General Counsel and Group Company Secretary

Julie Ung joined Charles Stanley in 2005 as Legal Counsel and was appointed to the Executive Committee in 2018. Julie was appointed Group Company Secretary in 2012 and became Head of Legal in 2016. In 2019 Julie became General Counsel, as well as remaining the Group's Company Secretary. Prior to Charles Stanley, Julie held similar positions at a professional indemnity insurance managing agency, after training as a solicitor at British Gas PLC.

Louise Fletcher
Head of Middle Office

Louise Fletcher was appointed as Head of Middle Office in September 2019 to create and lead the newly created team supporting the revenue generating business units. She was appointed to the Executive Committee in May 2019. Louise has over 25 years of experience within global investment management companies, heading large transformations and operational teams within institutional and private client businesses.

Corporate governance report

Compliance with the UK Corporate Governance Code 2018

The Directors recognise the benefits of good corporate governance and this report, together with the Directors' report (pages 90 to 97), and the Strategic report (pages 6 to 49), describes how the Group has applied the Principles and complied with the Provisions of the UK Corporate Governance Code 2018 ('the Code').

The Board has carried out a review of its compliance with the relevant provisions of the Code and confirms that the Group has complied with all relevant provisions of the Code during the year, except that the Chairman was not independent on appointment in 1997 (Provision 10 of the Code) and has subsequently been in post beyond nine years from the date of appointment (Provision 19 of the Code). Although not considered independent under the Code, the Board considers that the performance of the Chairman continues to be effective. The Chairman contributes significantly in his capacity as a Non-Executive Director through his individual skills, considerable knowledge and experience of the Company. He continues to demonstrate strong independence in how he discharges his duties as a Director. Consequently, the Board has concluded that, despite his length of tenure and shareholding in the Company, there is no association with Management which could compromise his independence. In addition, the presence of the four Independent Non-Executive Directors, including the Senior Independent Non-Executive Director, is an appropriate counterweight.

Leadership

The Board of Charles Stanley Group PLC (CSG) 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 the operations of the Group. The Chief Executive Officer, through the Executive Committee chaired by him and the underlying management teams, has delivered further progress towards the Group's strategic objectives.

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

The responsibilities of the Board of Charles Stanley & Co. Limited (CSC), the Group's principal operating subsidiary, are delineated from that of the main Board of CSG. The Board of CSC takes principal responsibility for all activities of the Group, which are regulated by the FCA. It is chaired by Andrew Didham and held eight meetings during the year.

As at 31 March 2020 the CSG Board comprised seven Directors: the Chairman, four independent Non-Executive Directors and two Executive Directors. No individual or group of individuals therefore has unfettered powers of decision. The Non-Executive Directors provide challenge in respect of all Matters Reserved for the Board, and contribute to the development of strategy at both the annual strategy forum and during the year.

Independence

Marcia Campbell, Andrew Didham, Hugh Grootenhuis and Bridget Guerin have been determined by the Board to be independent. Andrew Didham is also considered to be the Group's Senior Independent Non-Executive Director. The Independent Non-Executive Directors provide a robust, independent element on the Board and they constructively challenge and examine the performance of Management. They bring well-considered and constructive opinions, skill and knowledge to Board discussions. Sir David Howard, because of his previous roles and his shareholding in the Company, is not considered to be independent.

Diversity

Charles Stanley is an equal opportunity company and employer. The Nomination Committee takes an active approach in setting and monitoring diversity objectives and strategies. These are clearly defined in the Group's Equal Opportunities Policy. Further details about diversity are included in the ESG report on page 47 and details of the work undertaken by the Nomination Committee can be found on page 66.

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 to address each of the Matters Reserved for the Board. The Board met twice further in relation to the ICAAP. The Board held a two-day strategy meeting commencing on 20 February 2020 at which Board members reviewed the integrity of the Group's strategy. Attendance at the Board and Committee meetings during the year is shown in the table on the next page. The number of meetings attended is shown first, followed by the number of meetings that the Director was eligible to attend as a Board/Committee member. Typically, papers are circulated to the Directors a week in advance of each meeting. The Company has for many years used a portal system to support the Board and Board Committee meetings which improves the efficacy and security of the supply of information to Directors.

Board initiatives during the year included:

- Receiving reports from the Chief Executive Officer, Chief Financial Officer and Chief Risk Officer
- Approval of the annual budget
- Approval of the ICAAP
- Approval of the Group Risk management framework and Risk Appetite Statement
- Group Strategy Review
- Board and 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 Chief Executive Officer set out in the Chairman's statement.

Matters reserved for the CSG Board include:

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

Matters reserved for the CSC Board include:

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

Matters delegated to the Chief Executive Officer include:

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

	Board	Audit	Nomination	Remuneration	Risk
Number of meetings held during the year	**4***	**4**	**3**	**7**	**6**
Paul Abberley	4(4)	–	–	–	–
Ben Money-Coutts	4(4)	–	–	–	–
Marcia Campbell	4(4)	4(4)	2(3)	7(7)	6(6)
Andrew Didham	4(4)	4(4)	3(3)	7(7)	6(6)
Hugh Grootenhuis	4(4)	4(4)	3(3)	7(7)	6(6)
Bridget Guerin	4(4)	2(2)	2(3)	7(7)	6(6)
Sir David Howard	4(4)	–	3(3)	–	–

*As explained on page 56, the Board met a further two times during the year to discuss ad-hoc matters.

Typically, the matters delegated to the Chief Executive Officer will be discharged through the Executive Committee and other Control Committees established to implement strategic objectives and realise competitive business performance in line with the Group's risk management framework, compliance policies, internal control systems and reporting requirements. Members of the Executive Committee and their biographies are shown on pages 54 and 55.

Board and Committee changes

There have been no other changes to the Board or Committee changes throughout the year to report on, aside from the resignation of Gary Teper from the Board in May 2019. Details of the remuneration aspects of his departure can be found on page 68 of the Remuneration report.

Effectiveness

Information regarding the Directors and their experience is given in their biographies on pages 52 to 53, offered to shareholders in support of the re-election of all Directors at the Annual General Meeting.

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

The Board directs the Company effectively in pursuance of its agreed strategy and it achieves this primarily through its appointment and oversight of the Chief Executive Officer, who in turn directs the Executive team. All Board members are fully canvassed for their views, with time allowed for their contributions to be properly considered. Board members assessed their own knowledge and experience and that of their peers via a skills matrix established the previous year. This included an assessment of key areas such as Corporate Governance, business lines, systems and controls, regulation and culture. Further details of the responsibilities and activities of the Nomination Committee throughout the year are detailed on page 66.

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

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

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

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

Evaluation of Board performance

The Board recognises that it needs to continually monitor and improve its performance. This is achieved through annual Board and Committee performance evaluations, ongoing Board development and full induction of new Board members. In line with the Code recommendation that a Board should hold a regular externally-facilitated evaluation, an evaluation was undertaken during the year by Advanced Board Excellence ('ABE'). ABE does not have any other connection with the Company or Directors and was engaged following a tender process overseen by the Nomination Committee.

The evaluation was designed with the objective of providing an independent assessment of the Company's Board effectiveness and governance, including the effectiveness of its Committees. The review consisted of analysis of the Board and Committee meeting packs, terms of reference, minutes and strategy papers. The process included an online questionnaire and interviews with the Directors, Company Secretary and Chief Risk Officer. ABE also attended a Board meeting to observe the interactions between Directors.

Following the completion of the fieldwork and preliminary findings, ABE presented their findings to the Board in March 2020. Subsequently, their final report was delivered to the Board in May 2020. The conclusions of the review were positive and confirmed that the Board remains effective. All Directors demonstrated commitment to their roles and the boardroom culture was deemed conducive to creating a positive environment for participation and challenge by the Non-Executive Directors. The review identified some opportunities for the Board to enhance its effectivenesss and the resulting areas of focus were summarised as follows: further shaping the appropriateness and effectiveness of Group strategy and agreeing the priorities of the Group for the longer term; continuing to develop and improve the risk processes, risk information and operational resilience; and conducting a review of stakeholder engagement processes. The Board is considering all of the recommendations of the Board evaluation report and the appropriate implementation plan.

Accountability

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

The Risk Committee considers the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives, which are closely supported by the Chief Risk Officer who reports to the Board. Separately, the Board considers a report from the Chief Risk Officer at each Board meeting. Disclosures regarding the assessment of the Group's emerging and principal risks (Provision 28 of the Code) are contained in the Strategic report. Disclosures regarding the risk management and internal control systems (Provision 29 of the Code), and how the Company has taken account of its current position and principal risks (Provision 31 of the Code), are contained in the Risk report. Further details of the responsibilities and activities of the Risk Committee throughout the year are detailed on page 88 of this report.

The Audit Committee considers corporate reporting and internal controls and manages the relationship with the external auditor and internal auditor. Further details of the responsibilities and activities of the Audit Committee throughout the year are detailed on page 60 of this report.

It is recommended that firms allocate responsibility for whistleblowing to a Non-Executive Director. The Audit Committee Chair, Hugh Grootenhuis, therefore acts as the Group's 'Whistleblowing Champion'.

Remuneration

The Remuneration Committee considers and approves the Executive Directors' remuneration arrangements. It ensures 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 68 to 87 of this report.

Relationship with shareholders

The Company places great importance on communication with shareholders and aims to keep shareholders informed by regular communication. Further details of engagement can be found in the stakeholder table in the Directors' Report on page 94.

Regulation

As at 31 March 2020, there were two companies within the Group regulated by the FCA, Charles Stanley & Co. Limited and Myddleton Croft Limited.

Sir David Howard
Chairman
27 May 2020

Audit Committee report

Hugh Grootenhuis
Chair of the Audit Committee

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.

Role and responsibilities

The Committee's responsibilities fall largely into three areas:

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

The role and responsibilities of the Committee are set out in the Terms of Reference which were reviewed by the Committee and last approved by the Board in April 2020. For more information and the Committee's Terms of Reference please visit the Group's website: charles-stanley.co.uk. The Statutory Audit Partner of the external auditor is Simon Ryder from KPMG, who has been the Senior Audit Partner of Charles Stanley since 2016. In adherence with the UK Corporate Governance Code, the Senior Audit Partner is required to rotate after five years in the role and it is anticipated that Simon Ryder will be replaced by Bano Sheikh, subject to KPMG's reappointment by the shareholders at the AGM.

Membership and meetings

The Board is satisfied that the Committee meets the requirement to have recent and relevant financial experience as well as sufficient experience of the wealth management sector. Full membership and attendance details can be found on pages 57 and 58.

"The Audit Committee continues to monitor the integrity of the Group's financial reportings and owns the relationship with the Group's external and internal auditors."

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

1. Accounting, tax and financial reporting

- Reviewed the 2020 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 2020 Interim and Annual financial statements on a going concern basis.

2. Internal controls

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

3. External audit

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

Committee evaluation

As set out in the Committee's Terms of Reference, the Committee is required to undertake a formal and rigorous annual review of its own performance. This year's evaluation was conducted by ABE, as part of the wider externally-facilitated Board evaluation. This entailed a review of meeting materials as well as the Committee's terms of reference. The results from the evaluation were positive, which described the Committee as 'thorough and proactive'. Full details of Board evaluation can be found in the Corporate governance report on page 56.

Internal audit

The provision of internal audit activities is 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 it is able to bring in specialists relevant to the areas being reviewed. It also possesses up-to-date experience of industry best practice which acts as a useful benchmark for the Group. The internal audit function reports directly to the Chair of the Audit Committee. Discussions with the internal auditor, without members of Management present, are also held to provide an opportunity for any concerns to be aired.

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

Audit Committee summary

- The Committee undertook an audit tender involving six audit firms
- Full review of all external financial reporting, including challenge of key accounting judgements
- Direction and oversight of the Group's internal audit programme

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 19 reviews were undertaken by internal audit and reviewed by the Committee. Internal audit fees incurred for this work amounted to £401,000 (2019: £485,000).

External auditor

During the year, the Committee considered the EU requirements for mandatory tendering and rotation of the audit firm and conducted an audit tender process, as KPMG were appointed as the Group's auditors in 2010.

The Committee invited six audit firms to participate in the tender process, with the shortlisted firms being granted access to key Charles Stanley contacts, including Committee members and key Executive Committee members. The meetings allowed the audit firms to learn about the Group's business and the Group to assess the audit firms' capabilities.

The Committee debated the merits of each firm and a final shortlist of two audit firms was presented to the Board, the outcome being that KPMG was considered most favoured. The Committee agreed the relationship with the incumbent auditor was working well, praising KPMG's strong level of scrutiny and robust challenge. Following this, the Board approved the reappointment of KPMG as the Company's auditor and an announcement was made to the market to this effect on 21 November 2019.

The Committee agreed the external audit and assurance fees and reviewed the audit engagement letter, as well as the policy covering the provision of non-audit services and the recruitment of former audit employees. It also had discussions with the external auditor with no Management present to provide an opportunity for any concerns to be aired.

Non-audit services

The Committee recognises the fact that, given their knowledge of the business, there are advantages in using KPMG to provide certain non-audit services on particular occasions. The Group did not engage KPMG to carry out any non-assurance services during the year ended 31 March 2020 or the prior year.

In the event that KPMG is engaged to provide non-audit services, the Committee reviews its 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 2020 (2019: £nil). Further analysis of KPMG's fees by service can be seen in note 8 to the financial statements.

Whistleblowing

The Group has a Whistleblowing Policy in place and the Committee is responsible for reviewing the robustness and adequacy (including independence, autonomy and effectiveness) of the Group's whistleblowing policies and procedures, ensuring that such arrangements allow proportionate and independent investigation of such matters and appropriate follow up action. The Audit Committee Chair, Hugh Grootenhuis, is the Group's 'Whistleblowing Champion'.

Significant accounting areas considered by the Audit Committee

The Committee has appropriately challenged the assumptions and estimates applied by management in preparing the FY 2020 consolidated financial statements. The following significant accounting issues were identified and evaluated by the Committee:

- Going concern and long-term viability
- Impairment of goodwill
- Impairment of other intangible and non-financial assets
- Financial assets at fair value through other comprehensive income
- Corporate transactions
- Pension scheme deficit

Impairment of goodwill

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

Goodwill is valued on the balance sheet at £13.8 million (2019: £14.1 million) and is detailed in note 14. During the year, there was an impairment of £0.3 million in relation to the Isle of Wight office which has been closed and is therefore no longer a separately identifiable cash generating unit ('CGU'). Its clients are now looked after from our Southampton and London offices.

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, £8.5 million (2019: £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 (2019: £5.3 million) of the goodwill balance. This business comprises our online Execution-only platform and the direct Execution-only service, together considered a CGU.

Management assessed the carrying value of goodwill attributable to Charles Stanley Direct by reference to its improved financial performance and 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 £6.2 million as at 31 March 2020 (2019: £4.0 million). The hiring of individuals or teams of senior investment managers and financial planners requires a value to be attributed to the client lists that they bring to the Group. Client list additions of £3.5 million were recognised in the year in connection with the acquisition of Myddleton Croft Limited, the acquisition of the client list of Full Circle, and hiring of new senior individuals within the Investment Management Services and Financial Planning divisions. These intangible assets are amortised over their useful life, generally a period of ten years, which the Committee considers appropriate. The amortisation charge for the year amounted to £1.5 million (2019: £2.0 million).

The Committee has looked for evidence of impairment arising from the loss of clients or FuMA, especially in light of the fall in market values towards the end of the year. 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. After careful consideration the Committee has not found reason for Management to reflect any impairment in the carrying value of these intangible assets.

Financial assets at fair value through other comprehensive income

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

Upon review of the valuations derived from various methodologies, the carrying value of the Group's holding in Euroclear was based on price earnings multiples observed for comparable listed entities and applying a discount to reflect the illiquidity of Euroclear shares. The Committee has noted the results of the valuation exercise and concludes that the investment's new carrying value of £4.5 million (2019: £2.6 million) is appropriate.

Corporate transactions

On 1 August 2019, the Group acquired 100% of the share capital of Myddleton Croft Limited, a private client business based in Leeds. The initial consideration paid on completion was £0.8 million with a further £0.2 million paid in October 2019 for net assets which substantially comprised of cash. Contingent consideration based upon future revenues, which is reassessed at each reporting period, of £0.8 million has been provided for on the balance sheet and the amounts payable are due in October 2020 and 2021.

Pension scheme deficit

The Group's defined benefit scheme was closed to future service accruals as at 31 March 2016. The latest full triennial valuation was carried out on 13 May 2017 and a new statement of funding principles was agreed with the scheme trustees. Based on the latest IAS 19 actuarial valuation, which takes into account the latest triennial valuation, the pension fund showed a deficit position of £5.1 million at 31 March 2020 (2019: £6.8 million) and this is further detailed in note 12. The Committee has reviewed the actuarial valuation report prepared by the actuaries and is in agreement with the year-end deficit position on the basis of the assumptions made which it believes are reasonable.

Going concern and long-term viability

The Committee reviewed a detailed paper presented by Management setting out the assumptions underlying the going concern and viability statements. The paper covered the Group's expected future profitability, dividend policy, capital position and liquidity. The Committee also considered additional stress test scenarios both of a prolonged downturn in capital markets and of a resurgence of the COVID-19 pandemic. Idiosyncratic liquidity stress tests were overlaid. The assumptions upon which the scenarios were modelled were based on management's own judgements, taking account of external research, including a more pessimistic view than taken by the 'Rates Down' guidance provided by the Bank of England. The Committee also reviewed Management actions that might be taken in the event either of these scenarios played out. The Committee reviewed reports from Management concerning the operational resilience of the business having efficiently converted to remote home working in compliance with Government advice. Finally, the Committee reviewed a reverse stress test analysis to consider the length and depth that a recession would have to extend to cause the Group to become insolvent.

Based on the work performed, and having regard to the actions already taken by Management in response to the COVID-19 pandemic, the Committee concluded that there was a reasonable expectation that the Group will have adequate resources to continue in operational existence for the period of 12 months from the date of signing the accounts and be able to meets its liabilities as they fall due. Accordingly, the Committee reported to the Board that the financial statements should be drawn up on a going concern basis.

The Committee also concluded that on the basis of the medium term business plans, stress test scenarios, additional liquidity stresses and reverse stress test modelling, and taking account of the different paths for the economic impact of the COVID-19 pandemic, government regulations concerning containing the spread of the virus and the government and monetary authorities' support actions for the economy generally, the Directors may have a reasonable expectation that the business will remain viable over the period of the projections.

Post balance sheet events

The Committee considered whether there had been any post balance sheet events that might give rise to the need to adjust the financial statements or basis of preparation. In particular, it considered the implications of the COVID-19 pandemic on the preparation of the accounts. The Committee recognised that the pandemic had taken hold ahead of the financial year end and that its impact was therefore already reflected in the Group's trading and year end balance sheet. The Committee also considered the ongoing implications of the pandemic on going concern and viability as set out above.

Separately the Committee reviewed how the assumptions underlying the valuation of the Pension Scheme may have changed since the year end. In particular the Committee reviewed movements in the long term corporate bond yield which have compressed since 31 March 2020 by approximately 0.7%. The Committee considered the impact this might have on the assessed liabilities of the Scheme and noted that a 0.25% decrease in the discount rate is estimated to give rise to a 4.3% increase in the liabilities. The Committee took into account that the Scheme invests part of its investment portfolio in liability driven investments which help to hedge against such movements. The Committee concluded that no post balance sheet date disclosure was necessary to the Group's financial statements as at 31 March 2020.

After due enquiry the Committee did not identify any other actual or potential material adjusting events prior to the signing of the annual accounts.

Approval

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

Hugh Grootenhuis
Audit Committee Chair
27 May 2020

Nomination Committee report

Sir David Howard
Chairman of the Nomination Committee

The Nomination 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.

Role and responsibilities

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

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

Membership and meetings

Full membership and attendance details can be found on pages 57 and 58.

Main activities during the year

Under Provision 21 of the Code, FTSE 350 companies should have an external evaluation at least once every three years. Being a FTSE small-cap firm, Charles Stanley is not bound by this, however the Board recognises that external facilitation can add value by introducing a fresh perspective, new ways of thinking and a critical eye to Board composition, dynamics and effectiveness. Therefore, during the year the Company engaged an external evaluator (ABE) to assess the effectiveness of the Board as recommended by the Code. The conclusion reached through undertaking this exercise was that the Board remains effective and no immediate changes are required. Further details on how the evaluation was conducted, the nature and extent of ABE's contact with the Board and other senior stakeholders, and the outcomes and actions taken, can be found in the Corporate governance report on page 56.

"The Nomination Committee supports the Group's aim to have the appropriate level of diversity on the Board in order to provide a broader perspective to decision-making, while remaining committed to ensuring appointments are ultimately made on merit."

The Company has succession plans in place for the Board and the Executive Committee, to ensure that there is an appropriate balance of skills and experience within the Board. The Board also considered that its succession plan addresses all of the possible different time horizons. The Nomination Committee supports the Group's aim to have the appropriate level of diversity on the Board in order to provide a broader perspective to decision-making, while remaining committed to ensuring appointments are ultimately made on merit. The Board comprised 29% female membership as at 31 March 2020. Although this falls short of the target set out in the Hampton-Alexander Review, which recommends 33% female representation, we note that this is a target for FTSE 350 Companies. As a FTSE small-cap firm we agree with the view expressed by ABE in its report that 'there is reasonable gender balance on the Board'.

The Committee has assessed what skill set is required for the Board and its Committees. It has processes in place to reassess the make-up of the Board as a result of emerging trends and to keep up with the pace of change. The Committee is of the view that a diverse Board is to be encouraged, not for its own sake but insofar as this improves its effectiveness collectively. The Committee takes an active role in setting and monitoring diversity objectives and strategies undertaken by CSC (for example, in relation to the HM Treasury Women in Finance Charter, which focuses on gender diversity). Further details on other dimensions of diversity are included in the ESG report on page 47, which also mentions the gender balance of those in Senior Management.

Sir David Howard
Nomination Committee Chairman
27 May 2020

Directors' remuneration report

Bridget Guerin
Chair of the Remuneration Committee

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.

The attendance of the Remuneration Committee is on page 57.

Performance outcomes

As you will have read in the Strategic report, the results for the year were strong. Both revenues and underlying profitability have grown significantly.

Activity

To reflect expectations within the Corporate Governance Code, the Committee's terms of reference were updated to give the Committee increased oversight of pay at Executive Committee level. Post-termination shareholding requirements together with nominee accounts for Executive Directors have been introduced for future awards, as explained in the Directors' Remuneration Policy section and the policy summary table.

As intimated in last year's report, we put our relationship with remuneration consultants out to tender for the first time in several years and we appointed Aon who took over from FIT on 5 June 2019.

The Committee has expanded its role in reviewing workforce remuneration and related policies. Further information on this work is set out on page 70.

The Committee seeks to build an active and productive dialogue with shareholders in any year where there are material changes to the Group's executive pay arrangements. No wide-scale shareholder engagement has been required this year since the only policy change has been to strengthen the Directors' Remuneration Policy with the introduction of a post-termination shareholding requirement to increase shareholder alignment.

"The only policy change has been to strengthen the Directors' remuneration policy with the introduction of the post-termination shareholding requirement to increase shareholder alignment."

Remuneration outcomes

After careful consideration, the Remuneration Committee agreed that the calculation for determining the Group Discretionary bonus pool for the year ending 31 March 2020 would, as in previous years, be based on underlying profit prior to the deduction of the bonus pool and the share-based payment charges relating to one-off awards granted to employed investment managers in 2017. They agreed that, as in the previous two years, 23% was the appropriate percentage.

Annual bonuses for the Executive Directors were determined by the Committee based on an assessment of performance relative to KPIs, which are selected to achieve a direct relationship between progress towards the Group's financial targets and strategic goals and the bonuses that are awarded. The maximum annual bonus for each individual Executive Director is 150% of base salary. Although good performance was delivered particularly on the revenue and profit objectives, the Committee used its discretion to reduce the final outcome to take account of overall Group performance and exceptional events at and following the year end particularly to the COVID-19 pandemic to make a downward adjustment for both Executive Directors. As a result, the Chief Executive Officer was awarded a payout of £300,000 (52% of the maximum bonus opportunity and 78% of salary) and the Chief Financial Officer was awarded a payout of £195,000 (50% of the maximum and 74% of salary).

The improvement in underlying profitability achieved during FY 2020 resulted in the underlying earnings per share (EPS) target attached to the July 2017 Performance Share Plan (PSP) awards being partly met. The profit margin threshold however was not met. This resulted in vesting of 15% of the maximum eligible shares.

It is intended that Executive Directors will receive further awards under the PSP in June 2020. The Committee considered carefully the award level and determined that a reduced award with a face value of approximately 80% of salary for the CEO and CFO would be made (against a policy maximum of 100% of salary). Due to the turbulence in financial markets at the present time, it is intended to postpone the setting of the performance ranges of the performance conditions for up to six months from the grant date.

In the annual salary review, great care was taken to consider the market as a reference point for the Executive Directors. A 2% increase was applied to the CEO's salary, which was in line with the general workforce award, and a 2.7% increase was applied to the CFO to bring his salary towards alignment with the market. The increases were effective from 1 October 2019.

As previously set out, Gary Teper stepped down as a Director in May 2019. Reflecting his notice period, he received six months of salary and benefits, totalling £168,298, and a redundancy payment of £155,100 after 20 years' service. He was not paid a bonus for FY 2020. His share plan awards have been pro-rated in accordance with the plan rules and the Remuneration Committee exercised its discretion to permit the deferred bonus awards to vest on termination. Further information is set out on page 83.

I very much hope that you will be able to support the resolution to approve the Directors' Remuneration Report at the forthcoming AGM.

Bridget Guerin
Remuneration Committee Chair
27 May 2020

Directors' remuneration summary

- Balanced scorecard for Executive Directors' bonuses, providing a link between financial targets and strategic goals and variable pay
- Discretion applied to reduce Executive Directors' bonuses due to COVID-19 and market volatility
- Post-termination shareholding requirements introduced for Executive Directors' future awards

Reporting requirements

We have presented this report to reflect the reporting requirements on remuneration matters for companies, particularly the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and related updates. The Report also describes how the Board has complied with the provisions set out in the UK Corporate Governance Code 2018 relating to remuneration matters.

As no changes are proposed to the existing Directors' Remuneration Policy ('the Policy'), only one remuneration resolution will be tabled at the 2020 AGM – that is, an advisory vote on the Implementation report section of this report. The auditors have reported on certain parts of this report and stated whether, in their opinion, those parts of the report have been properly prepared in accordance with the Companies Act 2006. Those sections of the report which have been subject to audit are clearly indicated with the phrase 'audited information' in the section heading.

Directors' Remuneration Policy

This section of the Remuneration report contains a summary of the Company's Directors' Remuneration Policy which governs the Company's approach to remuneration for the Executive and Non-Executive Directors. Following a remuneration review conducted by the Committee, a revised Policy was approved by shareholders at the AGM on 24 July 2018. The Policy applied from its date of approval and is intended to remain in place for a maximum of three years. That said, the Remuneration Committee keeps the Policy under review to ensure that it continues to remain appropriate.

Reflecting changes in the Corporate Governance Code, an adjustment was made to the Policy in the past year. Shares granted to Directors from 1 April 2020 will be placed into a nominee account and a post-termination Share Ownership Requirement (SOR) applies, with a requirement to hold the lower of the SOR during service (shares building up to the value of 100% the director's salary) or the shareholding achieved at termination for the first year after termination of service, reducing to 50% of this amount for the second year after termination of service.

The Policy can be found in full at charles-stanley.co.uk/investor-relations/corporate-governance. The Policy summary is on pages 72 to 73 of the Annual Report.

Remuneration policy and principles

The Remuneration Committee aims to align our Executive Directors' remuneration 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 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.

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

When setting Executive Directors' remuneration, the Committee takes into account Group-wide pay and employment conditions, along with market and commercial factors. 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 market data provided by professional remuneration experts. The policy is to align pension contributions for new Executive Directors with the workforce. The rate of pension contribution for the workforce is 10%. 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 awarded.

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 to participate in the PSP. However, all employees are eligible to participate in the all-employee share schemes. These are described in the Policy.

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

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

The Policy and the FCA Remuneration Code

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

Policy summary

The main elements of the Policy, as well as how the Policy was implemented during the year, are summarised below. An increase in post-termination shareholding requirements was introduced and included:

Element and purpose	Key features	Implementation in FY 2020	Implementation in FY 2021
Base salary This is the core element of pay and reflects the individual's role and position within the Group, with some adjustment to reflect their capability and contribution	Base salaries are considered with account taken of levels paid by companies of similar size, complexity and challenge. However, the Committee does not strictly follow benchmark data but instead uses it as a reference point in considering, in its judgement, the appropriate level having regard to other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities. Base salaries are intended to increase in line with inflation and general employee increases in salary.	Salary increases implemented effective 1 October 2019: Paul Abberley: £382,500 (2019: £375,000) Ben Money-Coutts: £262,000 (2019: £255,000) The CEO had an inflationary 2% increase. The CFO had a 2.7% increase. Market data was consulted and advice was taken from the Remuneration Committee's external advisers, Aon.	Any base salary increases will normally take effect at the time of general workforce salary amendments. This is typically from 1 October.
Benefits To provide other benefits valued by recipient	Details of the current benefits provided can be found in the Implementation of policy column. The Committee reserves discretion to introduce new benefits where it concludes that it is in the interests of the Group to do so, having regard to the circumstances and to market practice.	The benefits received by the Executive Directors comprise a car allowance, private medical cover, private health insurance and death in service benefits and a mobile and/or iPad. Executive Directors received benefits to the following total values: Paul Abberley: £11,631 Ben Money-Coutts: £11,631	No changes proposed.
Pension To aid retention and remain competitive within the market place	Contributions made into Executive Directors' personal pension plans, or a cash supplement of equivalent value paid in lieu of pension contribution. Maximum contribution of 20% of salary for current Executive Directors.	Paul Abberley: 20% of salary Ben Money-Coutts: 20% of salary	No changes proposed to existing Directors' pension arrangements. When setting the pension arrangement for a new Executive Director we will seek to align the level of pension benefit with that awarded to other employees in the Group which is 10% of salary.
Annual bonus To incentivise Executive Directors to deliver against annual performance targets	An annual bonus pool is calculated for the Group as a whole from which to remunerate all staff who are not subject to formulaic bonuses. The size of this pool is determined as a percentage of underlying PBT. No Executive Director may receive a bonus in excess of 150% of their salary under this plan. A target bonus is 40% of the maximum i.e. 60% of salary. Any bonus earned in excess of 50% of salary under the bonus plan is to be deferred into shares for a period of three years. Malus and clawback provisions apply. For awards made after 1 April 2020, these shares will form part of the post-employment minimum shareholding requirements.	The aggregate bonus for the past financial year was calculated as 23% of pre-bonus and pre-investment management share awards underlying PBT for the whole Group (against a limit of 30%). Individual payments were calculated on performance against financial targets and individual objectives. Individual awards were: Paul Abberley: £300,000 (78% of salary) Ben Money-Coutts: £195,000 (74% of salary)	Maximum opportunity continues to be 150% of salary. Individual payments will be awarded based on performance against Group financial and individual objectives. Given the nature of these targets, they are considered commercially sensitive and are accordingly not disclosed in this report (although they relate to their contributions to delivering the targeted further improvement in profitability and the delivery of the detailed plans built to guide the implementation of the corporate strategy). Further information regarding these targets will be included in next year's report.

Element and purpose	Key features	Implementation in FY 2020	Implementation in FY 2021
Long-term incentives To incentivise delivery of sustained performance over the long-term, the company operates the Charles Stanley Performance Share Plan	Awards under the PSP may be in the form of nil-cost options, conditional awards (rights to receive shares for nil-cost) or cash-based 'phantom' awards. The formal limit under the PSP is 100% of salary (and 200% in exceptional cases). Awards will be subject to a further two-year holding period after the vesting date. Malus and clawback provisions apply. For awards made after 1 April 2020, these shares will form part of the post-employment minimum shareholding requirements.	The July 2017 PSP awards vested at 15% of the maximum. Further information is provided in the Implementation report. 2019 PSP awards were made at 80% of salary to the Executive Directors. Vesting is dependent on performance against underlying EPS (50%) and margin (50%) targets.	2020 PSP award proposed to be made at approximately 80% of salary to the Executive Directors. Vesting dependent on performance against underlying EPS (50%) and margin (50%) targets (see page 85).
Share Ownership Requirement during service To encourage share ownership by the Executive Directors and ensure their interests are aligned with those of investors	Executive Directors are required to retain 50% of shares (net of tax) which vest under the PSP or bonus deferral, until such time that they hold the specified value of shares. These restrictions do not apply to other Charles Stanley shares that they may own.	100% of salary for the Executive Directors.	As for 2019/20 but with build up to 100% of salary for Executive Directors now a Share Ownership Requirement (SOR) with nominee accounts for shares granted to directors from 1 April 2020.
Share Ownership Requirement post-termination To encourage share ownership by the Executive Directors and ensure their interests are aligned with investors post-termination	Shares granted to directors from 1 April 2020 will be placed into a nominee account and a post-termination Share Ownership Requirement (SOR) applies with a requirement to hold the lower of the SOR during service (shares to the value of 100% the director's salary) or the shareholding achieved at termination for the first year after termination of service reducing to 50% of this amount for the second year after termination of service.	N/A	Policy introduced from 1 April 2020.
Non-Executive Director fees	The fees paid to the Non-Executive Directors aim to be competitive with other fully listed companies which the Board consider to be of equivalent size and complexity. Fee levels for Non-Executive Directors are reviewed annually in October and are only expected to increase in line with market norms and to take account of additional time commitments and responsibilities. Additional fees are paid to Non-Executive Directors who chair a Board committee or who have other additional responsibilities (such as being Senior Independent Director). Non-Executive Directors may also receive benefits within prescribed limits as to value.	Sir David Howard receives an annual fee of £125,000 as Non-Executive Chairman of Charles Stanley Group PLC. Sir David is Chairman of the Nomination Committee of Charles Stanley Group PLC, for which he receives no additional fees. The following fee structure was in place for the other Non-Executive Directors: Base fee: £45,000 per annum Additional fees for: Senior Independent Director: £8,500 per annum Additional fee for chairing one of the Board committees (Audit, Remuneration and Risk): £8,500 per annum. Andrew Didham received an additional annual fee of £40,000 as independent Non-Executive Chair of Charles Stanley & Co. Limited.	Any fee increases will normally take effect at the time of general workforce salary amendments. This is typically from 1 October. No increases were made in October 2019.

Staff remuneration and benefits are described in the introduction to the Directors' Remuneration Policy.

Discretions retained by the Committee in operating the incentive plans

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

- The selection of participants
- The timing of grant of an award/bonus opportunity
- The size of an award/bonus opportunity (subject to the overall plan limits set out in the policy table)
- The setting of PSP and bonus performance targets and the determination of performance against such targets and resultant vesting/bonus payouts
- Discretion required when dealing with a change of control or restructuring of the Group
- Determination of the treatment of leavers based on the rules of the plans and the appropriate treatment chosen
- Adjustments required in certain circumstances (for example, rights issues, corporate restructuring events and special dividends).

Under the rules of both the PSP and the 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.

Directors' service contracts

Executive Directors

The current Executive Directors have service contracts containing a notice period of six months and a payment in lieu of notice clause limited to base salary only. There are no other special provisions in these contracts relating to compensation for loss of office nor are there any clauses in contracts amending employment terms and conditions on a change of control. All of the Company's share schemes contain provisions relating to a change of control.

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

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

Executive Directors are subject to annual re-election. Executive Directors may take on external appointments, subject to prior approval by the Board. The fees from such appointments (where relevant) are retained by the Director concerned.

Non-Executive Directors

The Non-Executive Directors do not have service contracts, but instead have detailed job descriptions covering each aspect of their role (for example, Committee Chairmanships or specific roles or duties) and Letters of Appointment for an initial three-year term, subject to annual re-election by the Company's shareholders. Either party can terminate the Letter of Appointment on giving three months' written notice. There are no special provisions in the Letters of Appointment for compensation in the event of loss of office.

Implementation report – unaudited information

Remuneration Committee's main responsibilities during the year

The Committee is a Joint Committee reporting to the Boards of both Charles Stanley Group PLC and Charles Stanley & Co. Limited. The Committee comprises three independent Non-Executive Directors and is governed by formal terms of reference, which are reviewed and agreed annually by the Board. The terms of reference of the Committee are available on the Group's website. During the year ended March 2020, and in the preparation of this report, the Committee's main responsibilities were:

- Agreeing the performance targets and payouts for the Executive Director annual bonus awards payable in June 2020
- Agreeing the population, award levels and performance targets for the 2020 PSP awards
- Approving the Directors' Remuneration report for the 2020 Annual report and accounts
- Considering Executive Director base salary levels from 1 October 2019
- Receiving an update on the Group employee pay schemes and conditions and share plans
- Reviewing Gender Pay Gap calculations and agreeing disclosures
- Reviewing the various changes to the regulatory environment including the new Corporate Governance Code and the Senior Managers and Certification Regime
- Reviewing the Remuneration Committee Terms of Reference.

During FY 2020, seven Committee meetings were held and details of attendance at meetings are set out in the Corporate governance report on page 56. None of the Committee members have 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/her own specific remuneration.

How the Remuneration Committee sought advice

The Committee received independent remuneration advice during the year from its newly-appointed advisers, Aon, as well as FIT Remuneration Consultants LLP (FIT), who assisted with the 2019 year end. Both are members of the Remuneration Consultants Group (the professional body for such consultants) and adhere to its code of conduct. Aon provided remuneration benchmarking services via its McLagan subsidiary and the Committee was satisfied that the advice of both was objective and independent. FIT provided no other services to the Group. Aon's fees in respect of 2020 were £44,759. FIT's fees in respect of 2020 were £29,700 (2019: £24,789). Fees were charged on the basis of the firm's standard terms of business for advice provided. The Committee also consulted with Sir David Howard and Paul Abberley (save in respect of matters relating directly to their own remuneration) and the Group's HR function.

How remuneration compares to other payments

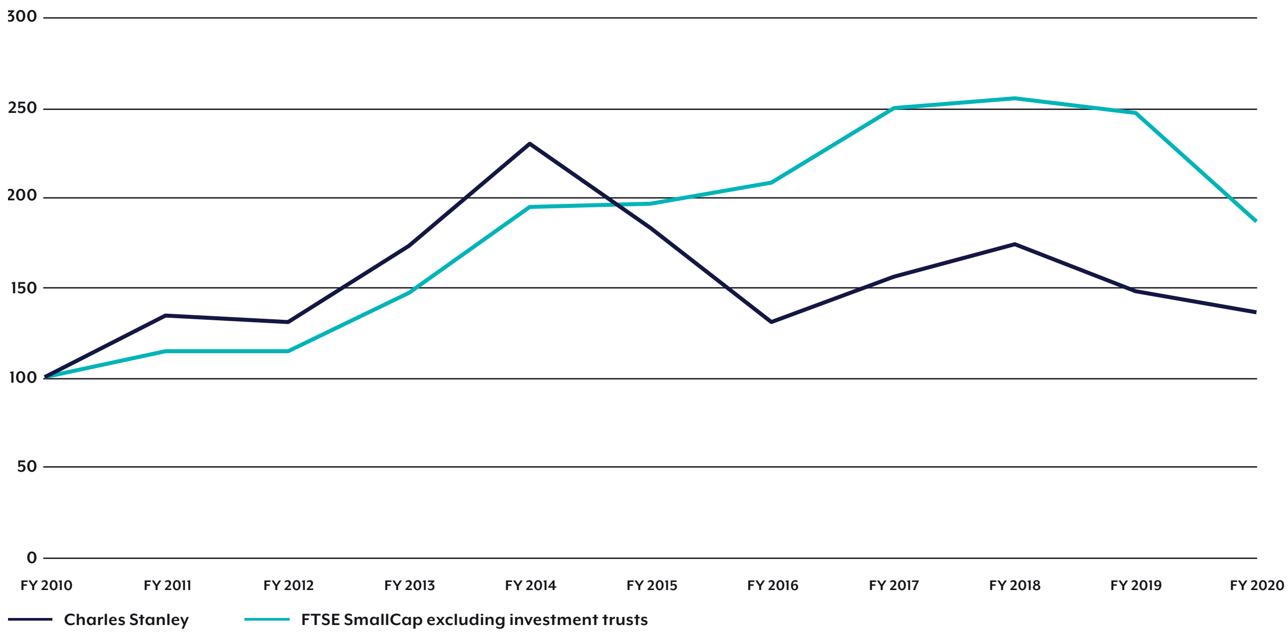
The table below shows the total pay for all of Charles Stanley's employees compared to other key distributions made by the Company during the financial year:

	2020	2019	Change
Employee costs	**£60,221,964**	£60,704,612	-0.8%
Dividends	**£4,574,116**	£4,187,369	9.2%

Review of past performance

The graph below shows the value at 31 March 2020, on a total shareholder return basis, of £100 invested in the Company on 31 March 2010 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 2010.

The table below shows the total remuneration figure for Sir David Howard and Paul Abberley over the same ten-year period. The total remuneration figure includes the annual bonus paid in each of these years. The Regulations require this table to state the proportion of annual bonus paid and long-term incentive vesting in each relevant year as a percentage of the maximum available. However, the Group did not operate with a maximum bonus opportunity until 2015. Consequently, we have included the total remuneration in each of the relevant years, while also setting out details of the bonus each received based on performance in these years.

These amounts are calculated using the same methodology as that used to produce the single total 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 five-year period for Sir David Howard.

Audited information:

Financial year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
CEO	Paul Abberley	Paul Abberley	Paul Abberley	Paul Abberley	Paul Abberley	Sir David Howard	Sir David Howard	Sir David Howard	Sir David Howard	Sir David Howard
Total Remuneration	**£785,000**	£749,000	£640,000	£552,000	£372,094	£290,173	£413,639	£430,878	£610,409	£448,950
Annual bonus	**£300,000**	£230,000	£207,811	£180,000	£nil	£nil	£72,800	£89,200	£85,400	£85,400
Annual bonus % of maximum (under current policy)	**52%**	41%	–	–	–	–	–	–	–	–
PSP (% of max)	**15%**	38%	0%	0%	–	–	–	–	–	

Paul Abberley became Chief Executive during the 2014-15 financial year, in December 2014.

How any change in pay of the Chief Executive Officer between 2019 and 2020 compared to the wider workforce
In accordance with regulations, we disclose the percentage change in 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	2%[1]	(1.1%)	30%
All-employee average	2%	1%	43%[2]

1. Paul Abberley's salary earnings increased from £362,500 to £378,750 in the financial year. His most recent salary increase, in October 2019, is noted in the Policy summary earlier in this report. His previous increase was in October 2018.
2. Percentage change in respect of the Group's discretionary bonus pool available for distribution.

Chief Executive Officer (CEO) pay ratio

The table below sets out the ratios of the CEO single total figure of remuneration to the equivalent pay for the lower quartile, median and upper quartile employees (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Requirements 2018 (the Regulations), which apply for the first time to Charles Stanley's financial year ending 31 March 2020. These pay ratios form part of the information that is provided to the Committee on broader employee pay policies and practices.

The Regulations provide flexibility to adopt one of three methods of calculation; the ratio has been calculated using Option A which is a calculation based on all UK employees on a full-time equivalent basis. To calculate the ratio, the total remuneration figure, comprising base salary, benefits, pension, bonus and long-term incentives, and any one-off payments such as recognition awards or sign-on bonuses, for all UK employees was calculated for the year ending 31 March 2020, in line with the same reporting regulations that apply to the Executive Directors. Full-time equivalent figures are calculated on a pro-rated basis. All UK employees were ranked by their total remuneration as at 31 March 2020. From this the three individuals at the 25th, 50th and 75th percentiles (known in the reporting regulations as P25, P50 and P75, respectively) were identified. The single figures for the P25 (lower quartile), P50 (median) and P75 (upper quartile) employees are known as Y25, Y50 and Y75, respectively. The CEO pay is as shown in the single total figure of remuneration table, on page 77.

Annual bonus has not been calculated using the statutory method for single-figure pay. Instead, bonus earned in the prior financial year was used (except for the CEO). The reason for this is that the annual bonus results will not be known in time to calculate the ratio. Based on a sample, the impact of estimated bonus figures rather than actual is expected to be limited.

The median ratio is consistent with Charles Stanley's pay, reward and progression policies for employees which relate pay levels to performance and market benchmarks. All of our employees participate in bonus and share-based longer-term incentives in order to incentivise performance and create alignment with shareholders. Under our policy in line with practice in our sector, the extent to which total pay is dependent on performance is linked to seniority, with more senior roles having higher levels of variable remuneration, ensuring their pay is more dependent on company performance and has the greatest alignment with shareholders.

In FY 2020, 38% of the single figure for the total remuneration of the Chief Executive was delivered through performance-related pay. The performance-related pay is directly linked to the Company's financial and operational performance. Each of the P25, P50 and P75 employees is entitled to receive an annual bonus that is subject to service conditions and is invited to participate in the Share Incentive Plan ('SIP') and Save As You Earn ('SAYE') share schemes on the same terms as the CEO.

	CEO	25th (lower quartile)	50th (median)	75th (upper quartile)
Salary (£000)	**379**	**37**	**40**	**93**
Total remuneration (£000)	**785**	**44**	**61**	**121**
CEO pay ratio	**–**	**18:1**	**13:1**	**7:1**

How our shareholders voted

Of the 86.2% of the issued share capital votes cast to approve the Directors' remuneration report for the year ended 31 March 2019 at the 2019 AGM held on 10 July 2019:

	For		Against		Total votes	% of ISC	Votes withheld
	No. of Shares	% of total	No. of Shares	% of total			
Directors' remuneration report	43,726,702	99.95	23,048	0.05	43,749,750	86.2	2,354

Implementation report – audited information

What the Directors earned in financial years ending 31 March 2020 and 2019

2020	Salary/Fees £000	Benefits £000	Annual bonus £000	Long-term incentives[2] £000	Pension £000	Other £000	**Total £000**
Executive Directors							
Paul Abberley	379	12	300	18	76	–	**785**
Ben Money-Coutts	258	12	195	18	52	–	**535**
Gary Teper[1]	170	19	–	12	34	155	**390**
Non-Executive Directors							
Marcia Campbell	53	–	–	–	–	–	**53**
Andrew Didham	93	–	–	–	–	–	**93**
Bridget Guerin	53	–	–	–	–	–	**53**
Hugh Grootenhuis	53	–	–	–	–	–	**53**
Sir David Howard	125	2	–	–	–	–	**127**
Total	**1,184**	**45**	**495**	**48**	**162**	**155**	**2,089**

1. For Gary Teper, salary and benefits in this table include £168k of salary and contractual benefits for notice period. 'Other' includes a redundancy payment of £155k.
2. There is a requirement to state any benefit relating to share price appreciation and long term incentives. There has been no appreciation to date. The awards were granted at a share price of 362.5p in June 2017. They vest in June 2020. The notional values relate to the average daily closing share price (299.0p) in the final three months of the performance period (January to March 2020), multiplied by the number of shares that will vest (see PSP - audited information).

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

Benefits

The benefits received by Executive Directors comprise a car allowance and private medical cover and death in service benefit.

For the Non-Executive Directors, amounts reported relate to expenses such as travel and accommodation expenditure incurred on Group business. These payments are the reimbursement of expenses and not benefits per se. Sir David Howard was a member of the defined benefit pension scheme in his previous role as CEO; no contributions have been made on his behalf in the financial year. The increase in his transfer value is set out in the pensions table.

Annual bonus outcomes for 2020

The overall size of bonus pool available for distribution to all participants in discretionary bonus arrangements, including the Executive Directors, is up to 30% of (pre-bonus) underlying PBT.

The financial results reflected an improved underlying PBT figure and revenues which were above target. However, net new business decreased during the year. The Committee determined that the bonus pool should be limited to 23% of (pre-bonus) PBT, the same level as for the previous two years.

Annual bonuses for the Executive Directors are determined by the Committee based on an assessment of performance relative to KPIs, which are selected to achieve a direct relationship between progress towards the Group's financial targets and strategic goals and the bonuses that are awarded. The maximum annual bonus for each individual Executive Director is 150% of base salary.

For the financial year ended 31 March 2020, the bonus award opportunity for on-target performance was 40% of the maximum i.e. 60% of base salary, in line with our Directors' Remuneration Policy. On-target ratings for each component therefore lead to a potential payout of 40% of the maximum for that component; the emphasis is on results above target. The Committee has the discretion to adjust the final outcome to take account of overall Group performance and exceptional events and this year used this discretion to make a downward adjustment for both Executive Directors. The rationale is explained below.

KPI	Performance measure	Weighting	Threshold performance	On-target performance	Stretch performance	Result	% of target achieved	Payout (% of max)	Paul Abberley	Ben Money-Coutts
Financial	Underlying PBT v budget	40%	£9.4m	£11.8m	£14.1m	£17.3m	147%	100%	£229,500	£157,200
	Revenue v budget	10%	£135.8m	£169.7m	£203.6m	£173.0m	102%	46%	£26,282	£18,002
	Net FuMA growth	10%	2.3%	2.9%	3.5%	-6.6%	0%	0%	£nil	£nil
Non-financial	Clients	10%	On a scale of 1 to 5, both rated as 3					40%	£22,950	£15,720
	Colleagues	10%	On a scale of 1 to 5, both rated as 3					40%	£22,950	£15,720
	Strategic and other KPIs	20%	On a scale of 1 to 5, both rated as 3					40%	£45,900	£31,440

	Paul Abberley	Ben Money-Coutts
Formula-based result	£347,852	£238,082
% of maximum	61%	61%
Adjustment to a final award of	**£300,000**	**£195,000**
Discretionary reduction by committee %	-14%	-18%
Award as % of maximum possible award	**52%**	**50%**
Award as % of salary	78%	74%
Paid in June 2020	£191,250	£131,000
Deferred into Shares	£108,750	£64,000

Performance in relation to non-financial criteria

Clients

Client engagement survey results were outstanding once again. We were a participating firm in the Scorpio Partnership 2019 UK Client Experience Syndicated Benchmark study which presents an overview of the UK wealth management client journey through the lens of the client. Out of ten firms whose clients were surveyed, we came top for overall client satisfaction.

The KPI rating for both Executive Directors was set at 3 out of 5 by the Committee, bearing in mind the difficult end to the financial year for many investors, due to the effects of the COVID-19 pandemic on financial markets and clients' investments.

Colleagues

The December 2019 staff engagement survey results of 75% (December 2018: 76%) are upper quartile when measured against the FTSE 350 and selected financial services businesses. Both Executive Directors received an on-target rating of 3 out of 5 for this result.

Strategic and other KPIs

As well as performance being assessed against their complex role descriptions, both Executive Directors were set personal objectives specific to the financial year.

Paul Abberley was to deliver successfully major transformation projects relating to: the review of each of the revenue generating teams to improve the profit margin of those teams operating below the Company's target return, the standardising of the operating model across teams and an overhaul of the IT delivery model. A profitability improvement plan has been developed for all the revenue-generating teams that fell below the firm's medium term target profitability margin and is on course for implementation. The standardisation of the operating model has made steady advancement with the creation of a middle office. The transformation of IT delivery is on course, with extensive outsourcing due from mid-2020.

Ben Money-Coutts was to support the transformation projects, revise our liquidity management framework and manage effectively the Supervisory Review and Evaluation Process (SREP) ICAAP process. He supported the successful transformation processes by providing appropriate financial frameworks. He delivered further enhancements to the firm's liquidity management framework and led the further development of the firm's ICAAP process. Additionally, he led engagement with shareholders ensuring effective and appropriate two-way communication and delivered appropriate financial management information to guide the continuing successful delivery of the corporate strategy.

Both directors were awarded an on-target rating of 3 out of 5 for their performance against these KPIs.

Bonus outcomes

Remuneration Committee discretion was applied to the balanced scorecard outcome, recognising that the outcome was merited for performance during the year but, given the COVID-19 pandemic and resulting market volatility and impact on year end FuMA, together with the uncertain outlook for the economy, it was appropriate to apply a downwards discretionary adjustment. The bonuses were therefore adjusted downwards to £300,000 (14% reduction) for Paul Abberley and £195,000 (18% reduction) for Ben Money-Coutts. These awards will be paid partly in cash and partly in shares with £108,750 for Paul Abberley and £64,000 for Ben Money-Coutts to be deferred into shares for a period of three years. Those sums represent the bonus element above a level of 50% of salary.

Pensions – audited information

Current Executive Directors are eligible to participate in money purchase arrangements. Both take the pension contribution as a cash allowance. No retirement benefits are accruing in respect of qualifying services for current Executive Directors. Details of the levels of pension arrangements can be found in the summary policy table on pages 72 to 73.

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 the pension from it. Instead his pension entitlement is accumulating by a figure determined according to advice and calculations provided by the scheme's actuaries.

	Increase in accrued pension excluding inflation £000	Transfer value of increase £000	**Accrued pension 2020 £000**	Accrued pension 2019 £000	**Transfer value accrued pension 2020 £000**	Transfer value accrued pension 2019 £000	Increase in value of Director's benefits £000
Sir David Howard	—	—	**204**	192	**3,487**	3,255	232

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

(b) Sir David Howard is over his normal retirement date. The increase in his accrued pension entitlement over the period is due to the application of late retirement factors. The change in cash equivalent transfer value of his deferred pension benefits as at 31 March 2020 was due to the application of the Trustees' current transfer value assumption setting process (which was updated in September 2016) to the financial market conditions at the year end.

Share awards

Save As You Earn – audited information

During the year ended March 2020, the Company operated four Save As You Earn schemes which were open to all employees and Executive Directors once they met the necessary service requirements. Options were offered at a discount of 15% (2016-17 scheme) and 20% (2018-20 scheme) to the average of the mid-market closing price for the three days prior to the offer and are exercisable for a period of six months commencing three years after the saving contract commencement date. In common with similar schemes, the exercise of options under this scheme is not subject to any performance conditions.

As at 31 March 2020, the following Directors during FY 2020 held interests under the Save As You Earn schemes:

	Date of grant	Option price (p)	At 31 March 2019	Granted	Exercised	Lapsed[1]	**At 31 March 2020**	Exercise period
Ben Money-Coutts	22 December 2016	240	1,095	–	1,095	–	–	1 February 2020 to 1 August 2020
	20 December 2017	323	300	–	–	–	**300**	1 February 2021 to 1 August 2021
	19 December 2018	239	2,259	–	–	–	**2,259**	1 February 2022 to 1 August 2022
	17 December 2019	242	–	1,085	–	–	**1,085**	1 February 2023 to 1 August 2023
Gary Teper	22 December 2016	240	1,500	–	1,416	84	–	31 May 2019 to 30 November 2019
	19 December 2018	239	2,259	–	627	1,632	–	31 May 2019 to 30 November 2019
Total			**7,413**	**1,085**	**3,138**	**1,716**	**3,644**	

1. The lapsed column represents options forfeited due to Gary Teper leaving the Company before all contributions were paid, thereby reducing the figure exercised.

Deferred bonus awards – audited information

As at 31 March 2020, these interests were held under deferred bonus awards from the Executive Directors' Bonus scheme:

	Date of grant	Share price on grant (p)	As at 31 March 2019	Granted	Vested	Lapsed	Exercised	**As at 31 March 2020**	Exercise period (unless leaving the company)
Paul Abberley	23 June 2017	361	8,314	–	–	–	–	**8,314**	23 June 2020
	22 June 2018	385	8,545	–	–	–	–	**8,545**	22 June 2021
	24 June 2019	292	–	14,604	–	–	–	**14,604**	24 June 2022
Total			**16,859**	**14,604**	–	–		**31,463**	
Ben Money-Coutts	23 June 2017	361	2,078	–	–	–	–	**2,078**	23 June 2020
	22 June 2018	385	6,103	–	–	–	–	**6,103**	22 June 2021
	24 June 2019	292	–	11,168	–	–	–	**11,168**	24 June 2022
Total			**8,181**	**11,168**	–	–	–	**19,349**	
Gary Teper	23 June 2017	361	1,385	–	1,385	–	1,385	–	23 June 2020
	22 June 2018	385	6,103	–	6,103	–	6,103	–	22 June 2021
	24 June 2019	292	–	7,194	7,194	–	7,194	–	24 June 2022
Total			**7,488**	**7,194**	**14,682**	–	**14,682**	–	

PSP – audited information

The sixth grant of awards under the plan was made in June 2019 for all Executive Directors. The three-year performance period for these awards will be measured following the year ended 31 March 2022.

Share ownership guidelines are explained in the Policy summary on page 73.

	Date of grant	Share price on grant (p)	As at 31 March 2019	Granted	Vested	Lapsed	Exercised	**As at 31 March 2020**	Exercise period
Paul Abberley	18 July 2016	285	72,115	–	27,519	44,596	27,519	–	July 2019 to July 2022
	26 June 2017	362.5	40,000	–	6,000	34,000	–	**6,000**	June 2020 to June 2023
	25 June 2018	384	90,909	–	–	–	–	**90,909**	June 2021 to June 2024
	25 June 2019	290	–	109,000	–	–	–	**109,000**	June 2022 to June 2024
Total			**203,024**	**109,000**	**33,519**	**78,596**	**27,519**	**205,909**	
Ben Money-Coutts	18 July 2016	285	50,481	–	19,263	31,218	19,263	–	July 2019 to July 2022
	26 June 2017	362.5	40,000	–	6,000	34,000	–	**6,000**	June 2020 to June 2023
	25 June 2018	384	64,935	–	–	–	–	**64,935**	June 2021 to June 2024
	25 June 2019	290	–	74,000	–	–	–	**74,000**	June 2022 to June 2024
Total			**155,416**	**74,000**	**25,263**	**65,218**	**19,263**	**144,935**	
Gary Teper[1]	18 July 2016	285	51,603	–	19,691	31,912	19,691	–	July 2019 to July 2022
	26 June 2017	362.5	40,000	–	3,857	36,143	–	**3,857**	June 2020 to June 2023
	25 June 2018	384	64,935	–	–	–	–	**64,935**	June 2021 to June 2024
Total			**156,538**	–	**23,548**	**68,055**	**19,691**	**68,792**	

1. Gary Teper: left employment on 31 May 2019 as a 'good leaver'. Deferred bonus shares were permitted to vest under the plan rules by the Remuneration Committee at this time (see previous table). The value of these shares was previously reported in the Implementation report at the time of the deferral so is not repeated. Pro-rating has been applied to his PSP share award for the 2017-20 plan that vested this year and will be applied to the 2018-21 PSP next year. A notional value of the vested PSP has been reported in the Directors' earnings table of the Implementation report.

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

The awards granted to the Directors on 26 June 2017 reached the end of the performance period on 31 March 2020. These awards partially met the EPS criteria but did not meet the minimum margin-based performance conditions. Accordingly, 15% of these awards will vest during this financial year.

The remaining awards are all unvested. During FY 2020, the highest closing mid-market price of the Company's shares was 340p (on 20 February 2020) and the lowest closing mid-market price was 203p (on 23 March 2020). At 31 March 2020 the share price was 252p.

PSP performance conditions
The table below sets out a summary of the PSP structure. Details of the PSP performance measures and conditions can be found on page 85.

Performance measures	EPS and margin		
Performance period	3 years		
Weighting of performance measures	50%		
		2017 Awards	2018 – 2020 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 Financial Services Compensation Scheme (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 underlying 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 if 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 2017 to 2020

With current market conditions, the 2020 ranges for performance measures are expected to be set within six months of the grant date. These will be included in the 2021 Directors' Remuneration Report.

Grant	July 2017	July 2018	July 2019
Measurement financial year	31 March 2020	31 March 2021	31 March 2022
EPS 0% vesting threshold	Below 30p	Below 30p	Below 30p
EPS 20% vesting threshold[1]	20p	30p	30p
EPS 100% vesting threshold[1]	45p	45p	45p
Performance	31.86p	N/A	N/A
EPS percentage vesting[3]	30%	N/A	N/A
Margin 0% vesting threshold	Below 12%	Below 12%	Below 12%
Margin 20% vesting threshold[1, 2]	12%	12%	10%
Margin 100% vesting threshold[1, 2]	16%	16%	16%
Performance	11.44%	N/A	N/A
Margin percentage vesting[4]	0%	N/A	N/A
Total percentage vesting[3]	15%	N/A	N/A

1. In cases where the measurement thresholds are between 20% and 100%, the vesting of the awards is calculated pro rata on a straight-line basis.
2. The Remuneration Committee reserves the right to make appropriate adjustments to some degree with respect to the charge incurred in connection with the share awards made to employed investment managers under the new remuneration arrangements.
3. The Remuneration Committee determined that the performance targets for the July 2017 PSP awards were partially met. The EPS outturn was assessed to be 31.86p. This was based on underlying earnings per share, adjusted for IFRS2 charges and the FSCS Levy, in order to ensure that true underlying performance was being assessed. This resulted in total vesting being 15% of the maximum available number of shares.
4. The margin outturn was assessed to be below the minimum required threshold.

Directors' interests - audited information

Executive Director Share Ownership Guidelines during service

As explained in the Directors' Remuneration Policy, the Executive Directors are subject to Share Ownership Guidelines which require them to retain 50% of shares (net of tax) which vest under the PSP or bonus deferral arrangement until such time as they have built up shares worth 100% of salary.

Beneficial holdings

There is no requirement for Non-Executive Directors to hold shares in the Company. The beneficial shareholdings of each Director (shares not acquired via the PSP or bonus scheme) are shown, together with whether they would have achieved the Share Ownership Requirements (above) by 31 March 2020.

	Beneficially held as at 31 March 2019 (or retirement if earlier)	**Beneficially held as at 31 March 2020 (or retirement if earlier)**	**Share Ownership Requirement satisfied?[2]**
Paul Abberley	89,964	**90,672**	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	18,619	**20,439**	No
Gary Teper[1]	50,278	**50,386**	N/A

1. As set out elsewhere in this report, Gary Teper resigned as a Director in May 2019.
2. The share price applied above is 252p on 31 March 2020.

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

Other information

Payments to former Directors – audited information

As announced to the London Stock Exchange on 22 May 2019 and mentioned in last year's report, Gary Teper, Head of Investment Management, stepped down as a Director of the Company with effect from 21 May 2019. His departure date was 31 May 2019. The remuneration details relating to his departure reflect the terms of his service contract, the incentive plan rules the Directors' Remuneration Policy and his treatment as a good leaver after 20 years' loyal service.

As previously set out on the Group's website, Mr Teper received a payment of £168,298, consisting of his base salary in lieu of his six-month notice period, together with a pro rata payment equating to the value of the contractual cash benefits of his pension contributions, car allowance and accrued but untaken holiday entitlement for the notice period. His employer pension contributions ceased after 31 May 2019. In addition, he received a sum of £155,100 as a redundancy payment for loss of office after 20 years' service. He was not paid an annual bonus for the FY 2020 financial year. A contribution of £1,500 plus VAT towards Mr Teper's legal fees was made. He may receive up to £20,000 for his time if required on an ongoing matter plus any direct expenses incurred such as reimbursement of travel.

Under the plan rules the PSP awards have been pro-rated for the period served to termination with any vesting subject to the performance conditions at the normal vesting date. The rules of the scheme continue to apply including clawback. The Remuneration Committee exercised its discretion to permit the Executive Directors' Bonus Scheme awards to vest on termination.

Bridget Guerin
Remuneration Committee Chair
27 May 2020

Risk Committee report

Marcia Campbell
Chair of the Risk Committee

The identification, management, mitigation or acceptance of risk is essential to the success of the Group. The Risk Committee plays a fundamental role in setting the tone and the culture that promotes effective risk awareness across the Group.

Risk Committee membership

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

Details of the Directors' skills and experience can be found on page 53 and the register of attendance on page 57. The meetings were also attended by the Chief Risk Officer, the Chief Executive Officer, the Chief Finance Officer and other members of the Management team as required.

Role and responsibilities of the Committee

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

- Providing advice to the Board on the Group's risk appetite, tolerance levels and strategy
- Overseeing and advising the Board on the current risk exposure and emerging risks which could impact on the Group's risk profile
- Reviewing the Group's risk management framework and internal control environment to ensure it is adequate and effective
- Reviewing and approving the risk framework and the Risk and Compliance plans and policies
- Monitoring the financial and non-financial risks that may cause potential harm to the Group and its customers
- Reviewing and challenging the Group's ICAAP
- Reviewing the Group's liquidity risk framework, stress tests and contingency funding plan
- Reviewing compliance-related Group procedures.

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

Marcia Campbell
Risk Committee Chair
27 May 2020

"The Risk Committee has received regular updates on the change programme and the current COVID-19 pandemic to ensure that services are maintained at a very high level and that the best client outcomes are achieved."

The Committee's activities over the past year include:

Risk appetite and tolerance levels	The Risk Appetite Statement, which is approved annually by the Board and monitored by the Risk Committee, 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.
Key risks & emerging risks	The Committee has the delegated authority from the Board to review the key risks facing the Group and to debate potential emerging risks on the horizon to ensure that appropriate management actions are in place to remain within the Board's risk appetite. The issues debated help set the agenda for the following year for key areas of discussion.
Cyber risk	The Committee continues to oversee the work done by the Chief Operating Officer to support the delivery of the enhanced systems and processes to ensure operational, data and cyber resilience.
Operational resilience	The Committee commissioned a project to develop the operational resilience framework of the Group which was led by the Chief Risk Officer. It will continue to monitor progress, with a particular focus on the controls around important business services which, if disrupted, could cause harm to consumers or market integrity or threaten the viability of the Group.
COVID-19	The Joint Risk Committee has been actively involved in scrutinising the plans since the start of the COVID-19 pandemic. This includes overseeing the operational and financial resilience of the Group, as well as the potential implications for clients and for the broader functioning of the financial markets.
Change programme	In recognition of the significant transformation project to improve productivity and operational efficiency across the Group, the Committee has spent a great deal of time reviewing the key risks from the strategic initiatives aimed at enhancing IT, customer service and middle and back office performance. Their implementation has been closely monitored.
Regulatory change	The Committee reviewed the key risks in relation to regulatory change including MiFID II, the General Data Protection Regulation (GDPR) and the Senior Managers and Certification Regime (SMCR). It will continue to monitor upcoming regulatory changes including future requirements on ESG and climate change to ensure compliance and accountability.
ICAAP and liquidity adequacy	The Committee is actively involved in reviewing and challenging all aspects of the capital and liquidity adequacy of the Group. We conducted a forecast of our regulatory capital, which we stress tested taking into account changes in the Group's internal and external environment, to ensure that it is able to maintain a strong balance sheet and cash position against severe stress events and to determine whether additional management actions are necessary.

Directors' report

Julie Ung
Company Secretary

The Directors submit their report and financial statements for the year ended 31 March 2020.

Principal activities and business review

The Company and its Group companies provide holistic wealth management services delivered by over 850 professionals in 27 locations throughout the UK, both direct to clients and to intermediaries. 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 6 to 49, which is incorporated by reference into this report.

Post year end events and future developments

Subsequent events are outlined in note 31 to the financial statements. An indication of likely future developments in the business of the Company is set out on page 13 of the Strategic report.

Due to the COVID-19 pandemic, and in accordance with government advice, the majority of staff have been working from home except for a select few permitted key workers. While the situation is truly unprecedented and has proved to be extremely testing for the nation, the firm has adapted successfully to new working arrangements and is committed to maintaining its service levels.

Dividends

The Directors have declared and now recommend the following dividend in respect of the year ended 31 March 2020:

	2020 £000	2019 £000
Interim dividend paid on 17 January 2020 of 3.0p (2019: 2.75p)	**1,527**	1,396
Final dividend proposed of 6.0p (2019: 6.0p)	**3,050**	3,045
	4,577	4,441

The final dividend proposed by the Directors will be subject to shareholders' approval at the AGM on 9 July 2020. Once approved, this will be paid on 16 July 2020 to shareholders on the Company's register at close of business on 12 June 2020.

"The Company and its Group undertakings provide holistic wealth management services delivered by over 850 professionals located in 27 locations throughout the UK, both direct to clients and to intermediaries."

Share capital

As at 31 March 2020, 51,137,651 fully paid ordinary shares of 25 pence each were in issue and listed on the London Stock Exchange. The Company has no preference shares in issue. The rights and obligations attaching to the Company's ordinary shares are as follows:

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

Employee share plans

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

Employee Benefit Trust

The Employee Benefit Trust was established in order to satisfy awards under the Executive Deferred Share Bonus Plan and the Financial Planners' Deferred Share Bonus Scheme. During the reporting period, the Trustee (RBC Corporate Employee & Executive Services Limited) purchased 74,500 shares.

Insurance and indemnity

The Company maintains appropriate insurance cover in respect of litigation against Directors and Officers. The Company granted indemnities to all of its Directors on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force throughout the financial year and remain so at the date of this report.

Controlling shareholder

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

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

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

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

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

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Each of the Company's Executive Directors has options as detailed in the Directors' remuneration report on pages 82 to 83. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code 2018, 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 AGM held in 2019 to allot equity securities up to an aggregate nominal value of £650,935 (the 'section 551 authority'). If approved at the forthcoming AGM, the authority will expire no later than 15 months from the date on which the resolution is passed, or at the conclusion of the AGM to be held in 2021, whichever is the earlier.

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

Directors

The Directors of the Company at the year end were Sir David Howard (Chairman), Marcia Campbell, Andrew Didham, Hugh Grootenhuis and Bridget Guerin (Non-Executive Directors), Paul Abberley and Ben Money-Coutts (Executive Directors). Their biographies are set out on pages 52 to 53.

All of the Directors have agreed to voluntarily retire from the Board at the AGM and, being eligible, will offer themselves for re-election by the members of the Company.

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 68.

Directors' conflicts of interest

The Directors confirm that there are procedures in place to deal with Directors' conflicts and they have operated effectively through the year. The Company has a Conflicts Management Policy in place for managing and, where appropriate, approving conflicts of interest for all employees including Directors. Directors are also given the opportunity to disclose any potential conflicts at the start of each Board and Committee meeting. A conflicts register is maintained by the Company Secretary and sets out any potential conflict of interest situations which each Director has disclosed in line with their statutory duties. The register involves maintaining details on active directorships of Group constituents as well as external appointments, advisory roles, and connected persons which may lead to potential conflicts.

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 (2019: £nil).

Report on greenhouse gas emissions
Details of the Group's emissions are contained in the ESG report on page 45.

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

Major shareholdings
Disclosures made to the Company under rule 5 of the FCA's DTR are set out below as at 31 March 2020:

	No. of shares at 31 March 2020	% of total voting rights
Sir David Howard	**10,707,719**	20.94
Aberforth Partners LLP	**8,035,391**	15.71
Liontrust Investment Partners LLP	**5,522,612**	10.80
John L S Howard	**5,126,989**	10.03
J O Hambro Capital Management	**3,500,713**	6.85
Schroder Investment Management	**2,774,587**	5.37
Queen Street Securities (a company of which Sir David Howard is a Director)	**2,102,500**	4.11

Since 31 March 2020, the Company has received one notification in accordance with FCA Disclosure and Transparency Rule 5.1.2: Liontrust Investment Partners LLP, on 14 May 2020, informed the Company that it had increased its holding to 11.10% of the Company's Issued Share Capital.

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

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

Other disclosures
As required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 the Directors' report includes reference to disclosures found elsewhere in the Annual report on:

- Employment of disabled people (page 47 in the ESG report)
- Employee involvement (page 48 in the ESG report).

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

As explained in the Assessment of the Group's prospects and Viability statement (see page 41), the Directors have considered the Group's prospects for a period exceeding 12 months from the date the financial statements are approved and have concluded that the Group has adequate financial resources over that period and, accordingly, are satisfied that the going concern basis for the preparation of the financial statements is appropriate.

By order of the Board

Julie Ung
Company Secretary
27 May 2020

Engagement with stakeholders

Effective engagement with the identified stakeholder groups supports the spirit of section 172 of the Companies Act and Provision 5 of the Code, which state that Directors should have regard for the Company's stakeholder interests when discharging their duty to promote the success of the Company. A table detailing key stakeholder engagement throughout the year is set out below:

Stakeholders	Why they are important	How we have engaged and considered their interests
Clients	Clients are the central focus of the Group. The continuous success of the business is shaped around the firm's ability to listen to and understand client needs in a responsive manner. A holistic approach to wealth management enables the business to evolve to the changing financial needs of clients realised through the personal relationship service the company prides itself on, accompanied by the full suite of products and services available.	A client survey is conducted on an annual basis to analyse the close working relationships built with clients. This enables Charles Stanley to listen to the needs of their clients and continually enhance the service that the Company provides. Key areas the survey gathers feedback on include the service itself, relationship and communication, as well as trust and reputation. Full details of the annual survey results and client conferences/events can be found in the Strategic report. Recognising the continuing traction of ESG (as evidenced by market sentiment and investor attitudes), the Board has formally discussed its ESG strategy – both in terms of corporate reporting and client suitability. With new regulations coming into effect from Spring 2021 requiring ESG to be included as part of mandatory suitability, a policy is being devised around its implementation. The CEO manages the business through a suite of Committees, all of which have client interests at their heart. For example, the Products & Services Committee ensures that the Group's products and services meet the needs of clients and are priced transparently, and regularly conducts reviews through a value for money lens. Several communication circulars have been sent out to clients during the COVID-19 pandemic to inform them how the firm has adapted to new circumstances. The Charles Stanley Community, a shared digital space, was launched offering additional support for all clients to both maintain and create connections during a period of significant disruption.
Shareholders	Shareholders support the long-term approach taken to management of the business. Engagement with shareholders is pivotal to fulfilling the strategic objectives and therefore enhancing long-term shareholder value. Feedback through shareholder engagement informs long-term strategy, the remuneration policies, the approach to ESG matters, and how the Company reports on these and other topical areas.	Engagement with shareholders revolves mainly around the AGM. The Company welcomes all shareholders to its AGM. In accordance with the Company's usual practice, at the 2019 AGM the Chairman invited questions from shareholders, and these were answered by either himself or the other Board members present on the panel. Issues arising that could not be immediately answered were followed up after the meeting with shareholders concerned. It is the Company's policy to announce at the AGM the number of proxy votes cast on resolutions. The Board annually holds a strategy session away from its London head office to discuss the Group's long-term strategic objectives and vision for the future. At the most recent strategy session held in February 2020, the Board considered (among other key strategic topics) the Group's ESG strategy and the ongoing work in creating the Group's own ESG ratings. The Board considered the year end and interim results. Both the CEO and CFO presented these results to institutional shareholders in a series of financial roadshows. As recommended by the Corporate Governance Code, the Board has appointed a Senior Independent Director (Andrew Didham) to also serve as an intermediary for shareholders. The Company also engages with shareholders by providing trading updates and regulatory news through investor relations section of the corporate website and the RNS announcements made to the London Stock Exchange.

Stakeholders	Why they are important	How we have engaged and considered their interests
People (employees and self-employed associates)	The people in Charles Stanley are the driving force of the business and underpin the Group's core values of being Caring, Fair and Progressive.	Multiple channels are used to engage with staff such as the annual staff conference, town hall events, internal marketing magazines, and ExCo Fridays (which features a panel of selected ExCo members answering questions submitted by staff). The central theme at the 2019 Staff Conference was collaboration and all of the Board members were present to participate, as well as to meet and discuss with staff. Their experiences of the conference, as well as that gained by most of the Board members attending a Senior Leaders meeting in May 2019, informed Board debate afterwards. As the Board recognises staff to be important stakeholders, their views and opinions are greatly valued and actively sought through annual engagement surveys. Positive results were observed in the December 2019 staff engagement survey conducted by The People Experience Hub. 75% of staff took part in the survey, demonstrating strong engagement across the workforce which is within the upper quartile score when compared to The People Experience Hub client benchmark results in FTSE 350 companies. The results were first reviewed by the Executive Committee before then being reviewed by the Board. To encourage more collaboration within the firm for the year ahead, a detailed assessment of some of the lower scoring responses has been requested, with the intention of this analysis returning to the Board in the future, to consider how engagement with staff can be further improved. During the year, the Remuneration Committee has updated its terms of reference to include in its scope of duties assisting the Board in its engagement with the wider workforce, including explaining how decisions on Executive pay reflect wider Company pay policy. The Remuneration Committee agreed to trial one of the Independent Non-Executive Directors to be the designated voice for workforce engagement (on a rotational basis). Views and opinions ascertained from these sessions would then inform Board decision-making. Unfortunately the onset of the COVID-19 social distancing measures thwarted the planned timetable for these visits, but the Board members had previously taken opportunities to engage with staff at the staff conference and other events earlier during the year. The Conduct & Culture Committee, established under the authority of the CEO, regularly considers staff-related matters to ensure individuals act in a professional manner, accept accountability, and challenge others to ensure positive outcomes and to foster collaboration in support of a culture of inclusion. Charles Stanley encourages employee share ownership to engage the workforce in the performance of the Company and to align employee and shareholder interests. The Board has therefore established two employee share schemes, the Save As You Earn Scheme and the Share Incentive Plan. Details of both schemes can be found on page 82.
Society (communities and the environment)	The Board recognises the importance financial services has on the surrounding community. Therefore, it strongly endorses high levels of ESG, corporate social responsibility and Corporate Governance standards.	The Board is committed to high levels of corporate governance and recognises the benefits of compliance to the Principles and Provisions set out in the 2018 Corporate Governance Code. A review of the application of the Code can be seen in the Governance report (page 56). ESG initiatives are reported on in the ESG report on page 42.

Stakeholders	Why they are important	How we have engaged and considered their interests
Suppliers / Third-party service providers	The Board understands the need to foster business relationships with suppliers and third-party service providers to supplement the Group's own infrastructure and enhance the service delivery to clients.	During the year, the Board approved a decision to outsource the Company's IT infrastructure to a third party who attended an Executive Committee meeting in December 2019 as well as the Board strategy session held in February 2020 to provide an introduction/overview of the wider group, its background and the context to which it would provide IT outsourcing services for Charles Stanley. A Third-Party Governance Manager was recruited to oversee engagement with wrappers, platforms and products. This has increased governance around relationships with platform providers and strengthened internal controls relating to due diligence of third-party contacts. As part of its Procurement Policy, the Company engages annually with key suppliers and outsourcing providers to complete due diligence questionnaires which helps the Company better understand its connections with these third parties.
Regulators (FCA)	As a business regulated by the FCA, Charles Stanley operates in an open and cooperative manner with the FCA. The financial services sector is recognised as a key contributor to the UK economy and therefore regulatory oversight of the sector is paramount to its efficiency.	The Board regularly engages with the FCA, usually through the CEO, to ensure the Company understands the constantly evolving regulatory environment. The CSC Board, Audit and Risk Committees receive regular reports from these engagements that cover the Group's regulatory processes and procedures. The reports also outline the material changes in the regulatory environment in which the Group operates. During 2019, this included the extension of SMCR to CSC and MYC in December 2019. The FCA undertook a Supervisory Review and Evaluation Process (SREP) review of the Internal Capital Adequacy Assessment Process (ICAAP), which involved interviews with the Board and key stakeholders of the business. The ICAAP is the responsibility of the Board and forms an integral part of the management process and decision-making culture.

Directors' responsibilities

The Directors are responsible for preparing the Annual report and the Group and Parent Company financial statements in accordance with applicable law and regulations. So that the Directors discharge their responsibilities as set out in the Matters Reserved for the Board, the Board meets at least four times a year. A full list of Matters Reserved for the Board can be found on our website: charles-stanley.co.uk.

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

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable, relevant and reliable
- State whether they have been prepared in accordance with IFRSs as adopted by the EU
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements and the Directors' remuneration report comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and Regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance report that comply with that law and those Regulations.

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

Each of the Directors, whose names and responsibilities are listed in the Corporate governance report, confirms that, to the best of their knowledge:

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

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

By order of the Board

Julie Ung
Company Secretary
27 May 2020

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 2020 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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

We were first appointed as auditor by the Directors on 1 October 2010. The period of total uninterrupted engagement is for the ten financial years ended 31 March 2020. 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	£0.86 million (2019: £0.7 million) 0.50% (2019: 0.45%) of gross Group revenue	
Coverage	100% (2019: 100%) of Group profit before tax	
Risks of material misstatement		**vs 2019**
New risk	Going concern	▲
Recurring risks	The impact of uncertainties due to Britain exiting the European Union on our audit	◀▶
	Carrying amount of goodwill (Group and Parent Company)	▲
	The present valuation of defined benefit obligation (Group only)	▲

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

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

Key audit matter	The risk	Our response
Going concern Refer to page 41 (Assessment of Group's prospects and Viability statement)	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company. That judgement is based on an evaluation of the inherent risks to the Group's business model and how those risks might affect the Group's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risk most likely to adversely affect the Group's available financial resources over this period and the future viability is the economic downturn as a result of the COVID-19 pandemic. The risk for our audit was whether or not this risk was such that it amounted to material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had it been such, then that fact would have been required to have been disclosed.	**Our procedures included:** · **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively; · **Evaluating Directors' intent:** We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risk materialise; · **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosure. **Our results:** We found the going concern disclosure without any material uncertainty to be acceptable.
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 35 (Principal risks and uncertainties)	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in The present value of defined benefit obligation and Carrying amount of goodwill below, and related disclosures and the appropriateness of the going concern basis of preparation of the annual report. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	**Our procedures included:** We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: · **Our Brexit knowledge:** We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. · **Sensitivity analysis:** When addressing The present value of defined benefit obligation and 'Carrying amount of goodwill' and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. · **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on 'The present value of defined benefit obligation' and 'Carrying amount of goodwill' we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results:** As reported under 'The present value of defined benefit obligation' and 'Carrying amount of goodwill', we found the resulting estimates and related disclosures of sensitivity and disclosures in relation to going concern to be acceptable (2019: acceptable). However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Key audit matter	The risk	Our response
The present valuation of defined benefit obligation (£27.2 million; 2019: £27.9 million) Refer to page 64 (Audit Committee Report), page 113 (accounting policy) and pages 129 to 133 (financial disclosures).	**Subjective estimate:** The valuation of the present valuation of defined benefit obligation depends on a number of judgemental assumptions and estimates, including: the discount rate, inflation rate and life expectancy. Small changes to the assumptions and estimates used could materially affect the valuation. The effect of these matters is that, as part of our risk assessment, we determined that valuation of the present valuation of defined benefit obligations has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** • **Benchmarking assumptions:** Challenging, with the support of our own actuarial specialists, the key assumptions applied to the valuation, being the discount rate, inflation rate and mortality/life expectancy. • **Assessing transparency:** Considering the adequacy of the Group's disclosure in respect of the present valuation of defined benefit obligation and the assumptions used, and the sensitivity of the liability to these assumptions. **Our results:** We found the present valuation of the defined pension obligation in the Group to be acceptable (2019: acceptable).
Carrying amount of goodwill (Group and Parent Company) Group: (£13.7 million; 2019: £14.1 million) Parent Company: (£6.5 million; 2019: £6.9 million) Refer to page 63 (Audit Committee Report), page 114 (accounting policy), and page 135 to 137 (financial disclosures – Group) and page 157 (financial disclosures – Parent).	**Subjective valuation:** Goodwill is significant and the determination of the recoverable amount of each CGU is complex and involves a high level of judgement. The key inputs in the calculation of the CGU recoverable amount are funds under management multiples based on the enterprise value of peer companies and recent market transactions. The selection of these multiples represent a significant judgement. The effect of these matters is that, as part of our risk assessment, we determined that the Group and Parent Company carrying amount of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** • **Benchmarking assumptions:** Comparing and challenging the reasonableness of the Group's assumptions in relation to percentages of funds under management and key inputs such as market transactions to externally-derived data. • **Sensitivity analysis:** Performing stress testing on the assumptions noted above and assessed the sensitivity analysis performed by the Group. • **Assessing transparency:** Assessed whether the Group's disclosures around key inputs in the valuation technique and the outcome of the impairment assessment reflect the risks inherent in the calculation of recoverable amount. **Our results:** We found the carrying value of goodwill in the Group and in the Parent Company to be acceptable (2019: acceptable).

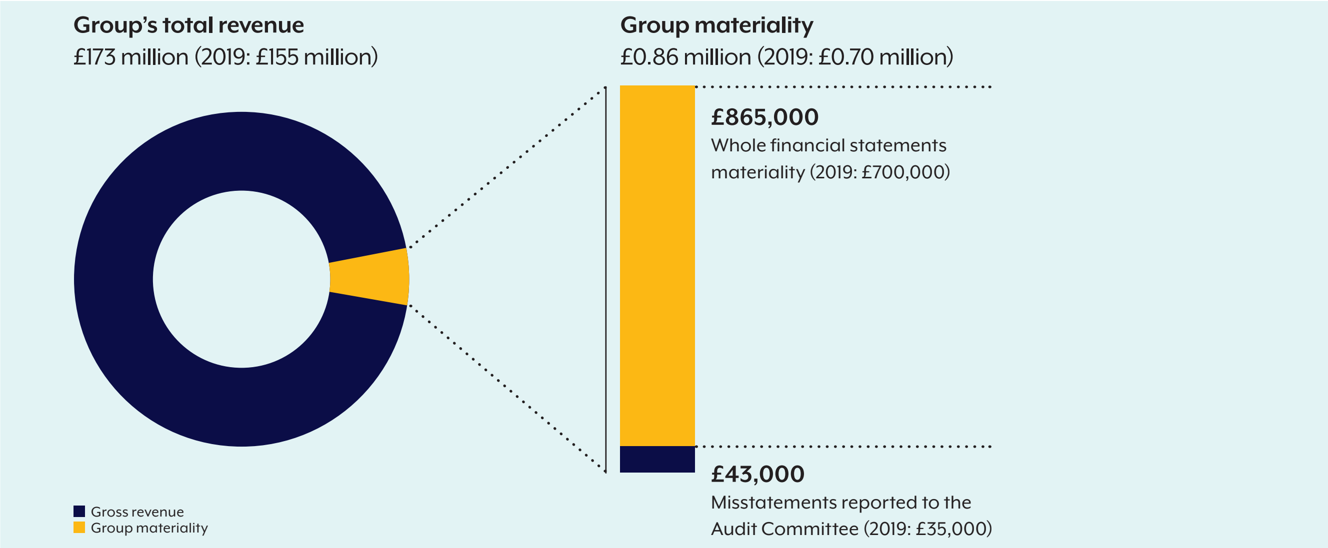
3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £0.86 million (2019: £0.7 million), determined with reference to a benchmark of Group gross revenue (of which it represents 0.5% (2019: 0.45%). We consider gross revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the Parent Company financial statements as a whole was set at £0.6 million (2019: £0.7 million), determined with reference to a benchmark of Parent total assets of which it represents 1% (2019: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £43,000 (2019: £35,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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



4. We have nothing to report on going concern

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

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

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, 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 2.5 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 93 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; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

Disclosures of emerging and 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 41 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

Corporate governance disclosures

We are required to report to you if:

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

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

We have nothing to report in these respects.

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

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 97, 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 frc.org.uk/auditorsresponsibilities

Irregularities – ability to detect

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

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

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

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

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

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

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

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

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

Simon Ryder (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
27 May 2020

Financial statements

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

Contents

For more information on accounting policies please turn to page 111

For more information on our latest results please go to charles-stanley.co.uk/investor relations/latest results

Consolidated income statement
Year ended 31 March 2020

	Notes	2020 £000	2019 £000
Revenue	4	**173,014**	155,158
Administrative expenses	4	**(151,413)**	(145,767)
Restructuring costs	5	**(3,472)**	–
Impairment of intangible assets	14	**(349)**	–
Other income	7	**115**	101
Operating profit	8	**17,895**	9,492
(Loss)/gain on disposal of property, plant and equipment		**(18)**	293
Gain on sale of business		**–**	119
Reversal of impairment of corporate loans		**–**	500
Finance income	9	**429**	702
Finance costs	9	**(984)**	(76)
Net finance and other non-operating (cost)/income		**(573)**	1,538
Profit before tax		**17,322**	11,030
Tax expense	13	**(3,072)**	(2,026)
Profit for the year attributable to owners of the Parent Company		**14,250**	9,004
Earnings per share			
Basic	10	**28.03p**	17.74p
Diluted	10	**27.51p**	17.41p

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 111 to 153 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
Year ended 31 March 2020

	Notes	2020 £000	2019 £000
Profit for the year		**14,250**	9,004
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of the defined benefit scheme obligation	12	**1,379**	(515)
Related tax		**(121)**	39
Fair value through other comprehensive income financial assets – unrealised gains and losses		**1,896**	898
Related tax		**(382)**	(153)
		2,772	269
Items that are or may be reclassified to profit or loss			
Gains on revaluation of properties transferred to profit or loss		**–**	(219)
Related tax		**–**	24
		–	(195)
Other comprehensive income for the year, net of tax		**2,772**	74
Total comprehensive income for the year attributable to owners of the Parent Company		**17,022**	9,078

The notes on pages 111 to 153 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 March 2020

Assets	Notes	**2020 £000**	2019 £000
Intangible assets	14	**20,013**	18,339
Property, plant and equipment	15	**18,175**	8,706
Net deferred tax asset	17	**1,182**	2,134
Financial assets at fair value through other comprehensive income	18	**4,482**	2,586
Financial assets at amortised cost	18	**507**	1,010
Non-current assets		**44,359**	32,775
Trade and other receivables	19	**203,838**	191,301
Financial assets at fair value through profit or loss	18	**1,492**	2,234
Financial assets at amortised cost	18	**4,997**	9,994
Cash and cash equivalents	20	**88,477**	71,211
Current tax assets		**71**	–
Current assets		**298,875**	274,740
Total assets		**343,234**	307,515
Equity			
Share capital	21	**12,784**	12,692
Share premium	21	**5,170**	4,625
Own shares	21	**(334)**	(201)
Revaluation reserve		**3,503**	1,989
Merger relief reserve		**15,167**	15,167
Retained earnings		**80,194**	72,134
Equity attributable to owners of the Parent Company		**116,484**	106,406
Non-controlling interests		**24**	24
Total equity		**116,508**	106,430
Liabilities			
Employee benefits	12	**5,080**	6,841
Non-current trade and other payables	23	**404**	–
Non-current lease liabilities	16	**9,718**	–
Non-current provisions	22	**1,983**	1,961
Non-current liabilities		**17,185**	8,802
Trade and other payables	23	**205,465**	189,496
Current tax liabilities		**–**	946
Current lease liabilities	16	**2,825**	–
Current provisions	22	**1,251**	1,841
Current liabilities		**209,541**	192,283
Total liabilities		**226,726**	201,085
Total equity and liabilities		**343,234**	307,515

Approved by the Board of Charles Stanley Group PLC (company number 48796) on 27 May 2020 and signed on its behalf by:

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

The notes on pages 111 to 153 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Year ended 31 March 2020

	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 2019	12,692	4,625	(201)	1,989	15,167	72,134	106,406	24	106,430
Adjustment on initial application of IFRS 16	–	–	–	–	–	(1,043)	(1,043)	–	(1,043)
Profit for the year	–	–	–	–	–	14,250	14,250	–	14,250
Other comprehensive income:									
Financial assets at fair value through other comprehensive income:									
– unrealised gains and losses	–	–	–	1,896	–	–	1,896	–	1,896
– related deferred tax	–	–	–	(382)	–	–	(382)	–	(382)
Remeasurement of defined benefit scheme liability:									
– actuarial gain in the year	–	–	–	–	–	1,379	1,379	–	1,379
– related deferred tax	–	–	–	–	–	(121)	(121)	–	(121)
Total other comprehensive income for the year	–	–	–	1,514	–	1,258	2,772	–	2,772
Total comprehensive income for the year	–	–	–	1,514	–	15,508	17,022	–	17,022
Dividends paid	–	–	–	–	–	(4,574)	(4,574)	–	(4,574)
Unclaimed dividends	–	–	–	–	–	12	12	–	12
Shares transfer to employees	–	–	80	–	–	(80)	–	–	–
Own shares acquired	–	–	(213)	–	–	–	(213)	–	(213)
Share-based payments:									
– value of employee services	–	–	–	–	–	(1,783)	(1,783)	–	(1,783)
– issue of shares	92	545	–	–	–	–	637	–	637
– related deferred tax	–	–	–	–	–	20	20	–	20
31 March 2020	12,784	5,170	(334)	3,503	15,167	80,194	116,484	24	116,508

The notes on pages 111 to 153 are an integral part of these consolidated financial statements.

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

The notes on pages 111 to 153 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Year ended 31 March 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities			
Cash generated from operating activities	27	**25,849**	21,444
Interest received		**539**	608
Interest paid		**(60)**	(76)
Tax paid		**(3,801)**	(2,525)
Net cash generated from operating activities		**22,527**	19,451
Cash flows from investing activities			
Acquisition of subsidiary		**(1,785)**	–
Acquisition of intangible assets		**(676)**	(376)
Purchase of property, plant and equipment		**(1,570)**	(882)
Purchase of financial assets		**(40,904)**	(21,888)
Proceeds from disposal of property, plant and equipment		**50**	400
Proceeds from sale of financial assets		**47,081**	12,890
Net cash inflow from disposal of business		–	119
Dividends received		**115**	101
Net cash used in investing activities		**2,311**	(9,636)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	21	**637**	67
Purchase of own shares	21	**(213)**	(123)
Payment of lease liabilities		**(3,422)**	–
Dividends paid	21	**(4,574)**	(4,187)
Net cash used in financing activities		**(7,572)**	(4,243)
Net increase in cash and cash equivalents		**17,266**	5,572
Cash and cash equivalents at start of year		**71,211**	65,639
Cash and cash equivalents at end of year	20	**88,477**	71,211

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 111 to 153 are an integral part of these consolidated financial statements.

Notes to the financial statements
Year ended 31 March 2020

1. General information

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

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

2. Basis of preparation and significant accounting policies

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

2.1 Basis of preparation

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

As permitted by section 408 of the Companies Act 2006, no profit and loss account is presented for the Parent Company. The notes and information for the Parent Company are presented on pages 154 to 160.

2.2 Functional and presentation currency

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

2.3 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	Notes
Freehold premises	Fair value	15
Equity securities	Fair value	18
Non-derivative financial instruments held at fair value through profit or loss	Fair value	18
Liabilities for share-based payment arrangements	Fair value	11
Net defined benefit scheme asset or liability	Fair value of scheme assets less the present value of the defined benefit obligation	12

2.4 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 de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets 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. Basis of preparation and significant accounting policies (continued)

2.5 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 2020 to 30 September 2021 and applied stress tests for adverse scenarios, which were determined as part of the Group's ICAAP and in light of the current COVID-19 pandemic. The stressed scenarios applied included both a further steep downturn in capital markets and, separately, a resurgence of the COVID-19 pandemic. Additional idiosyncratic liquidity stress tests were overlaid. The assumptions upon which the scenarios were modelled were based on management's own judgements, taking account of external research, including a more pessimistic view than taken by the Bank of England's 'rates down' guidance. The Directors also considered what management actions could be taken in such circumstances, including reducing variable and semi-variable expenditure and dividend payments. 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.

2.6 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.

2.7 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.

2.8 Revenue recognition

Revenue comprises income from customers arising in the ordinary course of the Group's activities. The Group has applied the five-step model set out in IFRS 15 to its customer contracts. For each identified contract, the Group has analysed the various specific services which are provided. Where contracts with customers promise to deliver more than one of these distinct services, each individual service has a single performance obligation for which revenue is recognised independently of other services when the service is delivered.

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

2.8.1 Fees

Fees generally comprise of market based fees and administration fees. Market based fees comprise Discretionary Fund Management (DFM) fees and Annual Management Charge (AMC) fees. The main DFM fees are Investment management fees which are recognised evenly over the period in which the service is provided. Administration fees are recognised in the period in which they relate to.

2.8.2 Commission

Commission income and expenses are recognised on a trade date basis. The trade date is the date in which the trade has been executed. Settlement of the trade usually happens two or three days after the trade has been executed.

2.8.3 Interest income

Interest income is recognised using the effective interest method in the period in which it relates to. The amount that is recognised is net of any amounts paid to clients.

2.8.4 Dividend income

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

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

2.9 Share-based payment arrangements

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.

2.10 Employee benefits

2.10.1 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.

2.10.2 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)

2.11 Restructuring costs

Restructuring costs include employee termination benefits, external consultant costs, IT costs and legal and professional fees. Costs are recognised and classified to restructuring based on the allocation of costs that are directly related to transformation programmes and those that are considered to be one-off exceptional costs.

2.12 Current and deferred income tax

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

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

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

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

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

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

2.13 Intangible assets

2.13.1 Goodwill

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

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

2.13.2 Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships acquired outside of a business combination are initially recognised at cost. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their useful lives, estimated at ten years. Payments made to investment managers for introducing customer relationships are capitalised as incremental costs of obtaining a contract in accordance with IFRS 15.

2.13.3 Internally generated software

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

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

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

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

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

Freehold and right-of-use properties	3 to 50 years
Motor vehicles	3 years
Fixtures, fittings and equipment	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

2.15 Financial instruments
The Group classifies its non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

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

2.15.1 Non-derivative financial instruments – recognition and derecognition
All 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)

2.15.2 Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

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

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

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

Financial assets at fair value through other comprehensive income are financial assets that are not held for trading, for which an irrevocable election has been made at initial recognition to measure it at fair value through other comprehensive income with only dividend income recognised in profit or loss. They are included in non-current assets unless the investment matures or Management intends to dispose of it within 12 months of the end of the reporting period.

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

Financial assets at amortised cost

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

Loans and receivables

Loans and receivables comprised trade and other receivables and cash and cash equivalents in the statement of financial position. Loans and receivables were carried at amortised cost using the effective interest method, less any impairment.

2.15.3 Non-derivative financial liabilities – measurement

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

2.16 Impairment

2.16.1 Impairment of non-derivative financial assets

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

2.16.2 Impairment of non-financial assets

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

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The carrying value of the financial asset is reduced by the impairment loss.

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

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

2.16.2 Impairment of non-financial assets (continued)

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

Intangible assets, such as goodwill, are regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. These assets are not amortised and are tested for impairment at each reporting date. Assets with a determinable useful life are amortised over the useful life and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

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

2.17 Trade receivables

Trade receivables are amounts due for services performed in the ordinary course of business. Receivables from clients for trades are recognised when the corresponding liability is recognised, as explained in note 24. If collection is expected within one year they are classified as current assets. Receivables due after one year are presented as non-current assets.

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

2.18 Cash and cash equivalents

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

2.19 Segregated funds

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

2.20 Dividends

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

2.21 Provisions

Provisions are recognised when:

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

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

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

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

2.22 Trade payables

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

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

2.23 Investments in subsidiaries

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

2.24 Employees' Share Trust

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

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

The accounting policies adopted in the preparation of the Group's Annual report and accounts are as set out above. They are consistent with those followed in the preparation of the Group's Annual report and accounts for the year ended 31 March 2019, except for the mandatory standards and amendments that had an effective date prior to 1 April 2019. Aside from the adoption of IFRS 16 Leases (see 2.25.1), which are described below, none of the new mandatory standards nor amendments had a material impact on the reported financial position or performance of the Group.

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 April 2020. These new standards are not applicable to these financial statements and they are not expected to have a material impact when they become effective. The Group plans to apply these standards and amendments in the reporting period in which they become effective.

2.25.1 Changes in accounting policies – IFRS 16 Leases

In the current period, the Group has applied IFRS 16 Leases for the first time. The date of initial application of IFRS 16 for the Group was 1 April 2019. IFRS 16 replaced IAS 17 Leases and introduced a single, on-balance sheet accounting model for lessees and eliminates the classification of leases as either operating or finance leases.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the leases substantially transferred all the risks and rewards of ownership. For leases previously classified as operating leases by IAS 17, the Group has recognised right-of-use assets and associated lease liabilities in the statement of financial position. The nature of expenses related to those leases has also changed. The Group recognises a straight-line depreciation expense and a front-loaded interest expense on lease liabilities. Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there were timing differences between actual lease payments and the expense recognised.

The Group is not party to any material leases where it acts as a lessor nor any material leases which were classified as finance leases under IAS 17.

2.25.2 Accounting policies under IFRS 16 Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets e.g. ICT equipment. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

2.25.2 Accounting policies under IFRS 16 Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments;
- variable lease payments that depend on an index or rate, initially measured using the index or
- rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned – for the Group this is property, plant and equipment. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in Administrative expenses in the consolidated income statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented in Administrative expenses in the consolidated income statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

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

2.25.3 Approach to transition

The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right-of-use assets arising from property leases using the approach set out in IFRS 16.C8(b)(i). Under IFRS 16.C8(b)(i) right-of-use assets are calculated as if the Standard applied at lease commencement, but discounted using the borrowing rate at the date of initial application.

The Group's weighted average incremental borrowing rate applied to lease liabilities as at 1 April 2019 was 6.66%. The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and International Financial Reporting Interpretations Committee ('IFRIC') 4 will continue to be applied to those leases entered into or modified before 1 April 2019.

As part of the Group's adoption of IFRS 16 and application of the modified retrospective approach to transition, the Group also elected to use the following practical expedients:

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics; and
- hindsight has been used in determining the lease term.

2.25.4 Financial impact

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. Operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right-to-use assets and lease liabilities.

The table below sets out the adjustments to the consolidated statement of financial position recognised at the date of initial application of IFRS 16:

	As reported at 31 March 2019 £000	Impact of IFRS 16 £000	**As reported at 1 April 2019 £000**
Non-current assets			
Property, plant and equipment	8,706	12,007	**20,713**
Net deferred tax assets	2,134	213	**2,347**
Equity			
Retained earnings	72,134	(1,043)	**71,091**
Liabilities			
Trade and other payables	189,496	(987)	**188,509**

The table below presents operating lease commitments disclosed at 31 March 2019 and lease liabilities recognised at 1 April 2019:

	£000
Operating lease commitments disclosed under IAS 17 at 31 March 2019	**17,681**
Lease liabilities recognised under IFRS 16 at 1 April 2019	**14,251**

The difference between the value of operating lease commitments disclosed under IAS 17 at 31 March 2019 and the lease liabilities recognised under IFRS 16 at 1 April 2019 is primarily due to the discounting effect of applying the Group's borrowing rate of 6.66%.

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

An impairment of £0.3 million was recognised in the period against the carrying value of goodwill for the Isle of Wight cash generating unit. No further impairments occurred for other cash generating units for goodwill or intangible assets in the period.

3.1.2 Retirement benefit obligations

In consultation with an independent actuary, the Group makes estimates about a number of long-term trends and market conditions to determine the value of the deficit of its defined benefit pension scheme. These long-term forecasts and estimates are highly judgemental and subject to the risk that actual events may be significantly different from those forecast.

The valuation performed as at 31 March 2020 resulted in a decrease in the actuarial deficit of £1.7 million which has been reflected in these financial statements.

One of the key estimates applied is the long term gap between the rate of CPI and RPI inflation indices. Historically the gap has been assumed to be 0.9%, however because of proposed changes to the calculation of RPI published by the UK Government in September 2019 to take effect sometime between 2025 and 2030, the Directors believe a more appropriate estimate of the gap to use is now 0.5%. This reflects the Directors belief that alignment of RPI to CPI will occur by 2030 and that the gilt market is fully pricing in such alignment.

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

Unlisted financial assets include an investment in Euroclear Holding SA (a company incorporated in Belgium). The Directors have estimated the fair value of this investment based on the price earnings ratio of comparable quoted companies (22.8x), discounted by 33% to reflect the illiquidity of Euroclear shares.

Increasing or decreasing the price earnings multiple by 10% would result in a £0.5 million increase or decrease in the fair value of the Group's shareholding.

3.1.4 Share-based payments

The Group participates in a number of equity-settled share-based payment arrangements with its employees, as detailed in note 11. When such awards are made, the fair value at grant date serves as the basis for calculating the staff costs.

The vesting conditions attached to the awards are subject to specific non-market performance conditions. The expense in respect of the each arrangement is recognised over the vesting period, based on an estimate of the number of awards expected to vest. The estimate of awards expected to vest is revised at each reporting date and the cumulative charge is updated. Details of the estimates applicable to each scheme can be found in note 11.

3.2 Key accounting judgements in applying the Group's accounting policies
The Directors do not consider there are any key accounting judgements impacting the financial statements.

4. Operating segments

The Group has three operating divisions, representing the underlying performance, 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	Charles Stanley Direct £000	Financial Planning £000	Support Functions[3] £000	Total £000
Year ended 31 March 2020					
Investment management fees	92,853	–	2,006	–	94,859
Administration fees	23,922	7,763	6,683	–	38,368
Total fees	116,775	7,763	8,689	–	133,227
Commission	38,093	1,687	7	–	39,787
Total revenue	154,868	9,450	8,696	–	173,014
Administrative expenses[1]	(82,463)	(4,056)	(10,599)	(58,116)	(155,234)
Other income	115	–	–	–	115
Operating contribution	72,520	5,394	(1,903)	(58,116)	17,895
Allocated costs	(51,053)	(3,861)	(3,202)	58,116	–
Operating profit/(loss)[2]	21,467	1,533	(5,105)	–	17,895
Segment assets	337,183	5,556	201	294	343,234
Segment liabilities	225,390	–	1,336	–	226,726

Notes
1. Administrative expenses include £3.5 million of restructuring costs, £3.0 million of Investment Management Services non-cash share credit, £1.2 million of amortisation of client relationships and £0.3 million of impairments to intangible assets.
2. The operating profit/(loss) as per the table above is different to that presented in the divisional analysis within the Review of the year (on page 26) as the table above includes adjusting items which are excluded from the underlying performance analysis.
3. Support function costs are allocated to the respective divisions based on proportions agreed by the Directors, which reflect utilisation.

4. Operating segments (continued)

	Investment Management Services[1] £000	Charles Stanley Direct £000	Financial Planning £000	Support Functions[4] £000	Total £000
Year ended 31 March 2019					
Investment management fees	85,561	–	1,529	–	87,090
Administration fees	19,246	6,290	5,774	–	31,310
Total fees	104,807	6,290	7,303	–	118,400
Commission	35,341	1,407	10	–	36,758
Total revenue	140,148	7,697	7,313	–	155,158
Administrative expenses[2]	(81,893)	(3,319)	(8,305)	(52,250)	(145,767)
Other income	97	2	2	–	101
Operating contribution	58,352	4,380	(990)	(52,250)	9,492
Allocated costs	(46,323)	(3,382)	(2,545)	52,250	–
Operating profit/(loss)[3]	12,029	998	(3,535)	–	9,492
Segment assets	300,027	5,591	1,603	294	307,515
Segment liabilities	200,091	–	994	–	201,085

Notes
1. The 2019 figures have been restated to reflect the amalgamation of the Asset Management division into the Investment Management Services division with effect from 1 April 2019.
2. Administrative expenses include £1.7 million of Investment Management Services non-cash share options charge and £1.1 million of amortisation of client relationships.
3. The operating profit/(loss) as per the table above is different to that presented in the divisional analysis within the Review of the year (on page 26) as the table above includes adjusting items which are excluded from the underlying performance analysis.
4. Support function costs are allocated to the respective divisions based on proportions agreed by the Directors, which reflect utilisation.

5. Restructuring costs

The Group is undertaking a transformation programme to improve sales and productivity. As part of this programme the following one-off exceptional costs are included in the consolidated income statement:

	2020 £000	2019 £000
Redundancy costs	**1,613**	–
External consultants – contract staff	**991**	–
IT and communications	**667**	–
Legal and professional fees	**201**	–
	3,472	–

6. Acquisition of subsidiary

On 1 August 2019, the Group obtained control of Myddleton Croft Limited by acquiring 100 per cent of its issued share capital. Myddleton Croft Limited is a Leeds-based investment management firm. The recognised amounts of identifiable assets and liabilities acquired were as follows:

	1 August 2019 £000
Property, plant and equipment	41
Trade and other receivables	97
Cash and cash equivalents	194
Trade and other payables	(139)
Total identifiable net assets acquired	193
Customer relationships	2,080
Deferred tax liability on customer relationships	(295)
Total consideration	1,978

Satisfied by:	
Cash	1,131
Contingent consideration	847
	1,978

Initial consideration of £0.9 million was paid on 1 August 2019 and a further £0.2 million paid in October 2019 on agreement of the net asset value of Myddleton Croft Limited at completion. The contingent consideration is payable three months after the first and second anniversaries of the date of completion.

The contingent consideration was reviewed at 31 March 2020 and was subsequently revised to a balance of £0.7 million, with £0.3 million payable on the first anniversary and £0.4 million payable on the second anniversary.

7. Other income

	2020 £000	2019 £000
Dividend income from financial assets	**115**	101

8. Operating profit

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

	2020 £000	2019 £000
Depreciation of property, plant and equipment	**4,117**	1,630
Amortisation	**1,519**	2,027
Impairment of intangible assets	**349**	–
Losses/(gains) on financial assets at fair value through profit or loss	**110**	(94)
Gains on foreign currency exchange	**(381)**	(156)
Operating lease rentals payable	–	3,305
Financial Services Compensation Scheme Levy	**2,387**	1,037

Fees payable to the Company's auditor for audit services:		
Audit of the Company's Annual accounts	**80**	54
Audit of the Company's subsidiaries	**185**	169

Fees payable to the Company's auditor for other services:		
Regulatory-related assurance services	**115**	93
Other assurance services	**40**	27

9. Net finance income

	2020 £000	2019 £000
Interest income	**539**	608
Unrealised (losses)/gains on fair value through profit or loss financial assets	**(154)**	39
Realised gains on fair value through profit or loss financial assets	**44**	55
Finance income	**429**	702
Interest payable	**(60)**	(29)
Interest payable on other loans	–	(47)
Finance lease costs[1]	**(924)**	–
Finance costs	**(984)**	(76)
Net finance income	**(555)**	626

1. Finance costs are higher due to the adoption of IFRS 16, whereby finance lease costs and depreciation expenses are recognised in place of a straight-line expense in administrative costs under the previous accounting standard, IAS 17. See Note 16 for further details.

10. 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	2020 pence	2019 pence
Basic earnings per share	**28.03**	17.74
Diluted earnings per share	**27.51**	17.41

The Directors believe that a better reflection of the performance of the Group's underlying business is given by the measure of underlying 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	2020 £000	2019 £000
Earnings used in the calculation of basic earnings per share and diluted earnings per share	**14,250**	9,004

Number of shares	2020 000	2019 000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**50,837**	50,745
Effect of potentially dilutive share options	**971**	985
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**51,808**	51,730

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

11. Share-based payment arrangements

11.1 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.

63,168 options were granted under the scheme on 24 June 2019. As these awards are over nil-cost options with an entitlement to dividends during the vesting period, the fair value at grant date was deemed to be £2.92, being the share price at that date.

No options lapsed during the year and 26,516 options were exercised.

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, 31,877 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. Based on the assessment in the future years, it is unlikely that Pool B will vest by 31 March 2022 and therefore the Pool B expense has been reversed in full.

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.

500,000 options were granted under the scheme on 25 June 2019. As these awards are over nil-cost options with an entitlement to dividends during the vesting period, the fair value at grant date was deemed to be £2.90, being the share price at that date.

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.

11. Share-based payment arrangements (continued)

11.2 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 2019						
SAYE: 19 December 2018	£2.76	£2.39	25.90%	3 years	2.90%	0.76%
Year ended 31 March 2020						
SAYE: 17 December 2019	**£3.34**	**£2.42**	**30.77%**	**3 years**	**2.62%**	**0.53%**

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.

11.3 Reconciliation of outstanding share options

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

	2020		2019	
	Number of options	**Weighted average exercise price £**	Number of options	Weighted average exercise price £
Brought forward	**4,458,156**	**0.78**	3,955,109	0.66
Exercised	**(263,873)**	**2.42**	(29,339)	3.43
Forfeited	**(2,064,643)**	**0.57**	(391,539)	0.85
Granted	**937,372**	**1.04**	923,925	1.04
Carried forward	**3,067,012**	**0.75**	4,458,156	0.78

The options outstanding at 31 March 2020 had an exercise price in the range of £nil to £2.49 (2019: £nil to £3.23) and a weighted average contractual life of 1.3 years (2019: 1.4 years).

The weighted average share price at the date of exercise for share options exercised in the year was £2.83 (2019: £3.49).

The Group recognised total credits of £2.2 million (2019: £3.1 million of expenses) in the income statement, in relation to equity-settled share-based payment transactions.

12. Employee benefits

12.1 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.

12.2 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 2020. 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

	2020 £000	2019 £000
Fair value of scheme assets	**22,162**	21,039
Present valuation of defined benefit obligation	**(27,242)**	(27,880)
Deficit in scheme	**(5,080)**	(6,841)
Liability recognised in consolidated statement of financial position	**(5,080)**	(6,841)

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.

12. 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. The asset ceiling is not applicable as the scheme is in deficit. It was assessed that no Minimum Funding Requirement for contributions was needed as at 31 March 2020.

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

	2020 £000	2019 £000
Defined benefit obligation brought forward	27,880	26,357
Interest expense	635	675
Actuarial gains due to scheme experience	(96)	–
Actuarial gains due to changes in demographic assumptions	(329)	(184)
Actuarial (gains)/losses due to changes in financial assumptions	(308)	1,528
Benefits paid and expenses	(540)	(772)
Past service costs	–	276
Defined benefit obligation carried forward	27,242	27,880

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

	2020 £000	2019 £000
Fair value of scheme assets brought forward	21,039	19,897
Interest income	484	515
Return on scheme assets	646	829
Contributions by the Group	533	570
Benefits paid and expenses	(540)	(772)
Fair value of scheme assets carried forward	22,162	21,039

No members (2019: no members) have been paid transfer values in full settlement of their liabilities under the scheme during the year. There have been no other scheme amendments, curtailments or settlements in the year.

12. Employee benefits (continued)

Defined benefit costs recognised in the consolidated income statement

	2020 £000	2019 £000
Past service costs and gains from settlement	–	276
Net interest cost	151	160
Total amount recognised in consolidated income statement	151	436

Defined benefit costs recognised in consolidated statement of comprehensive income

	2020 £000	2019 £000
Return on scheme assets	646	829
Experience gains arising on the scheme liabilities	96	–
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	329	184
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gains/(losses)	308	(1,528)
Total amount recognised in consolidated statement of comprehensive income	1,379	(515)

Scheme assets

	2020 £000	2019 £000
Equities	10,954	12,567
Bonds	9,758	6,368
Property	641	785
Cash	313	574
Alternatives	496	745
Total assets	22,162	21,039

None of the fair values of the assets shown above include any direct investments in the Charles Stanley Group's own financial instruments (2019: no direct investments) or any property occupied by, or other assets used by Charles Stanley Group. Alternatives include hedge funds, infrastructure and renewable energy investments. All of the scheme's assets have a quoted market price in an active market with the exception of the trustees' bank account balance.

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

12. 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

	2020 %	2019 %
Inflation – Consumer Prices Index (CPI)	**2.20**	2.40
Rate of discount	**2.40**	2.30
Allowance for pension in payment increases of CPI (or 5% p.a. if less than CPI, minimum 3% p.a.)	**3.30**	3.00
Allowance for revaluation of deferred pensions of CPI (or 2.5% p.a. if less than CPI)	**2.20**	2.40

The mortality assumptions adopted at 31 March 2020 are 100% (2019: 100%) of the standard tables 'S2PxA', Year of Birth, no age rating for males and females, projected using CMI_2019 converging to 1.00% p.a. These imply the following life expectancies at age 65:

	2020	2019
Male retiring in current year	**21.6**	21.8
Female retiring in current year	**23.5**	23.7
Male retiring in 20 years	**22.6**	22.9
Female retiring in 20 years	**24.7**	25.0

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

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 4.3%
Rate of inflation	Increase of 0.25% p.a.	Increase by 2.2%
Rate of mortality	Increase in life expectancy of one year	Increase by 4.0%

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 2020 was 17 years (2019: 17 years).

12. 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 2020 is £0.6 million (2019: £0.6 million).

12.3 Employee benefit expenses

The average number of persons employed (including Directors) during the year was 778 (2019: 769).

	2020 £000	2019 £000
Employee costs for the Group during the year:		
Wages and salaries	**50,258**	46,604
Social Security costs	**7,790**	6,636
Share-based payments	**(2,152)**	3,091
Pension costs:		
Defined contribution scheme	**4,252**	4,214
Defined benefit scheme	**151**	160
	60,299	60,705

Directors' remuneration is disclosed within the Directors' remuneration report on page 79.

13. Income taxes

Tax recognised in the consolidated income statement

	2020 £000	2019 £000
Current taxation		
Current year expense	**2,790**	2,592
Adjustment in respect of prior years	**(45)**	(335)
	2,745	2,257
Deferred taxation		
Expense/(credit) for the year	**340**	(193)
Adjustment in respect of prior years	**(13)**	(38)
	327	(231)
Total tax expense	**3,072**	2,026

In addition to amounts charged to the consolidated income statement, a deferred tax charge of £0.4 million (2019: £0.2 million) relating to the revaluation of financial assets has been recognised directly to equity. A current tax charge of £nil (2019: £0.02 million) and deferred tax charge of £0.1 million (2019: deferred tax credit of £0.07 million) in respect of the defined benefit scheme have also been charged directly to equity.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget, it was announced that the UK corporation tax rate will remain at the current level of 19% and not reduce to 17% from 1 April 2020. 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 lower than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are as follows:

	2020 £000	2019 £000
Profit before tax from continuing operations	**17,322**	11,030
Profit multiplied by rate of corporation tax in the UK of 19%	**3,291**	2,096
Tax effects of:		
Income not subject to tax	**(22)**	(28)
Expenses not allowed for tax	**40**	85
Share-based payments	**(123)**	576
Adjustments in respect of prior years	**(58)**	(373)
Intangible asset amortisation and impairments	**175**	9
Tangible fixed assets differences	**88**	(28)
Disposal of business not subject to tax	**–**	(190)
Other adjustments	**(319)**	(121)
	(219)	(70)
Total tax expense for the year	**3,072**	2,026

14. Intangible assets

Cost	Goodwill £000	Customer relationships £000	Internally generated software £000	Total £000
At 1 April 2018	20,213	23,775	7,471	51,459
Adjustment on application of IFRS 15	–	786	–	786
Additions	–	376	–	376
At 31 March 2019	**20,213**	**24,937**	**7,471**	**52,621**
Additions	**–**	**3,452**	**90**	**3,542**
At 31 March 2020	**20,213**	**28,389**	**7,561**	**56,163**
Amortisation and impairment				
At 1 April 2018	6,161	19,772	6,233	32,166
Adjustment on application of IFRS 15	–	89	–	89
Charge for the year	–	1,097	930	2,027
At 31 March 2019	**6,161**	**20,958**	**7,163**	**34,282**
Impairment charge during the year	**349**	**–**	**–**	**349**
Amortisation charge for the year	**–**	**1,195**	**324**	**1,519**
At 31 March 2020	**6,510**	**22,153**	**7,487**	**36,150**
Net book value				
At 31 March 2020	**13,703**	**6,236**	**74**	**20,013**
At 31 March 2019	14,052	3,979	308	18,339

None of the intangible assets have been pledged as security.

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

	2020 £000	2019 £000
Investment Management Services	**8,456**	8,805
Charles Stanley Direct	**5,247**	5,247
	13,703	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 1.30% and 3.09%). 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.

No value in use calculations have been prepared for other CGUs on the basis that the fair value less cost to sell was greater than the carrying amount.

No other assets or liabilities related to the Group are allocated to CGUs in the assessment of the fair value of each CGU.

14. Intangible assets (continued)

14.1 Goodwill (continued)
Accordingly, the amalgamation of the Asset Management division to the Investments Management Services division had no impact on the carrying value of CGUs.

14.1.1 Investment Management Services
The goodwill attributed to this division, is represented by five CGUs, comprising acquired investment management teams in different locations across the UK. The largest CGUs are Towrie and Robson Cotterell, representing 51% and 27% respectively of the carrying value of the goodwill held by the division.

The recoverable amount was assessed using fair value less costs to sell for the year ended 31 March 2020, based on a percentage of FuMA (1.30%), being the lower end of managements estimations. The Robson Cotterell CGU had the lowest headroom, of £0.2 million, between the carrying value and the recoverable amount. FuMA associated with this CGU would need to fall by 19% under the current method before an impairment would be recognised.

An impairment charge of £0.3 million has been made for goodwill relating to the Isle of Wight CGU, reducing the carrying value of this CGU to nil. The reason for the impairment has not been the loss of clients, but the closure of the branch, combined with the subsequent retirement and departure of the remaining investment managers. Except for the above, the recoverable amount of all other CGUs was determined to be higher than the carrying amounts 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 2020. Fair value less costs to sell was determined based on a price paid per billion of FuMA in recent market transactions. The range observed was £2.5 million to £10.3 million paid per £1.0 billion of assets. 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
Customer relationships relate to payments made to investment managers and third parties for the introduction of customer relationships. Customer relationships also arise on business combinations. The fair value was determined based on a percentage of FuMA of investment managers who have received payments. The fair value of those acquired in business combinations is based on the discounted cash flow model.

As an amortising asset, an impairment assessment is required only when an impairment trigger has been identified. The assessment is carried out by comparing the carrying value of each relationship and the remaining consideration that the Group expects to receive for services which are derived from the customer relationships. The recoverable amount is calculated based on fair value less costs to sell using FuMA multiples or turnover multiples derived from recent market transactions. Where necessary a value in use calculation is carried out to support the assessment. For each relationship the estimated remaining recoverable amount exceeds the carrying value and therefore there is no indication of impairment.

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

14.4 Sensitivity
To quantify the impact of COVID-19, additional sensitivity was applied to FuMA at 31 March 2020 levels, at which point the effect of market falls was accounted for as the situation unfolded in the last quarter of the financial year. Whilst markets have seen some recovery after the year end, the additional sensitivity was applied to gain comfort over the impact of volatile markets.

In respect of Goodwill associated with Investment Management Services, when assessing the carrying value as a percentage of FuMA at 1.30%, the value of FuMA for the CGUs would have to fall between 19% to 83%, before the carrying value would exceed the recoverable amount. For Customer relationships intangibles, there are a significant number of relationships associated with the overall balance with a wide range of carrying values.

This additional sensitivity analysis concluded that sufficient headroom existed between carrying values and the threshold for impairment to the relevant CGUs and Customer relationships.

14. Intangible assets (continued)

14.4 Sensitivity (continued)

In respect of Goodwill associated with Charles Stanley Direct, we applied sensitivity analysis to the asset values from recent market transactions, which were used to determine the fair value of the CGU. A range of scenarios were modelled, with the impact of a 40% reduction in the price paid per £1.0 billion of assets applied against the average price paid of £6.4 million in recent market transactions. The carrying value of the CGU was adequately supported.

15. Property, plant and equipment

Cost or valuation	Freehold premises £000	Fixtures and fittings £000	Property right-of-use assets £000	Office equipment and motor vehicles £000	Total £000
At 1 April 2018	3,769	7,107	–	18,642	29,518
Additions	–	481	–	535	1,016
Disposals	(335)	(97)	–	–	(432)
At 31 March 2019	**3,434**	**7,491**	**–**	**19,177**	**30,102**
Adjustment on application of IFRS 16	**–**	**–**	**12,007**	**–**	**12,007**
Additions	**54**	**215**	**790**	**552**	**1,611**
Disposals	**–**	**(121)**	**–**	**(12)**	**(133)**
At 31 March 2020	**3,488**	**7,585**	**12,797**	**19,717**	**43,587**
Depreciation					
At 1 April 2018	159	3,256	–	16,423	19,838
Charge for the year	61	672	–	897	1,630
Disposals	(14)	(58)	–	–	(72)
At 31 March 2019	**206**	**3,870**	**–**	**17,320**	**21,396**
Charge for the year	**54**	**687**	**2,416**	**960**	**4,117**
Disposals	**–**	**(93)**	**–**	**(8)**	**(101)**
At 31 March 2020	**260**	**4,464**	**2,416**	**18,272**	**25,412**
Net book value					
At 31 March 2020	**3,228**	**3,121**	**10,381**	**1,445**	**18,175**
At 31 March 2019	**3,228**	**3,621**	–	**1,857**	**8,706**

Freehold premises are carried at fair value. The most recent valuations of freehold premises was carried out in February 2018 by independent chartered surveyors. If freehold premises had been carried under the cost model, their carrying value would have been £3.5 million (2019: £3.4 million). The cost and accumulated depreciation of property, plant and equipment in the table above includes £21.7 million (2019: £19.9 million) in respect of fully depreciated assets which are still in use.

16. Leases – the Group as a lessee

The Group has entered various leases in respect of property as a lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Most leases typically run for a period of 5 to 10 years, with an option to renew the lease after that date. Extension and termination options are included in a number of leases to maximise operational flexibility when managing the assets of the Group. The majority of extension and termination options held are exercisable by the Group and not by the lessor. None of the properties are sub-let by the Group. Other than property, there are no further classes of assets that are leased by the Group.

16.1 Amounts recognised in the balance sheet

The following amounts relating to leases were recognised at the balance sheet date:

	2020 £000
Non-current asset	
Property right-of-use assets	10,381
	10,381
Lease liabilities	
Current	2,825
Non-current	9,718
	12,543

16.2 Lease liabilities – maturity analysis

	2020 £000
Contractual undiscounted cash flows	
Less than one year	3,545
One to five years	9,977
More than five years	1,074
Total undiscounted lease liabilities at 31 March	14,596

16.3 Amounts recognised in the income statement

The application of IFRS 16 has resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared to the previous standard, IAS 17. During the year ended 31 March 2020, the following amounts were recognised in the consolidated income statement:

	2020 £000
2020 – Leases under IFRS 16	
Depreciation	2,416
Interest expense	924
	3,340
2019 – Operating leases under IAS 17	
Lease expense	3,338
	3,338

17. 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 2018	1,098	405	687	233	2,423
Recognised in profit or loss					
Current year	–	324	(63)	(78)	183
	–	324	(63)	(78)	183
Recognised in other comprehensive income					
Current year	65	–	37	–	102
	65	–	37	–	102
At 31 March 2019	**1,163**	**729**	**661**	**155**	**2,708**
Recognised in profit or loss					
Current year	**(81)**	**(305)**	**(4)**	**36**	**(354)**
Prior year adjustment credit	**4**	**–**	**–**	**9**	**13**
	(77)	**(305)**	**(4)**	**45**	**(341)**
Recognised in other comprehensive income					
Current year	**(121)**	**–**	**–**	**–**	**(121)**
	(121)	**–**	**–**	**–**	**(121)**
Recognised in equity					
Adjustment on application of IFRS 16	**–**	**–**	**214**	**–**	**214**
Current year	**–**	**21**	**–**	**–**	**21**
	–	**21**	**214**	**–**	**235**
At 31 March 2020	**965**	**445**	**871**	**200**	**2,481**

17. Net deferred tax asset (continued)

Deferred tax liabilities	Intangible assets £000	Available-for-sale financial assets £000	Fair value through profit or loss financial assets £000	Fair value through other comprehensive income financial assets £000	Total £000
At 1 April 2018	(49)	(299)	–	–	(348)
Adjustment on application of IFRS 9	–	299	(31)	(267)	1
Adjustment on application of IFRS 15	(118)	–	–	–	(118)
	(118)	299	(31)	(267)	(117)
Recognised in profit or loss					
Current year	50	–	(6)	–	44
	50	–	(6)	–	44
Recognised in other comprehensive income					
Current year	–	–	–	(153)	(153)
	–	–	–	(153)	(153)
At 31 March 2019	**(117)**	**–**	**(37)**	**(420)**	**(574)**
Recognised in profit or loss					
Current year	**4**	**–**	**10**	**–**	**14**
	4	**–**	**10**	**–**	**14**
Recognised in other comprehensive income					
Current year	**–**	**–**	**–**	**(410)**	**(410)**
	–	**–**	**–**	**(410)**	**(410)**
Recognised on business acquisition					
Current year	**(329)**	**–**	**–**	**–**	**(329)**
	(329)	**–**	**–**	**–**	**(329)**
At 31 March 2020	**(442)**	**–**	**(27)**	**(830)**	**(1,299)**
Net deferred tax asset					
At 31 March 2020					**1,182**
At 31 March 2019					2,134

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget, it was announced that the UK corporation tax rate will remain at the current level of 19% and not reduce to 17% from 1 April 2020. The deferred tax asset at 31 March 2020 has been calculated based on the rate expected to apply when the relevant timing differences are forecast to unwind.

18. Financial assets

Current	2020 £000	2019 £000
Listed equity securities designated at fair value through profit or loss	**1,492**	2,234
Sovereign debt securities at amortised cost	**4,997**	9,994
	6,489	12,228
Non-current		
Unlisted equity securities designated at fair value through other comprehensive income	**4,482**	2,586
Sovereign debt securities at amortised cost	**507**	1,010
	4,989	3,596

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

Sovereign debt securities have stated yield between 0.68% and 1.20% (2019: 0.65% to 1.23%) and are held in order to collect contractual cash flows. Sovereign debt securities include a £0.5 million (2019: £1.0 million) holding in gilts which is pledged to a clearing house.

18.1 Equity securities designated at fair value through other comprehensive income
The investments shown below are recognised as equity securities at fair value through other comprehensive income as the Group intends to hold for long-term strategic purposes.

	Fair value at 2020 £000	Fair value at 2019 £000
Investment in Euroclear Holding SA	**4,381**	2,493
Investment in SWIFT SCRL	**101**	93
	4,482	2,586

No strategic investments were acquired or disposed of during the year, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

19. Trade and other receivables

Current	2020 £000	2019 £000
Trade receivables	**173,983**	160,913
Other receivables	**439**	2,827
Accrued income	**26,449**	24,696
Prepayments	**2,967**	2,865
	203,838	191,301

During the year, deferred consideration of £1.0 million was received in full in relation to the sale of EBS Management PLC, which represents the full discounted amount and was included in other receivables. No further amounts are receivable.

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

Current	2020 £000	2019 £000
Deferred consideration	–	992
	–	992

20. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	**88,477**	71,211

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 2018	50,743	12,686	4,564	17,250
Exercise of share options	24	6	61	67
At 31 March 2019	**50,767**	**12,692**	**4,625**	**17,317**
Exercise of share options	**371**	**92**	**545**	**637**
At 31 March 2020	**51,138**	**12,784**	**5,170**	**17,954**

21.1 Ordinary shares

The rights and obligations attached to the Parent Company's ordinary shares are set out in the Directors' report (page 90).

During the year 371,000 ordinary shares were issued, fully paid for cash at an average price of £1.72 per share, following the exercise of options by employees. These shares had a nominal value of £92,750 and total consideration was £638,120.

21.2 Own shares

At 31 March 2020, the Group held 110,746 (2019: 62,773) own shares, which are held in an Employee Benefit Trust. During the year the Group acquired an additional 74,500 shares for a total cost of £0.2 million and transferred 26,527 shares to employees.

21.3 Dividends

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

	2020 £000	2019 £000
Final dividend paid for 2019: 6.0p per share (2018: 5.5p)	**3,047**	2,791
Interim dividend paid for 2020: 3.0p per share (2019: 2.75p)	**1,527**	1,396
	4,574	4,187

A final dividend of 6.0 pence per share was declared by the Board on 27 May 2020. This will be payable on 16 July 2020 to registered shareholders as at 11 June 2020.

Dividends are payable from the Parent Company's distributable reserves which comprise the sum of retained earnings and the merger relief reserve.

22. Provisions

Current	2020 £000	2019 £000
Balance brought forward	**1,841**	2,636
Provisions made during the year	**762**	350
Provisions used during the year	**(1,352)**	(783)
Unused provisions transferred to income statement	**(40)**	(341)
Net provisions reclassified from/(to) non-current	**40**	(21)
Balance carried forward	**1,251**	1,841

Non-current	2020 £000	2019 £000
Balance brought forward	**1,961**	1,813
Provisions made during the year	**62**	127
Net provisions reclassified (to)/from current	**(40)**	21
Balance carried forward	**1,983**	1,961

The Group held provisions as at 31 March 2020 in respect of redundancy costs, certain legal claims and leasehold property dilapidations.

23. Trade and other payables

Current	2020 £000	2019 £000
Trade and other payables	**168,466**	158,513
Other taxes and Social Security costs	**6,105**	4,993
Other payables	**18,679**	16,023
Accruals	**12,215**	9,967
	205,465	189,496

Non-current	2020 £000	2019 £000
Trade and other payables	**404**	–
	404	–

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 equity holdings. These comprise:

i) Unlisted financial investments designated at fair value through other comprehensive income.

ii) Listed financial assets held for trading at fair value through profit or loss.

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 Unlisted investments

Note 18 summarises the investments held at the year end date.

75% of the Group's equity investments are unlisted. A 10% increase or decrease in the Group's unlisted investments would increase or reduce reserves by £0.4 million (2019: £0.2 million).

24.1.1.2 Listed investments held for trading

The Group's exposure to market risk on its fair value through profit and loss (FVTPL) assets is minimal and only arises from incidental dealing errors that are reported as operational risk events. These are reported to the Enterprise Risk Committee.

All of the Group's listed equity investments are listed on the London Stock Exchange. A 10% increase or decrease in equity prices would increase or decrease profit before tax by £0.2 million (2019: £0.3 million increase or decrease in reserves).

24.1.1.3 Investment Management Services fees

It is expected that a 10% increase or decrease in equity prices would increase or decrease investment management fees in the consolidated income statement by £6.0 million (2019: £5.7 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 GBP:

Net assets	2020 £000	2019 £000
Euros	**33**	–
US dollars	**323**	250
Other currencies	**4**	–
	360	250

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 2020 these totalled £25,000 (2019: £25,000).

24.1.3 Interest rate risk

The Group holds interest-bearing assets, principally cash and cash deposits, sovereign debt securities at amortised cost 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 £1.7 million higher (2019: £1.4 million). If interest rates had been 200 basis points lower, profit for the year would have been £0.5 million lower (2019: £0.5 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, cash equivalents and Treasury Bills are held with regulated financial institutions with investment grade credit ratings. The list of approved banks is reviewed at least annually by the Treasury Committee. The Group has no concerns over the credit quality of these institutions. As at 31 March 2020, the 'expected credit losses' impairment model did not have a material impact.

24. Fair values and risk management (continued)

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

		Past due but not impaired				
At 31 March 2020	**Neither due or impaired £000**	**0–3 months £000**	**3–6 months £000**	**6–12 months £000**	**Over 1 year £000**	**Carrying value £000**
Trade and other receivables	**2,967**	**200,871**	**–**	**–**	**–**	**203,838**
Cash and cash equivalents	**88,477**	**–**	**–**	**–**	**–**	**88,477**
Financial assets at amortised cost	**–**	**4,997**	**–**	**–**	**507**	**5,504**
At 31 March 2019						
Trade and other receivables	2,865	188,436	–	–	–	191,301
Cash and cash equivalents	71,211	–	–	–	–	71,211
Financial assets at amortised cost	–	9,994	–	–	1,010	11,004

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 adequate liquid resources as a mixture of cash, cash equivalents and sovereign debt securities which are held to meet the obligations arising from the Group's operational and trading activities; these are overwhelmingly short term in nature. At 31 March 2020 the Group had £88.5 million (2019: £71.2 million) in bank accounts and £5.5 million (2019: £11.0 million) in sovereign debt securities which have a high degree of liquidity.

When investing cash belonging to the Group, the focus is on security of the principal and the maintenance of liquidity in order that the Group has access to sufficient resources. Liquidity stress tests are regularly conducted to ensure ongoing liquidity adequacy, and a Contingency Funding Plan is also maintained to provide backup liquidity should a severe liquidity stress event arise.

The Treasury Committee operates within strict policies and procedures approved by the Board, which include strict controls on the use of financial instruments in managing the Group's risk. It is the Group's policy to hold liquid resources to meet obligations as and when they fall due.

The Group's financial instruments comprise cash and liquid resources, and various items including trade receivables and trade payables that arise directly from its operations. The Group reviews the credit quality of counterparties and limits its aggregate credit exposures accordingly.

The majority of the short-term liabilities arise from the settlement of clients' trading activities and it is the policy to pay stockbroking creditors on settlement day or when the stock is delivered, whichever is later.

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

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	Fair value through profit or loss £000	Fair value through other comprehensive income £000	Amortised cost £000	Financial liabilities £000	Total £000
At 31 March 2020						
Financial assets measured at fair value						
Listed investments	18	1,492	–	–	–	1,492
Unlisted investments	18	–	4,482	–	–	4,482
		1,492	4,482	–	–	5,974
Financial assets not measured at fair value						
Trade and other receivables	19	–	–	203,838	–	203,838
Sovereign debt securities	18	–	–	5,504	–	5,504
Cash and cash equivalents	20	–	–	88,477	–	88,477
		–	–	297,819	–	297,819
Financial liabilities not measured at fair value						
Trade and other payables	23	–	–	–	205,465	205,465
Non-current trade and other payables	23	–	–	–	404	404
Current lease liabilities	16	–	–	–	2,825	2,825
Non-current lease liabilities	16	–	–	–	9,718	9,718
		–	–	–	218,412	218,412

Fair value	Notes	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2020					
Financial assets and liabilities measured at fair value					
Listed investments	18	1,368	124	–	1,492
Unlisted investments	18	–	–	4,482	4,482
Current trade and other payables	23	–	–	(348)	(348)
Non-current trade and other payables	23	–	–	(404)	(404)
		1,368	124	3,730	5,222

24. Fair values and risk management (continued)

Carrying amount	Notes	Fair value through profit or loss £000	Fair value through other comprehensive income £000	Amortised cost £000	Financial liabilities £000	Total £000
At 31 March 2019						
Financial assets measured at fair value						
Listed investments	18	2,234	–	–	–	2,234
Unlisted investments	18	–	2,586	–	–	2,586
Total		2,234	2,586	–	–	4,820
Financial assets not measured at fair value						
Trade and other receivables	19	–	–	191,301	–	191,301
Sovereign debt securities	18	–	–	11,004	–	11,004
Cash and cash equivalents	20	–	–	71,211	–	71,211
Total		–	–	273,516	–	273,516
Financial liabilities not measured at fair value						
Trade and other payables	23	–	–	–	189,496	189,496
Total		–	–	–	189,496	189,496

Fair value	Notes	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2019					
Financial assets measured at fair value					
Listed investments	18	2,110	124	–	2,234
Unlisted investments	18	–	–	2,586	2,586
Total		2,110	124	2,586	4,820

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 PLC	Fair value is determined by applying an earnings multiple to Euroclear's latest published results	The Group has used a 22.8x times multiple, which is based on multiples seen for comparable listed entities after applying a % discount to reflect the illiquidity of Euroclear shares	Increasing or decreasing the multiple by 10% would result in a £0.5 million increase or decrease in the fair value of the Group's shareholding

There were no transfers between any of the levels of the fair value hierarchy during the year ended 31 March 2020 or in the prior year.

ii) Level 3 fair values
The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	Unlisted equity securities £000
Balance brought forward	**2,586**
Total unrealised gains and losses for the year included in other comprehensive income	**1,896**
Balance carried forward	**4,482**

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

The Level 3 balance relates to holdings in unlisted investments. At 31 March 2020 these unlisted investments had a fair value of £4.5 million (2019: £2.6 million). Included within this balance is the Group's holding of 2,358 shares (2019: 2,358 shares) in Euroclear which had a fair value of £4.4 million (2019: £2.5 million). Fair value was determined using a valuation technique that required significant unobservable inputs.

24.3.3 Contingent consideration

The Level 3 balance comprises an amount payable as part of the acquisition of Myddleton Croft Limited. The fair value is determined based on the future income forecasts and multiples set out in the signed terms of the Sales and Purchase Agreement utilising forecasts.

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 EC2N 3AS, UK.

Name of company	Activity	Note	Country of incorporation	Ordinary shares
Charles Stanley & Co. Limited	Wealth managers	1	England & Wales	100%
Exempt Nominees Limited	Nominee company	2	England & Wales	100%
Gryphon Investments Limited	Dormant	3	England & Wales	98%
Rock (Nominees) Limited	Nominee company	2	England & Wales	100%
Myddleton Croft Limited	Wealth managers	1	England & Wales	100%
AAM Nominees Limited	Nominee company	–	England & Wales	100%

Notes
1. Regulated by the Financial Conduct Authority.
2. Shares held by Charles Stanley & Co. Limited.
3. Shares held by Rock (Nominees) Limited.

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:

	2020 £m	2019 £m
MI Charles Stanley Monthly High Income Fund	**65.9**	69.7
MI Charles Stanley Equity Fund	**10.8**	10.4
MI Charles Stanley UK & International Growth Fund	**91.7**	106.7
MI Charles Stanley Multi Asset 2 Cautious Fund	**1.9**	2.9
MI Charles Stanley Multi Asset 3 Moderate Fund	**26.0**	26.1
MI Charles Stanley Multi Asset 4 Growth Fund	**26.6**	26.5
MI Charles Stanley Multi Asset 5 Adventurous Fund	**3.7**	3.0
The MOTIM Fund	**11.7**	14.0
	238.3	259.3

Included in the consolidated statement of financial position is accrued income of £nil (2019: £nil) 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.

	2020 £000	2019 £000
MI Charles Stanley Monthly High Income Fund	571	553
MI Charles Stanley Equity Fund	74	69
MI Charles Stanley UK & International Growth Fund	1,158	1,096
MI Charles Stanley Multi Asset 1 Defensive Fund	–	6
MI Charles Stanley Multi Asset 2 Cautious Fund	18	15
MI Charles Stanley Multi Asset 3 Moderate Fund	184	145
MI Charles Stanley Multi Asset 4 Growth Fund	181	168
MI Charles Stanley Multi Asset 5 Adventurous Fund	25	18
The MOTIM Fund	36	58
	2,247	2,128

27. Reconciliation of net profit to cash generated from operations

	2020 £000	2019 £000
Profit before tax	17,322	11,030
Adjustments for:		
Depreciation	4,117	1,630
Amortisation and impairment of intangible assets	1,869	2,027
Share-based payments – (credit)/charge for employee services	(1,783)	3,128
Retirement benefit scheme – charge/(credit)	151	(160)
Dividend income	(115)	(101)
Interest income	(539)	(608)
Interest expense	985	76
Profit on disposal of financial assets	(89)	(55)
Gain on disposal of property, plant and equipment	(18)	(293)
Changes in working capital:		
Unrealised gains on financial assets at fair value through profit or loss	154	39
Increase in receivables	(12,440)	(12,451)
Increase in payables	16,235	17,182
Net cash inflow from operations	25,849	21,444

28. Operating leases

The Group leases a portfolio of office properties with varying lease end dates. Prior to adoption of IFRS 16 Leases on 1 April 2019 these were classified as operating leases. The following table represents the future minimum lease payments under non-cancellable operating leases. No disclosure is provided for 2020 as from 1 April 2019, the distinction between finance and operating leases disappeared for lessees, with the Group now recognising right-of-use assets for these leases.

Further information on leases for which the Group is a lessee is provided in note 16:

	2020 £000	2019 £000
Not later than one year	–	3,506
Later than one year but not later than five years	–	12,333
Later than five years	–	1,842
	–	17,681

29. Contingent liabilities

The Group is exposed to the risk of legal matters which could give rise to the need to recognise provisions, or in the case they do not qualify for the recognition of a provision, to disclose contingent liabilities. The financial impact of this potential exposure cannot be reliably estimated and, as a result, no provision was recognised in the consolidated statement of financial position as at 31 March 2020.

30. Commitments

At 31 March 2020, capital expenditure authorised and contracted for, but not included in the financial statements, amounted to £0.2 million (2019: £nil).

31. Subsequent events

There were no material adjusting events 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. The compensation paid to Key Management Personnel is detailed below:

	2020 £000	2019 £000
Salaries and short-term employee benefits[1]	**1,681**	1,676
Post-employment benefits	**136**	174
Termination payments	**323**	–
Share-based payments	**21**	–
Social Security costs	**278**	247
	2,439	2,097

1. Salaries and short-term employee benefits revised to include variable remuneration.

Parent Company statement of financial position

As at 31 March 2020

Assets	Note	2020 £000	2019 £000
Intangible assets	34	**10,331**	10,034
Deferred tax asset	35	**436**	706
Investments in subsidiaries	37	**39,433**	43,272
Non-current assets		**50,200**	54,012
Financial assets at amortised cost	36	**4,997**	9,994
Financial assets at fair value through profit and loss	36	**1,448**	2,168
Trade and other receivables	38	**–**	994
Cash and cash equivalents	39	**705**	692
Current assets		**7,150**	13,848
Total assets		**57,350**	67,860
Equity			
Share capital	21	**12,784**	12,692
Share premium	21	**5,170**	4,625
Own shares	21	**(334)**	(201)
Merger relief reserve		**15,167**	15,167
Retained earnings		**6,671**	10,625
Total equity		**39,458**	42,908
Liabilities			
Non-current trade and other payables		**404**	–
Non-current liabilities		**404**	–
Trade and other payables	40	**17,488**	24,496
Current tax liabilities		**–**	456
Current liabilities		**17,488**	24,952
Total liabilities		**17,892**	24,952
Total equity and liabilities		**57,350**	67,860

Approved by the Board of Charles Stanley Group PLC (company number 48796) on 27 May 2020 and signed on its behalf by:

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

The notes on pages 154 to 160 are an integral part of these Parent Company financial statements.

Parent Company statement of changes in equity

Year ended 31 March 2020

	Share capital £000	Share premium £000	Own shares £000	Revaluation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000
At 1 April 2018	12,686	4,564	(95)	159	15,167	4,099	36,580
Adjustment on initial application of IFRS 15	–	–	–	–	–	(208)	(208)
Adjustment on initial application of IFRS 9	–	–	–	(159)	–	159	–
Profit for the year	–	–	–	–	–	5,581	5,581
Total comprehensive income for the year	–	–	–	–	–	5,581	5,581
Dividends paid	–	–	–	–	–	(4,187)	(4,187)
Unclaimed dividends	–	–	–	–	–	109	109
Own shares acquired	–	–	(123)	–	–	–	(123)
Shares transferred to employees	–	–	17	–	–	(17)	–
Share-based payments:							
– value of employee services	–	–	–	–	–	5,089	5,089
– issue of shares	6	61	–	–	–	–	67
At 31 March 2019	**12,692**	**4,625**	**(201)**	**–**	**15,167**	**10,625**	**42,908**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**2,412**	**2,412**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**2,412**	**2,412**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(4,574)**	**(4,574)**
Unclaimed dividends	**–**	**–**	**–**	**–**	**–**	**12**	**12**
Own shares acquired	**–**	**–**	**(213)**	**–**	**–**	**–**	**(213)**
Shares transferred to employees	**–**	**–**	**80**	**–**	**–**	**(80)**	**–**
Share-based payments:							
– value of employee services	**–**	**–**	**–**	**–**	**–**	**(1,745)**	**(1,745)**
– issue of shares	**92**	**545**	**–**	**–**	**–**	**–**	**637**
– related deferred tax	**–**	**–**	**–**	**–**	**–**	**21**	**21**
At 31 March 2020	**12,784**	**5,170**	**(334)**	**–**	**15,167**	**6,671**	**39,458**

The notes on pages 154 to 160 are an integral part of these Parent Company financial statements.

Parent Company statement of cash flows
Year ended 31 March 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Cash generated from operating activities	41	(5,661)	9,029
Interest received		79	70
Tax paid received		(407)	(248)
Net cash generated from operating activities		(5,989)	8,851
Cash flow from investing activities			
Acquisition of intangible assets		(689)	(377)
Investment in subsidiary		(1,882)	–
Proceeds from sale of financial assets		46,081	10,933
Purchase of financial assets		(40,397)	(20,878)
Net proceeds from disposal of business		–	119
Dividends received		7,039	5,726
Net cash generated/(used in) from investing activities		10,152	(4,477)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		637	67
Purchase of own shares		(213)	(123)
Dividends paid	21	(4,574)	(4,187)
Net cash used in financing activities		(4,150)	(4,243)
Net increase in cash and cash equivalents		13	131
Cash and cash equivalents at start of year		692	561
Cash and cash equivalents at end of year	39	705	692

The notes on pages 154 to 160 are an integral part of these Parent Company financial statements.

Notes to the Parent Company financial statements
Year ended 31 March 2020

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 £2.4 million (2019: £5.7 million).

34. Intangible assets

Cost	Goodwill £000	Customer relationships £000	Total £000
At 1 April 2018	10,027	20,160	30,187
Adjustment on application of IFRS 15	–	786	786
Additions	–	377	377
At 31 March 2019	**10,027**	**21,323**	**31,350**
Additions	**–**	**1,441**	**1,441**
At 31 March 2020	**10,027**	**22,764**	**32,791**
Amortisation			
At 1 April 2018	3,161	17,234	20,395
Adjustment on application of IFRS 15	–	90	90
Amortisation charge	–	831	831
At 31 March 2019	**3,161**	**18,155**	**21,316**
Amortisation charge	**–**	**795**	**795**
Impairment charge	**349**	**–**	**349**
At 31 March 2020	**3,510**	**18,950**	**22,460**
Net book value			
At 31 March 2020	**6,517**	**3,814**	**10,331**
At 31 March 2019	6,866	3,168	10,034

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

35. Deferred tax asset

Revaluation	Total £000
At 1 April 2018	505
Changes in fair value of financial assets	7
Other timing differences	194
At 31 March 2019	**706**
Changes in fair value of financial assets	**10**
Other timing differences	**(301)**
Amounts credited to equity	**21**
At 31 March 2020	**436**

Deferred tax assets and liabilities are calculated using an effective tax rate of 19% (2019: 17%).

36. Financial assets

Current	2020 £000	2019 £000
Listed equity securities designated at fair value through profit or loss	**1,448**	2,168
Debt securities at amortised cost	**4,997**	9,994
	6,445	12,162

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

Sovereign debt securities have stated interest rates between 0.68% and 1.20% (2019: 0.65% to 1.23%) and are held in order to collect contractual cash flows.

37. Investments in subsidiaries

Cost	Total £000
At 1 April 2018	51,756
Share options	5,076
At 31 March 2019	**56,832**
Additions	**1,882**
Disposals	**(4,006)**
Share options	**(1,715)**
At 31 March 2020	**52,993**
Impairment	
At 1 April 2018	13,560
Charge for the year	–
At 31 March 2019	**13,560**
Charge for the year	**–**
At 31 March 2020	**13,560**
Net book value	
At 31 March 2020	**39,433**
At 31 March 2019	43,272

38. Trade and other receivables

Current	2020 £000	2019 £000
Other debtors	–	994
	–	994

39. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	**705**	692

40. Trade and other payables

Current	2020 £000	2019 £000
Amounts due to Group undertakings	**16,974**	24,319
Other payables	**514**	177
	17,488	24,496

41. Reconciliation of net profit to net cash generated from operations

	2020 £000	2019 £000
Profit before tax	**2,654**	5,713
Adjustments for:		
Amortisation and impairment of intangible assets	**1,144**	831
Interest income	**(79)**	(70)
Dividend income	**(7,039)**	(5,726)
Profit on disposal of financial assets	**(121)**	(52)
Impairment of investment in subsidiaries	**3,221**	–
Gain on disposal of business	**–**	(119)
Unrealised fair value gains on financial assets	**154**	(38)
Changes in working capital:		
Decrease in receivables	**964**	946
(Decrease)/increase in payables	**(6,559)**	7,544
Net cash (used in)/generated from operations	**(5,661)**	9,029

42. 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	
	2020 £000	2019 £000	2020 £000	2019 £000
Charles Stanley & Co. Limited	**–**	–	**16,679**	24,025
Gryphon Investments Limited	**–**	–	**294**	294
	–	–	**16,973**	24,319

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.

Unaudited five year record
2016–2020

Income statement year ended 31 March	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Continuing operations					
Revenue	**173,014**	155,158	150,860	141,630	138,650
Administrative expenses	**(151,413)**	(145,767)	(142,146)	(136,122)	(139,163)
Restructuring costs	**(3,472)**	–	–	–	–
Impairment of intangible assets	**(349)**	–	–	(650)	(465)
Other income	**115**	101	278	186	153
Operating profit/(loss)	**17,895**	9,492	8,992	5,044	(825)
Gain on surrender of lease	–	–	–	5,550	–
Gain/(loss) on disposal of fixed assets	**(18)**	293	(45)	(2,199)	(131)
Gain on sale of business	–	119	707	148	299
Gain on sale of corporate investments	–	–	2,463	423	–
Impairment of corporate loans	–	500	–	(500)	–
Impairment of freehold property	–	–	(995)	–	–
Finance income	**429**	702	343	397	69
Finance costs	**(984)**	(76)	(18)	(64)	(99)
Net finance and other non-operating (costs)/income	**(573)**	1,538	2,455	3,755	138
Profit/(loss) before tax	**17,322**	11,030	11,447	8,799	(687)
Tax (expense)/credit	**(3,072)**	(2,026)	(2,715)	(2,539)	47
Profit/(loss) from continuing operations	**14,250**	9,004	8,732	6,260	(640)
Discontinued operations					
Profit from discontinued operations	–	–	–	–	333
Profit/(loss) for the year attributable to owners of the Parent Company	**14,250**	9,004	8,732	6,260	(307)
Earnings per share					
From continuing and discontinued operations					
Basic	**28.03p**	17.74p	17.23p	12.35p	(0.61p)
Diluted	**27.51p**	17.41p	16.93p	12.34p	(0.61p)
From continuing operations					
Basic	**28.03p**	17.74p	17.23p	12.35p	(1.27p)
Diluted	**27.51p**	17.41p	16.93p	12.34p	(1.27p)

Glossary

Abbreviation	Definition
AGM	Annual General Meeting
Aon	Remuneration Committee's external advisors
AuA	Assets under Administration
Average of monthly FuMA/FuM	Average of monthly FuMA/FuM over financial reporting period
Bps	Basis points, a unit of measure. One basis point is equal to 1/100th of 1%, or 0.01%
CASS	Client Assets Sourcebook
Certification Staff	A controlled function regulated by the Financial Conduct Authority applicable to all employees providing advisory services to clients
CEO	Chief Executive Officer
COVID-19	Coronavirus pandemic
CGU	Cash Generating Unit
CISI	Chartered Institute for Securities & Investment
CMI	Continuous Mortality Investigation that carries out research into mortality and morbidity experience and produces tables widely used by actuaries
Parent Company, Company CSG	Charles Stanley Group PLC
CPI	Consumer Prices Index
CREST	The settlement system used by the London Stock Exchange for settling all its transactions
CSC	Charles Stanley & Co. Limited, the Group's main operating subsidiary
CSD	Charles Stanley Direct, a division of the Group comprising the Charles Stanley Direct online Execution-only platform and Charles Stanley Investment Choices Limited
CSFS	Charles Stanley Financial Solutions Limited
DTR	Disclosure Guidance and Transparency Rules
EBS	EBS Management PLC
EPS	Earnings per share
ESG	Environmental, Social and Governance
EU	European Union
Euroclear	Euroclear Holding SA/NV (formerly Euroclear PLC)
FCA	UK Financial Conduct Authority
FIT	FIT Remuneration Consultants LLP
FRC	UK Financial Reporting Council
FSCS	Financial Services Compensation Scheme
FuMA/FuM	Funds under Management and Administration/Funds under Management
FY	Financial year, being the reporting period ended on 31 March of the stated year

Abbreviation	Definition
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
MYC	Myddleton Croft Limited
NED	Non-Executive Director
OEIC	Open-Ended Investment Company
PBT	Profit before tax
PSP	Performance Share Plan
PPS	Personal Portfolio Service
RAS	Risk Appetite Statement
S2PxA	Standard table used by actuaries for mortality assumptions
SIPP	Self-invested Personal Pension – a pension plan which enables the holder to choose and manage the investments made
SMCR	Senior Managers and Certification Regime
Underlying performance	Combined activities of the Investment Management Services, Charles Stanley Direct and Financial Planning divisions
VAT	Value Added Tax
VCT	Venture Capital Trust
XO	Execution-only

Company information

Company Secretary

Julie Ung

Registered office

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Company registration number

48796 (England and Wales)

Group website

charles-stanley.co.uk

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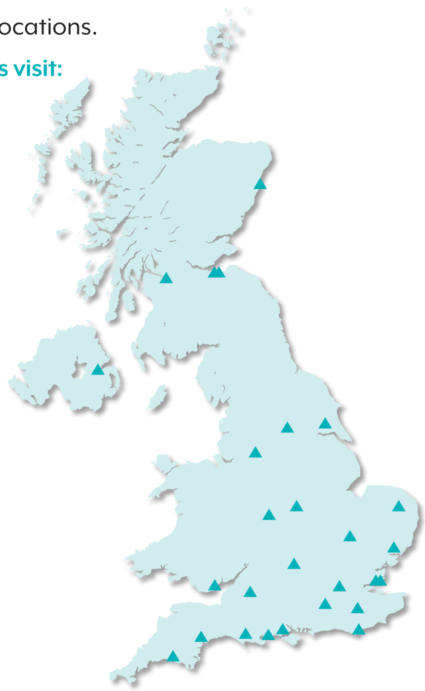
Financial calendar

28 May 2020	Results announcement
11 June 2020	Ex-dividend date for final dividend
12 June 2020	Record date for final dividend
09 July 2020	Annual General Meeting
16 July 2020	Final dividend paid

Where we are

We operate in 27 UK locations.

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



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