Focusing on you

CHARLES STANLEY

A strategic focus

Annual report and accounts 2016

Who we are

Charles Stanley works for you. We take on your financial goals as our own, applying technological expertise and deep market insight founded on genuine personal relationships. We can provide advice for your savings and investments, manage them on your behalf, or support you in managing them yourself. Whatever works best for you.

Our focus on clients has endured since the foundation of Charles Stanley in 1792 and has helped make us one of the UK's leading wealth managers. We are independently owned, so our interests lie with you and not others. In a market overwhelmed by complexity and looking for trust, our unwavering focus on you has become recognised as a model for the future.

Our vision

Our vision is to become the UK's leading wealth manager by 2020.

We define leading in terms of quality rather than quantity; we do not seek necessarily to become the biggest, but rather the best wealth manager in the UK.

Focusing on client satisfaction as well as staff engagement and equity market rating, we will measure our progress against targets year-on-year.

The strategy to deliver our vision is simple – we always work in our clients' best interests, offering a truly personal service with a commitment to holistic wealth management, delivered through four business divisions: Investment Management Services, Asset Management, Financial Planning and Charles Stanley Direct.

For more information visit charles-stanley.co.uk

Contents

At a glance

Group highlights

- Strategic review completed and Core Business reorganised into four main operating divisions
- Detailed strategic implementation plans developed for each division
- Non-core activities disposed
- Group losses significantly reduced
- Group balance sheet strengthened
- 2016 dividend maintained at 5.0p per share

Financial highlights

Profit before tax from core business

2016	£4.2m
2015	£4.4m

Reported loss before tax

2016	(£0.3m)
2015	(£6.1m)

Earnings per share from Core Business

2016	6.90p
2015	5.63p

Reported earnings per share

2016	(0.61p)
2015	(13.46p)

Dividend per share

2016	5.0p
2015	5.0p

Business highlights

FuMA

2016	£20.5bn
2015	£21.3bn

Discretionary funds

2016	£9.4bn
2015	£9.3bn

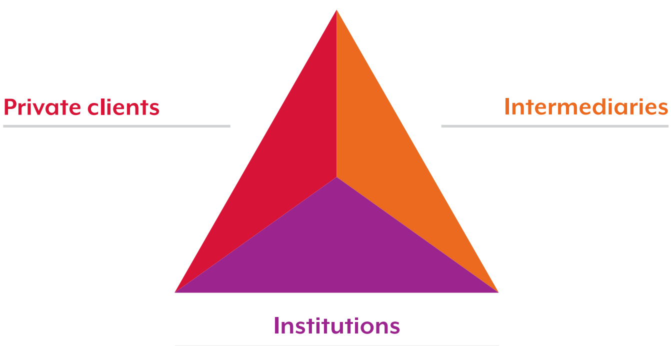
Fees from Core Business

2016	£86.2m
2015	£86.1m

Revenue from Core Business

2016	£136.3m
2015	£141.0m

Our clients



Private clients
Discretionary, Advisory and Execution-only investment services for the discerning private investor.

Intermediaries
Personal and tailored Discretionary investment services for financial advisers and their clients.

Institutions
A wide range of Discretionary investment services for organisations, with bespoke portfolios, detailed risk analysis and liability modelling.

Our brand

Our new corporate strategy is powerfully captured in a refreshed Charles Stanley brand, which brings to life our client-centred brand proposition: focusing on you. You will have seen the new brand identity unfold across our communications during 2016.

Focusing on you

Our Core Business' four main operating divisions

Investment Management Services

The Investment Management Services division provides personal investment services to individuals, companies, trusts and charities and includes platform dealing, custody and SIPP and ISA administration services.

Revenue

£120.0m

Asset Management

The Asset Management division provides specialist asset management services through its range of pooled funds, active and passive model portfolios, IHT services and investment research to the Investment Management Services division and clients.

Revenue

£5.6m

Financial Planning

The Financial Planning division provides financial planning and advice.

Revenue

£6.0m

Charles Stanley Direct

Charles Stanley Direct provides direct-to-client online dealing and fund broking services.

Revenue

£4.8m

Where we are

We operate in 25 UK locations.

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

Chairman's statement

Sir David Howard
Chairman

During the year ended 31 March 2016, we have driven forward our transformation programme in the face of market headwinds. There is much to do still, and our sights remain resolutely fixed on our ambition to be the leading wealth manager in the UK in terms of the quality of what we do and how we serve our valued clients. Our strategy remains strongly focused on broadening our core investment management offering into a holistic wealth management business incorporating financial planning, asset management and digital platform enterprises.

Focusing on Culture

In order to uphold company law and meet regulatory expectations, Charles Stanley has completed its journey from a culture in which responsibility is shared by the partners to a culture in which individual accountability plays a significant role. Our values revolve at all times around the best interests of the client and, indeed, the Board proactively seeks to promote and embed the culture.

For more on Governance
go to page 52

Our results for the year reflect the lower levels of activity which have been experienced across the market in general over recent months. This, together with the disposal of non-core businesses, which I flagged in my statement last year, has led to a decline in our reported revenue from £149.7 million for the year ended 31 March 2015 to £141.6 million for the 2016 financial year. Our tight control of costs helped mitigate the impact of this, with the adjusted profit before tax from our Core Business holding up well at £4.2 million compared with £4.4 million in financial year 2015 and the reported loss before tax improving from £6.1 million incurred in the previous financial year to £0.3 million this year.

Clients' Funds under Management and Administration (FuMA) were impacted by the market downturn, ending the year at £20.5 billion compared with £21.3 billion the year before. This represents a decline of 3.8% compared with the decline in our principal comparator, the WMA Balanced Index, of 3.5%, and of 8.8% in the FTSE 100 Index. Within these figures the level of managed funds fell by rather less, 2.4%, from £12.3 billion as at 31 March 2015 to £12.0 billion at the end of March 2016.

As I reported in my statement last year, we carried out a fund-raising exercise in April 2015 to strengthen the Group's balance sheet. This was well supported by shareholders. We raised £15.8 million net of transaction expenses. As at 31 March 2016, our cash balances were nearly £20 million higher at £48.1 million compared to the previous year (31 March 2015: £28.5 million).

This has been a year of significant strategic development and implementation, and our Chief Executive Officer, Paul Abberley, addresses this in detail in the Our strategy report on pages 18 and 19.

Activities of the Board

Over the past year, whilst continuing with its general oversight and challenge responsibilities, the Board has been particularly focused on a number of key areas:

- Review of the structure of the Group's key management committees and reporting hierarchy to improve their quality and effectiveness
- Development of the detailed strategic implementation plans for each of our core operating divisions
- Changes to the Board membership itself and of other senior appointments
- The completion of the implementation of the Group's revised client suitability processes
- Oversight of the design of revised variable remuneration arrangements which have been consulted on with the Group's investment managers.

The common themes of these activities have been to ensure that the Group is both equipped to deliver on its transformation programme and that not only are clients' interests embedded front and centre throughout our culture, which I firmly believe they are, but also that there is tangible demonstration of this.

Reporting structures

Over a number of years we have developed from having a very flat reporting structure to one where we have quite a large number of subcommittees, both of the Board itself and of the Executive Committee.

The main challenge posed by the range of committees required is how to ensure they operate effectively to enable good and timely decision-making. During the year the Board has challenged a number of aspects of the structure, including the terms of reference, membership, reporting hierarchy and management information produced. Much progress has been made. However there is further to go and we anticipate this will continue to be a main area of focus during the 2017 financial year.

Development of strategy

Strategy is naturally an evolving canvas and, having laid out the broad tenets of how Charles Stanley was intended to develop a year ago, a key task for the Executive Committee has been to complete the strategy review and then develop the detailed implementation plans to put this into effect. The role of the Board and of the Non-executive Directors in particular during the year has been to challenge these plans to ensure they are robust both from shareholders' and clients' perspectives. We have had many healthy debates and refinement along the way so I am confident that what is emerging and being put into effect will help us achieve our goals.

Having laid out the broad tenets of how Charles Stanley was intended to develop a year ago, a key task for the Executive Committee has been to complete the strategy review and then develop the detailed implementation plans to put this into effect.

Team

It is now more than a year since Paul Abberley agreed to succeed me as Chief Executive Officer, and the 2016 year-end results mark his first full year in this role. It has been an extremely busy year for Paul and I should like to pay tribute to him for his energy and his vision. In the midst of a major transformation of our business and in difficult market conditions, he has taken the Group forward strongly.

Paul has been more than ably assisted by our new Chief Financial Officer, Ben Money-Coutts, who was appointed to this role in June 2015. Ben has restructured our Finance department and plays a leading role in our Executive Committee, chaired by Paul Abberley.

Regrettably, Anthony Scott, the Director co-heading our Investment Management Services division alongside Gary Teper, decided to step down in April 2016 for personal reasons. Anthony was central to developing our new and enhanced proposition to our private clients, and I thank him warmly for his contribution. The Investment Management Services division remains under Gary's capable leadership.

We decided in 2015 that the Company would benefit from having a fourth Non-executive Director, in addition to David Pusinelli, Bridget Guerin and myself. With the help of external consultants we identified Andrew Didham as a particularly well-qualified candidate to take on the chairmanship of the Risk Committee.

Amongst other key changes in personnel during the year I should mention that we have reorganised our Risk and Compliance teams under the oversight of Peter Kelk, our Chief Risk Officer. Peter has already made good progress and I should like to thank him for his considerable input to this area.

The 2016 financial year was a busy and demanding year for all of my fellow Non-executive Directors, who, between them, chair our Audit, Remuneration and Risk Committees and I should like to thank them for their support to the Group.

It has also been another challenging year of change for everyone in the Company – Directors, managers, investment managers and so many others – and this is my opportunity to say thank you to them all on behalf of the shareholders, for coping with all the demands in making Charles Stanley the fine Company that it is.

Suitability processes

I commented in my statement last year on the suitability review programme that required most of the Group's staff involvement. The initial process was completed to timetable at the end of June 2015 after considerable effort by all of our investment management teams, Compliance, IT and Operations departments, as well as with the great forbearance of our clients. Of course it is an ongoing programme to ensure we keep an up-to-date profile of our clients' investment objectives, financial position, attitude to risk and capacity for loss. Accordingly, the Board has continued to pay close attention to the embedding of this approach in our business as usual processes.

Remuneration structures

We have for some time been in consultation with our investment management teams about their variable remuneration arrangements, both because it is a key component in helping to improve the Group's profitability and because it is seen as a key driver of delivering good client outcomes. Ordinarily such a review might be overseen by the Remuneration Committee, but such is the import of these discussions that the full Board has played an active oversight role. We have agreed interim arrangements which subsist for the financial year ending 31 March 2017 and we believe we are close to reaching a long-term agreement. I would like to thank all concerned for the constructive way in which they have entered into the dialogue and know that everyone is looking forward to finalising terms.

We are moving steadily along a transformational path from being a traditional stockbroking business to a full-scale holistic wealth manager. Much has been achieved already.

Dividend

This time last year we re-based our recommendation for the final dividend for financial year 2015 at 2 pence per share. Together with the interim dividend of 3 pence per share paid in November 2014, this resulted in a total dividend of 5 pence per share for the year. In January 2016 an interim dividend of 1.5 pence per share was paid in respect of the 2016 financial year. The Board is now recommending a final dividend of 3.5 pence per share thus maintaining the total dividend for the financial year at 5 pence per share. As indicated last year, it is the Company's intention that, as profitability starts to improve significantly, we will return over a period of time to our previous pattern of steadily increasing dividends.

Outlook

The new management team has now been in place for over a year and we are moving steadily along a transformational path from being a traditional stockbroking business to a full-scale holistic wealth manager. Much has been achieved already and there is much still to be done.

The market backdrop to all this remains problematic. Since this time last year growth in most of the developed economies has ticked up a little, but the commodity-based economies are in a state of turmoil which threatens wider global markets. Now the issues are less the state of the Euro and the Greek economy – though these are not far away – but the ramifications of the referendum on Britain's membership of the EU, and the choice facing the American electorate in November this year. Either has potentially huge implications for the market, and could swing share price levels and trading volume either way.

I believe that Charles Stanley is on track with its programme of change and development. The background conditions were equally worrying last year when I suggested a slightly higher degree of optimism for the year ahead. This has proved to be justified, and I think it is fair to suggest a similar degree of gentle optimism for the financial year ending 31 March 2017.

Sir David Howard
Chairman
16 June 2016

I believe that Charles Stanley is on track with its programme of change and development.

Chief Executive's report

Paul Abberley
Chief Executive Officer

Our three-fold priorities for the year were to arrest the decline in profitability, determine and begin to implement the strategic direction for Charles Stanley and build the foundations upon which we can drive sustainable growth. Solid progress was achieved in each. We have reduced our losses by £5.8 million, refocused on core activities that will allow us to deliver high levels of customer satisfaction, and made significant progress in terms of making the Group more efficient over the long term. We look forward to another year of progress as we pursue our aim of becoming the UK's leading wealth manager.

Financial performance

The Group's losses were significantly reduced during the year, with stabilisation in both the reported and the Core Business results. Nevertheless, difficult financial markets in the second half of the financial year did prove challenging.

While overall costs were reduced by £15.1 million, these savings were partially offset by an £8.1 million decline in revenues as weaker markets both reduced fee income and led to lower commissions. Across the four operating divisions combined, after tax performance marginally improved.

Good progress was made in addressing the financial performance of our smaller divisions, namely Asset Management, Financial Planning and most notably, Charles Stanley Direct.

We are grateful to our shareholders for a successful capital raising which re-established a strong balance sheet in excess of the Board's preferred buffer above the regulatory capital requirement. These funds were earmarked for reserves and have remained untouched.

Total Funds under Management and Administration fell by £0.8 billion during the financial year to £20.5 billion. During the same period the FTSE 100 Index and WMA Balanced Index fell by 8.8% and 3.5% respectively. The business mix continues to move in favour of managed accounts at the expense of Advisory business.

Strategy implementation

Our strategic review reaffirmed that we remain an investment-led Group and retain our commitment to providing genuinely personalised wealth management delivered by investment professionals. Our private client offering will remain full service, extending to Advisory and Execution-only services in addition to the core Discretionary portfolio management. The review also affirmed a strategic commitment to provide holistic wealth management, offering financial planning, asset management and digital services. Finally, as flagged in our Interim report and accounts for the period ended 30 September 2015, we have disposed of non-core assets, underlining our 100% focus on the UK wealth management market.

Mobilisation represents the first stage in our strategy implementation and this is largely complete. An overhaul of management information, governance and controls is creating a platform from which strategic change can be delivered with greater pace and precision. Two new divisions, Financial Planning and Asset Management, have been created from legacy businesses and capabilities. Together with the Investment Management Services division and Charles Stanley Direct, these four profit centres enable the flexible delivery of the range of services increasingly sought by our clients.

The year ahead

While retaining a primary focus on client service, the year ending 31 March 2017 will be another year of significant and sometimes challenging change as we accelerate the detailed implementation of our strategy in each of our four key operating divisions while re-engineering our operational and support functions.

The impact on near-term revenues from the current challenging market environment presents trade-offs between recording short-term improvements in profitability and investing in the full implementation of the long-term strategy. This might lead to an extension of the time frames originally envisaged. Achievement of a 15% operating margin is still regarded as attainable but is likely to take 12 to 18 months longer than originally anticipated in the absence of a significant market rally. We will proceed prudently.

In summary, while I believe that much has been achieved, considerable work lies ahead. With skilled execution and sensible stewardship, our vision of becoming the UK's leading wealth manager by 2020 is still firmly within our sights.

Paul Abberley
Chief Executive Officer
16 June 2016

With skilled execution and sensible stewardship, our vision of becoming the UK's leading wealth manager by 2020 is still firmly within our sights.

Strategic report

The strategic report outlines our performance in the year, how we have delivered against our objectives and our strategic plans for the years ahead.

Contents

For more on Our strategy go to page 18

Strategy and operating principles overview

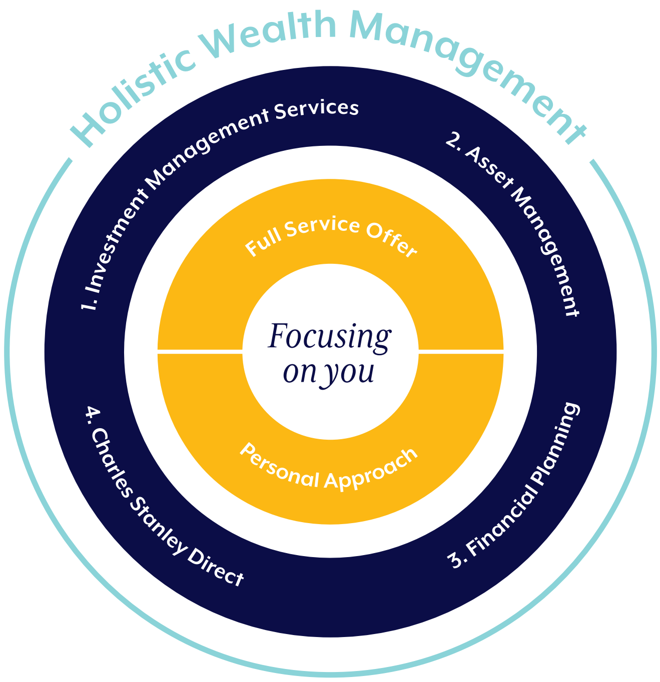
What we do

Client-focused investment management

Charles Stanley has a distinctive client-facing approach, offering a genuine personal service across the full range of investment management services. We provide these services in three forms: our time to interact with clients, our investment insights and our willingness to make investment decisions on clients' behalf.

Holistic wealth management

We are committed to holistic wealth management. Broadly defined, wealth management includes our core capability for private clients, Investment Management Services; Asset Management Services, where our investment specialists manage pooled vehicles and funds; Financial Planning, where clients are advised on how they should plan their financial arrangements and deploy their investments; and Charles Stanley Direct, which gives clients the ability to access our services online without the need for direct personal contact.



Transformation journey to 2020

The journey to refocus our business has three phases:

- the strategic review, which is now largely complete
- implementation of the revised strategy, which has commenced
- to deliver a sizeable platform capable of sustainable growth.

Please refer to pages 18 to 19.

How we do it – four operating divisions

1. Investment Management Services

Investment Management Services offers a comprehensive personalised service to private clients: managing Discretionary portfolios, providing investment advice and offering Execution-only services covering a wide range of financial instruments. The team also administers clients' investments and cash, including ISAs and SIPPs.

For more on Investment Management Services go to pages 27 to 31

2. Asset Management

The Asset Management division provides pooled solutions and model portfolios for a range of clients. It houses Charles Stanley's investment research capability covering asset allocation, stock selection and collective vehicle selection. It also provides investment solutions for institutional investors.

For more on Asset Management go to pages 31 to 33

3. Financial Planning

The Financial Planning division provides flexible access to financial planning advice, working with clients to ensure that their financial arrangements are optimised for their needs and circumstances. It can be delivered stand-alone or in conjunction with the Investment Management Services team.

For more on Financial Planning go to page 34

4. Charles Stanley Direct

Charles Stanley Direct provides a direct-to-client investment service, created to meet the needs of the modern self-directed investor. Investments can be made online or with telephone support, in a wide range of funds, shares, gilts and bonds.

For more on Charles Stanley Direct go to pages 35 to 36

Three strategic measures

1 Client satisfaction

Our client satisfaction surveys are being remodelled to allow benchmarking within the wealth management industry and to ensure clients' feedback is adequately captured and monitored.

2 Staff engagement

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

3 Equity market rating

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

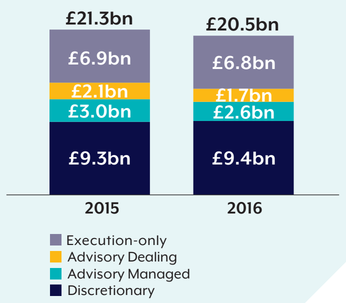
The delivery of our strategy will be independently measured against targets over three strategic measures: client satisfaction, staff engagement and equity market rating.

Key performance indicators

The Group considers the following financial and strategic measures as the key performance indicators of the Group's overall performance for the year ended 31 March 2016 against the prior year comparative.

Financial measures – FuMA and revenue margins

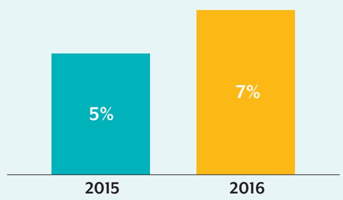
FuMA



Definition
FuMA by investment category.

Performance
FuMA decreased by 3.8% compared to a 3.5% decline in the WMA Balanced Index.

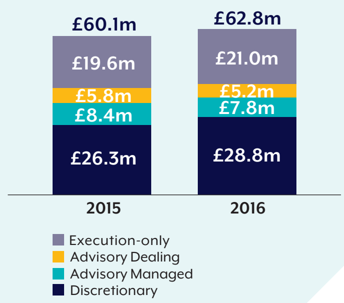
Discretionary funds inflows



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

Performance
Net inflows for the year of £0.6 billion compared to £0.4 billion in the previous year.

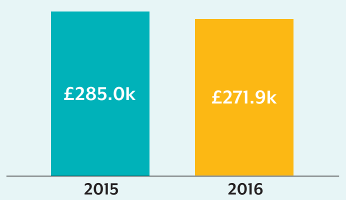
FuMA per CF30



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

Performance
The increase from £60.1m to £62.8m in 2016 is primarily due to a reduction in the number of CF30s in the year.

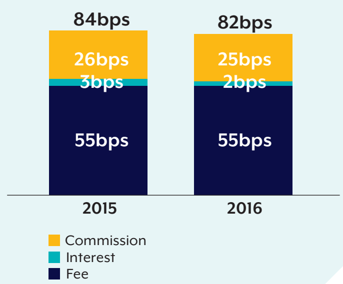
Average Managed client account portfolio size



Definition
Total Managed funds divided by the Managed client count.

Performance
The average Managed client portfolio size has decreased by 4.6% due to Managed funds value combined with an increase in the number of clients.

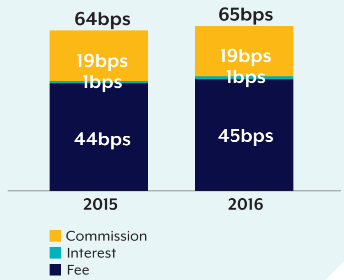
Discretionary revenue margin



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

Performance
Total Discretionary revenue margin decreased by 2bps overall arising from a decrease of 1bp in commission and interest income respectively.

Advisory Managed revenue margin

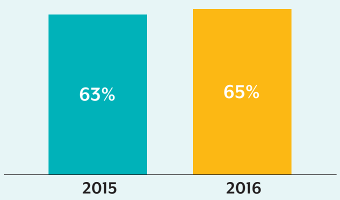


Definition
Fee, interest and commission income measured as a percentage return on average annual FuM for Advisory Managed funds.

Performance
The return on Advisory Managed funds increased by 1bp during the year.

Financial measures – operating efficiency

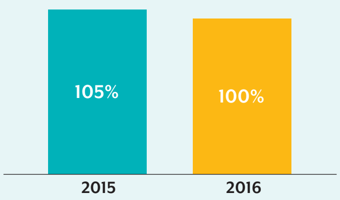
Fees to revenue ratio



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

Performance
The ratio of fees to revenue has increased by 2% primarily due to more clients opting for fee only tariffs.

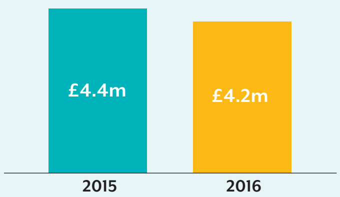
Expenditure to revenue ratio



Definition
Total expenditure as a percentage of revenue.

Performance
Expenditure decreased by £15.1 million during the year, mainly as a result of a reduction in exceptional charges incurred during the year.

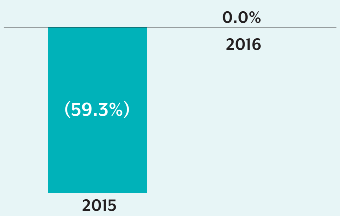
Core Business profit before tax



Definition
The profit before tax for the Group's Core Business activities.

Performance
Core Business profit before tax has declined by £0.2 million, as the impact of lower FuMA levels, and in turn lower revenues, were partially offset by a reduction in expenses.

Dividend growth

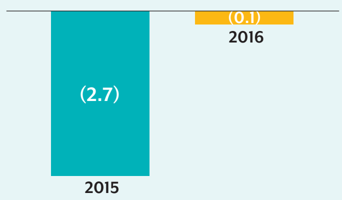


Definition
The percentage change in total annual dividend per share.

Performance
The total dividend per share for 2016 is being maintained on the same level as 2015 at 5 pence per share.

Financial measures – shareholder return

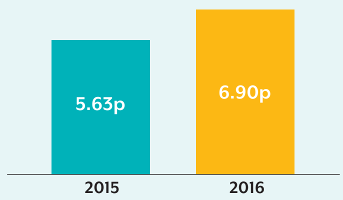
Reported dividend cover



Definition
The ratio of profit after tax to the total dividend payout in the year.

Performance
The dividend cover has improved due to the decrease in reported loss for the year.

Core Business earnings per share

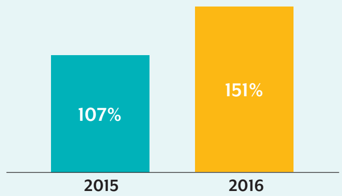


Definition
The percentage change in the Core Business' earnings per share.

Performance
The increase in earnings per share is due to the higher profit after tax attributable to the Core Business.

Financial measures – balance sheet strength

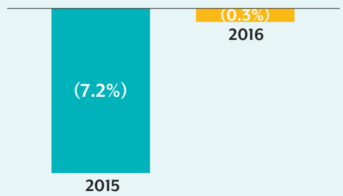
Capital adequacy ratio



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

Performance
The ratio increased from 107% to 151% due to a strengthening of the balance sheet, primarily as a result of the private placing in April 2015.

Return on capital employed



Definition
Net operating loss divided by capital employed (total assets less current liabilities).

Performance
The return on capital employed improved during the year due to the significant reduction of operating losses.

Strategic measures

Client satisfaction

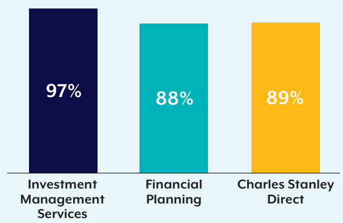
Our objective
We are committed to improving our relations with our clients and ensuring that our services meet and exceed their expectations.

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

Client satisfaction surveys were carried out for the Investment Management Services, Financial Planning and Charles Stanley Direct divisions during the year. The results of the surveys were overwhelmingly encouraging with high satisfaction scores achieved by every division.

94%
overall weighted average rating

Client satisfaction by division



Staff engagement

Our objective
Staff engagement is viewed as being fundamental to our success. In November 2015 we ran our first annual staff engagement survey. There was a

76%
response rate and a

56%
overall engagement score just above the stated average for wealth managers in the UK.

Moreover,

83%
of participants praised Charles Stanley for being a friendly place to work.

69%
of respondents stated that they believe the Group delivers high quality advice and services.

Any issues raised via the survey were discussed at the Group staff conference held in January 2016 with dedicated workstreams.

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

Equity market rating

Our objective
The Board is committed to delivering strong shareholder return over the longer term. We measure this by our three year total shareholder return relative to that of a basket of peer group listed companies.

Company name	2016
IFG Group PLC	1
Shore Capital Group Ltd	2
Rathbone Brothers Plc	3
WH Ireland Group plc	4
Walker Crips Group plc	5
Brewin Dolphin Holdings PLC	6
Brooks Macdonald Group plc	7
Charles Stanley Group PLC	**8**

Our business

Charles Stanley is one of the UK's leading independently-owned private client wealth managers. We have a rich heritage dating back to 1792 and have been members of the London Stock Exchange since 1852. We manage and administer £20.5 billion of assets as at 31 March 2016. The large number of our clients entrusting us with the management of their portfolios across generations is testament to the quality of the service provided by our dedicated investment professionals.

Going forward, we aim to build on our strong foundations to create a wealth management enterprise fit for the next century. To that end, we have initiated a modernisation programme which, when complete, will see our business optimised to meet the evolving needs of our clients, our regulator and our marketplace.

The process started in 2015. The senior management team was refreshed. A strategic review was launched by our Chief Executive Officer, and the groundwork was laid out for us to achieve our overall vision of becoming the UK's leading wealth manager by 2020, as judged by being top quartile, independently assessed, across three key areas:

- **Client satisfaction**
- **Staff engagement**
- **Equity market rating**

The core pillar of Charles Stanley was, is and shall remain the provision of investment management services to an affluent private client base. Within the Investment Management Services division, the most important theme since the millennium has been the transformation from a stockbroking business, which generates revenues from commission, to a discretionary managed investment service, which generates revenues from fees. To exemplify, in 2000, Discretionary managed funds accounted for 9% of our total Funds under Management and Administration, but that figure now stands at 46%.

Shoulder-to-shoulder alongside the investment management business is our Asset Management division. This provides pooled solutions and model portfolios to a range of clients, from institutional investors with multi-million pound portfolios to valued retail clients with smaller portfolios. The division also houses Charles Stanley's investment research capability, covering asset allocation, stock selection and collective vehicle selection. As such, the division both enhances our private client investment management business and provides an excellent growth opportunity.

Notwithstanding Charles Stanley's expertise and experience in managing investments, we believe strongly that self-directed investors should also be able to utilise our dealing, settlement and custody platform. Therefore, we are fully committed to our Advisory and Execution-only services. Indeed, the increased polarisation of investment mandates makes our digital execution platform, Charles Stanley Direct, one of the most exciting areas of our business, enjoying impressive client acquisition rates.

Dovetailing our investment management business is a financial planning offering. Under the new leadership, we are confident that the business will, over the longer term, become a significant contributor to Group revenue following an integration programme with the investment management business and a sales and marketing advance on third parties.

Taken together, the four divisions play to Charles Stanley's natural competitive advantage which, correctly leveraged, offers a set of differentiated and complementary services to clients. In isolation, each has the capacity to develop further as well as to contribute to the overarching vision of turning Charles Stanley into the UK's leading wealth manager by 2020.

For more on Our strategy
go to page 18

Our markets

The wealth management industry has always been attractive to investors. Its constituents benefit from nominal growth in their underlying assets of between 3% and 7% per annum. It also enjoys predictable fee-based earnings delivered by loyal client bases with low volatility portfolios.

These positive characteristics are now being bolstered by a strong set of structural dynamics. The most important is the shift in pensions. These products have evolved from defined benefit schemes managed by asset managers on behalf of corporates to defined contribution schemes managed by wealth managers on behalf of the public. Some analysts believe that the approximately £1,110 billion in defined benefit schemes will morph into defined contribution assets within a generation, thus providing a strong source of business for the wealth management industry for years to come.

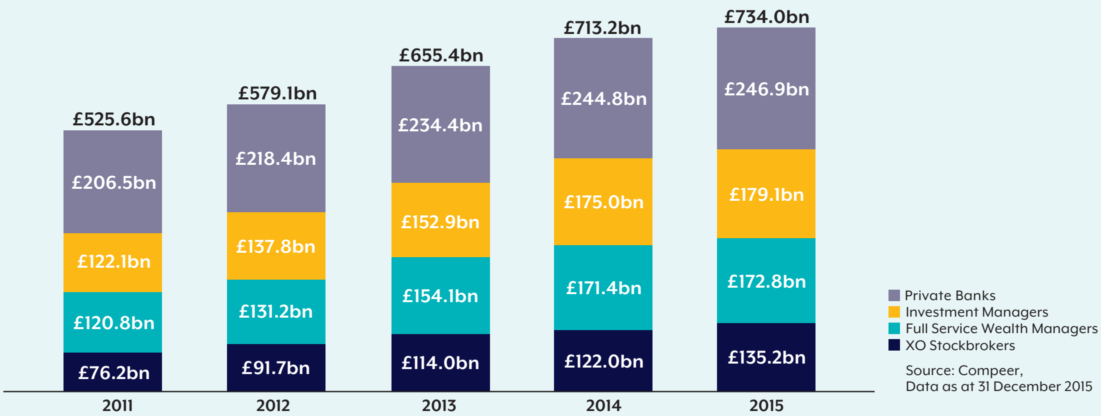
Beyond pensions, the wealth management industry is helped by the fact that the UK population is ageing. To exemplify, the Office for National Statistics estimates that the number of people aged over 65 in the UK was 11.4 million in 2014, but that this figure will rise to 15.8 million in 2031. Given age and wealth are correlated – because the older you are, the more time you have to save – we are confident that the wealth management industry will benefit greatly from the demographic trend going forwards.

The next growth driver for the wealth management industry is the savings rate in the UK. In the run-up to the credit crunch, the proportion of income which people saved fell significantly from the long-run average of 10% to 6%. Since then, it has improved and then fallen off again. This has led experts to predict another much-needed bout of savings which will inherently advantage the wealth management industry.

Last but not least, the uptick in regulatory initiatives is a growth driver in disguise. Although directives like the Retail Distribution Review look like mandatory cost increases, they have also forced many financial advisors to outsource their investment management. As the 180 wealth management firms consolidate, the trend provides an excellent source of fund flow and promises a bright future for firms and clients alike.

It is important to note that the increased cost and complexity of delivery is having tertiary effects. Specifically, a number of firms have increased their minimum portfolio sizes, which means that an ever-enlarging numbers of clients are being disenfranchised. To meet the needs of these clients within the confines of cost, a new breed of firms is springing up offering automated advice. To date, there is little evidence that these models are economic. But there is no doubt that the digital world has the potential to be highly disruptive in redefining the way that we communicate, invest and charge.

Total investment asset



Source: Compeer,
Data as at 31 December 2015

Our strategy

Achieving our vision to become the UK's leading wealth manager by 2020 will require a transformation of various aspects of the Group without compromising the long-standing focus on client service.

The process is three-pronged:

Strategic review

The first step, which has been completed, was the delivery of a strategic review and, from that, the development of strategic implementation plans for all areas of the Group

Strategy implementation

The second step, now underway, is the implementation of those strategy plans

Sustainable growth

As the strategy becomes embedded, we will then improve the delivery of sustainable long-term growth for our stakeholders.

Strategic review

2015 2016 2017

Strategic review

Our review confirmed three principal strategic objectives:

- Charles Stanley will focus exclusively on wealth management
- We will provide holistic wealth management services delivered through four divisions: Investment Management Services, Asset Management, Financial Planning and Charles Stanley Direct
- Our core Investment Management Services division will continue to provide a full service offering, delivered by empowered investment professionals.

Milestones achieved during the year ended 31 March 2016 have been to lay the foundations for the strategic transformation to come. We have:

- Disposed of non-core activities, namely Charles Stanley Securities and Charles Stanley Financial Solutions Limited
- Restructured the divisional organisation, the divisional management teams and the reporting lines to streamline process and accelerate the change programme
- Developed detailed strategic implementation plans for each division of the Group so that we have a clear roadmap and can prioritise resource allocation
- Substantially stemmed the trading losses of the Asset Management division and Charles Stanley Direct and put them on a clear path to profitability.

Strategy implementation

2016 2017 2018

Strategy implementation

Having completed the strategic review, we are now moving into the critical implementation phase. Our focus during financial year 2017 for each division and our support functions is summarised on the following page.

Investment Management Services

The highest priority is to agree a revised basis for the remuneration packages of our private client investment managers to ensure they are fully aligned with the best interests alike of clients, shareholders and the investment managers themselves. Detailed conversations throughout the year have brought a long-term solution closer and have resulted in an interim arrangement being agreed for the 2017 financial year. We are confident that this will be finalised in summer 2016 with the new arrangements effective from April 2017 as the interim arrangement expires. Simultaneously, we intend to renew our three core drivers:

- The first is the continuing focus on increasing our discretionary book of business
- The second is to continue the phased implementation of our revised rate card to improve our return on assets in line with the market pricing
- The third is to invigorate our distribution and marketing channels, including via intermediary networks, to improve our organic rate of growth.

Asset Management

We are in the advanced stages of restructuring the division to drive operating efficiencies and support growth. The division has two key responsibilities. The first is to provide our private client investment managers with first-class investment advice. The second is to provide model and pooled portfolio solutions for clients together with segregated portfolio management for selected client groups. The division is also responsible for a crucial change initiative in the form of recrafting Charles Stanley's fund range into a risk-rated multi-asset class solution fit for smaller investment management clients.

Financial Planning

The Financial Planning division's first task is a review of the operating and pricing models. Once complete, a strategic programme will be launched to increase integration with the Investment Management Services division in order to offer these services to current clients. We will also launch a marketing programme in order to attract new clients.

Charles Stanley Direct

In the autumn a new website will be released carrying streamlined onboarding procedures and better search visibility on Google. Thereafter, we can tailor our digital marketing and drive client acquisition. We are also reviewing our pricing policy. Moreover, we are investigating ways of making our revised Open-ended Investment Company range available to retail clients, and we are considering revisions to our rate card in order to target underserved areas of the retail market.

Support functions

We have four priorities for our support functions during the 2017 financial year:

- The first, working in conjunction with all front office areas, is to begin streamlining and standardising processes to generate operating efficiencies and bring improved scalability into our cost structure. If successfully implemented it is anticipated this will enable our investment managers to spend more time directly on client matters and less on administration. This will be a multi-year project
- The second priority is to strengthen further our governance and management information framework to improve the speed and quality of decision-making and execution
- Our third priority, facilitated by our Human Resources department, is to mobilise the entire workforce to contribute to the detailed strategy implementation programme. This process has already begun with the formation of seven internal working parties drawn from across the Group focusing on subjects such as improving the client experience, growing assets and streamlining processes and systems
- The fourth priority will be the rationalisation of our London office space. London staff are currently split across four sites and we will rationalise this to at most two by the end of the 2017 financial year. We have entered into a new office lease at 55 Bishopsgate, London, which will allow us to move all our front office and front office support functions into one building, whilst at the same time enabling us to vacate two of our other properties. One of these offices is on a long leasehold and we are expecting that the proceeds from the sale of this lease will substantially cover the costs of the move.

Summary

Combined, the change programme for financial year 2017, aims to provide an unparalleled service for clients. It is also designed to improve the level of the Group's profitability so that we have the resources to reinvest in the business as well as provide appropriate returns to our shareholders. As we commented in the 2015 Annual report and accounts, there is a substantial programme of work ahead of us that will take three to five years to complete. We are making good progress and the benefits will begin to feed through in the 2017 financial year.

Review of the year

Ben Money-Coutts
Chief Financial Officer

After reporting a significant loss for the financial year ended 31 March 2015, the task for the 2016 financial year was to stabilise performance, dispose of non-core activities and begin to lay the foundations for long-term growth. While progress was made in each of these areas, the financial performance of the Group during the year ended 31 March 2016 suffered from the headwind of declining markets.

Funds under Management and Administration

Charles Stanley's revenue is substantively driven by the level of its Funds under Management and Administration (FuMA). These decreased 3.8% during the year from £21.3 billion at 31 March 2015 to £20.5 billion at 31 March 2016. This decrease was broadly in line with the decrease in the WMA Balanced Index over the same period, down 3.5%, and compared favourably to the decline of the FTSE 100 Index, down 8.8%.

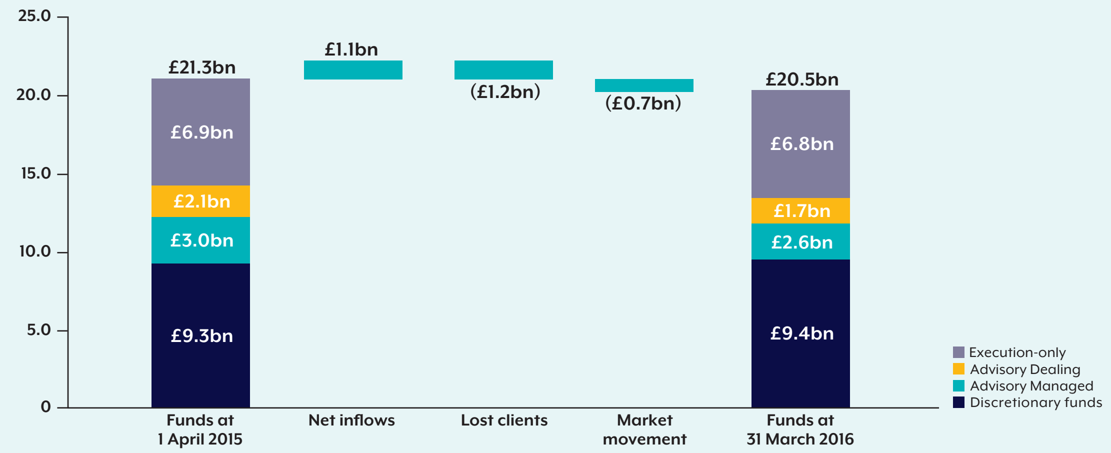
FuMA movement year-on-year

As at 31 March	2016 £bn	2015 £bn	Change
Discretionary funds	**9.4**	9.3	1.1%
Advisory Managed funds	**2.6**	3.0	(13.3%)
Total managed funds	**12.0**	12.3	(2.4%)
Advisory Dealing funds	**1.7**	2.1	(19.0%)
Execution-only funds	**6.8**	6.9	(1.4%)
Total administered funds	**8.5**	9.0	(5.6%)
Total Funds under Management and Administration	**20.5**	21.3	(3.8%)
FTSE 100 Index	**6,175**	6,773	(8.8%)
WMA Balanced Index	**3,556**	3,684	(3.5%)

Discretionary funds increased 1.1%. Other investment categories suffered a reduction, in part owing to transfers between services, notably £0.4 billion out of the Advisory funds and into Discretionary (£0.1 billion) and Execution-only (£0.3 billion). The Execution-only funds on the Charles Stanley Direct platform increased by 9.7%.

Net fund inflows of £1.1 billion were fully accounted for by Discretionary (£0.6 billion) and Execution-only (£0.5 billion) services. However, these were offset by negative market performance of £0.7 billion and accounts closed during the year of £1.2 billion, resulting in overall FuMA at the year-end of £20.5 billion.

FuMA flows



Overview of financial performance

The Group made pre-tax profits from its Core Business (comprising the Investment Management Services, Asset Management, Financial Planning and Charles Stanley Direct divisions of £4.2 million (2015: £4.4 million). The decline reflects the fall in FuMA over the period and consequential 3.3% reduction in revenues of the Core Business.

Losses before tax from the held for sale activities (Charles Stanley Securities and Charles Stanley Financial Solutions Limited) were reduced to £0.6 million (2015: £1.9 million), and one-off adjusting items, were significantly lower at £4.0 million (2015: £8.6 million).

The Group's overall reported loss after tax improved from £6.1 million in 2015 to £0.3 million in 2016.

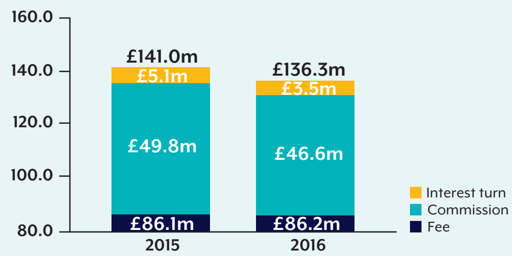
The total of the Core Business, held for sale activities and adjusting items represents the overall results for the Group as reported in the consolidated income statement. The table below shows the results for the year split into those categories:

	Core Business £m	Held for sale £m	Adjusting items £m	Reported performance £m
31 March 2016				
Revenue	**136.3**	**5.3**	**–**	**141.6**
Expenses	**(132.3)**	**(5.9)**	**(3.9)**	**(142.1)**
Other income	**0.2**	**–**	**–**	**0.2**
Operating profit/(loss)	**4.2**	**(0.6)**	**(3.9)**	**(0.3)**
Net finance income	**0.1**	**–**	**–**	**0.1**
Gain/(loss) on sale of business	**(0.1)**	**0.1**	**(0.1)**	**(0.1)**
Profit/(loss) before tax	**4.2**	**(0.5)**	**(4.0)**	**(0.3)**
Tax expense/(credit)	**(0.7)**	**(0.1)**	**0.8**	**–**
Profit/(loss) after tax	**3.5**	**(0.6)**	**(3.2)**	**(0.3)**
31 March 2015				
Revenue	141.0	8.7	–	149.7
Expenses	(136.9)	(10.5)	(9.8)	(157.2)
Other income	0.2	(0.1)	–	0.1
Operating profit/(loss)	4.3	(1.9)	(9.8)	(7.4)
Net finance income	0.1	–	–	0.1
Gain on sale of business	–	–	1.2	1.2
Profit/(loss) before tax	4.4	(1.9)	(8.6)	(6.1)
Tax expense/(credit)	(1.8)	0.1	1.7	–
Profit/(loss) after tax	2.6	(1.8)	(6.9)	(6.1)

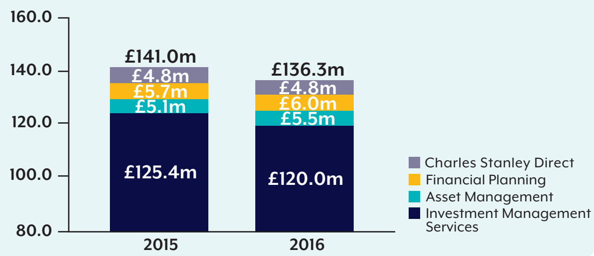
Core Business revenues

Overall, revenues from the Core Business declined 3.3% from £141.0 million in 2015 to £136.3 million in 2016. This was attributable to a 4.3% decline in the revenues of the Investment Management Services division. The Asset Management and Financial Planning divisional revenues showed better progress, increasing by 7.8% and 5.3% respectively. Charles Stanley Direct's revenues have remained stable over the prior year at £4.8 million.

Core Business revenue by type



Core Business revenue by division

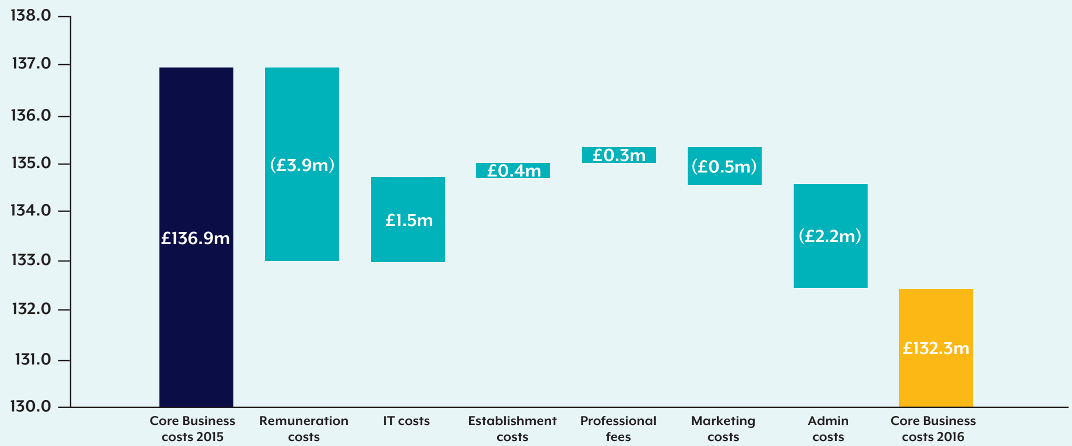


Core Business expenses

Expenses within the Core Business reduced 3.4% to £132.3 million (2015: £136.9 million). Savings were achieved most notably by the Investment Management Services, Asset Management and Charles Stanley Direct divisions, down £3.4 million, £0.7 million and £1.1 million respectively. These savings were partially offset by £0.6 million higher spending within the Financial Planning division.

As illustrated in the chart below, the bulk of the cost savings within the Core Business were achieved by reduced remuneration costs, down £3.9 million, driven by a 7.2% reduction in headcount to 976 employees (2015: 1,052 employees). Administration costs were reduced by £2.2 million as revenue sharing payments to third parties fell by £1.3 million and an increase in the VAT recovery rate resulted in a £0.7 million improvement year-on-year.

Core Business expenses



Core Business pre-tax profit margin

The Core Business pre-tax profit margin was flat at 3.1% (2015: 3.1%). This was because improvements in the operating performance of the Asset Management and the Charles Stanley Direct divisions were more than offset by a deterioration of the much larger Investment Management Services division and, to a lesser extent, the Financial Planning division. The decline in the Investment Management Services division reflects the operational gearing these activities have to market levels since the overhead cost, with the exception of variable remuneration, is semi-fixed. Considerable efforts are being made to address this matter just as more focused sales and marketing initiatives to grow assets under management and revenues are now underway.

Held for sale

The revenues of the held for sale activities declined 39.1% from £8.7 million in 2015 to £5.3 million in 2016. This was due to the sale of Charles Stanley Securities in July 2015, reducing revenue by £2.4 million year-on-year, and a reduction in the revenue generated by Charles Stanley Financial Solutions Limited of £0.9 million. Expenses within the held for sale activities fell 43.8% to £5.9 million (2015: £10.5 million) almost entirely due to the sale of Charles Stanley Securities. Overall there was a £1.4 million reduction in losses incurred by the held for sale activities.

Adjusting items

The Board considers the Core Business profit before tax and earnings per share to be a better reflection of business performance than the statutory figures reported in the financial statements. To calculate the Core Business results the Board has excluded the items detailed below:

	2016 £m	2015 £m
Amortisation of client relationships	**(1.6)**	(1.8)
Transition bonus accrual	**(1.4)**	–
Dilapidations	**(0.8)**	–
Exceptional professional fees	**(0.8)**	–
Impairment of intangibles	**(0.4)**	(7.9)
Restructuring costs	**–**	(0.1)
Profit on disposal of Matterley Undervalued Assets Fund	**0.2**	1.2
Defined benefit pension scheme credit	**0.8**	–
Loss before tax	**(4.0)**	(8.6)

Amortisation of client relationships: (£1.6 million)

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

Transition bonus accrual: (£1.4 million)

In March 2016, the Board agreed revised interim remuneration arrangements with the Group's investment managers in relation to their variable compensation. Part of this agreement involved moving the basis of the bonus calculation from being based on billed revenue to earned revenue. This has resulted in the Group bringing forward the recognition of bonuses on revenues that were accrued but not yet billed as at 31 March 2016.

Dilapidations: (£0.8 million)
On 25 April 2016 the Group entered into a lease agreement for 47,000 sq ft of office space at 55 Bishopsgate, London. The new offices will allow the Group to consolidate a number of its London office locations, including staff currently based at 131 Finsbury Pavement, London, into a central site, and decommission peripheral London offices nearing the end of their existing leases. As a consequence, a review was carried out of the dilapidations payments due under the existing leases in London which might otherwise have been extended, resulting in an accelerated charge of £0.8 million recognised in the year.

Exceptional professional fees: (£0.8 million)
The Group incurred professional fees of £0.5 million on the £16.3 million placing for cash undertaken in April 2015 and of £0.3 million in relation to the disposal of Charles Stanley Financial Solutions Limited. Since both of these transactions were one-off in nature, their costs have been excluded from the Core Business profit.

Impairment of intangibles: (£0.4 million)
Further to the exchange of contracts for the disposal of Charles Stanley Financial Solutions, which completed on 1 April 2016, the Board reviewed and impaired the goodwill associated with this company by £0.4 million.

Profit on disposal of Matterley Undervalued Assets Fund: £0.2 million
In December 2015 the Group received further and final deferred consideration of £0.2 million in relation to the sale of the Matterley Undervalued Assets Fund to Miton Group which had completed in September 2014.

Defined benefit pension scheme credit: £0.8 million
During the year, the Group changed the basis of calculating the future benefits augmentation allowance on its defined benefit pension scheme from that aligned to the Retail Price Index (RPI) to the Consumer Price Index (CPI). This change was done so as to bring the Group's defined benefit pension scheme in accordance with recently introduced government legislation and in line with industry best practice. The switch to using CPI when indexing future pension payments at the balance sheet date resulted in a one-off credit of £1.7 million recognised in the profit and loss account. This credit was partially offset by a loss on curtailment of £0.9 million arising from closing the Group's defined benefit pension scheme to future service accruals during the year. Accordingly, the net credit to the profit and loss account of £0.8 million arising from these one-off events is being added back to arrive at a normalised pension service cost run rate.

Taxation
The Group reported a loss before tax of £0.3 million during the year which resulted in a negligible tax credit being recognised. A full reconciliation of the tax charge on continuing activities is provided in note 13 of the financial statements.

Earnings/(loss) per share
The reported loss per share for the year ended 31 March 2016 was 0.61 pence compared with a loss of 13.46 pence for 2015. The Core Business earnings per share increased by 22.6% to 6.90 pence (2015: 5.63p).

Dividends
The Board has proposed a final dividend of 3.5 pence per share. Taken together with the interim dividend paid of 1.5 pence per share, this results in a total dividend for the year ended 31 March 2016 of 5.0 pence per share (2015: 5.0 pence per share) or £2.5 million (2015: £2.3 million). The recommended final dividend of 3.5 pence per share is subject to shareholders' approval, which will be sought at the Company's Annual General Meeting on 29 July 2016.

Divisional review

The Group's wealth management services are provided through the four Core Business divisions: Investment Management Services, Asset Management, Financial Planning and Charles Stanley Direct. The services provided by each division are set out on page 11.

Charles Stanley Securities, the Group's corporate broking business, and Charles Stanley Financial Solutions, which provided employee benefits services, were both held for sale during the year. The sale of Charles Stanley Securities was completed in July 2015 to Panmure Gordon and Charles Stanley Financial Solutions was sold to its management team in April 2016.

The financial performance of the Core Business divisions is summarised in the table below:

	Investment Management Services £m	Asset Management £m	Financial Planning £m	Charles Stanley Direct £m	Core Business £m
31 March 2016					
Revenue	**120.0**	**5.5**	**6.0**	**4.8**	**136.3**
Expenses	**(112.4)**	**(6.5)**	**(7.2)**	**(6.2)**	**(132.3)**
Other income	**0.2**	**–**	**(0.1)**	**0.1**	**0.2**
Operating profit/(loss)	**7.8**	**(1.0)**	**(1.3)**	**(1.3)**	**4.2**
Net finance income	**0.1**	**–**	**–**	**–**	**0.1**
Gain on sale of business	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Profit/(loss) before tax	**7.9**	**(1.0)**	**(1.3)**	**(1.4)**	**4.2**
31 March 2015					
Revenue	125.4	5.1	5.7	4.8	141.0
Expenses	(115.8)	(7.2)	(6.6)	(7.3)	(136.9)
Other income	0.2	–	–	–	0.2
Operating profit/(loss)	9.8	(2.1)	(0.9)	(2.5)	4.3
Net finance income	0.1	–	–	–	0.1
Gain on sale of business	–	–	–	–	–
Profit/(loss) before tax	9.9	(2.1)	(0.9)	(2.5)	4.4

Investment Management Services

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 (which is expressed as a basis point return) and the operating costs associated with managing them which comprise both variable and fixed costs. Changes in key performance indicators for the division are shown below.

Investment Management Services – Funds under Management and Administration

	2016 £bn	2015 £bn
Discretionary funds	8.5	8.5
Advisory Managed funds	2.3	2.8
Total managed funds	**10.8**	11.3
Advisory Dealing funds	1.7	2.0
Execution-only funds	5.0	5.3
Total administered	**6.7**	7.3
Total funds	**17.5**	18.6

Investment Management Services – Key Performance Indicators

Revenue margins	2016 bps	2015 bps
Discretionary	84	87
Advisory managed	68	70
Total managed	80	82
Advisory Dealing	32	40
Execution-only	35	40
Total	**67**	70

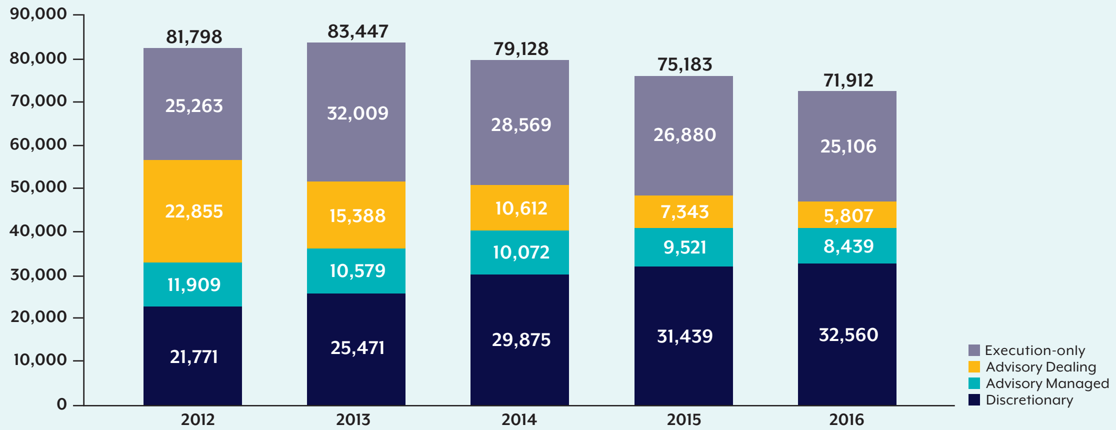
Average managed client portfolio size (£000)	**263.8**	274.4
Average managed funds per CF30 (£m)	**40.8**	41.3

The first table on the previous page shows the change in the division's FuMA for the financial year. The main reason for the overall decline was negative investment performance, which was broadly in line with the fall in the market of 3.5% as measured by the WMA Balanced Index. Another reason for the decrease has been low levels of net organic new inflows and the lack of acquisitions (of companies or of new investment managers) during the year, historically an important engine of growth. During the past 24 months we have also closed and consolidated a number of regional offices, leading to some reductions in FuMA.

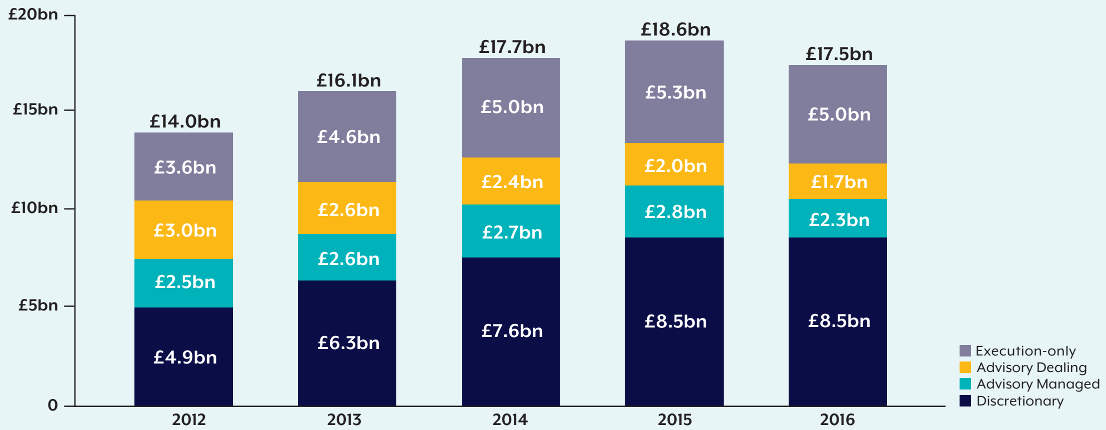
Measures are being taken to bring greater focus on to attracting new inflows. In particular, the Group has restructured the sales and marketing team with the aim of encouraging new clients. The Intermediary Sales team has been reformed in order to market the Group's full range of services to independent financial advisers. In addition, the Group's branding and marketing materials have been modernised.

It has been inappropriate to make any acquisitions while Management has been focused on stabilising the existing business. Furthermore, because the Group has been in extensive discussions with its investment management teams about the basis of their variable remuneration, it has not been possible to provide certainty to teams who might otherwise be attracted to join Charles Stanley. It is expected that this will be resolved shortly and that the Group's autonomous investment manager model will, over the longer term, continue to attract high quality investment management teams to the Group.

Investment Management Services – number of client accounts



Investment Management Services – Funds under Management and Administration five-year trend



The preceding two charts show the five-year trend of client account numbers and FuMA. The long-term trend for the Investment Management Services division's FuMA has been the growth of Managed services, especially Discretionary, while Advisory Dealing and, to a lesser extent Execution-only services, have reduced. In the latter instance, some of these accounts have moved to the Group's online service, Charles Stanley Direct.

During the financial year ended 31 March 2016, while the number of Discretionary managed accounts continued to increase and funds were able to show some modest growth when compared to the market, all other areas suffered declines. The principal reduction was for the Advisory Dealing service where, following completion of a suitability review of all client accounts, a number of Advisory Dealing accounts were either closed or had their service reclassified as Execution-only.

Investment Management Services – financial performance

	2016 £m	2015 £m	Change £m	Change %
Revenue	**120.0**	125.4	(5.4)	(4.3)
Direct costs	**(68.0)**	(73.8)	5.8	(7.9)
Other income	**0.2**	0.2	0.0	–
Contribution	**52.2**	**51.8**	**0.4**	**0.8**
Allocated costs	**(44.4)**	(42.0)	(2.4)	5.7
Operating profit/(loss)	**7.8**	**9.8**	**(2.0)**	**(20.4)**

Contribution margin	**43.5%**	41.3%
Operating margin	**6.5%**	7.8%

Investment Management Services – revenues

The revenues of the Investment Management Services division comprise investment management fees, trading commissions and interest earned on client cash balances. Overall revenues decreased 4.3% to £120.0 million in 2016 (2015: £125.4 million). This can mainly be attributed to declines in commission income and interest earned. Although fees also decreased, this was due to the loss of trail, which fell by £1.2 million compared to 2015, after we completed the conversion of all clients' fund holdings into clean classes during the year.

Investment Management Services – revenues

	2016 £m	2015 £m	Change £m	Change %
Fees	**72.4**	72.9	(0.5)	(0.7)
Commission	**44.8**	48.0	(3.2)	(6.7)
Interest	**2.8**	4.5	(1.7)	(37.8)
Revenue	**120.0**	**125.4**	**(5.4)**	**(4.3)**

The loss of commission income also resulted in a decline in the division's revenue margin, in overall terms from 70bps to 67bps. This is shown in table below.

Investment Management Services – revenue margins

	All Categories bps	Managed bps	Discretionary bps	Advisory Managed bps	Non-Managed bps	Advisory Dealing bps	Execution-only bps
31 March 2016							
Fee return	**41**	**54**	**56**	**47**	**7**	**6**	**8**
Commission return	**25**	**25**	**27**	**20**	**25**	**23**	**25**
Interest return	**1**	**1**	**1**	**1**	**2**	**3**	**2**
Total	**67**	**80**	**84**	**68**	**34**	**32**	**35**
31 March 2015							
Fee return	41	54	57	47	9	12	8
Commission return	27	26	27	21	28	25	29
Interest return	2	2	3	2	3	3	3
Total	70	82	87	70	40	40	40

In December 2015 a new rate card was introduced both to rationalise pre-existing tariffs and to ensure that the division charges appropriately for its services. This rate card is being applied to all new clients and is being gradually phased in with existing clients. It is expected that this will lead to a steady but gradual improvement of the revenue margin over the next 36 months.

Investment Management Services – operating costs
Investment Management Services' costs declined 2.9% during the year from £115.8 million to £112.4 million. The composition of these costs is shown in the table below.

Investment Management Services – operating costs

	2016 £m	2015 £m	Change £m	Change %
Staff costs				
Fixed	**20.5**	21.5	(1.0)	(4.7%)
Variable	**36.7**	40.1	(3.4)	(8.5%)
Total staff costs	**57.2**	61.6	(4.4)	(7.1%)
Other direct operating expenses	**10.8**	12.2	(1.4)	(11.5%)
Total direct costs	**68.0**	73.8	(5.8)	(7.9%)
Allocated costs	**44.4**	42.0	2.4	5.7%
Total costs	**112.4**	**115.8**	**(3.4)**	**(2.9%)**
Cost/income ratio	**93.7%**	92.4%	1.3	1.4%
Headcount (number)	**464**	505	(41)	(8.1%)

The reduction in costs was mainly due to lower staff costs. An 8.1% reduction in headcount helped to drive a 4.7% reduction in fixed staff costs. Variable staff costs were also lower, reflecting the lower levels of income generated and the profitability of the division. Other direct expenses, which mainly comprise establishment, IT and communications, and professional fees (including the FSCS levy), fell by 11.5%. Allocated costs, which comprise central operational services such as dealing and custody operations, support and research, as well as central Management costs, grew 5.7%.

EBS Management PLC (EBS)
EBS, the Group's pension administration business, is incorporated within the Investment Management Services division alongside the Group's other administration, custody and ISA services. EBS had another successful year, growing the number of schemes it administers from 10,220 to 12,737 and revenues by 20.8% to £2.9 million (2015: £2.4 million).

Outlook for the Investment Management Services division
As has been previously mentioned, the Group has been in prolonged discussions with its investment management teams about the method of computation and scale of their variable remuneration arrangements. Resolving this is viewed by the Board as a key component to improving the Group's profitability, along with growing Funds under Management and streamlining other costs. Although a long-term agreement has not yet been finalised, interim arrangements were agreed with the majority of investment managers during March 2016 and took effect from 1 April 2016. These are expected to lead to a reduction in variable compensation as a proportion of revenue in the 2017 financial period. As part of this interim agreement, variable remuneration is now being paid on the basis of revenues and profits when they arise rather than when they are billed. This led to a one-off exceptional charge of £1.4 million being taken in the financial year ended 31 March 2016, representing the acceleration of the timing of recognition of variable remuneration payable.

In addition to resolving the reward arrangements for the long term, a key challenge the Group faces is how to create efficiencies and streamline its front office support and mid and back office processes, both to be able to reduce the cost base and to introduce a greater degree of variability to it. The Group has a number of workstreams focused on trying to achieve this and a target of reducing non-payroll costs as a proportion of revenues by 7.5% over the next three years.

Asset Management

The Asset Management division was formed during the year to bring together a number of complementary specialist Investment Management Services that had previously operated independent of one another within the Group. These activities include investment research covering asset allocation, active and passive fund selection, equities and bonds; the management of active and passive Open-ended Investment Companies, model portfolios and centralised investment portfolios; and Inheritance Tax services.

Asset Management's performance is driven by Funds under Management and the revenue margin earned on these assets.

Year-on-year changes in key performance indicators for the division are shown below.

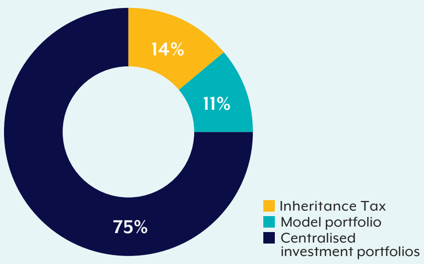
Asset Management – Key Performance Indicators

	2016	2015
Funds under Management (£m)	**781.4**	683.5
Revenue margin (bps)	**63**	68

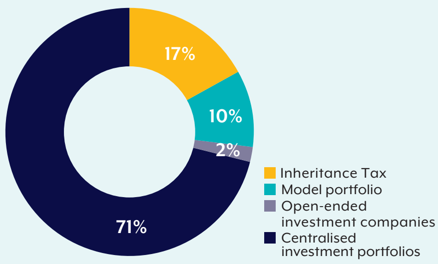
Asset Management – Funds under Management

Funds under Management of the Asset Management division grew strongly during the year, up 14.3%. There has been significant growth in the pension and institutional business, which is lower margin and reduced the overall bps charged.

Distribution of FuMA 2015



Distribution of FuMA 2016



Asset Management – financial performance

The financial performance of the Asset Management division is detailed in the table below. The division made strong progress during the year growing both Funds under Management and revenues whilst controlling costs in the process, reducing its operating loss significantly to £1.0 million (2015: £2.1 million). In addition the division generated an exceptional profit on sale of £0.2 million, being the final deferred consideration received from the sale of the FP Matterley Undervalued Asset Fund.

Asset Management – financial performance

	2016 £m	2015 £m	Change £m	Change %
Revenue	**5.5**	5.1	0.4	7.8
Direct costs	**(6.9)**	(6.7)	(0.2)	(3.0)
Contribution	**(1.4)**	(1.6)	0.2	12.5
Allocated costs	**0.4**	(0.5)	0.9	180.0
Operating loss	**(1.0)**	**(2.1)**	**1.1**	**52.4**

Contribution margin	**(25.5%)**	(31.4%)
Operating margin	**(18.2%)**	(41.2%)

Asset Management – revenues

Revenues for the division increased 7.8% with particularly strong performances from model portfolios (up 68.7%), the Inheritance Tax service (up 26.3%) and centralised investment portfolios (up 16.8%). As a result of the sale of the Matterley Undervalued Assets Fund in December 2014, revenues generated from the Matterley range of OEICs declined 16.4%, though excluding this fund they were up 8.5% on a like-for-like basis.

Asset Management – operating costs

Asset Management's overall costs were reduced by 9.7% during the year, although its direct costs before allocations, increased marginally by 3.0%. The positive movement in allocated costs is due to a full recharge of investment research services to the rest of the Group as compared to a partial one within the prior year.

Asset Management – operating costs

	2016 £m	2015 £m	Change £m	Change %
Staff costs				
Fixed	**3.7**	3.5	0.2	5.7
Variable	**1.3**	0.9	0.4	44.4
Total staff costs	**5.0**	4.4	0.6	13.6
Other direct operating expenses	**1.9**	2.3	(0.4)	(17.4)
Total direct costs	**6.9**	6.7	0.2	3.0
Allocated costs	**(0.4)**	0.5	(0.9)	(180.0)
Total costs	**6.5**	**7.2**	**(0.7)**	**(9.7)**
Cost/income ratio	**117.1%**	141.0%	(23.9)	17.0%
Headcount (number)	**42**	43	(1)	2.3%

During the year, the decision was taken to close the FP Matterley Bond Fund which was launched in May 2015 but never gained critical mass. The division's costs for the year include approximately £0.5 million relating to that fund which will not be incurred going forward.

Outlook for the Asset Management division

In order to rationalise and simplify our offering for all Charles Stanley clients, the Asset Management division will gradually phase out the various sub-brands currently used, such as Matterley, Pan Asset and the Collective Portfolio Service. This will take place over the next 24 months and be phased to coincide with a rationalisation of service providers and regulatory notice requirements.

Other initiatives being undertaken by the Asset Management division include reviewing the possibility of introducing a range of multi-asset OEIC funds to provide a cost- and tax-efficient service to smaller clients; escalating the marketing efforts behind the division's market-leading fiduciary management solution for smaller defined benefit pension schemes; and a continued focus on cost control as the consolidation of the various activities which now form the Asset Management division is still at a relatively early stage.

Financial Planning

The Financial Planning division was also reorganised out of what had been the Financial Services division. Additionally, the management team was reformed and all the financial planners within the Group were brought under its leadership and direction. The objective of these changes has been to give the division its own focus, introduce common reporting, standardise processes and improve control.

The division provides financial planning and advice and its financial performance is driven by the number of financial planners it has and their revenues per capita. Year-on-year changes in key performance indicators for the division are shown below.

Financial Planning – Key Performance Indicators

	2016	2015
Revenue (£m)	**6.0**	5.7
Financial planners (number)	**27**	27
Revenue per financial planner (£000)	**222.2**	211.1

Financial Planning – financial performance

The financial performance of the Financial Planning division is detailed in the table below. The division grew revenues by 5.3%, predominantly through the increase of financial planning and investment management fees by 27.9% and 18.8% respectively, which more than offset the cessation of historical trail commission arrangements.

Financial Planning – financial performance

	2016 £m	2015 £m	Change £m	Change %
Revenue	**6.0**	5.7	0.3	5.3
Direct costs	**(5.0)**	(4.6)	(0.4)	8.7
Other income	**(0.1)**	–	(0.1)	–
Contribution	**0.9**	**1.1**	**(0.2)**	**(18.2)**
Allocated costs	**(2.2)**	(2.0)	(0.2)	10.0
Operating Profit/(loss)	**(1.3)**	**(0.9)**	**(0.4)**	**44.4**

Contribution margin	**15.0%**	19.3%
Operating margin	**(21.7%)**	(15.8%)

The increase in direct costs arose due to employment costs increasing 9.4% to £4.0 million (2015: £3.6 million), while the main contributors to the increase in allocated costs were Compliance, Marketing and Management charges.

Outlook for the Financial Planning division

It is intended to establish Financial Planning as a core element of the Group's wealth management services and to increase materially the instances in which both financial planning and investment management services are provided to a client. The new management team is already implementing strategies to drive business development within the division, including the recruitment of additional financial planners while improving productivity via enhancements made to operating processes utilised to transact and process business. It is anticipated that the benefit of these strategies will positively impact the results of the division.

Charles Stanley Direct

Charles Stanley Direct provides direct-to-client online share and fund dealing services and, up until February 2016, provided equity trading platform services to the Fidelity fund network. Following termination of these arrangements, many of these Fidelity clients were successfully migrated on to the Charles Stanley Direct platform in consideration for a two year revenue share agreement with Fidelity.

The division also encompasses the business of Garrison Investment Analysis, based in Beverley, Yorkshire, providing Execution-only services for an extensive range of products including ISAs, Unit Trusts, Pensions and Venture Capital Trusts.

Charles Stanley Direct's financial performance is driven by the value of fund assets on which a platform fee is charged and by the number of commission-earning bargains undertaken by clients, which in turn tend to be correlated to the value of non-fund holdings on the platform. Year-on-year changes in key performance indicators for the division are shown below:

Charles Stanley Direct – Funds under Management and Administration

	2016 £bn	2015 £bn
Charles Stanley Direct	**1.4**	1.2
Garrison	**0.4**	0.4
Total	**1.8**	**1.6**

Charles Stanley Direct – Key Performance Indicators

	2016	2015
Revenue margin (bps)	**28**	32
Number of client accounts as at 31 March	**39,867**	22,053
Number of commission-earning trades	**86,058**	82,751

The financial performance of Charles Stanley Direct is detailed in the table below. Although not yet profitable, the division's contribution and overall trading result improved markedly due to a significant reduction of its running costs.

	2016 £m	2015 £m	Change £m	Change %
Revenue	**4.8**	4.8	–	–
Direct costs	**(2.8)**	(4.8)	2.0	41.7
Contribution	**2.0**	–	**2.0**	**100.0**
Allocated costs	**(3.4)**	(2.5)	(0.9)	(36.0)
Operating loss	**(1.4)**	**(2.5)**	**1.1**	**(44.0)**

	2016	2015
Revenue margin (bps)	**28**	32
Contribution margin	**41.7%**	0.0%
Operating margin	**(29.2%)**	(52.1%)

Funds under Administration on the platform grew from £1.6 billion to £1.8 billion but revenues remained flat at £4.8 million. Fees increased 1.6% to £3.3 million (2015: £3.2 million) despite the loss of £0.3 million of trail. Dealing commission was flat at £0.9 million (2015: £0.9 million) and interest turn declined, down 20.7% to £0.6 million (2015: £0.8 million).

Although it did not impact the 2016 numbers materially, the Fidelity contract ended in February. While many of these assets have been transferred on to the Charles Stanley Direct platform, we do not expect to earn the same level of revenue from these going forward.

The main story during 2016 was the division's management team addressing the cost base. Direct costs were reduced from £4.8 million to £2.8 million, achieved by reducing employment costs by £0.7 million, marketing by £0.4 million, professional fees by £0.1 million, and IT, communications and market data by £0.3 million. Cost allocations increased from £2.5 million to £3.4 million leading to overall costs reducing 15.0% to £6.2 million.

Outlook for Charles Stanley Direct

Charles Stanley Direct's management's immediate focus is on delivering an enhanced mobile-optimised website and APP while streamlining back-end functionality, with the goal of increased efficiencies around the division as well as driving top-line growth through more targeted and diverse digital marketing. Simultaneously, the management team is investigating ways of making the revised OEIC range available to retail clients, and is considering revisions to the current rate card in order to target underserved areas of the retail market.

Financial position

Charles Stanley & Co. Limited (CSC), the Group's main operating subsidiary, is an IFPRU 125K Limited Licence firm regulated by the Financial Conduct Authority (FCA). The consolidated regulatory capital position is shown as though the Group was subject to the same regime.

At 31 March 2016, the Group had regulatory capital resources of £56.9 million as shown in the table below:

Group – capital adequacy	**2016 £000**	2015 £000
Total tier 1 capital resources	**56,963**	37,730
FCA capital requirement	**37,710**	35,292
Capital adequacy ratio	**151%**	107%

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

The Group's internal risk appetite is to maintain capital levels of at least 125% of the regulatory capital requirement. The Group's capital position was strengthened following the capital-raising in April 2015, and the Group continues to monitor capital levels carefully. The Group maintained a surplus of regulatory capital at all times during the financial year ended 31 March 2016.

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

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

Intangible assets

Intangible assets arise principally from acquired Funds under Management and are categorised as client relationships. Goodwill arises on consolidation. At 31 March 2016, the total carrying value of intangible assets was £26.5 million (2015: £29.2 million). This figure includes £1.1 million (2015: £3.0 million) disclosed as held for sale assets. During the year £0.6 million in customer relationships and £1.9 million of internally generated software were capitalised. No goodwill was acquired during the year nor in 2015.

Client relationship intangibles are amortised over the estimated useful life of the client relationship – 10 years. Goodwill arising from business combinations is not amortised, but is subject to an annual impairment test. Following this review impairment charges have been allocated against goodwill, including £0.4 million in respect of Charles Stanley Financial Solutions Limited. Further details on the Group's intangibles are provided in note 15 of the financial statements.

Defined benefit pension scheme

The Group operates a defined benefit pension scheme, which has been closed to new members for several years and which closed to future accruals on 31 March 2016. Each year actuarial valuations are carried out based on the position at 31 March.

During the year, the scheme deficit fell to £10.1 million at 31 March 2016 (2015: £13.1 million). The valuation takes into account more prudent longevity assumptions and, following formal communication to the members, the basis of benefit augmentation has been changed from being aligned to the Retail Price Index to the Consumer Price Index.

Further details on the Group's defined benefit pension scheme and the assumptions underpinning the valuation are provided in note 10 of the financial statements.

Cash at bank

In April 2015, the Group raised £16.3 million (£15.8 million net of expenses) through a placing for cash to strengthen the Group's regulatory capital resources. This primarily accounted for the increase in the Group's cash resources to £48.1 million at 31 March 2016 (2015: £28.5 million). During the year, the Group repaid in full the £1.9 million mortgage it had outstanding against its disaster recovery centre in Chelmsford.

Risk targets have been set to help the Group monitor its bank balances as noted in the Risk management and principal risks section.

Risk management and principal risks

Peter Kelk
Chief Risk Officer

The Group's risk management framework is a fundamental component of the Group's operating model and embedded across all processes and controls. The Chief Risk Officer, under the supervision of the Risk Committee, has the principal responsibility for risk awareness, monitoring and management across all areas of the business.

Charles Stanley's approach to risk management is documented in the Risk Appetite Statement (RAS), which is reviewed, challenged and approved by the Board on an annual basis. The RAS is a core component of the Group's risk management framework and was developed taking into consideration the Group's strategic objectives, strategy and business plans. This new level of RAS articulation is driving the implementation of more robust risk monitoring and risk reporting processes, which continue to evolve.

As the Group implements these processes, the Board will periodically review the RAS to ensure that it continues to reflect the risk appetite of the Group.

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

Set out below is the Directors' viability statement covering the three years to 31 March 2019, which is then followed with an assessment of the principal risks relevant to the Group's long-term performance.

Viability statement

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

Over the past 18 months the Group began to undertake a significant business restructure as described in the Our strategy report. The Directors consider a three-year time horizon appropriate as it is most meaningful in planning the Group's new long-term strategy, as a five-year horizon stretches forecasting inputs and assumptions beyond a realistic threshold.

The Board is responsible for the oversight and management of the principal risks to which the Group is exposed. It manages these risks by:

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

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

- Monitoring quantitative and qualitative management information across the Group to highlight areas of risk which require enhanced or additional controls
- Delegating to the appropriate Committees any issues raised as part of the management information which require further action
- Carrying out annual 'deep dive' risk analysis of key departments which are discussed by the Committee and the department heads
- Reviewing the reports of the internal and external auditors concerning systems and controls, reviewing the resolution of proposed control enhancements and monitoring any remaining open issues.

The Board's Risk Committee has oversight of the above processes, ensuring that the monitoring and escalation procedures are operating effectively and completed in a timely manner.

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

Based on the results of the latest stress test the Board believes that, by taking the projected management actions to reduce expenditure and dividends, the Group's business model is resilient and it holds sufficient capital to survive a range of severe but plausible stressed situations. As required by the FCA, events significantly more severe than the stresses used in this assessment are modelled in the Group's wind-down scenarios and are included in the Group's assessment of its capital adequacy.

As the regulatory environment remains subject to ongoing change and enhancements, the Group holds a significant amount of capital above the FCA regulatory requirement calculated in the Group's ICAAP which is owned by the Board.

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

Principal risks	Key mitigants and controls
Financial	
Financial risk Failing to maintain financial strength in order to support business objectives, meet regulatory capital requirements, and provide shareholders with an acceptable return.	To achieve our financial goals the following limits have been set: • Return on equity – 4% • Cash balances – £25m • Regulatory capital – 125% of the requirement and pension risk • Dividend cover – 2x earnings per ordinary share. These are monitored by the Board on a regular basis. The Group is exposed to interest rate movements directly through its variable rate assets and liabilities. This is tracked by reporting on exposure levels at the Treasury Committee, which also considers levels of fixed rate assets and liabilities.
Credit and counterparty risk The potential failure of clients or counterparties to fulfil their contractual obligations.	The Group's Treasury Committee is responsible for the initial assessment and ongoing monitoring of deposit-taking counterparties. The following criteria govern how the Group's credit and counterparty risk is managed: • Assets will only be placed and maintained with counterparties deemed to be financially sound • Client and Group cash held at any individual counterparty should not exceed its respective limit set by the Treasury Committee unless written approval has been provided • Counterparty limits for the purpose of trading are set by the Market Exposure Committee (MEC) • Counterparties with no set trading limits should be assessed on an individual basis at the time of the trade by the MEC • Breaches of any counterparty trading limits without approval must be escalated immediately to the MEC.

Principal risks	Key mitigants and controls
Market risk Risk of losses arising as a result of exposure to market movements, including foreign exchange and interest rates.	• Charles Stanley does not undertake any proprietary trading other than that arising from incidental dealing errors and therefore takes minimal market risk. Losses in relation to dealing errors are captured as operational losses • A majority of the Group's cash is kept in GBP across a number of banks. Limited foreign currency is only held to facilitate settlement and dealing activity on behalf of clients. The Treasury Committee manages the Group's account balances both in GBP and foreign currencies to our requirements and limits exposures to the Group's operational needs.
Pension risk Risk of pension obligations exceeding the assets set aside to cover them.	Charles Stanley continues to support a defined benefit pension scheme which accordingly exposes the Group to pension risk. The scheme is closed to new members and is regularly reviewed for viability. Deficit levels are monitored regularly and stand at £10.1 million at 31 March 2016. During the course of the 2016 financial year the scheme was closed to future accruals. The Group is working closely with the trustees of the scheme to reduce the deficit and, where possible, match investments with future liabilities.
Liquidity The risk that the Group, although solvent, 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.	The Group's liquidity risk is overwhelmingly short-term in nature and arises predominantly from the settlement of trades within the stockbroking business. The Treasury Committee operates within strict policies and procedures approved by the Board to manage the Group's risk. These include: • The Group ensuring that all legal entities have sufficient funds to meet their liabilities as they fall due, with surplus cash transferred on a monthly basis to Charles Stanley & Co. Ltd. The Group will ensure that it has overdraft or standby facilities if the Committee considers them necessary to meet liabilities • Utilising financial instruments. These include borrowings, cash and liquid resources, and various items including trade debtors and trade creditors that arise directly from its operations. The credit quality of counterparties is reviewed frequently and we limit aggregate credit exposures accordingly.

Principal risks	Key mitigants and controls
Operational	
Operational risk Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The Group operates in a business environment that is subject to significant technological, regulatory, and economic changes.	Insurance cover is in place and is reviewed on an annual basis to ensure there is an appropriate amount of cover to manage the impact of operational losses against our capital reserves. The Group records and monitors operational losses and near misses. Management is required to notify the Board of all individual operational incidents leading to an operational loss greater than £10,000. Furthermore, while accepting that operational losses are inevitable, management regularly report to the Board in relation to the total dealing and trading losses. These should not exceed £100,000 in any 12-month rolling period, while the volume of these errors should not exceed 0.5% of total bargains placed in any given month.
Fraud risk Fraud includes, but is not limited to, incidents such as the following: external cyber-attacks, identity fraud and broker fraud.	The Group operates a number of IT platforms with controls in place designed to prevent cyber-attacks, phishing or similar malware attacks. While the Group has no appetite for any fraud-related incident, it recognises that certain attempts at fraud (that is, those relating to external fraud) may be outside of its control. Consequently, specific risk parameters in relation to fraud are in place which drive monitoring and reporting to the Board: • The Board should be made aware of all instances of internal fraud attempts (whether successful or not) and any incidents • The Board should be made aware of any unusual (but unsuccessful) external fraud attempts, as well as all successful attempts. Charles Stanley is part of a cross-industry effort to combat fraudulent activity. Data-sharing initiatives have provided us with valuable intelligence to assist us in protecting our franchise and our clients.

Principal risks	Key mitigants and controls
Financial crime risk Financial crime risk is the risk of reduction in earnings and/or value through the financial or reputational loss associated with financial crime and failure to comply with related regulatory obligations. These losses may include censure, fines or the cost of litigation. This includes risks associated with money laundering, market abuse, sanctions breaches, fraud, bribery and adverse media through monitoring of the client base.	The Compliance Committee serves as the principal forum for reviewing and challenging the management of financial crime risk, including overall strategy and performance, as well as engagement with financial crime authorities. The Committee is accountable for ensuring that, at Group level, financial crime risks are effectively identified and managed within risk appetite, and that strategies for financial crime prevention are effectively coordinated and implemented across the CS Group.
People risk The risk that the loss of personnel can have a significant impact on the Group from an operational, reputational, and financial perspective.	The Group recognises that its reputation and financial success is dependent on the performance of its people. Charles Stanley personnel establish and maintain close relationships with our clients, hence the loss of key personnel can have a significant impact on the Group. Historically Charles Stanley has had low levels of staff turnover, but key departures may be symptomatic of more fundamental issues within the organisation that require attention. These would consequently trigger a formal exit review assessment.
Reputational risk Reputational damage could lead to a loss of existing client base, possibly resulting in financial loss.	The Group has built a reputation as a high quality provider of wealth management services. This has been carefully developed over many years and as such there is an emphasis on maintaining this status. The risk is monitored and managed by our emphasis on compliance with all aspects of relevant regulations, including those of the FCA.

Principal risks	Key mitigants and controls
Compliance	
Customer outcome risk Risk of treating customers unfairly or achieving an undesirable outcome.	All clients are risk profiled to ensure we clearly define, agree and manage our clients' portfolios in accordance with these risk profiles and investment objectives. Suitability is a major focus for the Group which has quality assurance processes in place to assess suitability reviews performed by our investment managers. Careful monitoring of investment decision-making against the risk profile helps to ensure we achieve appropriate and suitable outcomes. We measure these outcomes in a number of ways including: • Number and nature of complaints • Internal client suitability file reviews • Customer surveys.
Regulatory risk The risk of breaching, or non-compliance with, regulations and restrictions enforced on the industry and the Group, resulting in regulatory censure and/or fines.	Charles Stanley operates in the heavily-regulated financial services sector and compliance with regulations is paramount to the Group. Management monitors developments in regulation, assesses the impact on the business, and implements changes required to meet those requirements and ensure that the Group's capital levels meet or exceed regulatory requirements. Periodic reviews are conducted internally to reduce the likelihood of significant regulatory breaches which could result in regulatory censure or fines.
Conduct risk Employees and associates whose conduct is contrary to the Group's standards, resulting in losses due to, but not limited to, regulatory fines and reputational damage.	The Group's conduct starts with the 'tone at the top' which is reflected in the standard of conduct which employees and associates hold themselves to. Conduct risk has been a major theme across the financial services industry and drives to the heart of everything we do. In order to evidence good conduct, the Board has established a governance framework flowing down to the Board Committees and management processes which are designed to ensure that appropriate controls, checks, and balances are in place, with safety valves where decisions and processes can be challenged.

Principal risks	Key mitigants and controls
Strategic	
Acquisition/Divestment risk The risk that Acquisitions/Divestments bring about unexpected losses, or threaten the Group's current financial or reputational position.	Although Charles Stanley currently has no acquisition plans, the Group may be subject to acquisition-related risks in the future. As the Group restructures around its core wealth management strategy, certain peripheral activities and teams may be divested. Proposed acquisitions should offer immediate and sustainable increases in the Group's market share in local or national markets, have acceptable execution risks associated with them, and allow the Group to maintain prudent levels of liquidity and capital. A number of specific quantitative and qualitative parameters are used to assess the appropriateness of potential new acquisitions and divestments: • Target operational cash break-even point should not be expected to exceed 18 months • The number of 'significant' acquisitions should generally not exceed three deals per 18 months • The target company should not be involved in any potential, or existing, litigation which Charles Stanley management consider to be unmanageable or which could impact on the Charles Stanley reputation and/or acquisition criteria • Divestments should fit the Group's strategy and aim to maximise the P&L impact while reducing the Group's capital requirements. In particular, attention should be paid to any long-term risks and liabilities which might remain after the divestment.

Corporate social responsibility report

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

As a financial services organisation, our primary responsibility is to maximise investment returns to our clients in accordance with our contractual relationships.

However, we continue to recognise the non-financial considerations that are taken into account in the running of our business and the wider network of stakeholders to whom the Group has a responsibility. For this reason, the Directors and senior managers within the Group are committed to ensuring the Group interacts responsibly with its employees, clients, shareholders and the wider environment.

Each year we report on our aim to develop our CSR Policy and practices in our four key areas: business integrity, our people, the community and the environment. The CSR Committee meets biannually to review and develop policy in each of these areas.

1 Pancake race in aid of Kelly's Charity Events
2 Macmillan Cancer Support charity run
3 The juniors at the Darlington Mowden Park RUFC celebrate a successful season sponsored by the Charles Stanley Leeds office
4 Employees from the Birmingham office meet some of the children from local primary schools supported by Charles Stanley's partnership with the Birmingham & Black Country Community Foundation

Business integrity

The Group is committed to the principles of good stewardship and governance and ensuring our clients receive utmost care in the delivery of our services at all times.

Corporate governance

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

We ensure that, where practical, the Group complies with the Code or, where it has not done so, explains why this is the case. We compete fairly in the markets in which we operate and believe in the concept of business transparency and ethical behaviour. More details can be found in the Corporate Governance report on page 58.

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

Client care

We are committed to the highest standard of client care and support the regulatory framework, Treating Customers Fairly, from the Financial Conduct Authority (FCA).

We work with our clients to ensure our relationships deliver investment performance, protection from inappropriate risk and communications that are clear, fair and not misleading.

Disclosure

All Charles Stanley staff are expected to conduct business in such a way as to enhance the Group's reputation and to safeguard against unfair or unethical business practices. Our disclosure policy (concerning instances of whistleblowing) is monitored and enforced where necessary. Conscious of our obligations under the Bribery Act 2010 and other associated rules and Regulations, we take a zero tolerance approach to bribery and corruption. We carry out periodic risk assessments to determine exposure to the possibility of these risks and update our policies and procedures to mitigate them. We have strict Anti-Bribery and Gifts and Hospitality policies in place, which are reviewed regularly, as well as High Level Principles for Procurement.

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People

The Group acknowledges that the reputation and success of Charles Stanley is due to the services provided to clients by highly qualified and committed staff. Our staff are one of the key assets of the organisation and it is our policy to attract and retain the best people from diverse backgrounds and cultures, to create a vibrant working environment that thrives on new ideas and creative thinking.

Employee involvement

Charles Stanley recognises the importance of ensuring that staff are kept informed of the latest developments within the business and our internal public relations team provides regular email updates on all major events or initiatives.

Our interactive intranet site is constantly updated and staff have the opportunity to make suggestions via the 'suggestion box' feature. We try to consult with staff on any occasion where we feel that their interests may be affected and we arrange forums for discussion between staff and senior management. All staff must participate in the appraisal system and dialogue with line managers is actively encouraged.

To enable staff to become involved in the financial performance of the Group, participation in the Charles Stanley Save As You Earn Scheme (SAYE Scheme) and/or Share Incentive Plan (SIP) is encouraged. These schemes are open to all employees (with the exception of Sir David Howard, Bridget Guerin, David Pusinelli and Andrew Didham) with good take-up for both schemes. SIP membership for 2016 was 23.8% (2015: 22.5%). A new SAYE Scheme is launched each year, and 34.5% of all eligible staff now participate in at least one SAYE scheme.

Training

The Group continues to meet its business objectives by having a highly trained and professional workforce. We have a dedicated learning and development department to ensure that our training policy, designed to invest in staff, provides for career development and allows for succession planning.

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

Similarly, staff who are not FCA-authorised are encouraged to gain appropriate professional qualifications for their roles and are required to undertake sufficient and relevant continuing professional development to ensure that their skills are up to date. Our interactive learning and development website provides great access to materials and resources, enabling career progression.

Benefits

The flexible benefits system called 'Choice' continues to be a success. Choice is an intranet access application which allows staff to self-select benefits which match their lifestyle. The Choice system has proved popular, with 59% (2015: 79%) of all employees participating in one or more flexible benefits.

The benefits currently included in the Choice system are smart pension exchange, Denplan, charitable give-as-you-earn, extra death in service life cover, childcare vouchers, the ability to acquire additional annual leave, a mobile phone scheme and cancer screening. We have also introduced some new benefits for 2016 including a will writing scheme and additional discount cards. All these benefits offer savings through salary sacrifice. The Choice benefits are in addition to the standard benefits we provide for all our employees including interest-free season ticket loans, above average contributions to pensions, private medical insurance, permanent health insurance and death in service benefits.

To ensure the health and wellbeing of our workforce we also provide subsidised gym membership in London and a Ride-2-Work Scheme that allows employees to purchase bicycles at a reduced cost for the purpose of commuting.

The Group provides an employee assistance programme, First Assist, which offers a confidential helpline providing advice on a wide range of health and wellbeing issues.

We also provide access to dedicated medical facilities in the London offices including health screening.

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

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

In addition to the above we also have policies in place to ensure that all employees can expect a working environment free from discrimination and harassment. We believe in informing and involving our employees and we consistently strive to improve our staff retention rates. Staff losses were 19.12% (2015: 11.35%), with gains of 13.68% (2015: 17.52%).

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

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

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

Currently approximately 33.33% of our trainees are female and, while not imposing any form of discrimination, we continued to try to raise this proportion over the year to 40%.

The Group is aware of the European Commission recommendations on gender diversity and acknowledges that Boards perform better when they include people of different backgrounds, skill sets and perspectives. On 31 March 2016, women make up 40.6% of all Charles Stanley employees, 11% of the Board is female and 25% of the Non-executive Directors are female (above the European Commission's recommendation).

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

Our staff are one of the key assets of the organisation and it is our policy to attract and retain the best people from diverse backgrounds and cultures, to create a vibrant working environment that thrives on new ideas and creative thinking.

Community

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

Schools

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

Charities

Great Ormond Street Hospital Children's Charity was chosen by a staff vote to be the Charles Stanley Charity of the Year for 2015/16. This charity raises money to provide world-class care for the hospital's young patients and their families by contributing to the rebuilding and refurbishment of the hospital, supporting groundbreaking research and providing accommodation for parents.

Through the hard work and generosity of Charles Stanley's staff, £38,904.75 was raised for this charity. Some of the money raised was used to buy a ventilator and the remaining money donated to help fund everyday needs of Great Ormond Street Hospital.

Our Charity of the Year for 2016/17, again chosen by popular vote, is The Head and Neck Cancer Foundation (HNCF). HNCF is a young, independent British charity, which is small compared to the usual cancer charity giants. It is run by an active board of trustees that include world-renowned surgeons. They target fundraising carefully so that money can be spent where it is needed most: on patient treatment. We anticipate another successful year of fundraising.

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

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

Environment

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

Health and safety

The Group is committed to providing a working environment that meets and exceeds the required health and safety standards. All our staff have access to and are encouraged to practise the Health and Safety Policy. The Policy is reviewed and updated on an ongoing basis, taking into account any changes in the law, and staff are notified of any changes that are made. In the past year, the Group has introduced an interactive health and safety training portal, which ensures staff are inducted in, and are regularly reminded of, current Health and Safety Regulations and our Policy.

Greenhouse gas emission report

This report details Charles Stanley's Greenhouse Gas (GHG) emissions for the 12 months ending 31 March 2016.

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

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

- Direct Emissions (Scope 1) amounted to 137.8 tonnes of CO_2e or 7% of Charles Stanley's total GHG emissions (2015: 79.4 tonnes)
- Indirect Emissions (Scope 2) amounted to 1,801.0 tonnes of CO_2e or 93% of Charles Stanley's total GHG emissions (2015: 2,172.2 tonnes).

GHG emissions have been reduced in absolute terms by 14% during the year in comparison to 2015. The reduction in emissions has been achieved as a result of the ongoing focus on reducing energy consumption. At the sites which have half hourly electricity reporting, analysis has been carried out on the consumption profiles and running times ensuring that plant settings have been optimised. Most sites also benefit from motion sensor controls to lighting and during refurbishments LED light fittings are being introduced to further reduce consumption.

Charles Stanley was classified as a 'large undertaking' under the Government Energy Saving Opportunity Scheme (ESOS) and as such undertook a full review of the Group's energy consumption. The ESOS report firstly confirmed the benefit of previous energy saving actions and secondly highlighted further opportunities, particularly around the energy consumption of data rooms and associated cooling. It is estimated that this accounts for approximately 80% of all electricity consumption.

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

Environmental initiatives

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

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

Commitment

Charles Stanley continues to run a Ride-2-Work Scheme on an annual basis. This not only promotes a healthier lifestyle for our employees, but also reduces the environmental impact of the journey to work for those employees who take part in the scheme. This scheme has been changed so that employees can enter at any point during the year. We have continued to see a good take-up rate throughout the year.

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

Investment

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

The Group continues to recognise its impact on the environment and takes steps to minimise it. It is also committed to providing a working environment that meets and exceeds the required health and safety standards.

Chairman's introduction

Sir David Howard
Chairman

We have successfully moved from having a flat reporting structure to a robust governance framework consisting of a number of Board subcommittees and leadership teams. The established governance framework enables us to deliver on our strategy and support our business model.

For more information visit charles-stanley.co.uk

At 31 March 2016, the Board comprised nine directors; the Chairman, three independent Non-executive Directors and five Executive Directors. Ben Money-Coutts was appointed as the Chief Financial Officer and an Executive Director of the Company on 10 June 2015, while Andrew Didham was appointed as an Independent Non-executive Director on 18 September 2015. Anthony Scott resigned from being a Director of the Board on 18 April 2016.

The structure and representation of the various Board subcommittees is shown on the right. The roles, main responsibilities and achievements during the year are set out in their respective reports on pages 62 to 88.

The Group's Executive Committee, chaired by Paul Abberley, and the underlying management teams, have undergone a challenging year and is making good progress along the strategic transformation journey.

The biographies of the Board of Directors and leadership team are set out on pages 54 to 57.

Charles Stanley operates in a highly and constantly developing regulatory environment. Therefore a great deal of time has been dedicated by the Board and subcommittees to regulatory matters to ensure that a robust compliance framework is appropriately embedded within the Group's day-to-day activities. Our values revolve at all times around the best interests of the client and, the Board proactively seeks to promote and embed that in our culture.

Board and Committees structure

Main Board

Paul Abberley
Andrew Didham
Bridget Guerin
Sir David Howard
Michael Lilwall
Ben Money-Coutts
David Pusinelli
Anthony Scott [1]
Gary Teper

Executive Committee

Paul Abberley
Christopher Aldous
Michael Bennett
Peter Kelk
Michael Lilwall [2]
Ben Money-Coutts
Anthony Scott [1]
Gary Teper

Audit Committee

David Pusinelli
Chairman of Audit Committee

Andrew Didham
Independent Non-executive Director

Bridget Guerin
Independent Non-executive Director

For more on the Audit Committee go to page 62

Nomination Committee

Sir David Howard
Chairman of Nomination Committee

Andrew Didham
Independent Non-executive Director

Bridget Guerin
Independent Non-executive Director

David Pusinelli
Independent Non-executive Director

For more on the Nomination Committee go to page 66

Remuneration Committee

Bridget Guerin
Chairman of Remuneration Committee

Andrew Didham
Independent Non-executive Director

David Pusinelli
Independent Non-executive Director

For more on Remuneration Committee go to page 68

Risk Committee

Andrew Didham
Chairman of Risk Committee

Bridget Guerin
Chairman of Risk Committee
(until January 2016)

David Pusinelli
Independent Non-executive Director

For more on the Risk Committee go to page 87

[1] Anthony Scott resigned from being a Director of Charles Stanley Group PLC on 18 April 2016
[2] Michael Lilwall has stepped down from the Executive Committee on 15 April 2016

Board of Directors and Executive Committee

Executive and Non-executive

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

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

Paul Abberley BA (Hons)
Chief Executive Officer

Paul Abberley was appointed to the Board and became Chief Executive Officer, following regulatory approval on 19 December 2014. From 1 April 2016, Paul also took over the oversight of the Financial Planning and Charles Stanley Direct divisions. A graduate of Keble College, Oxford, Paul joined Charles Stanley as Chief Investment Officer in June 2014. Prior to this appointment Paul was the interim Chief Executive Officer of Aviva Investors Holdings Ltd and Aviva Investors Global Services Ltd, and a member of the Aviva Group Executive Committee, leading a series of strategic realignments with Aviva Investors Holdings Ltd where he had worked since 2008. Prior to Aviva Investors, Paul spent eight years at ABN AMRO Asset Management as Chief Investment Officer for the company's Fixed Income and Investment Solutions Division as well as being Chairman of the company's London Board and a member of the Global Executive Management Team.

Michael Lilwall BSc (Hons), Chartered FCSI
Director

Michael Lilwall joined Charles Stanley as a Director in 1997. During the year he was responsible for the Financial Planning division and Charles Stanley Direct. From 1 April 2016, Michael handed over his responsibilities for Financial Planning and Charles Stanley Direct to Paul Abberley. He retains a role on the market exposure and Treasury Committee and manages his client base. Previously he was Chief Executive Officer of Shaw & Co. Limited, whose business was acquired by Charles Stanley in 1997. Prior to that he was a Director of Seymour Pierce Butterfield and Brewin Dolphin & Co. Limited.

Strategic report
Governance
Financial statements

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

Ben Money-Coutts was appointed as Chief Financial Officer on 19 March 2015 and, following regulatory approval, was appointed a Director on 10 June 2015. Ben joined Charles Stanley in May 2013 from Saltus Partners LLP where, since 2007, he had been a Partner, Chief Financial Officer and Chief Operating Officer. Prior to Saltus LLP Ben was Head of Corporate Broking at Bridgewell Securities. He qualified as an ACA at Arthur Andersen, worked at Charterhouse from 1987 to 2000 and was then a Corporate Finance Managing Director at ING Barings from 2000 to 2003. 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.

Anthony Scott Chartered FCSI
Director

Anthony Scott, joined Charles Stanley in June 1999 after a career in the Army, which he left as a Captain, and seven years working for the Swire Group in the Far East. He was appointed to the Board of Charles Stanley & Co. Limited in July 2012 and then joined the Board of Charles Stanley Group PLC in April 2014 as Head of Investment Management for the Group. Anthony has worked in the Investment Management Services division since he joined Charles Stanley, and prior to this appointment he managed a team of six, looking after charities, private clients and the Inheritance Tax Portfolio Service.

Anthony Scott resigned as a Director of Charles Stanley Group PLC and Charles Stanley & Co. Limited on 18 April 2016.

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

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

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

Andrew Didham joined Charles Stanley as a Non-executive Director in September 2015. Andrew is a member of the board of NM Rothschild & Sons Ltd and was Group Finance Director of the worldwide Rothschild group for 16 years from 1997 to 2012. Until 2014 he was a member of the Rothschild Group Management Committee.
A partner of KPMG from 1990 to 1997, Andrew is a Fellow of the Institute of Chartered Accountants in England and Wales and Honorary Visiting Professor to the Faculty of Business and Law at London Metropolitan University.
In addition to his broad general management role in Rothschild, his 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 regulatory authorities in Europe, Asia, Australia and the USA as well as the UK. Andrew is Chairman of the Company's Risk 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 of experience in the financial services industry, most recently serving as a Director of Matrix Group Limited. Prior to that Bridget was Marketing Director of Schroder Unit Trusts Limited. Bridget is Chair of the Remuneration Committee and until January 2016 was also Chair of the Company's Risk Committee.
Other appointments include Mobeus Income & Growth VCT, Schroder Income Growth Fund PLC, Cantab Quantitative Fund, Cantab Core Macro Fund and Cantab Capital LTIP Limited. She is also a member of the York Race Committee and a trustee of the York Racecourse Pension Fund.

David Pusinelli MA (Oxon), ACA
Independent Non-executive Director

David Pusinelli joined Charles Stanley as a Non-executive Director in September 2012. David has extensive experience within the financial services sector, qualifying as an ACA at Coopers & Lybrand before joining Close Brothers Group plc in 1986. From 2002 to 2008 he served on the main board of Close Brothers as Director of Corporate Development. He also held directorships in the asset management, banking, corporate finance and securities divisions.
He is a director of Renaissance Asset Finance Limited. David is Senior Independent Director and Chairman of the Audit Committee.

Christopher Aldous BA (Hons), FCSI
Executive Committee member and Head of Asset Management

Christopher Aldous joined Charles Stanley as Managing Director of Pan Asset in 2013 and became Head of Distribution in January 2014 and Head of Asset Management in October 2015. Prior to this he spent over five years as the Chief Executive of Evercore Pan-Asset Capital Management, which specialised in passive investments for a range of clients including pension funds, charities and family wealth and was acquired by Charles Stanley in December 2013. Christopher began his career at Cazenove in 1981 and subsequently became a director of Barclays de Zoete Wedd, an executive director of UBS and a managing director of Robertson Stephens. He co-founded Absolute Fund Management in 2001, where he managed a fund of hedge funds and was Chief Executive Officer until 2007. He is a Fellow of the Chartered Institute for Securities and Investment.

Michael Bennett BA (Hons)
Executive Committee member and Chief Operating Officer

Michael Bennett was appointed as Charles Stanley's Chief Operating Officer (COO) and to the Executive Committee on 19 January 2015. Michael worked as Charles Stanley's IT Director from 20 November 2008 until his appointment as COO. Michael previously spent eight years as the IT Director for Direct Wines where he was also a member of the Direct Wines Board. Preceding Direct Wines, Michael held a number of roles at NatWest Bank in the IT, Retail and Group divisions, where he worked from 1990. Michael worked at Racal for four years as a hardware/software engineer. He is a graduate of Queens' College, Cambridge.

Peter Kelk BA (Hons), Diplôme des Etudes Supérieures Européennes de Management (ESC Reims)
Executive Committee member and Chief Risk Officer

Peter Kelk was appointed as Chief Risk Officer of Charles Stanley in November 2014 and became a member of the Executive Committee in January 2015. Previously a managing director at Merrill Lynch Wealth Management, Peter has a broad experience gained over many years in a variety of key disciplines, functions and divisions, including, Wealth Management, Global Markets, Finance, Sourcing & Procurement, Fixed Income Sales and Operations. During his 33-year career at Merrill Lynch Peter held a number of positions including Head of EMEA Supervision and control for ML Wealth Management, Head of Sourcing & Procurement EMEA and Asia Pacific regions, CFO EMEA Technology and Support, CAO Merrill Lynch Paris and CFO, as well as a number of control and oversight positions earlier in his career.

Corporate governance report

Compliance with the code

The Directors recognise the benefits of good corporate governance and this report describes how the Company has complied with the provisions of the UK Corporate Governance Code 2014 (the Code). The Directors ensure that the Company keeps up to date with all corporate governance developments and best practice wherever practical. A copy of the Code may be viewed at frc.org.uk.

The Code governs the relationship between the constituent parts of the Company, namely the Board and its committees; relations with shareholders, and accountability and audit. The current position of the Group in each of these areas is explained in this Governance section, together with the Directors' report (pages 89 to 91), and the Strategic report (pages 8 to 51).

Leadership

The Group has a two-tier management structure which comprises the Board of the Parent Company, Charles Stanley Group PLC (the 'Board') and the Executive Committee which meets weekly to manage the day-to-day running of the Company. The Executive Committee consists of the Executive Directors, the Chief Risk Officer, the Head of Asset Management and the Chief Operating Officer. Details of their experience are given in their biographies on pages 54 to 57.

Board composition

As at 31 March 2016 the Board comprises nine Directors, including the Chairman, three independent Non-executive and five Executive Directors. Ben Money-Coutts' appointment as Chief Financial Officer and a Director of the Company was approved by the FCA on 10 June 2015. Andrew Didham was appointed the third independent Non-executive Director following FCA approval on 18 September 2015. Anthony Scott resigned from the Board on 18 April 2016.

The roles of the Chairman and Chief Executive are separate and clearly defined and have been approved by the Board. Sir David Howard, the Company's Non-executive Chairman, is responsible for the leadership of the Board and for ensuring its effectiveness in all aspects of the role. The Chief Executive, Paul Abberley, has responsibility for the day-to-day management of the Group and chairs the Executive Committee. David Pusinelli continues as the Senior Independent Director. Further information regarding the Directors and their experience is given in their biographies on pages 54 to 57.

The Group is committed to extending the proportion of female employment and representation. 11% of the Board is female. Further details about diversity in the Company are contained in the Corporate Social Responsibility report on pages 46 to 51.

Independence

Andrew Didham, Bridget Guerin and David Pusinelli have been determined by the Board to be independent. The Non-executive Directors provide a robust, independent element on the Board and they constructively challenge and examine the performance of management. They bring well-considered and constructive opinions, skill and knowledge to Board discussions. Sir David Howard, because of his previous role as Chief Executive and his shareholding in the Company, is not considered to be independent.

Board effectiveness

The Board met thirteen times during the year to review financial performance and strategy and to follow a schedule of matters reserved for the Board. Details of these matters can be found on the Group's website charles-stanley.co.uk. The Board also held a strategy meeting in May at which members of the Executive Committee presented their proposals for the strategy as set out in Our strategy on pages 18 to 19.

The objectives having been set and prioritised, there followed a significant programme of debate and engagement among Directors and senior managers to develop and articulate the Group's strategic priorities in more extensive detail. This has been followed up with regular presentations to, and debate at, the Board throughout the year concerning strategy.

Board initiatives during the year include:

- Consideration and approval of the Company Strategy
- Changes to the Board membership itself and of other senior appointments
- Review of the structure of the Group's key management committees and reporting hierarchy to improve their quality and effectiveness
- The completion of the implementation of the Group's revised client suitability processes
- Oversight of the design of revised variable remuneration arrangements which have been consulted on with the Group's investment managers
- Development of the detailed strategic implementation plans for each of our core operating divisions.

In line with the Company's strategy of focusing on its core private client wealth management activities, completion of the sale of Charles Stanley Securities to Panmure Gordon (UK) Limited took place on 15 July 2015, and the sale of Charles Stanley Financial Solutions Limited to its management on 1 April 2016.

Committees of the Board

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

Audit Committee

The Audit Committee comprises the three independent Non-executive Directors, Andrew Didham, David Pusinelli and Bridget Guerin. It is chaired by David Pusinelli, who qualified as an ACA at Coopers & Lybrand and has extensive experience within the financial services sector. The Board is satisfied that he has recent and relevant financial experience. A report from the Audit Committee is set out on pages 62 to 65 of this report.

Nomination Committee

The Committee comprises all of the Non-executive directors, including all three independent Non-executive Directors, Andrew Didham, Bridget Guerin and David Pusinelli.
Sir David Howard has chaired the Committee since July 2015, taking over from David Pusinelli. A report from the Nomination Committee is set out on pages 66 to 67.

Remuneration Committee

The Remuneration Committee comprises the three independent Non-executive Directors, Andrew Didham, David Pusinelli and Bridget Guerin. The Committee is chaired by Bridget Guerin. A report from the Committee is set out on pages 68 to 86 of this report.

Risk Committee

The Company's Risk Committee comprises of the Board's independent Non-executive Directors. It was chaired by Bridget Guerin until January 2016 when Andrew Didham took over as Chair. Its responsibilities and activities throughout the year are detailed on pages 87 and 88 of this report.

Board and Committee attendance

The Board and Committee attendance of the Directors during the year is shown in the table below. In each case the number of meetings attended is shown first, followed by the number of meetings that the Director was eligible to attend as a member of the Board or Committee.

	Board	Audit	Nomination	Remuneration	Risk
Number of meetings held during the year	13	6	5	7	4
Sir David Howard	13/13	–	5/5	–	–
Andrew Didham [1]	7/7	3/3	3/3	4/4	3/3
Anthony Scott	11/13	–	–	–	–
Ben Money-Coutts [2]	9/9	–	–	–	–
Bridget Guerin	12/13	6/6	4/5	7/7	4/4
David Pusinelli	13/13	6/6	5/5	7/7	3/4
Gary Teper	12/13	–	–	–	–
Michael Lilwall	11/13	–	–	–	–
Paul Abberley	13/13	–	–	–	–

[1] Andrew Didham was appointed as a Director on 18 September 2015
[2] Ben Money-Coutts was appointed as a Director on 10 June 2015

Appointment of Directors

The appointment of Directors is governed by the Company's Articles of Association, the Companies Act 2006 and other applicable Regulations and policies, and is the responsibility of the Nomination Committee.

The appointment of Andrew Didham as a Non-executive Director was managed by the Nomination Committee using an external search agency, Ravenshurst Partners LLP, which has no other connection to the Company.

The Directors' service agreements or letters of appointment are available from the Company Secretary for inspection. In accordance with the Articles of Association, the Directors are elected by the shareholders of the Company at a general meeting, or, if appointed by the Board between general meetings, confirmed by the shareholders at the subsequent general meeting. Although the Code does not provide that Directors of smaller companies need submit themselves for re-election annually, the Company's Articles of Association does, and accordingly eight Directors seek the support of shareholders for their re-election at the forthcoming Annual General Meeting. Being the first Annual General Meeting since his formal appointment, Andrew Didham will offer himself for election.

Biographies of each of the Directors are set out on pages 54 to 57. The number of meetings of the Board and of its Committees attended by each of the Directors during the year is detailed on the previous page. After due consideration, the Directors confirm that in their view all the Directors continue to perform effectively and demonstrate commitment to the role, and that it is recommended that all Directors be re-elected by shareholders.

Training and induction

Taking into account any previous experience they may already have as Directors of a public limited company, appropriate training and induction is made available to newly appointed Directors. The induction process includes meeting with Executive Directors, the members of the Executive Committee, relevant business heads and other senior executives. New Directors will also receive information from past meetings. The Company Secretary is responsible for facilitating the induction programme, and ensuring good information flow between the Board, its Committees and management.

To assist with Directors' continuing professional development needs, training sessions are undertaken for the entire Board and individually as appropriate to ensure on an ongoing basis that each Director is able to allocate sufficient time to the Company to discharge their responsibilities effectively.

Conflicts of interest

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

Board evaluation

In January 2016 the Board undertook a formal internal evaluation of its performance and Committees in the form of a Board Evaluation Questionnaire and a Board Skills Assessment. This exercise was led by the Nomination Committee. It took the form of two questionnaires completed by all members of the Board. The results were discussed by the Board and the Nomination Committee. Following a review of the results, the Nomination Committee confirmed that the performance of the Board and its Directors was considered to be satisfactory but recommended the formulation of plans to make improvements in certain areas. For the Board skills, the Committee was satisfied that skills which it had determined to be most important to be held by the Board were the predominant skills exhibited by the Directors.

The Chairman and Non-executive Directors met on a number of occasions throughout the year without the Executive Directors present; this enabled the Executive Directors' performance to be discussed.

Led by the Senior Independent Director, David Pusinelli, the Non-executive Directors also met without the Chairman present to discuss the evaluation of his performance, having taken into consideration separate consultation with the Chief Executive Officer. The effectiveness of the Chairman was confirmed and feedback on the appraisal will be given to the Chairman.

Compliance with the provisions and principles of the Code

The Board carries out a review of its compliance with the relevant provisions of the Code throughout the year. After its review, the Board confirmed that the Company has complied with all relevant provisions of the Code during the year.

Company Secretary

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

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

Relationship with shareholders

The Company places great importance on communication with shareholders and aims to keep shareholders informed by regular communication. Directors meet regularly with the Company's institutional investors, analysts and financial press. The Company's website is kept up to date with investor relations material, including annual and interim reports, and these are also distributed to anyone expressing an interest in the Company. The channel of communication between the Board and shareholders is open and active. Executive Directors meet with shareholders and analysts after the annual and half-yearly results are announced. David Pusinelli, as Senior Independent Director, contacts the institutional shareholders to arrange a meeting or confirm that the shareholders have no matters to raise. The Company welcomes all shareholders to its AGM, with the opportunity to ask questions formally at the meeting or more informally with all members of the Board afterwards. The Board is provided with regular feedback following meetings with shareholders, which assists in the Directors developing an understanding of the views of the Company's shareholders. It is the Company's policy to announce at the AGM the number of proxy votes cast on resolutions.

Insurance and indemnity

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

The Company has granted indemnities to all of its Directors (and Directors of subsidiary companies) on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force from April 2016 and remain so at the date of this report.

Regulation

As at 31 March 2016, there were four companies within the Group regulated by the Financial Conduct Authority (FCA).

Sir David Howard
Chairman
16 June 2016

Audit Committee report

David Pusinelli
Chairman of Audit Committee

As well as conducting the regular activities of the Audit Committee as set out further in this report, the past year has seen continued focus on change in the general oversight and control functions of Charles Stanley. These included additional changes to the Board membership, changes to Board roles and changes in the Group's Committee structures that report up to the Board.

For more information visit charles-stanley.co.uk

	Number of meetings	Meetings attended
David Pusinelli	6	6
Andrew Didham [1]	3	3
Bridget Guerin	6	6

[1] Andrew Didham was appointed as a Director on 18 September 2015

The new structure of the Compliance, Risk and Finance Departments has successfully been implemented during the year. The Audit Committee has played an active part in ensuring these changes have taken place in a measured way to ensure that Charles Stanley's overall control environment is strengthened, its risk framework better assessed and progress rigorously monitored.

Role, responsibilities and membership of the Committee

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

All members of the Committee are independent Non-executive Directors with recent and relevant financial experience. In September, we welcomed Andrew Didham on to the Committee following his appointment as an independent Non-executive Director. The Committee met on six occasions during the year.

The Chairman, Chief Executive Officer, Chief Financial Officer, the internal audit partner and the external audit partner attend most meetings by invitation. The Chief Risk Officer, who oversees the Compliance and Risk departments, attends when required.

Activities of the Audit Committee during the year

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

The work we have undertaken within the Committee during the year ended 31 March 2016 principally fell into three main areas:

1. Internal controls

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

2. External audit

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

3. Accounting, tax and financial reporting

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

Internal audit

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

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

The annual budget for the 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. Particular attention has been paid during the year to ensuring that all management actions arising are tracked to completion on a timely basis. Exceptionally, operational and line management may be required to attend the Committee to report on progress.

A total of 16 reports were undertaken by internal audit and reviewed by the Committee during the year. The internal audit fees incurred during the year for this work amounted to £324,019 (31 December 2015: £379,384).

External auditors

Performance and effectiveness of our external auditor

During the year we reviewed the effectiveness of KPMG, the Group's external auditors. While this process highlighted several ways of improving communication between the Group and KPMG during the audit process, we remain very satisfied with the performance and effectiveness of the external audit services received.

Non-audit services

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

We recognise that, given their knowledge of the business, there are often advantages in using KPMG to provide certain non-audit services. Fees other than for audit or assurance payable to the auditors during the year ended 31 March 2016 were £90,053 (31 March 2015: £85,975).

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

We agreed the external audit fees and reviewed the audit engagement letter. We also had discussions with the external auditors with no management present to provide an opportunity for any concerns to be aired.

Audit tender

The UK Corporate Governance Code recommends that audits should be subject to tender at least once every ten years. KPMG was appointed as the Group auditors for the 2011 year-end as a result of a competitive tender process.

The Committee intends to conduct an audit tender process again before the tenth anniversary of their appointment.

Significant issues considered by the Audit Committee

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

- Impairment of goodwill
- Impairment of intangible and other non-financial assets
- Available for sale financial assets
- Pension deficit
- Dilapidations
- Transition bonus accrual
- Discontinued operations
- Assets held for sale and post balance sheet events.

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

Goodwill is shown at a value of £16.0 million (31 March 2015: £16.0 million) on the balance sheet and is detailed in note 15.

We have considered the review of goodwill which is performed by Management annually or earlier if an erosion of goodwill is suspected. The review requires that impairment is made if the recoverable amount is less than that of its carrying value. The approach adopted is first, to calculate fair value less cost to sell, and to consider value in use only if the carrying value fails this first test. The majority of the goodwill, £10.7 million (31 March 2015: £10.7 million), relates to private client investment management businesses acquired and no impairment is considered necessary in relation to these.

Charles Stanley Direct represents £5.2 million (31 March 2015: £5.2 million) of the total goodwill balance. This business comprises our online investment service and includes the former direct businesses known as Garrison and Fastrade which have been subsumed into the Charles Stanley Direct cash generating unit.

Charles Stanley Direct is an award-winning platform and continues to grow its core assets and revenues at a stable rate, resulting in profitable forecasts in the medium to long term.

Accordingly, while regarding it as an area of considerable judgement, the Committee concludes that the fair value of the goodwill is supported by the future profitability of the platform.

The goodwill held on the balance sheet as at 31 March 2015 for Charles Stanley Securities was realised following the sale of the business on 15 July 2015. Charles Stanley Financial Solutions Limited, the employee benefit business, was sold in a management buy-out on 1 April 2016. The goodwill held in respect of this business has been written down during the year by £0.4 million to £1.1 million to reflect the net value arising from the transaction.

Impairment of intangible and other non-financial assets
The Committee considers that client lists provide the principal area for review for impairment. These were valued at £6.3 million as at 31 March 2016 (31 March 2015: £7.3 million). The hiring of individual or teams of senior investment managers requires a value to be attributed to the client lists that they bring to the Group. These intangible assets are amortised over their useful life, generally a period of ten years, which the Committee considers appropriate.

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

Available for sale financial assets
Management has appraised its investment in Euroclear Plc by reference to its dividend yield and a recent tender process from Euroclear Plc's share buyback scheme. The Committee has noted the results of the valuation exercise and concludes that its carrying value is appropriate.

The Group also assessed the recoverability of its loan to Runpath Digital Ltd (previously known as Masterlist Limited), which is repayable in 2017 and which has previously been written down by 50%; and also the value of its equity investment in Runpath Digital Ltd which has been fully provided for. The Group believes that Runpath Digital Ltd has sufficient access to liquid funds. The discounted cash flow calculation based on the effective interest on the loan exceeds its carrying value and the Committee considers no further impairment is needed at this time.

Since the year-end, the Group entered into an agreement to convert the loan in full into 119,154 ordinary shares and sell 25% of its enlarged equity holding. The Committee has assessed the terms of the transaction and the events arising and considers this to be a non-adjusting post balance sheet event. Appropriate disclosure has been included in note 32 of the financial statements.

Pension

The Group's defined benefit scheme was closed to future service accruals as at 31 March 2016. Based on the latest International Accounting Standard 19 (IAS 19) actuarial valuation, the pension fund shows a deficit position of £10.1 million at 31 March 2016 (31 March 2015: £13.1 million) and this is further detailed in note 10. The IAS 19 actuarial valuation has been updated for the full triennial valuation as at 31 March 2014 and takes into account more prudent longevity assumptions. Moreover, following formal communication to the pension trustees, the basis of benefit augmentation has been changed to CPI rather than RPI. The Committee has reviewed the actuarial valuation report and noted the conclusions of KPMG on the nature of the assumptions used by the actuaries and is in agreement with the year-end deficit position.

Dilapidations

The Group has undertaken a review of the leasehold buildings it occupies in London. As a result of which it has entered into a lease for office space at 55 Bishopsgate, London which will enable front office and front office support staff to be relocated to the new site and thus vacate a number of its existing London properties including 131 Finsbury Pavement, Paul Street and Luke Street. As a consequence, a review of the dilapidation payments likely to have to be paid under the existing leases has been carried out, resulting in an accelerated charge of £0.8 million recognised in the income statement during the year. The Committee has reviewed the basis of charge, taking into account the terms of the relevant leases and historic experience of dilapidation costs incurred per square footage. The Committee believes that the charge incurred reasonably reflects the likely final cost of making good any dilapidations or settlement with the landlord.

Transition bonus accrual

During the year, the Board agreed revised interim remuneration arrangements with the Group's investment managers in relation to their variable compensation. Part of this agreement involved moving the basis of the bonus calculation from being based on billed revenue to earned revenue. This has resulted in the Group bringing forward the recognition of bonuses on revenues that were accrued but not yet billed as at 31 March 2016. The additional amount recognised in the income statement in the year was £1.4 million. The Committee has assessed the transitional arrangement terms and considers the amount recognised as appropriate to cover the accelerated bonus portion.

Discontinued operations

The Committee assessed the level of deferred consideration recognised in the year in respect of the disposal of Charles Stanley Securities sold in July 2015 and found this to be prudent. The deferred income has been disclosed in the consolidated income statement as discontinued operations since, in accordance with International Financial Reporting Standards (IFRS), this was a separately identifiable line of business.

Assets held for sale and post balance sheet events

The sale of Charles Stanley Financial Solutions Limited was completed on 1 April 2016 and, as a result, the Committee considers it appropriate to treat the business as an asset held for sale and recognised on the Group balance sheet at 31 March 2016.

Approval

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

David Pusinelli
Audit Committee Chairman
16 June 2016

Nomination Committee report

Sir David Howard
Chairman of Nomination Committee

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

For more information visit charles-stanley.co.uk

	Number of meetings	Meetings attended
Sir David Howard	5	5
Andrew Didham [1]	3	3
Bridget Guerin	5	4
David Pusinelli	5	5

[1] Andrew Didham was appointed as a Director on 18 September 2015

Members and meetings

The Committee consists of Sir David Howard, Chairman of the Board, and three independent Non-executive Directors: Bridget Guerin who is also Chair of the Remuneration Committee, David Pusinelli who is Chairman of the Audit Committee, and Andrew Didham who joined the Board in September 2015 and chairs the Risk Committee. In addition, the Chief Executive Officer attends meetings by invitation and the Group Company Secretary acts as secretary to the Committee. The Committee was chaired by David Pusinelli until July 2015.

The Nomination Committee met five times during the year. Details of attendance of these meetings can be found on this page.

The terms of reference of the Nomination Committee as approved by the Board are available on the Company's website charles-stanley.co.uk

Main activities during the year

The Committee focuses on ensuring that the Board has strong and responsible leadership, together with a wide range of skills, knowledge and experience, which are critical to creating long-term value and success.

More specifically during the year the Committee:

- Undertook a review of the composition of the Board and Committees to assess the range of skills covered
- Led the annual Board evaluation process, in accordance with the main principles of the Corporate Governance Code
- Recommended the appointment of Andrew Didham as Non-executive Director to the Board and Board Committees, after concluding that, given his knowledge and experience, the appointment would complement the composition of the Board
- Managed the transfer of Committee chairmanship from David Pusinelli to Sir David Howard in July 2015
- Reviewed the Terms of Reference and proposed the necessary amendments to facilitate the appointment of Sir David Howard as Chairman of the Committee
- Reviewed the Conflict of Interests Register
- Reviewed the ongoing training requirements of Directors in the light of the results of the Board Evaluation report
- Discussed succession planning requirements for the appointment of Executive and Non-executive Directors to the Board.

An external search agency, Ravenshurst Partners LLP, was appointed to assist with the process for selecting a new Non-executive Director, which led to the appointment of Andrew Didham. Ravenshurst Partners LLP has no other connection with the Group.

The Nomination Committee supports the Company's aim to have the appropriate level of diversity in the boardroom in order to provide a broader perspective to decision-making, whilst remaining committed to ensuring appointments are ultimately made on merit. Currently, 11% of the Board is female. Further details about diversity are included in the Corporate social responsibility report on pages 46 to 51.

Sir David Howard
Nomination Committee Chairman
16 June 2016

Directors' remuneration report

Dear Shareholder

I am pleased to introduce the Remuneration report for the financial year ended 31 March 2016 for your approval at the Annual General Meeting (AGM) on 29 July 2016.

The Remuneration Committee aims that our Directors' remuneration should:

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

At last year's AGM, reflecting the recent Board changes (such as Sir David Howard becoming the Non-executive Chairman) and to provide more general flexibility, we tabled a revised remuneration policy for shareholder approval. We were very pleased to receive strong support for this policy (with in excess of 99% voting in favour of approval). The implementation section of the report was also subject to shareholder approval and received over 99.9% votes in favour.

During the year we welcomed Ben Money-Coutts to the Board as Director and Chief Financial Officer on 10 June 2015 following the FCA granting approval. We were also pleased to announce the appointment of Andrew Didham as Non-executive Director and member of the Remuneration Committee on 18 September 2015.

As announced on 18 April 2016, Anthony Scott resigned as a Director with immediate effect and is expected to continue in the Company's employment until 15 October 2016. We have included the remuneration details relating to his departure (which reflect the terms of his service contract and the incentive plan rules) in the implementation section of this report.

Building on the work done last year to align the Executive Directors' remuneration policy with Group strategy, the Committee has:

- Granted the second tranche of awards under the Charles Stanley Performance Scheme Plan (PSP). It was agreed that the Chief Executive Officer should receive an award over shares worth approximately 80% of salary, with the other Executive Directors receiving awards between 40% and 75% of salary. These awards vest based on a blend of Earnings Per Share (EPS) and margin targets described in last year's report which will be tested based on performance delivered in the financial year ending 31 March 2018 and which are explained more fully in this report
- Determined the outturn for financial year 2016 under the main Executive Director bonus plan – annual bonus was based on adjusted Profit Before Tax (PBT) performance. No annual bonuses were paid to the Executive Directors for the year under this plan
- Determined the base salaries for the 2017 financial year. No increases to base salaries have been agreed by the Remuneration Committee
- Carried out significant work this year to standardise and amend the remuneration of the investment managers to ensure that their remuneration promotes good customer outcomes and is in line with shareholders' interests. The Remuneration Committee has had an oversight role during the process of consultation and implementation, which has not yet concluded.

As I mention above, shareholders approved our remuneration policy at the last AGM. For ease of reference, the main policy tables from the Directors' remuneration policy approved at the 2015 AGM are also set out in the report. The implementation section of the report will be voted on at the forthcoming AGM.

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

Bridget Guerin
Remuneration Committee Chairman
16 June 2016

Bridget Guerin
Chairman of Remuneration Committee

We have presented this report to reflect the reporting requirements on remuneration matters for companies, particularly those set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

For more information visit charles-stanley.co.uk

	Number of meetings	Meetings attended
Bridget Guerin	7	7
Andrew Didham [1]	4	4
David Pusinelli	7	7

[1] Andrew Didham was appointed as a Director on 18 September 2015

The report also describes how the Board has complied with the provisions set out in the UK Corporate Governance Code relating to remuneration matters.

At our 2016 AGM we will be holding a vote on the implementation section of this report. The auditors have reported on certain parts of this report and stated whether, in their opinion, those parts of the report have been properly prepared in accordance with the Companies Act 2006. Those sections of the report which have been subject to audit are clearly indicated.

Directors' remuneration policy

Key features of the policy
The Directors' remuneration policy as summarised in this section of the report took effect for all payments made to Directors from the date of the 2015 AGM on 31 July 2015. For information and ease of reference the remuneration policy for Executive Directors is summarised in the table on pages 70 to 73, along with the policy regarding Non-executive Directors' fees. The column 'Implementation of Policy' has, however, been updated to reflect current salaries and other relevant changes.

How the Committee takes account of wider pay issues when setting the policy
When setting Executive Director remuneration, the Committee takes into account Group-wide pay and employment conditions, along with market and commercial factors (although, reflecting prevailing commercial practice, the Committee does not consult with employees in preparing the policy or its implementation). For example, when determining any base salary increases for Executive Directors, the Committee reviews the average Group-wide increase. The annual bonus opportunity of the Executive Directors is similar in a number of respects to the 'discretionary' bonus opportunity of a significant number of other Group staff in that both personal performance and overall Group profitability shape payouts. However, only the Executive Directors' bonuses are subject to individual caps, mandatory share deferral and clawback/malus. Executive Directors are eligible to participate in the full range of Group benefits offered to employees.

In addition, they are eligible for certain remuneration to which other employees are not eligible. For example, Executive Directors may receive a salary supplement in lieu of pension, which is not available to all other employees. Also, Executive Directors are eligible to participate in the Charles Stanley Performance Share Plan (PSP), participation in which is not intended to be extended widely. However, all employees are eligible to participate in the all-employee share schemes described in the table on pages 72 to 73.

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

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

Element and purpose	Policy and operation	Opportunity
Base salary This is the core element of pay and reflects the individual's role and position within the Group, with some adjustment to reflect their capability and contribution.	Base salaries are considered with account taken of levels paid by companies of similar size and complexity. However, the Committee does not strictly follow benchmark data but instead uses it as a reference point in considering, in its 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 salary is paid monthly in cash.	Base salary levels will be formally reviewed at such times as the Committee considers appropriate. If any increases are made, it is expected that they will be in line with general workforce increases (save where a higher increase is necessary to reflect a significant change in role and/or responsibilities). Any base salary increases normally take effect from 1 October.
Benefits To provide other benefits valued by recipient.	Provide market-competitive benefits in kind.	Details of the current benefits provided can be found to the right. The Committee reserves discretion to introduce new benefits where it concludes that it is in the interests of the Group to do so, having regard to the particular circumstances and to market practice. The Committee will monitor overall benefit costs and will ensure that they do not increase by more than the Committee considers to be appropriate in all the circumstances.
Pension To aid retention and remain competitive within the marketplace.	Provide a competitive level of post-retirement benefits. The Executive Directors participate in money purchase arrangements. Contributions have been made into a SIPP for Anthony Scott and are taken as a salary supplement by other Directors.	Contributions to the pension arrangements may be reviewed when considered appropriate by the Committee.
Annual bonus To incentivise Executive Directors to deliver against annual performance targets.	Annual bonus levels and the appropriateness of measures are reviewed annually to ensure they continue to support the Group's strategic goals. Bonus outcomes are paid in one tranche (less any deferred share award) following the year-end. Any bonus earned in excess of 50% of salary under the main bonus plan is to be deferred into shares for a period of three years. During the period until vesting of deferred share awards, the numbers of shares awarded are increased by the value of dividends notionally payable in respect of the vesting shares. Malus/clawback provisions apply to amounts deferred which can be reduced in later years in exceptional circumstances such as (i) material misstatement of accounts, (ii) action that causes material reputational damage to the Group, and/or (iii) in the event of material regulatory censure.	To reflect the Group's strategic objective of driving growth and improved quality of profits, the core annual bonus plan is structured as a 'profit pool' under which an agreed percentage of adjusted profit before tax (PBT) can be distributed to the Executive Directors, with a portion of this distribution based upon performance against individual targets. There is a cap of 6% of adjusted PBT that can be allocated to the pool. In addition, no Executive Director may receive a bonus in excess of 100% of their salary under this plan. Due to the profit pool nature of the bonus, there is no prescribed amount of bonus that is payable for any particular level of performance. Adjusted PBT is defined as PBT adding back bonus pool accrual, the FSCS (or similar) levy and, in exceptional circumstances, any other items the Committee considers appropriate to reflect the underlying financial performance of the Group.

Performance measures	Implementation of policy
n/a	No increases to base salaries were made in 2016 and none are proposed for 2017. Current base salaries for Executive Directors are as follows: **Paul Abberley**: £300,000; **Michael Lilwall**: £273,700; **Ben Money-Coutts**: £225,000; **Gary Teper**: £230,000; **Anthony Scott**: £215,000
n/a	The benefits received by Executive Directors comprise a car allowance, private medical cover and telephone. No changes were made to this element of remuneration in 2016 and none are proposed for 2017.
n/a	No changes were made to pension arrangements in 2016 and none are anticipated for 2017. Executive Directors receive the following payments: Paul Abberley – 20% of base salary Michael Lilwall – 25% of base salary Ben Money-Coutts – 20% of base salary Anthony Scott – 20% of base salary Gary Teper – 20% of base salary
The performance measures applied may be financial or non-financial and corporate, divisional or individual. The annual bonus remains a discretionary arrangement and the Committee reserves discretion to adjust the outturn should it consider that to be appropriate (albeit within the limits set out in this policy table).	**2016 Annual Bonus** At the start of the year the Remuneration Committee determined that the overall size of the bonus pool available for distribution under this plan to Executive Directors was to be between 3% and 6% of adjusted PBT. 50% of this bonus pool was to be allocated across all Executive Directors on an equal basis. The remaining 50% of the bonus pool (or such lesser amount as the Committee considered appropriate) was to be allocated to each Executive Director based upon their performance against pre-set individual performance objectives. As there was only a small adjusted profit, the Remuneration Committee determined that no annual bonus pool was to be accrued or paid for 2016 under this plan. For information, the objectives against which the Directors were individually measured included their contributions to delivering the targeted improvement in profitability and the delivery of the detailed plans built to guide the implementation of the corporate strategy. In addition to the above, and reflective of the Company's policy on internal recruits, Anthony Scott was entitled to participate in a legacy profit sharing arrangement relating to his previous role as an active investment manager prior to joining the Board and reflecting his continuing client relationship management responsibilities. He received a payment under this legacy arrangement which is described more fully on pages 80 to 81. **2017 Annual Bonus** The bonus will be operated in a similar manner to 2016 (that is, a profit pool will be created worth up to 6% of adjusted profit which will be distributed based, in part, on performance against individual objectives). Given the nature of the individual objectives, they are considered commercially sensitive and are accordingly not disclosed in this report (although they will relate to their contributions to delivering the targeted improvement in profitability and the delivery of the detailed plans built to guide the implementation of the corporate strategy). Further information regarding these targets will be included in next year's report. Anthony Scott will also continue to participate in his legacy profit sharing arrangement for 2017 (albeit at reduced levels of entitlement).

Element and purpose	Policy and operation	Opportunity
Long-term incentives To incentivise delivery of sustained performance over the long term, the Company operates the 'Charles Stanley Performance Share Plan' (PSP).	Awards under the PSP may be in the form of nil-cost options, conditional awards (rights to receive shares for nil-cost) or cash-based 'phantom' awards. During the period until vesting of awards, the numbers of shares awarded are increased by the value of dividends notionally payable in respect of the vesting shares. Awards previously granted but not yet vested, and shares received following vesting, can be reduced/reclaimed in exceptional circumstances such as (i) material misstatement of accounts, (ii) actions that cause material reputational damage to the Group, and/or (iii) in the event of material regulatory censure.	The formal limit under the PSP is 100% of salary (and 200% in exceptional cases). The Committee expressly reserves discretion to make such awards as it considers appropriate within these limits. Actual grant levels may be determined by reference to individual performance in the prior year, with vesting then based upon performance against three-year targets. At a threshold level of performance against these three-year targets, 20% of an award is capable of vesting.
Shareholding guidelines To encourage share ownership by the Executive Directors and ensure their interests are aligned with investors.	Executive Directors are required to retain 50% of shares (net of tax) which vest under the PSP or bonus deferral until such time that they hold a specified value of shares as shown in the Opportunity column. Once the shareholding guideline has been met, individuals are expected to retain these levels as a minimum. The Committee will review shareholding annually in this context.	100% of salary for the Executive Directors.
All-employee share plans To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the shareholders.	Executive Directors are able to participate in all-employee share plans on the same terms as other Group employees.	Sharesave – individuals may save up to a maximum of £250 (or such amount permitted by the HMRC approved limit) each month for a fixed period of three or five years. At the end of this period, they may use their savings to buy shares in the Company at a discount currently capped at 15% (although the rules permit 20%) of the market price set at the launch of each scheme. Share Incentive Plan – individuals may purchase, out of their pre-tax salary, shares in the Company up to a value of £150 per month (or such amount permitted by the HMRC approved limit). Free shares worth up to £3,000 (or such amount permitted by the HMRC approved limit) can also be granted each year. Also, the rules of the Plan allow matching shares to be granted based on the number of shares purchased (although the Company does not currently operate the free share and matching elements of the Plan).
Non-executive Director fees	The fees paid to the Non-executive Directors aim to be competitive with other fully listed companies which the Board consider to be of equivalent size and complexity. Fee levels are periodically reviewed by the Board. However, the Company does not adopt a quantitative approach to pay positioning and exercises judgement as to what it considers to be reasonable in all the circumstances as regards quantum. Additional fees are paid to Non-executive Directors who chair a Board Committee or who have other additional responsibilities (such as being Senior Independent Director). Non-executive Directors do not participate in the annual bonus or share incentive arrangements. Non-executive Directors may also receive benefits within prescribed limits as to value.	Fees are paid monthly in cash. Fee levels for Non-executive Directors are reviewed annually and are only expected to increase in line with market norms and to take account of additional time commitments and responsibilities. The annual limit on benefits is £25,000. The cap on fees payable to Non-executive Directors for their services is £0.45 million p.a.

Performance measures	Implementation of policy
The Committee will set performance conditions for each annual PSP award which may relate to financial and/or share price performance and which will have the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders.	**2016 Awards** Awards were made over shares worth up to approximately 80% of salary under the PSP to Paul Abberley, with Messrs Lilwall, Money-Coutts, Scott and Teper receiving awards between 40% and 75% of salary. 50% of each award will vest subject to adjusted EPS targets, with 50% subject to operating margin targets, each measured over a three-year period to 31 March 2018. Further details of the targets that applied to the awards are set out in the implementation report. **2017 Awards** Awards will be made with similar targets to the 2016 Awards. Further details of the targets that will apply to the awards are set out in the implementation report.
n/a	n/a
Consistent with normal practice, these awards are not subject to performance conditions.	n/a
n/a	Sir David Howard receives an annual fee of £125,000 as Non-executive Chairman. Sir David is Chairman of the Nomination Committee, for which he receives no additional fees. In 2016, the following fee structure was in place for the other Non-executive Directors: • Base fee was £42,500 • Additional fees for holding the position of Senior Independent Director are £7,500 p.a. • Additional fees for chairing one of the Board Committees (Remuneration, Audit and Risk Committees) are £7,500 p.a. No changes are proposed to the above fee arrangements.

How the policy shapes actual Executive Directors' pay

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

- 'Minimum performance' – this assumes that performance is such that no annual bonus is warranted (due to no profit being generated in a particular year) and no PSP awards vest (due to the minimum performance threshold not being reached). Therefore, Executive Directors only receive their fixed pay (that is, salary, benefits and pension)
- 'On target performance' – this assumes a 'target' level of performance, resulting in threshold vesting of PSP awards (that is, 20% of the proposed 2017 award level). As the annual bonus is based on a profit pool and, therefore, has no prescribed 'on target' opportunity, to reflect the approach adopted last year we have valued the bonus based on the actual payment under the plan for the prior year (that is, zero). Fixed pay remains unchanged
- 'Maximum performance' – this assumes a very strong level of performance, resulting in full vesting of PSP awards at the proposed 2017 level and a maximum bonus payout of 100% of salary. Fixed pay also remains unchanged.

Discretions retained by the Committee in operating the incentive plans

The Committee will operate the annual bonus plan and PSP according to their respective rules and subject to the limits/other provisions set out in the policy table on pages 70 to 73. 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:

- Selection of participants
- Timing of grant of an award/bonus opportunity

- Size of an award/bonus opportunity (subject to the overall plan limits set out in the policy table)
- Setting of PSP and bonus performance targets and the determination of performance against such targets and resultant vesting/bonus payouts
- Discretion required when dealing with a change of control or restructuring of the Group
- Determination of the treatment of leavers based on the rules of the plans and the appropriate treatment chosen (as summarised in the table on page 77)
- Adjustments required in certain circumstances (such as rights issues, corporate restructuring events and special dividends).

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

The Directors' service contracts

Executive Directors

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

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

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

Non-executive Directors

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

Legacy arrangements

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

Travel and hospitality

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

Our approach to remuneration on recruitment

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

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

- In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to look to the general policy for Executive Directors as set out in the policy table on pages 70 to 73 and structure a package in accordance with that policy
- Base salaries will be set based on the individual's role and experience, with consideration given to internal relativities
- Benefits will be provided in line with those offered to other employees at a similar level. In the case of new Executive Directors, individuals will be given a choice of either participation in a defined contribution pension or a cash allowance in lieu of pension
- Ignoring any special recruitment buy-out arrangements which may prove to be necessary, the annual bonus or long-term incentive arrangements will operate (including the maximum award levels) as detailed in the policy table in relation to any newly appointed Director
- For an internal appointment, any variable pay element or arrangement that exists in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate. For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate and/or make a contribution towards legal fees in connection with agreeing employment terms
- A new Executive Director will not, save in exceptional circumstances, be offered a service contract with a notice period in excess of one year
- Where it is necessary to make a special recruitment-related buy-out award to an external candidate, the Company will not pay more than is, in the view of the Committee, necessary and will in all cases seek, in the first instance, to deliver any such buy-out awards under the terms of the existing incentive pay structure as outlined in the policy table. It may, however, be necessary in some cases to make such special buy-out awards on terms that are more bespoke than the existing incentive plans in order to secure a candidate, which may require reliance upon Listing Rule 9.4.2. All such special buy-out awards will be appropriately disclosed and will take account of all relevant factors. For example, the commercial value of the buy-out award will reflect the commercial value of the amount forfeited from the previous employer, with the performance conditions and the potential timing of vesting also taken into account
- For the avoidance of doubt, the maximum amounts for incentive pay as stated in the policy will not apply to special buy-out awards. The Committee has not placed a maximum limit on any such buy-out awards as it is not considered to be in shareholders' interests to set any expectations for prospective candidates regarding such awards. However, as stated above, the commercial value of the amount forfeited from the previous employer will be reflected in the quantum of such award.

Our policy on Executive Directors leaving Charles Stanley

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

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

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

Implementation report – unaudited information

The Remuneration Committee's main responsibilities during the year

The Terms of Reference of the Committee (chaired by Bridget Guerin, with David Pusinelli and Andrew Didham being the other members) are available at charles-stanley.co.uk. During the financial year 2016 the Committee's main responsibilities were to:

- Monitor the remuneration arrangements of the Executive Directors
- Monitor Executive Directors' performance and to recommend PSP awards based on this performance to the Board
- Determine and recommend to the Board the remuneration policy and the approval of all elements of pay for the Chairman of the Board and the other Executive Directors
- Be responsible for the Charles Stanley remuneration policy as documented and proposed by the Executive Committee
- Prepare this Directors' remuneration report.

The Committee meets twice a year but more frequently if required. During 2016, seven Committee meetings were held and details on attendance at meetings are set out in the Corporate Governance report on page 59. None of the Committee members has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his or her own remuneration.

How the Remuneration Committee sought advice

The Committee received independent remuneration advice during the year from its appointed advisers, FIT Remuneration Consultants LLP (FIT). FIT is a member of the Remuneration Consultants Group (the professional body for such consultants) and adheres to its code of conduct. FIT provided no other services to the Group, and accordingly the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of 2016 were £13,200 (2015: £32,997) (exclusive of VAT). FIT's fees were charged on the basis of the Group'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

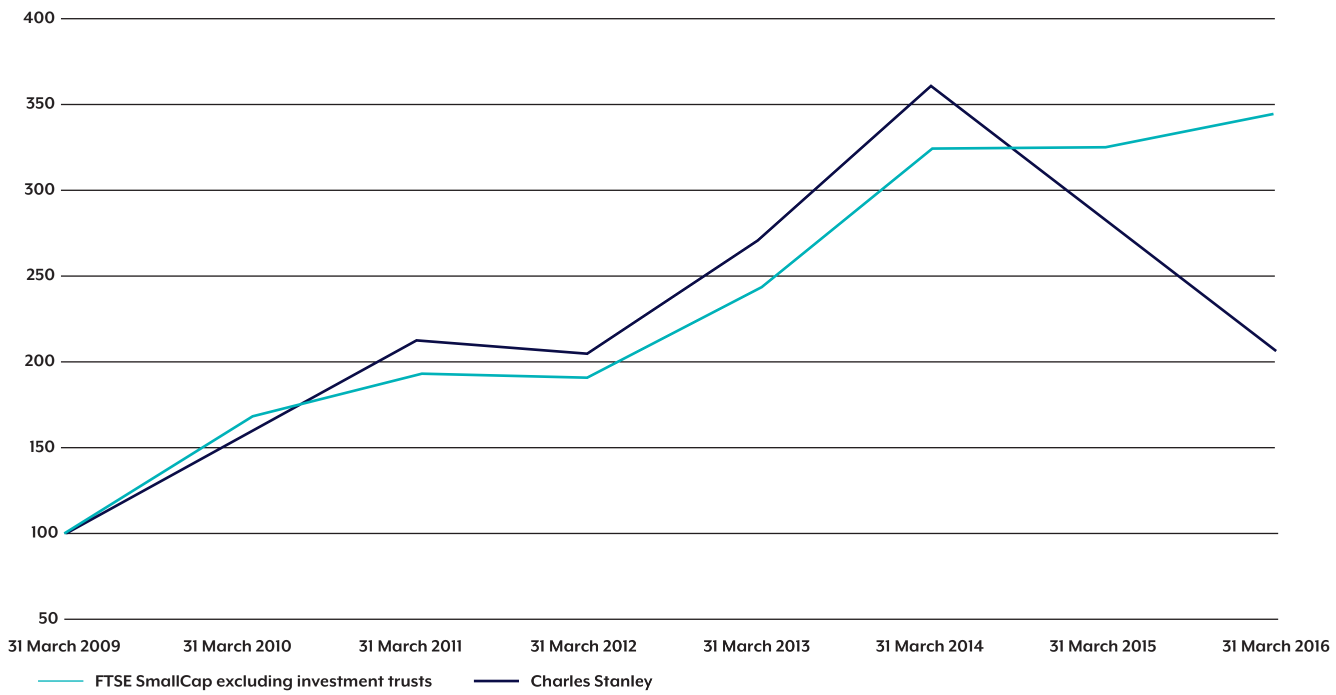
The table below shows the total pay for all of Charles Stanley's employees compared to other key distributions made by the Company:

	2016	2015	% Change
Employee costs	£56,633,000	£67,504,000	(16.1)
Dividends	£2,533,810	£2,289,308	10.7 [1]

[1] The total dividend per share for 2016 was of 5 pence per share, same as for 2015. The increase in the total dividend payout is higher compared to 2015 due to an increase in the issued share capital at the end of the year following the private placing in April 2015

Review of past performance

The graph below shows the value by 31 March 2016, on a total shareholder return basis, of £100 invested in the Company on 31 March 2009 compared with the value of £100 invested in the FTSE SmallCap Index (excluding investment trusts). This index is considered to be an appropriate comparator for this purpose as it is a broad equity index of which the Company is a constituent:



The table below shows the total remuneration figure for Sir David Howard and Paul Abberley over the same seven-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
- No long-term incentive plan vested during these years.

Consequently, we have simply included the total remuneration in each of the relevant years, while also setting out details of the bonus each actually received based on performance in these years (the bonus level for 2016 being £nil).

Financial year	2016	2015	2014	2013	2012	2011	2010
Sir David Howard single figure of total remuneration	–	£290,173	£413,639	£430,878	£610,409	£448,950	£530,923
Annual bonus paid	–	£nil	£72,800	£89,200	£85,400	£85,400	£78,400
Paul Abberley single figure of total remuneration	£372,094	£165,000	–	–	–	–	–
Annual bonus paid	£nil	£nil	–	–	–	–	–

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

How any change in pay of the Chief Executive Officer between 2015 and 2016 compared to the wider workforce
In accordance with the Regulations, we must disclose the percentage change in the certain elements of the Chief Executive Officer's pay (namely salary, taxable benefits and annual bonus) compared to the average percentage change in the same pay elements for all employees.

This information is set out below:

	Change in salary	Change in benefits	Change in annual bonus
Paul Abberley	0%	0%	0%
All-employee average	3.6%	0%	45% [1]

[1] Percentage change in respect of the Group's discretionary bonus pool applicable for support employees

Paul Abberley's pay has been used for the above table and the 2015 figures prorated to a full year in an executive position in order to aid comparability.

How our shareholders voted at the AGM 2015
Of the 85.8% of the issued share capital votes cast to approve the Directors' Remuneration Policy and the Directors' remuneration report for the year ended 31 March 2015 at the 2015 AGM held on 31 July 2015:

	For		Against		Withheld
	Number	%	Number	%	Number
To approve the Directors' remuneration policy	43,106,087	99.29	291,728	0.67	13,284
To approve the Directors' remuneration report for the year ended 31 March 2015	43,390,945	99.95	14,800	0.04	5,354

Implementation report – audited information

What the Directors earned in the financial years ending 31 March 2016 and 2015

2016	Salary/Fees £000	Benefits £000	Annual bonus £000	Long-term incentives £000	Pension £000	**Total £000**
Chairman						
Sir David Howard [1]	125	25	–	–	–	**150**
Executive Directors						
Paul Abberley [2]	300	12	–	–	60	**372**
Michael Lilwall	274	13	–	—	68	**355**
Anthony Scott	215	13	83 [3]	—	43	**354**
Gary Teper	230	15	–	—	46	**291**
Ben Money-Coutts [4]	225	12	–	—	45	**282**
Non-executive Directors						
David Pusinelli	61	2	–	–	–	**63**
Bridget Guerin	56	3	—	—	—	**59**
Andrew Didham [5]	31	—	—	—	—	**31**
Total	1,517	95	83	—	262	**1,957**

2015	Salary/Fees £000	Benefits £000	Annual bonus £000	Long-term incentives £000	Pension £000	**Total £000**
Chairman						
Sir David Howard [1]	263	27	–	–	–	**290**
Executive Directors						
Paul Abberley [2]	125	5	–	–	35	**165**
Michael Lilwall	274	13	–	–	68	**355**
Anthony Scott	215	12	119 [3]	–	43	**389**
Gary Teper	230	15	–	–	46	**291**
James H Rawlingson [6]	177	10	–	–	35	**222**
E Michael Clark [7]	301	14	–	–	–	**315**
Non-executive Directors						
David Pusinelli	59	2	–	–	–	**61**
Bridget Guerin	52	3	–	–	–	**55**
Total	1,696	101	119	–	227	**2,143**

[1] Became Non-executive Chairman on 1 January 2015
[2] Appointed to the Board on 19 December 2014
[3] This payment was made pursuant to a legacy profit sharing entitlement relating to Mr Scott's previous role as an active investment manager prior to joining the Board
[4] Appointed to the Board on 10 June 2015
[5] Appointed to the Board on 18 September 2015
[6] Departed from the Board on 7 January 2015
[7] Resigned from the Board on 31 March 2015

Strategic report
Governance
Financial statements

Benefits
An explanation of the benefits received by the Executive Directors can be found in the policy table on pages 70 to 71. In summary, the benefits received by Executive Directors comprise a car allowance, private medical cover and telephone.

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

Annual bonus outcomes for 2016
As there was only a small adjusted profit before tax, the Remuneration Committee determined that no annual bonuses were to be paid to the Executive Directors for the financial year ended 31 March 2016.

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

Pensions
The current Executive Directors participate in money purchase arrangements. Contributions have been made into a SIPP for Anthony Scott and are taken as a salary supplement by the other Directors. Details of the levels of pension arrangements can be found in the summary policy table on pages 70 to 71.

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

Sir David has now passed the age of 65 but is not drawing a pension from it. Instead his pension entitlement is accumulating by a figure determined in each case in accordance with the rules of the Group's defined benefit pension scheme.

More specific detail of the retirement benefits is provided below:

	Increase in accrued pension excluding inflation £000	Transfer value of increase £000	**Accrued pension 2016 £000**	Accrued pension 2015 £000	**Transfer value Accrued pension 2016 £000**	Transfer value Accrued pension 2015 £000	Increase in value of Directors' benefits £000
Sir David Howard	—	—	**162**	153	**3,495**	3,410	85
E Michael Clark	—	—	**–**	178	**–**	4,172	–

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.

b) Sir David Howard is above his normal retirement date, therefore, the accrued pension entitlement shown as at 31 March 2016 is that at his age on 31 March 2016 and not at his normal retirement date. The increase in the accrued pension entitlement over the period is due to late retirement factors being applied to his benefits.

c) E Michael Clark transferred out of the Group's defined benefit pension scheme during the year. The cash transfer value of his pension amounted to £4,149,000.

Share awards

Save As You Earn

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

As at 31 March 2016, the following Director held interests under the 2015 Save As You Earn scheme:

	Granted (number)	Price at grant (pence)	Exercise price (pence)	Period begins	Period ends
Ben Money-Coutts	360	325.75	270	February 2018	August 2018

As at 31 March 2016, the following Directors held interests under the 2016 Save As You Earn scheme:

	Granted (number)	Price at grant (pence)	Exercise price (pence)	Period begins	Period ends
Ben Money-Coutts	1,881	331	287	February 2019	August 2019
Anthony Scott	1,881	331	287	February 2019	August 2019
Gary Teper	1,881	331	287	February 2019	August 2019

Performance share plan

The second grant of awards under the plan were made on 10 July 2015 for all Executive Directors. The three-year performance period for the second tranche of awards will be measured following the year ended 31 March 2018.

	Date of grant	Share price on grant (pence)	As at 31 March 2015	Granted	**As at 31 March 2016**	Exercise period
Paul Abberley	9 January 2015	328	91,463	–	**91,463**	January 2018 to January 2021
	10 July 2015	375	–	65,000	**65,000**	July 2018 to July 2021
Total			91,463	65,000	**156,463**	
Michael Lilwall	9 January 2015	328	41,723	–	**41,723**	January 2018 to January 2021
	10 July 2015	375	–	30,000	**30,000**	July 2018 to July 2021
Total			41,723	30,000	**71,723**	
Ben Money-Coutts	9 January 2015	328	34,299	–	**34,299**	March 2018 to March 2021
	10 July 2015	375	–	45,000	**45,000**	July 2018 to July 2021
Total			34,299	45,000	**79,299**	
Anthony Scott	9 January 2015	328	32,774	–	**32,774**	January 2018 to January 2021
	10 July 2015	375	–	38,000	**38,000**	July 2018 to July 2021
Total			32,774	38,000	**70,774**	
Gary Teper	9 January 2015	328	35,061	–	**35,061**	January 2018 to January 2021
	10 July 2015	375	–	30,000	**30,000**	July 2018 to July 2021
Total			35,061	30,000	**65,061**	

All of the awards are unvested. During the year ended 31 March 2016, the highest mid-market price of the Company's shares was 395.5p and the lowest mid-market price was 239.0p. As at 31 March 2016 the share price was 263.5p.

The performance conditions applying to the January 2015 awards relate to (1) adjusted Earnings Per Share growth targets for 50% of the award, and (2) margin targets for the other 50% of the award. The details of these targets are shown in the tables below:

Adjusted EPS to 31 March 2017[1]	Portion of award vesting
Above 24.5p	100%
Between 19.1p–24.5p	Prorata on straight line basis between 20% and 100%
19.1p	20%
Below 19.1p	0%

[1] The targets were set as annual growth targets with a required growth range of 15% – 25% p.a. In order to be consistent with subsequent grants, these have now been expressed as the absolute targets

Margin to 31 March 2017	Portion of award vesting
Above 12%	100%
Between 8%–12%	Prorata on straight line basis between 20% and 100%
8%	20%
Below 8%	0%

The performance conditions applying to the July 2015 awards relate to (1) adjusted EPS targets for 50% of the award, and (2) margin targets for the other 50% of the award. The details of these targets are shown in the tables below:

Adjusted EPS to 31 March 2018	Portion of award vesting
Above 25p	100%
Between 20p–25p	Prorata on straight line basis between 20% and 100%
20p	20%
Below 20p	0%

Margin to 31 March 2018	Portion of award vesting
Above 15%	100%
Between 10%–15%	Prorata on straight line basis between 20% and 100%
10%	20%
Below 10%	0%

For both the EPS and margin targets, the profit figure used will be the Group's reported profit adding back the FSCS (or similar) levy and adjusted for any other items that the Committee believes are required to ensure that the Group's true underlying financial performance is being measured. The Committee approved these performance measures as they are directly linked to the objectives of driving growth and improved quality of profits, thereby enhancing shareholder value and providing a clear 'line of sight' for participants between performance and reward.

The performance conditions applying to the 2017 awards will also relate to (1) adjusted EPS targets for 50% of the award, and (2) margin targets for the other 50% of the award, both measured based on performance in 2018/19. The details of these targets are shown in the tables below:

Adjusted EPS to 31 March 2019	Portion of award vesting
Above 25p	100%
Between 20p–25p	Prorata on straight line basis between 20% and 100%
20p	20%
Below 20p	0%

Margin to 31 March 2019	Portion of award vesting
Above 15%	100%
Between 10%–15%	Prorata on straight line basis between 20% and 100%
10%	20%
Below 10%	0%

Directors' interests
As explained in the Directors' remuneration policy, the Executive Directors are subject to Share Ownership Guidelines and they are required to retain 50% of shares (net of tax) which vest under the PSP or bonus deferral arrangement until such time as they hold shares worth 100% of salary. There is no requirement for Non-executive Directors to hold shares in the Company. The shareholdings of each Director, together with whether they would have achieved the guideline requirements by 31 March 2016 (only including shares beneficially owned, that is excluding unvested share awards and shares 'otherwise held'), are as follows:

	Beneficially held as at 31 March 2015 or appointment if earlier	**Beneficially held as at 31 March 2016 or retirement if earlier**	Share Ownership Guidelines satisfied
Sir David Howard	12,810,219	**12,810,219**	n/a
Paul Abberley	–	**19,042**	No
Michael Lilwall	120,219	**126,252**	Yes
Ben Money-Coutts [1]	–	**5,732**	No
Anthony Scott	26,756	**41, 598**	No
Gary Teper	40,921	**41,727**	No
Bridget Guerin	–	**–**	n/a
David Pusinelli	–	**–**	n/a
Andrew Didham [2]	–	**–**	n/a

[1] Appointed to the Board on 10 June 2015
[2] Appointed to the Board on 18 September 2015

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

Departure of Anthony Scott

The following approach will be adopted in relation to Anthony Scott's departure:

- Anthony will continue to receive salary, pension and benefits up to his departure date of 15 October 2016, at which point all such payments will cease
- Anthony will also receive the last payment under a legacy profit sharing arrangement relating to his previous role as an active investment manager prior to joining the Board
- Anthony will not receive a cash bonus under the 2017 Annual Bonus for the financial year ended 31 March 2017
- Anthony will be provided with out-placement support to the value of £5,600
- The PSP awards held by Anthony will vest on a prorata basis on the normal vesting dates based on performance against the EPS and margin targets.

Approval

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

Bridget Guerin
Remuneration Committee Chairman
16 June 2016

Risk Committee report

Andrew Didham
Chairman of Risk Committee

The establishment of the Risk Committee and the formalisation of the Risk function during the last two years has been a key element in the changes that the Group is implementing. As part of the renewal of strategy and modernisation of business practices, the Group is committed to embedding a culture of risk awareness into its processes and its DNA.

For more information visit charles-stanley.co.uk

	Number of meetings	Meetings attended
Andrew Didham [1]	3	3
Bridget Guerin	4	4
David Pusinelli	4	3

[1] Andrew Didham was appointed as a Director on 18 September 2015

The Risk Committee is composed of three independent Non-executive Directors, Bridget Guerin, David Pusinelli, and Andrew Didham who was appointed a member of the Committee on 18 September 2015 and assumed the role of Risk Committee Chairman at the start of 2016. Details of the Directors' skills and experience can be found on pages 54 to 57.

The Committee met four times during the year and a register of attendance is set out on this page.

The meetings are also attended by the Chief Risk Officer (CRO), the Chief Executive Officer, external audit and other members of the management team as necessary. The CRO provides a report to the members on a number of standing items including:

- Activities and issues arising from the Enterprise Risk Management Committee
- Monitoring of pension risk
- Responsiveness of management to issues raised and recommendations made by the CRO
- Limit breaches and proposed action plans.

The Committee members will also consider and provide guidance on any other risks issues to which our operations are or may be exposed.

Role and responsibilities of the Committee

The role and responsibilities of the Risk Committee are prescribed in its terms of reference which are reviewed by the Risk Committee and approved by the Board on an annual basis. Key areas of responsibility include:

- Advising the Board on risk aspects and implications for the risk appetite with respect of the Group strategy
- Review of the Internal Capital Adequacy Assessment Process (ICAAP) including the capital adequacy calculations, risk appetite statement, risk management framework and insurance programme
- Consider and approve the remit and resourcing of the risk function
- Review of the effectiveness of internal controls and risk management systems.

Activities for the year

The Risk Committee has undertaken the following activities over the past year:

- Review of the risk governance structure
- Approval of additional resource for the risk function
- Review and approval of various Group policies
- Review of the Annual Compliance Plan and Money Laundering Reporting Officer (MLRO) report
- Review and approval of output from the scenario workshops attended by business representatives and the Executive Committee
- Review of Group's remuneration structure
- Review of risks arising from Group's investment processes
- Risk assessment of the Group's strategic plan and objectives to ensure consistency with its risk appetite.

Risk management framework

Risk governance

A detailed description of the Board and its Committees can be found in the Corporate Governance section of the Annual report and accounts.

The Board has ultimate responsibility for management of the risks to which the Group is exposed and ensuring appropriate control systems are in place.

Whilst not a Committee of the Board, the Enterprise Risk Management (ERM) Committee has an important role in the risk governance framework. This Committee meets monthly and is attended by the Chief Risk Officer, the Chief Executive Officer and internal audit. The Committee operates a thematic process whereby all departments across the Group are invited to talk about the key risks and control environment in their respective areas. The Committee members also review metrics prepared by the Risk department and where appropriate, any issues raised in this forum are escalated to the Executive Committee, Risk Committee or the Board.

Risk appetite

The Risk Appetite Statement (RAS) is fundamental to the Group's risk management process and helps drive the risk identification, measurement and monitoring/reporting processes. The RAS sets out a number of quantitative and qualitative measures used to measure and monitor current risk levels against the agreed level of risk the Group is prepared to accept in order to achieve its business objectives.

Risk identification and assessment

The Group uses a number of tools to identify and assess the risks to which it is or may be exposed, including deep dive business reviews with all business and support areas across the Group and scenario workshops.

Risk measurement and monitoring

The Risk function provides management information on our key risks to the ERM Committee, the Risk Committee and the Board.

Control and risk assurance

Charles Stanley is committed to propagating a culture of risk awareness and ensuring all staff are responsible for managing and mitigating risk in their day-to-day roles through the three lines of defence model.

During the year, internal audit performed a review of the Risk function. The Risk Committee endorsed all of its recommendations which will be implemented.

Andrew Didham
Risk Committee Chairman
16 June 2016

Directors' report

Julie Ung
Company Secretary

The Directors submit their report and financial statements for the year ended 31 March 2016.

Principal activities and business review

The Company and its Group undertakings operate as investment companies and provide investment management services, financial planning and pension administration. Until the disposal of its corporate finance division, Charles Stanley Securities, in July 2015, the Company and its Group undertakings also provided corporate finance advice. The Company is a public limited company listed on the London Stock Exchange. A review of the business is set out on pages 8 to 51 in the Strategic report, which is incorporated by reference into this report.

Dividends

The Directors have declared and now recommend the following dividends in respect of the year ended 31 March 2016:

	2016 £000	2015 £000
Interim dividend paid on 20 January 2016 of 1.5p (2015: 3.0p)	**758**	1,370
Final dividend proposed of 3.5p (2015: 2.0p)	**1,776**	919
	2,534	2,289

The final dividend proposed by the Directors will be subject to shareholders' approval at the Annual General Meeting on 29 July 2016. Once approved, this will be paid on 5 August 2016 to shareholders on the Company's register at close of business on 24 June 2016.

Change of control

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

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

Share capital

As at 31 March 2016, 50,723,212 fully paid ordinary shares of 25 pence each were in issue and listed on the London Stock Exchange. The rights and obligations attaching to the Company's ordinary shares are as follows:

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

Controlling shareholder

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

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

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

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

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Each of the Company's Executive Directors has options as detailed in the Directors' remuneration report on pages 82 to 83, which are exercisable from January 2018 should the options vest subject to the performance conditions pursuant to the Long Term Incentive Scheme. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Company's Articles of Association may be amended by a special resolution of the Company's shareholders. Copies of the Articles of Association can be obtained from Companies House or by writing to the Company Secretary.

The Directors propose to renew the authority granted to them at the Annual General Meeting held in 2015 to allot equity securities up to an aggregate nominal value of £4,226,934 (the 'section 551 authority'). If approved at the forthcoming Annual General Meeting, the authority will expire no later than 15 months from the date on which the resolution is passed, or at the conclusion of the Annual General Meeting to be held in 2017, whichever is the earlier.

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

Directors

The Directors of the Company at the year-end were Paul Abberley, Michael Lilwall, Anthony Scott [1], Gary Teper, Sir David Howard [2], Andrew Didham [3], Bridget Guerin [3] and David Pusinelli [2]. Ben Money-Coutts became a Director on 10 June 2015. Their biographies are set out on pages 54 to 57. In accordance with the UK Corporate Governance Code and the Company's Articles of Association, all the Directors have agreed to voluntarily retire from the Board at the Annual General Meeting and, being eligible, will offer themselves for re-election by the members. Andrew Didham, who was appointed during the year, will be standing for election at the AGM.

[1] Resigned as a Director on 18 April 2016
[2] Non-executive Chairman
[3] Independent Non-executive Directors

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

Directors' interests in the shares of Charles Stanley Group PLC are disclosed in the Directors' remuneration report on page 85.

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

Taxation status

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

Political donations and expenditure

There were no political donations or expenditure by any Group company (2015: £nil).

Report on greenhouse gas emissions

Details of the Group's emissions are contained in the Corporate social responsibility report on page 50.

Essential business contracts

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

Substantial share interests

As at 31 March 2016 the substantial interests in shares of Charles Stanley Group PLC were:

	No. of shares at 31 March 2016	% of total voting rights
Sir David Howard	**10,707,719**	21.11
Aberforth Partners LLP	**6,595,372**	13.00
John L S Howard	**4,710,515**	9.29
Schroder Investment Management	**3,233,456**	6.37
J O Hambro Capital Management	**3,159,047**	6.23
Liontrust Asset Management	**3,109,302**	6.13
Queen Street Securities (a company of which Sir David Howard is a Director)	**2,102,500**	4.15

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

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

Auditors

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

Corporate governance statement

Rule DTR 7.2.1 of the Disclosure and Transparency Rules requires the Group's disclosures on corporate governance to be included in the Directors' report. This information is presented on pages 58 to 61 and the information in that section is incorporated by reference into this Directors' report and is deemed to form part of this report.

By order of the Board

Julie Ung
Company Secretary
16 June 2016

Company information

Company Secretary
Julie Ung

Registered office
25 Luke Street
London EC2A 4AR

Company registration number
48796 (England and Wales)

Group websites
charles-stanley.co.uk – our main corporate website

charles-stanley.co.uk/investor-relations – Investor relations

cs-d.co.uk – Charles Stanley Direct – online trading for funds and shares

ebsmanagement.co.uk – SIPP and SSAS consultancy and SIPP administration

charles-stanley.co.uk/matterley – equity investment for retail and institutional clients

charles-stanley.co.uk/intermediaries – intermediary-focused discretionary investment management

garrison.co.uk – investment products on an execution only basis and VCTs

charles-stanley.co.uk/pan-asset – passive asset allocation advice

Registrars
Capita Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0GA

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

Auditors
KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL

Brokers
Canaccord Genuity
88 Wood Street
London EC2V 7QR

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

Directors' responsibilities

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

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

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and appropriate
- State whether they have been prepared in accordance with IFRSs as adopted by the EU
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

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

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

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

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

- The Group and Parent Company financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy
- The Strategic report and financial statements include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board

Julie Ung
Company Secretary
16 June 2016

Auditor's report to the Members of Charles Stanley Group PLC only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Charles Stanley Group PLC for the year ended 31 March 2016 set out on pages 98 to 156. In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2016 and of the Group's loss for the year then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU)
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Act 2006
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of significance, were as follows:

Carrying amount of goodwill: £16.0 million (2015 £16.0 million): No change in risk profile

Refer to page 64 (Audit Committee report), page 106 (accounting policy) and pages 127 to 129 (financial disclosures).

The risk

The consolidated statement of financial position includes a significant goodwill balance. The carrying amount of goodwill could be materially misstated if inappropriate judgements and estimates were used by the Directors in calculating the recoverable amount for each cash generating unit ('CGU') as part of their impairment assessment. The Charles Stanley Direct CGU represents the most significant singular element of the goodwill balance whilst goodwill associated with different investment management teams' accounts for the majority of the remaining balance.

Charles Stanley Direct remains at an early development stage. Forecasting future revenues and associated costs is inherently judgemental and accordingly there is an increased risk that there could be a material difference between the revenues and costs used to ascertain the recoverable amount and the actual revenues and costs. The directors have considered the forecast cash flows of this CGU in adopting a value-in-use approach to assess whether the current recoverable value supports the goodwill balance of £5.2 million.

Our response

Our audit procedures in relation to Charles Stanley Direct included testing the Group's assessment of the recoverable amount by comparing the Group's assumptions, including revenue and cost growth rates, and discount rates, to externally derived data such as publically available financial statements for companies in a similar industry, as well as our own assessments based on our knowledge of the Group and the industry.

Audit procedures in relation to goodwill associated with investment management teams involved assessing management assumptions in relation to the fair value less costs to sell calculations. We considered the appropriateness of key inputs used in the valuations such as revenue multiples and percentage of FuM and undertook sensitivity analysis and stress testing of each assumption.

We also assessed whether the Group's disclosures in note 15 appropriately reflected the risks inherent in the valuation of goodwill.

Valuation of defined benefit pension net liability: £10.1 million (2015 £13.1 million): No change in risk profile

Refer to page 65 (Audit Committee report), page 109 (accounting policy) and pages 119 to 122 (financial disclosures).

The risk

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

Any changes in the obligation of the scheme to its members may also materially impact the actuarial liability, and therefore the net deficit of the scheme to be recognised on the Group balance sheet.

Our response
Our audit procedures included using the support of our own actuarial specialists to challenge the key assumptions and estimated inputs used in the calculation of the pension liability. The key assumptions and estimates we tested included the discount rate, inflation, salary growth and life expectancy. This included a comparison of key assumptions against externally derived data and our benchmark ranges for similar schemes.

During the year the pension scheme amended its inflation indexation benchmark from the Retail Price Index (RPI) to the Consumer Price Index (CPI). This resulted in a reduced actuarial valuation of the defined benefit obligation. We reviewed the communication with the members of the pension scheme from the Trustees as part of our assessment as to whether such amendments were indicative of a revised constructive obligation.

We also considered the adequacy of the Group's disclosure in note 10 to the financial statements.

Accrual of transition bonus: £1.4 million (2015 £nil)
Refer to page 65 (Audit Committee report), page 109 (accounting policy) and page 123 (financial disclosures).

The risk
The Group is currently undergoing a strategic review of remuneration arrangements with its front office investment management professionals. As part of the transition to the revised remuneration and fee-sharing arrangements which the Group anticipates to be in place for the financial year ended 31 March 2018, it has agreed with certain investment professionals that fee-sharing arrangements for the current year ended 31 March 2016 will be amended. The calculation of this one-off transitional arrangement can have a significant effect on the results and financial position of the Group. This is a new risk for the year ended 31 March 2016, on the basis that the transitional bonus arrangement was not in place for the previous year. It is not expected to be a recurring risk.

Our response
Our audit procedures included reviewing and testing management's calculation of the transitional fee-sharing payment in light of the communications that have been made to the investment professionals regarding the payment. We recalculated a sample of transition bonuses allocated to individual investment managers having regard to the Funds under Management and Administration associated with the client (and which provide the basis of any calculations). In addition, where bonuses have been paid post year-end we have agreed a sample to remittances and to the bank account.

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 £700,000 (2015: £700,000), determined with reference to a benchmark of Group revenue of which it represents 0.5% (2015: 0.5%). We consider Group revenue to be a more appropriate benchmark in the current year as the Group has incurred losses and revenue is the principal consideration for members of the Company in assessing the financial performance of the Group.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £35,000 (2015: £40,000) in addition to other audit misstatements that warranted reporting on qualitative grounds.

The Group audit 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 levels set out above, covered 100% of total Group revenue, Group loss before taxation, and total Group assets and was all performed at the Group's head office in London.

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

In our opinion:

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

5. We have nothing to report on the disclosures of principal risks

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

- The Directors' statement of viability on pages 38 to 39, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to March 2019; or
- The disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

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

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

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

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

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

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

Under the Listing rules we are required to review:

- The Directors' statements, set out on pages 38 to 39, in relation to going concern and longer-term viability; and
- The part of the Corporate Governance Statement on page 61 relating to the company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review.

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

Scope of report and responsibilities

As explained more fully in the Directors' responsibilities statement set out on page 93, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at kpmg.com/uk/auditscopeukco2014a which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Simon Ryder (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
16 June 2016

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

Financial statements

Contents

For more on the financial statements go to page 105

Consolidated income statement

Year ended 31 March 2016

Continuing operations	Notes	2016 £000	2015 £000
Revenue	2	**138,650**	144,264
Administrative expenses	2	**(139,294)**	(141,875)
Impairment of intangible assets and investments	2	**(465)**	(8,277)
Other income	3	**153**	132
Operating loss	4	**(956)**	(5,756)
Gain on sale of business		**299**	1,200
Finance income		**69**	185
Finance costs		**(99)**	(75)
Net finance (cost)/income	5	**(30)**	110
Loss before tax		**(687)**	(4,446)
Tax credit/(expense)	13	**47**	(413)
Loss from continuing operations		**(640)**	(4,859)
Discontinued operations			
Profit/(loss) from discontinued operations	12	**333**	(1,287)
Loss for the year attributable to equity shareholders		**(307)**	(6,146)

Earnings per share			
Basic	6	**(0.61p)**	(13.46p)
Diluted	6	**(0.61p)**	(13.46p)

Earnings per share continuing operations			
Basic		**(1.27p)**	(10.64p)
Diluted		**(1.27p)**	(10.64p)

The notes on pages 105 to 147 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
Year ended 31 March 2016

	Notes	2016 £000	2015 £000
Loss for the year		**(307)**	(6,146)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of the defined benefit obligation	10	**2,515**	(5,950)
Related tax	17	**(753)**	1,189
		1,762	(4,761)
Items that are or may be reclassified to profit or loss			
Available for sale financial assets – net change in fair value	18	**(183)**	(407)
Available for sale financial assets – reclassified to profit or loss	18	**53**	560
Related tax	17	**90**	70
		(40)	223
Other comprehensive income for the year, net of tax		**1,722**	(4,538)
Total comprehensive income for the year attributable to owners of the Company		**1,415**	(10,684)

The notes on pages 105 to 147 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

Year ended 31 March 2016

Assets	Notes	2016 £000	2015 £000
Intangible assets and goodwill	15	**25,400**	26,097
Property, plant and equipment	16	**10,732**	13,287
Net deferred tax assets	17	**2,042**	2,558
Available for sale financial assets	18	**6,969**	7,054
Trade and other receivables	19	**870**	419
Non-current assets		**46,013**	49,415
Trade and other receivables	19	**164,429**	267,494
Financial assets at fair value through profit or loss	20	**72**	100
Current tax assets		**118**	–
Assets held for sale	14	**1,722**	4,190
Cash and cash equivalents	21	**48,095**	28,453
Current assets		**214,436**	300,237
Total assets		**260,449**	349,652
Equity			
Share capital	22	**12,669**	11,490
Share premium	22	**4,402**	4,139
Revaluation reserve		**2,666**	2,706
Merger relief reserve		**15,167**	–
Retained earnings		**50,461**	50,559
Equity attributable to owners of the Company		**85,365**	68,894
Non-controlling interests		**24**	24
Total equity		**85,389**	68,918
Liabilities			
Borrowings	23	**–**	1,824
Employee benefits	10	**10,090**	13,087
Non-current liabilities		**10,090**	14,911
Trade and other payables	24	**164,935**	265,123
Borrowings	23	**–**	150
Current tax liabilities		**–**	152
Liabilities held for sale	14	**35**	398
Current liabilities		**164,970**	265,823
Total liabilities		**175,060**	280,734
Total equity and liabilities		**260,449**	349,652

Approved by the Board on 16 June 2016 and signed on its behalf by:

Paul Abberley (Director) Ben Money-Coutts (Director)

The notes on pages 105 to 147 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Year ended 31 March 2016

	Share capital £000	Share premium £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
1 April 2015	11,490	4,139	2,706	–	50,559	68,894	24	68,918
Loss for the year	–	–	–	–	(307)	(307)	–	(307)
Other comprehensive income:								
Revaluation of available for sale financial assets								
– net loss from change in fair values	–	–	(183)			(183)	–	(183)
– net profit on disposal transferred to profit or loss	–	–	53	–	–	53	–	53
Deferred tax on available for sale financial assets	–	–	90	–	–	90	–	90
Defined benefit plan actuarial gain	–	–	–	–	2,515	2,515	–	2,515
Deferred tax on defined benefit plan actuarial gain	–	–	–	–	(753)	(753)	–	(753)
Total other comprehensive income for the year	–	–	(40)	–	1,762	1,722	–	1,722
Total comprehensive income for the year	–	–	(40)	–	1,455	1,415	–	1,415
Dividends paid	–	–	–	–	(1,754)	(1,754)	–	(1,754)
Share options								
– value of employee services	2	12	–	–	201	215	–	215
– issue of shares	28	251	–	–	–	279	–	279
Issues of ordinary shares	1,149	–	–	15,167	–	16,316	–	16,316
31 March 2016	12,669	4,402	2,666	15,167	50,461	85,365	24	85,389

The notes on pages 105 to 147 are an integral part of these consolidated financial statements.

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

The notes on pages 105 to 147 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Year ended 31 March 2016

	Notes	2016 £000	2015 £000
Cash flows from operating activities			
Cash generated from operating activities	28	**8,666**	948
Interest received		**136**	110
Interest paid		**(36)**	(75)
Tax paid		**(453)**	(711)
Net cash from operating activities		**8,313**	272
Cash flows from investing activities			
Acquisition of subsidiaries and other businesses	15	**(2,545)**	(4,243)
Acquisition of intangible assets		**–**	750
Proceeds from disposal of fund asset	16	**(479)**	(2,865)
Purchase of property, plant and equipment		**7**	–
Purchase of available for sale financial assets	18	**(327)**	(471)
Proceeds from sale of available for sale financial assets		**223**	445
Proceeds from disposal of business		**1,623**	–
Dividends received		**152**	132
Net cash used in investing activities		**(1,346)**	(6,252)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**16,610**	1,718
Repayment of borrowings		**(1,974)**	(146)
Dividends paid		**(1,754)**	(5,593)
Net cash used in financing activities		**12,882**	(4,021)
Net increase/(decrease) in cash and cash equivalents		**19,849**	(10,001)
Cash and cash equivalents at start of year		**28,566**	38,567
Cash and cash equivalents at end of year		**48,415**	28,566
Cash and cash equivalents shown in current assets	21	**48,095**	28,453
Cash classified as assets held for sale		**320**	113
Cash and cash equivalents at end of year		**48,415**	28,566

The Group has elected to present a consolidated statement of cash flows that analyses all cash flows in total, that is including both continuing and discontinued operations; amounts relating to discontinued operations are disclosed in note 12.

The notes on pages 105 to 147 are an integral part of these consolidated financial statements.

Notes to the financial statements

Year ended 31 March 2016

1. 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.

1.1 Basis of accounting
The Group's consolidated financial statements and the Parent Company financial statements are presented and prepared on a going concern basis and in accordance with International Financial Reporting Standards as adopted by the European Union and IFRIC Interpretations (IFRSs as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS.

The Directors assessed the going concern of the Group in light of its current trading performance. The Directors looked at the forecasts covering the 18-month period from 31 March 2016 to 30 September 2017 and applied stress tests for adverse scenarios, which had been determined as part of the ICAAP process. As a result it was determined that the Group has enough liquidity to cover all anticipated payments. The Directors also considered the regulatory capital of the Group and determined that, based on the forecasts, the Group has sufficient regulatory capital for the foreseeable future.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Further details are contained in the Corporate Governance report on page 58.

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

The Group and Company financial statements are preserved in GBP and all values are rounded to the nearest one thousand pounds (£000), except when otherwise indicated.

1.2 Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis as modified by the revaluation of land and buildings, available for sale financial investments, and financial assets and financial liabilities at fair value through profit and loss.

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

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

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.

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

Segment results that are reported to the chief operating decision-maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

1. Significant accounting policies (continued)

1.5 Foreign currency translation

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

1.6 Property, plant and equipment

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

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

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'gain on sale of business' in the income statement.

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

1.7 Intangible assets

1.7.1 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 on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

1.7.2 Customer relationships

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

1.7.3 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 their useful lives (three years).

1. Significant accounting policies (continued)

1.8 Impairment of non-financial assets

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

Fair value less costs to sell is established based on recent public transactions for similar businesses. If the carrying amount relating to any CGU exceeds the fair value less cost to sell, a value in use is calculated using a discounted cash flow method. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.9 Non-current assets held for sale

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

1.10 Financial assets

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

1.10.1 Classification

1.10.1.1 At fair value through profit or loss

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

1.10.1.2 Loans and receivables

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

1.10.1.3 Available for sale

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

1.10.2 Recognition and measurement

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

1. Significant accounting policies (continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are presented in the income statement within 'gain on sale of business' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

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

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

1.11 Impairment of financial assets

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

1.11.1 Assets classified as available for sale

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

1.12 Trade receivables

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

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

1.13 Cash and cash equivalents

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

1.14 Segregated funds

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

1.15 Trade payables

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

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

1.16 Borrowings

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

1.17 Current and deferred income tax

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

1. Significant accounting policies (continued)

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

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

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

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

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

1.18 Employee benefits

1.18.1 Pension obligations

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

The net charge to the income statement mainly comprises the service cost and the net interest on the net defined benefit asset or liability and is presented in operating expenses.

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

Remeasurements of the defined benefit obligation arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

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

1.18.2 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.

1.19 Share-based payments

The Group operates various equity-settled share-based payments schemes. There is a Save As You Earn scheme and a Long-Term Incentive Plan under which the entity receives services from employees as consideration for equity instruments (share options or share awards) of the Group. The fair value of the employee services received in exchange for the grant of

1. Significant accounting policies (continued)

the share options or share awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options or share awards granted on the grant date:

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

Non-market vesting conditions are included in assumptions about the number of share options or share awards that are expected to vest.

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

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

1.20 Revenue recognition

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

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

1.20.1 Commission

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

1.20.2 Fees

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

1.20.3 Dividend income

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

1.20.4 Interest income

Interest income is recognised using the effective interest method.

1.21 Leases

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

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

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

1. Significant accounting policies (continued)

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

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

1.24 Discontinued operations
A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group, and which:

- Represents a separate major line of business or geographic area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is represented as if the opinion had been discontinued from the start of the comparative year.

1.25 Changes in accounting policies
Except for the changes below, the Group has consistently followed the same accounting policies, presentation and methods of computation in these consolidated financial statements as applied in the Group's consolidated financial statements for the year ended 31 March 2015.

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 April 2016. The following new standards are not applicable to these financial statements but are expected to have an impact when they become effective. The Group plans to apply these standards in the reporting period in which they become effective.

1.25.1 IFRS 9 Financial Instruments
IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and measurement. It includes revised guidance on the classification and measurement of financial instruments. IFRS 9 is only effective for annual periods beginning on or after 1 January 2018. The Group did not apply early adoption.

1.25.2 IFRS 15 Revenue from contracts with customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is only effective for periods beginning on or after 1 January 2018. The Group did not apply early adoption.

1.25.3 IFRS 16 Leases
IFRS 16 replaces IAS 17 Leases. It eliminates the classification of leases as either operating leases or finance leases. Any leases with more than 12 months' term are to be recognised as a lease asset on the balance sheet and the related future lease obligations as a liability. IFRS 16 is only effective for annual periods beginning on or after 1 January 2019. The Group did not apply early adoption.

2. Operating segments

The Company currently has four strategic divisions which are its reportable segments. These segments are the basis on which the Company reports its performance to the Board, which is the Company's chief operating decision-maker.

	Continued operations							
	Investment Management Services £000	Asset Management £000	Financial Planning [1] £000	Charles Stanley Direct £000	Support functions £000	Subtotal £000	Discontinued operations £000	Total £000
Year ended 31 March 2016								
Investment management	58,098	2,407	1,453	–	–	61,958	–	61,958
Administration	17,125	2,620	6,467	3,876	–	30,088	62	30,150
Corporate finance	–	–	–	–	–	–	2,741	2,741
Total fees	75,223	5,027	7,920	3,876	–	92,046	2,803	94,849
Commission	44,792	521	383	908	–	46,604	177	46,781
Total revenue	120,015	5,548	8,303	4,784	–	138,650	2,980	141,630
Administrative expenses	(69,571)	(6,943)	(7,699)	(2,816)	(52,475)	(139,504)	(2,458)	(141,962)
Impairment of intangible assets and investments	–	–	(465)	–	–	(465)	–	(465)
Other income	153	–	–	–	–	153	–	153
Operating contribution	50,597	(1,395)	139	1,968	(52,475)	(1,166)	522	(644)
Allocated costs	(46,196)	430	(2,757)	(3,357)	52,090	210	(205)	5
Operating profit/(loss)	4,401	(965)	(2,618)	(1,389)	(385)	(956)	317	(639)
Segment assets	145,928	1,502	6,908	8,652	97,106	260,096	353	260,449
Segment liabilities	128,981	2	35	1,568	44,385	174,971	89	175,060

[1] The Financial Planning division includes Charles Stanley Financial Solutions Limited which in the Review of the year section of the Strategic report, is presented together with Charles Stanley Securities, as held for sale. The assets and liabilities of Charles Stanley Financial Solutions Limited are presented as held for sale as at 31 March 2016 (refer to note 14 of the financial statements)

2. Operating segments (continued)

	Continued operations							
	Investment Management Services £000	Asset Management £000	Financial Planning £000	Charles Stanley Direct £000	Support functions £000	Subtotal £000	Discontinued operations £000	Total £000
Year ended 31 March 2015								
Investment management	55,792	1,252	1,205	–	–	58,249	–	58,248
Administration	21,508	3,352	7,276	3,981	153	36,270	119	36,390
Corporate finance	–	–	–	–	–	–	4,537	4,537
Total fees	77,300	4,604	8,481	3,981	153	94,519	4,656	99,175
Commission	47,995	502	390	858	–	49,745	770	50,515
Total revenue	125,295	5,106	8,871	4,839	153	144,264	5,426	149,690
Administrative expenses	(71,718)	(6,697)	(5,689)	(1,091)	(57,771)	(142,966)	(5,964)	(148,930)
Impairment of intangible assets and investments	(2,250)	–	(2,277)	(3,750)	–	(8,277)	–	(8,277)
Other income	132	–	–	–	–	132	–	132
Operating contribution	51,459	(1,591)	905	(2)	(57,618)	(6,847)	(538)	(7,385)
Allocated costs	(46,460)	(527)	(3,930)	(5,760)	57,768	1,091	(1,091)	–
Operating profit/(loss)	4,999	(2,118)	(3,025)	(5,762)	150	(5,756)	(1,629)	(7,385)
Segment assets	266,061	1,409	6,183	8,410	65,712	347,775	1,877	349,652
Segment liabilities	246,269	15	712	1,375	32,274	280,645	89	280,734

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

Allocated costs have been changed so as to reflect the new cost allocation methodology put in place during the previous year.

3. Other income

	2016 £000	2015 £000
Dividend income on available for sale financial assets	**153**	132

4. Operating profit

The following items have been included in arriving at the results:

	2016 £000	2015 £000
Depreciation of property, plant and equipment	**2,896**	3,150
Amortisation and impairment	**3,707**	10,358
Impairment of equity investment	**–**	500
Impairment of loan	**–**	250
Auditors' remuneration:		
Audit of the Company's annual accounts	**72**	80
Audit of the Company's subsidiaries	**200**	210
Services relating to taxation	**30**	41
Other assurance services	**50**	60
All other services	**50**	46
Gains/(losses) on financial assets at fair value through profit or loss	**48**	(29)
Gains/(losses) on foreign currency exchange	**11**	(76)
Loss on sale of fixed assets	**(131)**	(178)
Operating lease rentals payable	**3,158**	2,829
Financial Services Compensation Scheme Levy	**1,632**	1,317

5. Net finance income

	2016 £000	2015 £000
Interest income	**36**	110
Gains and losses on available for sale financial assets	**33**	75
Finance income	**69**	185
Interest payable on bank borrowings	**(36)**	(4)
Interest payable on other loans	**(63)**	(71)
Finance costs	**(99)**	(75)
Net finance income	**(30)**	110

6. Earnings per share

The Directors believe that a truer reflection of the performance of the Group's ongoing business is given by the measure of Core Business earnings per share. Core Business comprises the Group's four main operating divisions: Investment Management Services, Asset Management, Financial Planning and Charles Stanley Direct. This measure is also followed by the analyst community as a benchmark of the Group's ongoing performance.

	2016 £000	2015 £000
Weighted average number of shares in issue during the year	**50,386**	45,655
Effect of share options	**150**	66
Diluted weighted average number of shares in issue during the year	**50,536**	45,721
Based on reported earnings		
Basic earnings per share	**(0.61p)**	(13.46p)
Diluted earnings per share	**(0.61p)**	(13.46p)

7. Dividends paid

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

	2016 £000	2015 £000
Final paid for 2015: 2.0p per share (2014: 9.25p)	**996**	4,223
Interim paid for 2016: 1.5p per share (2015: 3.0p)	**758**	1,370
	1,754	5,593

8. Profit for the year

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company profit and loss account. The loss for the Parent Company for the year was £1,236,000 (2015: profit £1,827,000).

9. Share-based payment arrangements

Share options and share-based payment

The Group recognised total expenses of £134,151 (2015: £50,000) related to equity-settled share-based payment transactions.

Long-term Incentive Plan

In previous year, the Board approved the implementation of a new employee share awards scheme, the Long-term Incentive Plan. Details of the general terms of this plan are set out in the Remuneration Committee report on pages 72 to 73. Vesting will be subject to performance conditions set by the Remuneration Committee. The performance conditions relate to the financial performance of the Group. The awards will be treated as equity-settled share-based payments. Shares will be granted to the holders, at no additional cost, when the awards vest, subject to performance conditions.

Date of grant	9 January 2015	10 July 2015
Expected life of awards	3 years	3 years
Fair value at grant date	£3.28	£3.75
Total awards at beginning of period	310,320	–
Number granted during the period	–	256,000
Number lapsed during the period [1]	(17,560)	–
Total awards outstanding at end of period	292,760	256,000

[1] Number of lapsed awards are mainly due to the effect of a bad leaver

Date of grant	23 December 2015	23 December 2014	18 December 2013	19 December 2012
Exercisable during the six months commencing	1 February 2019	1 February 2018	1 February 2017	31 January 2016
Number of shares granted	371,695	100,053	162,926	183,965
Number of shares outstanding	361,099	84,965	45,810	19,382
Exercise price per share	£2.87	£2.70	£4.11	£2.48
Expected fair value option	£0.71	£0.65	£1.26	£0.69

The fair value of the options has been calculated using a Black-Scholes model with the following inputs:

Expected volatility is based on the historical share price volatility.

Share price at date of grant	£3.30	£3.25	£5.08	£3.00
Expected life	3 years	3 years	3 years	3 years
Expected volatility	22.19%	26.32%	27.90%	32.67%
Risk free rate	0.57%	0.85%	1.17%	0.30%
Expected dividend yield	1.51%	3.77%	2.36%	3.75%

9. Share-based payment arrangements (continued)

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

	2016 Number of shares	2016 Weighted average exercise price	2015 Number of shares	2015 Weighted average exercise price
As at 1 April	**319,894**	**£2.88**	1,056,712	£2.70
Exercised	**(118,110)**	**£2.87**	(704,414)	£2.44
Forfeited	**(62,223)**	**£3.03**	(132,457)	£3.64
Granted	**371,695**	**£2.48**	100,053	£2.70
As at 31 March	**511,256**	**£2.94**	319,894	£2.88

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

Year ended 31 March 2016

Grant date	Number exercised	Exercise date	Share price at exercise date
20 December 2011	661	7 April 2015	£3.72
20 December 2011	3,215	30 June 2015	£3.84
20 December 2011	415	4 August 2015	£3.76
19 December 2012	326	21 April 2015	£3.88
19 December 2012	564	19 May 2015	£3.91
19 December 2012	625	18 August 2015	£3.82
19 December 2012	3,446	6 October 2015	£3.65
19 December 2012	1,556	27 October 2015	£3.60
19 December 2012	3,326	11 November 2015	£3.41
19 December 2012	72,679	1 February 2016	£3.10
19 December 2012	7,081	5 February 2016	£3.02
19 December 2012	12,348	12 February 2016	£2.88
19 December 2012	2,466	19 February 2016	£2.62
19 December 2012	1,451	26 February 2016	£2.55
19 December 2012	6,166	8 March 2016	£2.58
19 December 2012	1,595	22 March 2016	£2.60
23 December 2014	22	6 October 2015	£3.65
23 December 2014	83	27 October 2015	£3.60
23 December 2014	85	12 January 2016	£3.30
	118,110		£3.09

The weighted average share price at the date of exercise of share options was £3.09.

9. Share-based payment arrangements (continued)

Year ended 31 March 2015

Grant date	Number exercised	Exercise date	Share price at exercise date
11 March 2011	318,539	1 May 2014	£4.74
11 March 2011	47,319	13 May 2014	£4.73
11 March 2011	20,076	17 June 2014	£4.23
11 March 2011	1,434	20 June 2014	£4.20
11 March 2011	6,453	1 July 2014	£4.22
11 March 2011	3,585	29 July 2014	£3.45
11 March 2011	3,585	26 August 2014	£3.47
11 March 2011	2,012	8 October 2014	£3.05
20 December 2011	4,644	4 April 2014	£4.91
20 December 2011	2,318	29 December 2014	£3.25
21 December 2011	3,126	29 December 2014	£3.25
22 December 2011	1,235	2 January 2015	£3.25
23 December 2011	231,994	2 February 2015	£3.35
24 December 2011	3,215	2 February 2015	£3.35
25 December 2011	26,975	12 February 2015	£3.40
26 December 2011	10,366	12 February 2015	£3.40
27 December 2011	4,522	27 February 2015	£3.35
28 December 2011	661	13 March 2015	£3.35
29 December 2011	4,261	20 March 2015	£3.77
30 December 2011	3,876	27 March 2015	£3.74
31 December 2011	413	27 March 2015	£3.74
20 December 2012	225	4 April 2014	£4.91
20 December 2012	3,580	20 October 2014	£3.04
	704,414		£4.12

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

10. Employee benefits

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

The Group also sponsors the Charles Stanley & Co. Limited Retirement Benefits Scheme (the Scheme), which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long-term pension liabilities for some 70 past and 35 present employees as at 13 May 2014. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

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

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

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

The actuarial valuation showed a deficit of £4,200,000. The Group has agreed with the trustees that it will aim to eliminate the deficit over a period of 8.5 years from 13 May 2015 by the payment of annual contributions of £350,000 (increasing at 3% p.a.) in respect of the deficit. In addition and in accordance with the actuarial valuation, the Group has agreed with the trustees that it will pay 29.0% (including member contributions at a rate of 3%, except for Directors) of pensionable earnings in respect of the cost of accruing benefits and will meet expenses of the plan and levies to the Pension Protection Fund.

For the purposes of IAS 19 the actuarial valuation as at 13 May 2014, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 March 2016. During the year, the Group switched from Retail Price Index (RPI) to Consumer Price Index (CPI) when calculating the future benefits augmentation allowance which is in line with recent industry practice. The Scheme was closed to future service accruals during the year.

Amounts included in the statement of financial position

	2016 £000	2015 £000	2014 £000
Fair value of plan assets	**26,561**	30,778	29,893
Present valuation of defined benefit obligation	**(36,651)**	(43,865)	(36,826)
Deficit in scheme	**(10,090)**	(13,087)	(6,933)
Liability to be recognised	**(10,090)**	(13,087)	(6,933)
Deferred tax	**1,816**	2,617	1,387
Net liability to be recognised	**(8,274)**	(10,470)	(5,546)

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

10. Employee benefits (continued)

The Group has reviewed the implications of the guidance provided by IFRIC 14 and has concluded that it is not necessary to make any adjustments to the IAS 19 figures in respect of an asset ceiling or Minimum Funding Requirements as at 31 March 2016.

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

	2016 £000	2015 £000
Defined benefit obligation at 1 April	**43,865**	36,826
Current service cost	**643**	610
Interest cost	**1,317**	1,634
Employee contributions	**43**	49
Actuarial gains due to scheme experience	**(486)**	(1,041)
Actuarial gains due to changes in demographic assumptions	**188**	(531)
Actuarial loss due to changes in financial assumptions	**(2,808)**	8,012
Benefits paid, death in service insurance premiums and expenses	**(729)**	(1,694)
Past service costs	**(583)**	–
Liabilities extinguished on settlements	**(4,799)**	–
Defined benefit obligation at 31 March	**36,651**	43,865

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

	2016 £000	2015 £000
Fair value of assets at 1 April	**30,778**	29,893
Interest income	**913**	1,324
Return on plan assets	**(591)**	490
Contributions by employer	**749**	716
Contributions by plan participants	**43**	49
Benefits paid, death in service insurance premiums and expenses	**(729)**	(1,694)
Assets distributed on settlements	**(4,602)**	–
Fair value of assets at 31 March	**26,561**	30,778

The actual return on the scheme assets over the year ended 31 March 2016 was £322,000 (2015: £1,814,000).

10. Employee benefits (continued)

Defined benefit costs recognised in the income statement

	2016 £000	2015 £000
Current service cost	**643**	610
Past service cost and gain from settlement	**(780)**	–
Net interest costs	**404**	310
Total	**267**	920

Defined benefit costs recognised in statement of comprehensive income

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Return on plan assets	**(591)**	490	928	1,581	(725)
Experience gains arising on the scheme liabilities	**486**	1,041	882	271	473
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	**(188)**	531	–	–	–
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	**2,808**	(8,012)	532	(4,668)	(2,453)
Adjustment related to previous years	**–**	–	(52)	–	–
Total amount recognised in statement of comprehensive income	**2,515**	(5,950)	2,290	(2,816)	(2,705)

Assets

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Equity	**15,385**	23,749	21,676	16,837	14,343
Bonds	**5,320**	6,073	5,832	6,519	5,973
Property	**901**	–	–	–	–
Cash	**361**	956	2,385	6,477	5,881
Alternatives	**4,594**	–	–	–	–
Total assets	**26,561**	30,778	29,893	29,833	26,197

The assets include Charles Stanley Group shares amounting to £0.7 million (2015: £1.0 million). None of the fair values of the assets shown above include any direct investments in the Group's own financial instruments or any property occupied by, or the other assets used by, the Group. All of the scheme 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 plan's statement of Investment Principles.

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

10. Employee benefits (continued)

Assumptions

	2016 %	2015 %	2014 %	2013 %	2012 %
Inflation – RPI	**n/a**	3.10	3.40	3.50	3.25
Inflation – CPI	**3.20**	n/a	n/a	n/a	n/a
Salary increases	**n/a**	2.20	3.00	3.00	3.00
Rate of discount	**3.60**	3.20	4.50	4.45	5.05
Allowance for pension in payment increases of RPI or 5% p.a. if less	**n/a**	3.30	3.60	3.50	3.25
Allowance for pension in payment increases of CPI or 5% p.a. if less, minimum 3% p.a.	**3.00**	n/a	n/a	n/a	n/a
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**n/a**	3.10	3.40	3.50	3.25
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.20**	n/a	n/a	n/a	n/a

The mortality assumptions adopted at 31 March 2016 are 85% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2015 converging to 1.00% p.a. These imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2016	23.2
Female retiring in 2016	25.2
Male retiring in 2036	24.5
Female retiring in 2036	26.7

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 4.6%
Rate of inflation	Increase of 0.25% p.a.	Increase by 1.9%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.0%

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 the period ended 31 March 2016 is 19 years.

The plan 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 plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future income statements. This effect would be partially offset by an increase in the value of the plan's bond holdings, and in qualifying death in service insurance policies that cover the mortality risk. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The best estimate of contributions to be paid by the Group to the plan for the period commencing 1 April 2016 is £358,750.

11. Employee benefit expenses

The average number of persons employed (including Directors) during the year was 893 (2015: 960).

	Continuing operations		Discontinued operations	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Staff costs for the Group during the year:				
Wages and salaries	**45,262**	53,801	**1,193**	2,697
Social Security costs	**5,748**	5,560	**101**	334
Share-based payments	**199**	50	**–**	–
Pension costs				
Defined contribution plan	**3,790**	3,860	**73**	282
Defined benefit plan	**267**	920	**–**	–
	55,266	64,191	**1,367**	3,313

During the year, the Board agreed revised interim remuneration arrangements with the Group's investment managers in relation to their variable compensation. Part of this agreement involved moving the basis of the bonus calculation from being based on billed revenue to earned revenue. This has resulted in the Group bringing forward the recognition of bonuses on revenues that were accrued but not yet billed as at 31 March 2016. The additional amount recognised, which is included within wages and salaries in the above table, was £1,400,650.

12. Discontinued operations

Results from discontinued operations

In July 2015, the Group completed the sale of the Charles Stanley Securities division (excluding the equity sales trading business) to Panmure Gordon (UK) Limited.

	2016 £000	2015 £000
Revenue	**2,980**	5,426
Expenses	**(2,663)**	(7,055)
Results from operating activities	**317**	(1,629)
Gain on sale of business	**99**	–
Profit/(loss) before tax	**416**	(1,629)
Tax (expense)/credit	**(83)**	342
Profit/(loss) for the year	**333**	(1,287)
Earnings per share from discontinued operations		
Basic	**0.66p**	(2.82p)
Diluted	**0.66p**	(2.82p)
Cash flows (used in)/from discontinued operations		
Net cash used in operating activities	**(1,507)**	1,502
Net cash flow for the year	**(1,507)**	1,502
Effect of disposal on the financial position of the Group		
Intangible assets	**1,524**	–
Trade and other receivables	**507**	–
Net assets and liabilities	**2,031**	–
Consideration received satisfied in cash	**1,623**	–
Net cash inflows	**1,623**	–

13. Tax (credit)/expense

Analysis of charge in year

	2016 £000	2015 £000
Current taxation		
Current year	**135**	(419)
Adjustment in respect of prior years	**57**	(14)
	192	(433)
Deferred taxation		
Origination and reversal of temporary differences	**(145)**	20
	(145)	20
Tax credit/(expense)	**47**	(413)

In addition to the amount charged to the income statement, deferred tax of £90,546 (2015: £70,000) relating to the revaluation of the Group's available for sale financial assets has been charged directly to equity, £663 (2015: nil) relating to the Group's revaluation of freehold property has been charged directly to equity, and deferred tax of £589,340 (2015: £1,189,000) relating to the retirement benefit scheme's actuarial deficit has been credited directly to equity.

The deferred tax asset at 31 March 2016 has been calculated based on the UK corporation tax rate of 18%, as this was substantively enacted at the balance sheet date.

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are as follows:

	2016 £000	2015 £000
Loss before tax from continued operations	**687**	4,446
Loss multiplied by rate of corporation tax in the UK of 20% (2015: 21%)	**137**	934
Tax effects of:		
Income not subject to tax	**31**	36
Expenses not allowed for tax	**(89)**	(154)
Share-based payments	**(71)**	(90)
Adjustments in respect of prior years	**(57)**	(14)
Intangible asset amortisation and impairments	**6**	(1,309)
Tangible asset depreciation and capital allowance	**154**	–
Change in tax rate	**(89)**	–
Other adjustments	**25**	184
	(90)	(1,347)
Tax credit/(expense) for the year	**47**	(413)

14. Disposal group held for sale

The Group completed the disposal of Charles Stanley Financial Solutions Limited to its management team on 1 April 2016. Accordingly, the assets and liabilities of Charles Stanley Financial Solutions Limited have been presented on the consolidated statement of financial position as held for sale. Refer to note 32 of the financial statements.

Following a review of the goodwill attributable to Charles Stanley Financial Solutions Limited during the year, an impairment charge of £0.4 million was recognised in the consolidated income statement. The remaining goodwill balance in respect of the Company of £1.1 million is included as part of the held for sale intangible assets shown in the table below.

The following table sets out the assets and liabilities in respect of Charles Stanley Financial Solutions Limited which are stated at the lower of carrying amount and fair value less costs to sell:

	2016 £000	2015 £000
Intangible assets	**1,145**	1,550
Deferred tax assets	**–**	3
Trade and other receivables	**257**	493
Cash and cash equivalents	**320**	113
Assets held for sale	**1,722**	2,159
Trade and other payables	**35**	396
Current tax liabilities	**–**	2
Liabilities held for sale	**35**	398

In July 2015 the Group completed the sale of the Charles Stanley Securities division (excluding the equity sales trading business) to Panmure Gordon (UK) Limited.

	2016 £000	2015 £000
Intangible assets	**–**	1,524
Trade and other receivables	**–**	507
Assets held for sale	**–**	2,031
Total assets held for sale for the disposal group	**1,722**	4,190

15. Intangible assets

Cost	Goodwill £000	Customer relationships £000	Internally generated software £000	Total £000
31 March 2014	25,450	21,153	1,540	48,143
Purchased in the year	–	1,616	2,627	4,243
Transfer to assets held for sale	(3,943)	–	–	(3,943)
31 March 2015	21,507	22,769	4,167	48,443
Purchased in the year	–	624	1,921	2,545
31 March 2016	21,507	23,393	6,088	50,988
Amortisation				
1 April 2014	–	12,550	307	12,857
Impairment during the year	6,380	1,148	–	7,528
Amortisation during the year	–	1,800	1,030	2,830
Transfer to assets held for sale	(869)	–	–	(869)
31 March 2015	5,511	15,498	1,337	22,346
Amortisation during the year	–	1,635	1,607	3,242
31 March 2016	5,511	17,133	2,944	25,588
Net book value				
31 March 2016	**15,996**	**6,260**	**3,144**	**25,400**
31 March 2015	15,996	7,271	2,830	26,097

None of the intangible assets have been pledged as security.

15. Intangible assets (continued)

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

Goodwill	2016 £000	2015 £000
Investment Management Services	**10,449**	10,449
Financial Planning	**300**	300
Charles Stanley Direct	**5,247**	5,247
	15,996	15,996

15.1 Goodwill

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

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

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

15.1.1 Investment Management Services

The recoverable amount of goodwill related to Investment Management Services was assessed using fair value less cost to sell for the year ended 31 March 2016. The fair value is determined based on a percentage of Funds under Management and Administration. The recoverable amount was determined to be higher than the carrying amount of the goodwill attributable to this CGU and an impairment charge was not required.

In the case of EBS Management Ltd, which falls under the Investment Management Services division, the assessment of the carrying value of the goodwill held in respect of the business was also carried out using the fair value less cost to sell methodology, however this was based on a turnover multiple as this was deemed the most appropriate measure. The fair value calculated supports the carrying value of the goodwill attributable to this CGU and an impairment charge is not required.

15.1.2 Financial Planning

The recoverable amount of goodwill relating to Financial Planning was assessed using fair value less cost to sell for the year ended 31 March 2016. The recoverable amount was determined to be higher than the carrying amount of the CGU and therefore the goodwill carrying value is adequately supported.

15.1.3 Charles Stanley Direct

The goodwill attributable to this CGU was assessed based on a value in use calculation. This was based on the projected revenue and profitability of the business over the next four years. Charles Stanley Direct is forecast to continue growing Assets under Administration, client account numbers and revenues.

The key assumptions used in the valuation were as follows:

Discount rate	10%
Funds under Management growth rate	£10 million per month
Operating costs	To remain relatively stable over the period

The recoverable amount arising from the value in use calculation was determined to be higher than the carrying amount of goodwill attributable to the CGU.

15.1.4 Charles Stanley Financial Solutions Limited

The disposal of Charles Stanley Financial Solutions Limited to its management team was completed on 1 April 2016. The carrying value of the goodwill held by the Group in respect of this business was assessed against the terms of the transaction resulting in the recognition of an impairment charge during the year of £0.4 million. Allowing for the impairment charge recognised during the year, the goodwill held in respect of Charles Stanley Financial Solutions Limited at the end of the year was of £1.1 million. As the disposal of the company was completed on 1 April 2016, the goodwill balance is shown as part of the assets held for sale in these financial statements.

15.2 Customer relationships

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

15.3 Internally generated software

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

16. Property, plant and equipment

Cost	Freehold premises £000	Long leasehold premises £000	Short leasehold premises £000	Office equipment and motor vehicles £000	Total £000
31 March 2014	4,929	2,669	9,173	14,867	31,638
Additions	59	–	792	2,014	2,865
Disposals	–	(1,648)	(2,066)	(19)	(3,733)
31 March 2015	**4,988**	**1,021**	**7,899**	**16,862**	**30,770**
Additions	**25**	**–**	**11**	**443**	**479**
Disposals	**–**	**–**	**(431)**	**(93)**	**(524)**
31 March 2016	**5,013**	**1,021**	**7,479**	**17,212**	**30,725**
Depreciation					
31 March 2014	123	1,849	4,952	10,965	17,889
Charge for the year	127	84	981	1,958	3,150
Disposals	–	(1,625)	(1,912)	(19)	(3,556)
31 March 2015	**250**	**308**	**4,021**	**12,904**	**17,483**
Charge for the year	**130**	**73**	**789**	**1,904**	**2,896**
Disposals	**–**	**–**	**(306)**	**(80)**	**(386)**
31 March 2016	**380**	**381**	**4,504**	**14,728**	**19,993**
Net book value					
31 March 2016	**4,633**	**640**	**2,975**	**2,484**	**10,732**
31 March 2015	4,738	713	3,878	3,958	13,287

Property, plant and equipment include fully depreciated assets of £11.1 million (2015: £10.5 million) which are still in use.

Freehold premises includes £285,000 for a freehold property that was valued at the market value by GVA Grimley, a firm of independent chartered surveyors. The historical cost of the freehold was £189,321. The Directors consider that the value in use of the property approximates its carrying value.

17. Net deferred tax assets

Deferred tax assets	Employee benefits £000	Share-based payments £000	Deferred capital allowances £000	Tax losses forward and other timing differences £000	Total £000
31 March 2014	1,387	493	213	240	2,333
Recognised in profit or loss					
Current year	41	(410)	134	–	(235)
Change in rate	–	(23)	(10)	–	(33)
Transfer to assets held for sale	–	–	(3)	–	(3)
	41	(433)	121	–	(271)
Recognised in other comprehensive income					
Current year	1,189	–	–	–	1,189
31 March 2015	**2,617**	**60**	**334**	**240**	**3,251**
Recognised in profit or loss					
Current year	**(43)**	**(59)**	**291**	**–**	**189**
Change in rate	**(5)**	**–**	**(62)**	**–**	**(67)**
	(48)	**(59)**	**229**	**–**	**122**
Recognised in other comprehensive income					
Current year	**(557)**	**–**	**–**	**–**	**(557)**
Change in rate	**(196)**	**–**	**–**	**–**	**(196)**
	(753)	**–**	**–**	**–**	**(753)**
31 March 2016	**1,816**	**1**	**563**	**240**	**2,620**

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

17. Net deferred tax assets (continued)

Deferred tax liabilities	Intangible assets £000	Property, plant and equipment £000	Available for sale financial assets £000	Total £000
31 March 2014	(402)	(7)	(642)	(1,051)
Recognised in profit or loss				
Current year	280	–	–	280
Change in rate	8	–	–	8
	288	–	–	288
Recognised in other comprehensive income				
Current year	–	–	70	70
31 March 2015	**(114)**	**(7)**	**(572)**	**(693)**
Recognised in profit or loss				
Current year	**45**	**–**	**–**	**45**
Change in rate	**(21)**	**–**	**–**	**(21)**
	24	**–**	**–**	**24**
Recognised in other comprehensive income				
Current year	**–**	**1**	**37**	**38**
Change in rate	**–**	**–**	**53**	**53**
	–	**1**	**90**	**91**
31 March 2016	**(90)**	**(6)**	**(482)**	**(578)**
Net deferred tax assets				
31 March 2016				**2,042**
31 March 2015				**2,558**

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 18% (2015: 20%) depending on when the relevant timing difference unwinds.

18. Available for sale financial assets

Fair value	Listed investments £000	Unlisted investments £000	Total £000
1 April 2014	3,531	3,769	7,300
Additions	471	–	471
Disposals	(370)	–	(370)
Revaluation in year	153	–	153
Impairment	–	(500)	(500)
31 March 2015	**3,785**	**3,269**	**7,054**
Additions	**327**	**–**	**327**
Disposals	**(223)**	**(60)**	**(283)**
Revaluation in year	**(129)**	**–**	**(129)**
31 March 2016	**3,760**	**3,209**	**6,969**

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

Listed investments include a £2.0 million (2015: £2.0 million) holding in gilts which is pledged to our clearing house.

Unlisted investments include the Group's holding of 6,030 shares in Euroclear plc for which no observable market data is available as to its value. The Directors believe it is appropriate to value this holding on a dividend yield basis.

Previous revaluation now realised on disposal amounted to £53,000 (2015: £62,000).

At 31 March 2016, the Group assessed its equity investment in Masterlist. The valuation was based on the Net Asset Value of the operating entity of Masterlist. In light of management information provided, the Group believes that the equity investment should remain at nil.

19. Trade and other receivables

Current	2016 £000	2015 £000
Trade receivables	**153,828**	255,981
Other receivables	**7,738**	6,481
Prepayments and accrued income	**2,863**	5,032
	164,429	267,494
Non-current		
Convertible loan	**250**	250
Other receivables	**620**	169
	870	419

See note 24 (trade and other payables) for further details on other receivables.

20. Financial assets at fair value through profit and loss

Current	2016 £000	2015 £000
Listed investments	**72**	100

21. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	**48,095**	28,453

22. Capital and reserves

	Number shares 000	Ordinary shares £000	Share premium £000	Merger relief reserve £000	Total £000
Authorised shares with a par value of 25p each	80,000	20,000	–	–	20,000
Allotted and fully paid:				–	
1 April 2014	45,257	11,314	2,597	–	13,911
Exercise of share options	705	176	1,542	–	1,718
31 March 2015	**45,962**	**11,490**	**4,139**	–	**15,629**
Exercise of share options	**118**	**30**	**263**	–	**293**
Issue of ordinary shares	**4,596**	**1,149**	–	**15,167**	**16,316**
31 March 2016	**50,676**	**12,669**	**4,402**	**15,167**	**32,238**

The rights and obligations attached to the Parent Company's ordinary shares are set out in the Directors' report (page 89).

During the year 118,110 ordinary shares were issued fully paid for cash at an average price of £2.48 each following the exercise of options by employees. These shares had a nominal value of £292,528 and a total consideration of £292,854.

Moreover, 47,000 ordinary shares were issued during the year as part of a block listing, which are not reflected above, bringing the total issued share capital at the end of the year to 50,723,212.

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

The merger relief reserve is used where more than 90% of the share capital in a subsidiary is acquired and the consideration includes the issue of new shares by the Group, thereby attracting merger relief under Section 612 of Companies Act 2006. The merger relief reserve arose on a placing of the Group's shares and forms part of distributable reserves.

23. Borrowings

Current	**2016 £000**	2015 £000
Bank loan	–	150
	–	150
Non-current		
Bank loan	–	1,824

24. Trade and other payables

	2016 £000	2015 £000
Trade and other payables	**126,149**	246,372
Other taxes and Social Security costs	**2,860**	3,147
Other payables	**28,229**	6,618
Deferred consideration	**–**	40
Accruals and deferred income	**7,697**	8,946
	164,935	265,123

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

The Group has received a small number of claims from individuals claiming to be former clients. Such claims are subject to close scrutiny by the Group and its insurers, with payments being made if considered valid following investigation. An amount of £3.5 million has been included within accruals, together with an insurance indemnification asset within other receivables of the same amount (note 19). The Directors do not consider there to be a net liability based on the experience to date other than the excess under the insurance policy which has already been charged to the consolidated income statement.

25. Fair values and risk management

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

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

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

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

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

i) available for sale financial investments

ii) held for trading assets and liabilities

iii) the impact on investment management fees.

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

25.1.1.1 Available for sale investments
Note 18 summarises the available for sale investments held at the year-end date, and the disposals and fair value movements made in the year.

Approximately 50% of the Group's available for sale investments are unlisted. A 10% increase/decrease in the Group's investments would have an impact on reserves of £697,000 (2015: £705,000).

25. Fair values and risk management (continued)

25.1.1.2 Held for trading assets and liabilities
The Group's exposure to market risk on its held for trading positions is monitored daily and reported to the appropriate Directors and senior management. Positions are monitored against limits set down by the Risk Committee. Any breaches of the limits are notified immediately to the Compliance Director.

A 10% increase/decrease in equity prices of trading assets and liabilities would increase/decrease profit in the consolidated income statement by £7,000 (2015: £10,000).

25.1.1.3 Investment Management Services fees
A 10% increase/decrease in equity prices would increase/decrease profit on investment management fees in the consolidated income statement by £4.0 million (2015: £3.9 million).

25.1.2 Foreign exchange risk

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

Net assets	**2016 £000**	2015 £000
Euros	**190**	195
US dollars	**619**	490
Other currencies	**31**	391
	840	1,076

The Group's activities are primarily denominated 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 2016 these totalled £21,937 (2015: £23,629).

25.1.3 Interest rate risk

The Group has interest-bearing assets, principally in cash and cash deposits and available for sale financial assets, and liabilities including loan notes accruing interest at fixed rates. The Group views such exposure to interest rate fluctuations as immaterial. If interest rates had been 200 basis points higher, profit for the year would have been £1,103,000 higher (2015: £571,060). If interest rates had been 200 basis points lower, profit for the year would have been £135,000 lower (2015: £110,000).

25.2 Credit risk

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

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

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

25. Fair values and risk management (continued)

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

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

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

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

Cash and cash equivalents are held with regulated financial institutions with investment grade credit rating. The list of approved banks is reviewed at least annually by the Treasury Committee. The Group has no concerns over the credit quality of these institutions.

The following table of financial assets analyses amounts by ageing:

As at 31 March 2016		Past due but not impaired				
	Neither due nor 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	59,532	102,014	20	–	–	161,566
Cash and cash equivalents	48,095	–	–	–	–	48,095
As at 31 March 2015						
Trade and other receivables	254,706	6,630	799	421	75	262,631
Cash and cash equivalents	28,453	–	–	–	–	28,453

Excluded from the above are assets of £310,759 (2015: £339,300) for which provision of £310,759 has been made (2015: £339,300).

25.3 Liquidity risk

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

The Group maintains a mixture of cash and cash equivalents that is designed to meet the Group's operational and trading activities. The Group does not use the wholesale markets for any funding and is confident that it has sufficient liquidity for the foreseeable future. At 31 March 2016 the Group had £48.1 million in bank accounts and accordingly a high degree of liquidity.

25. Fair values and risk management (continued)

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

The Treasury Committee operates within strict policies and procedures approved by the Board, which include strict controls on the use of financial instruments in managing the Group's risk. It is the Group's policy to hold cash resources to meet obligations as and when they fall due.

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

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

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

25.3.1 Capital risk management

The Group is required to maintain an 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 Group's internal risk appetite is to maintain capital levels of at least 125% of the regulatory capital requirement. The regulatory capital resources for the Group are as follows:

Tier 1	2016 £000	2015 £000
Total tier 1 capital resources	**56,963**	37,730
FCA capital requirement	**37,710**	35,292
Capital adequacy ratio	**151%**	107%

25. Fair values and risk management (continued)

25.3.2 Fair value of financial instruments

25.3.2.1 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	Note	Held for trading £000	Loans and receivables £000	Available for sale £000	Other financial liabilities £000	Total £000
As at 31 March 2016						
Financial assets measured at fair value – available for sale investments	18	–	–	**6,969**	–	**6,969**
Financial assets at fair value through profit and loss – listed investments	20	**72**	–	–	–	**72**
Total		**72**	–	**6,969**	–	**7,041**
Financial assets not measured at fair value						
Trade and other receivables	19	–	**165,299**	–	–	**165,299**
Cash and cash equivalents	21	–	**48,095**	–	–	**48,095**
Total		–	**213,394**	–	–	**213,394**
Financial liabilities not measured at fair value						
Borrowings	23	–	–	–	–	–
Trade and other payables	24	–	–	–	**164,935**	**164,935**
Total		–	–	–	**164,935**	**164,935**

Fair value	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
As at 31 March 2016					
Financial assets measured at fair value – available for sale investments	18	**3,760**	–	**3,209**	**6,969**
Financial assets at fair value through profit and loss – listed investments	20	**72**	–	–	**72**
Total		**3,832**	–	**3,209**	**7,041**

25. Fair values and risk management (continued)

Carrying amount	Note	Held for trading £000	Loans and receivables £000	Available for sale £000	Other financial liabilities £000	Total £000
As at 31 March 2015						
Financial assets measured at fair value – available for sale investments	16	–	–	7,054	–	7,054
Financial assets at fair value through profit and loss – listed investments		100	–	–	–	100
Financial assets at fair value through profit and loss – deferred consideration		–	450	–	–	450
Total		100	450	7,054	–	7,604
Financial assets not measured at fair value						
Trade and other receivables		–	262,181	–	–	262,181
Cash and cash equivalents		–	28,453	–	–	28,453
Total		–	290,634	–	–	290,634
Financial liabilities measured at fair value						
Contingent consideration		–	–	–	40	40
Total		–	–	–	40	40
Financial liabilities not measured at fair value						
Borrowings	18	–	–	–	1,974	1,974
Trade and other payables		–	–	–	265,792	265,792
Total		–	–	–	267,766	267,766

Fair value	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
As at 31 March 2015					
Financial assets measured at fair value – available for sale investments	16	3,785	–	3,269	7,054
Financial assets at fair value through profit and loss – listed investments		100	–	–	100
Financial assets at fair value through profit and loss – deferred consideration		–	–	450	450
Total		3,885	–	3,719	7,604
Financial liabilities measured at fair value					
Contingent consideration		–	–	40	40
Total		–	–	40	40

25. Fair values and risk management (continued)

25.3.2.2 Measurement of fair values
i) Valuation techniques and significant unobservable inputs
Financial instruments measured at fair value
The table below analyses recurring fair value measurements for financial assets.

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

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

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

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

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

There were no transfers between any of the levels of the fair value hierarchy during the year ended 31 March 2016.

ii) Level 3 fair values
Details of the determination of Level 3 fair value measurements are set out below:

	Equity securities available for sale £000
Balance at 1 April 2015	3,269
Total unrealised gains and losses for the period included in profit or loss	
Impairment	(60)
Balance at 31 March 2016	**3,209**

25. Fair values and risk management (continued)

The Group has an established control framework with respect to the measurement of fair values. If one or more significant inputs are not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value the financial instruments grouped under level 3 include discounting future cash flows and calculating the dividend yield. All valuations performed are presented to the Group Executive Directors for final approval. Significant valuation issues are reported to the Group Audit Committee.

25.3.3 Equity securities – available for sale

The level 3 balance comprises amounts relating to holdings in unlisted investments. At 31 March 2016 these unlisted investments had a fair value of £3.2 million (31 March 2015: £3.3 million). Included within this balance is the Group's holding of 6,030 Euroclear plc shares with a fair value of £3.1 million (31 March 2015: £3.1 million).

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

For the Euroclear investment a 1% increase/decrease in the expected dividend yield would increase/decrease other comprehensive income in the consolidated statement of changes in equity by £20,000 (31 March 2015: £20,000).

26. List of subsidiaries

The percentage of issued capital of Group undertakings held is:

Name of company	Activity	Note	Country of incorporation	Ordinary shares
Alpha Trustees Limited	Dormant		England & Wales	100%
Charles Stanley & Co. Limited	Investment managers	1, 2	England & Wales	100%
Charles Stanley (Trustees) Limited	Nominee company		England & Wales	100%
Charles Stanley Financial Solutions Limited	Financial Intermediary	2, 5	England & Wales	100%
Charles Stanley Pan Asset Capital Management Limited	Investment managers	2	England & Wales	100%
EBS Management Plc	Pension Fund Administrator	2	England & Wales	100%
EBS Pensioneer Trustees Limited	Pensioneer Trustee Services		England & Wales	100%
EBS Self-Administered Personal Pension Plan Trustees Limited	Pensioneer Trustee Services		England & Wales	100%
Exempt Nominees Limited	Nominee company	3	England & Wales	100%
Garrison Investment Analysis Limited	Financial Intermediary	2	England & Wales	100%
Gryphon Investments Limited	Investment company		England & Wales	98%
Jobson James Financial Services Limited	Dormant	2	England & Wales	100%
Rock (Nominees) Limited	Nominee company	3	England & Wales	100%
Sutherlands Group Limited	Holding company		Scotland	100%
Sutherlands Research Limited	Dormant	4	Scotland	89%

Notes
1 Member of The London Stock Exchange and the London International Financial Futures and Options Exchange
2 Regulated by The Financial Conduct Authority
3 Shares held by Charles Stanley & Co. Limited
4 Shares held by Sutherlands Group Limited
5 Charles Stanley Financial Solutions Limited was disposed of on 1 April 2016

27. Involvement with unconsolidated structured entities

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

The net assets of each fund are detailed below:

	2016 £m	2015 £m
FP Matterley Regular High Income Fund	63.4	69.9
FP Matterley Equity Fund	10.1	10.7
FP Matterley International Growth Fund	–	19.8
FP Matterley UK & International Growth Fund	99.4	100.1
FP Matterley Undervalued Fund	0.1	–
PanDYNAMIC Defensive	5.8	7.0
PanDYNAMIC Balanced	18.8	21.4
The MOTIM Fund	11.3	12.2
The Helm Investment Fund	7.0	12.8
Total	215.9	253.9

Included in the consolidated statement of financial position is accrued income of £0.48 million (2015: £0.48 million) relating to fees recognised which have not yet been received. These represent the Group's maximum exposure to loss in the funds.

The following table presents the Group's total income from unconsolidated structured entities in the income statement for the year ended 31 March 2016:

	2016 £m	2015 £m
FP Matterley Regular High Income Fund	585	564
FP Matterley Equity Fund	98	80
FP Matterley International Growth Fund	54	142
FP Matterley UK & International Growth Fund	1,111	925
FP Matterley Undervalued Fund	–	512
FP Matterley Bond Fund	10	–
The MOTIM Fund	60	55
The Helm Investment Fund	26	54
Total	1,944	2,332

All the above income relates to the annual management charge.

28. Reconciliation of net profit to cash generated from operations

	2016 £000	2015 £000
(Loss)/profit before tax	(272)	(6,075)
Adjustments for:		
Depreciation	2,896	3,150
Amortisation and impairment of assets	3,707	11,108
Share-based payments – value of employee services	199	50
Retirement benefit scheme	(480)	204
Dividend income	(152)	(132)
Interest income	(136)	(110)
Interest expense	36	75
Profit on disposal of available for sale financial assets	–	(75)
Loss on disposal of property, plant and equipment	131	178
Profit on disposal of Fund asset	–	(750)
Profit on disposal of business	(99)	–
Changes in working capital:		
Decrease in financial assets at fair value through profit or loss	28	17
Increase/(decrease) in receivables	103,357	(54,960)
(Decrease)/increase in payables	(100,549)	48,268
Net cash inflow from operations	8,666	948

29. Operating leases

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

	2016 £000	2015 £000
Not later than one year	4,976	2,772
Later than one but not later than five years	14,170	5,313
Later than five years	6,798	1,219
	25,944	9,304

30. Contingent liabilities

Clients have taken legal action against the Group in relation to a member of staff misappropriating monies. The Group is in discussions with the clients on compensation claims. There is no direct liability to the Group as any compensation payable will be recovered from the Group's civil liability insurance policy.

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

31. Commitments

At 31 March 2016, capital expenditure authorised and contracted for, but not provided in the financial statements, amounted to nil (2015: nil).

32. Post balance sheet events

The group completed the sale of Charles Stanley Financial Solutions Limited to CS Financial Solutions Holdings Limited representing the management team for a total consideration of £2.0 million on 1 April 2016. The consideration is to be satisfied by the payment of £1.5 million in cash and £0.5 million in loan notes repayable in equal instalments over three years on the anniversary of the completion date.

The Group has an investment and a loan in Runpath Group Limited (previously known as Masterlist) held as available for sale assets and non-current receivables. As at 31 March 2016 the carrying value of the investment, comprising 119,154 ordinary shares, was £nil and the loan was £250,000. These had previously been impaired from their initial cost of £500,000 each. On 8 June 2016 the Group entered into an agreement to convert the loan in full into a further 119,154 ordinary shares and sell 25% of its enlarged holding for £290,000 net of expenses. An option has been granted to the purchaser of the shares to buy the balance up to June 2018. It is anticipated that the transaction will lead to both a realised profit on the sale of the ordinary shares and unrealised gain on revaluation of the loan note back to par immediately prior to conversion, and the ordinary shares to reflect the value now attributed to Runpath.

33. Key management compensation

The compensation paid to key management is detailed on page 80. Key management has been determined as the Directors of Charles Stanley & Co. Limited – the main trading subsidiary within the Group.

	2016 £000	2015 £000
Salaries and short-term employee benefits	**1,695**	3,713
Post-employment benefits	**262**	129
Share-based payments	**–**	8
Social Security costs	**246**	570
	2,203	4,420

34. Reporting entity

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

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

35. Functional and presentation currency

These consolidated financial statements and the Parent Company financial statements are presented in GBP which is the Group's functional currency. All financial information presented in GBP has been rounded to the nearest thousand unless otherwise indicated.

36. Use of judgements and estimates

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

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

36.1 Intangible assets and goodwill
For the purposes of impairment testing, the Company and the Group value goodwill and client relationships based on the valuation of individual units making up the relevant intangible asset in accordance with the accounting policy set out in note 1. These fair value calculations require the use of assumptions which are set out in more detail in note 18.

During the period the Group assessed the recoverable amount of the Charles Stanley Financial Solutions business and as a result impairment charges of £405,000 were recognised.

The recoverable amount of the Charles Stanley Direct goodwill was assessed based on the projected revenue and profitability. Two of the three different revenue streams are forecast to decline over the next two to three years, while the third stream (direct-to-client) is forecast to continue to grow Assets under Administration and client accounts. The recoverable amount of the Charles Stanley Direct goodwill was determined to be higher than the carrying amount and no impairment charge has been recognised.

The impairment charges were allocated fully to goodwill and are included in impairment of intangible assets and investments in the consolidated income statement. For further details on these impairments refer to note 15.

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

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

The valuation performed as at 31 March 2016 resulted in a decrease in the actuarial deficit of £3.0 million which has been reflected in these financial statements.

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

During the year, the value of the investment and loan in Masterlist was reviewed based on the net asset value of the operating entity.

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

Parent Company statement of financial position
As at 31 March 2016

Assets	Notes	2016 £000	2015 £000
Intangible assets	37	**12,168**	12,874
Net deferred tax assets	38	**11**	56
Available for sale financial assets	39	**1,451**	1,550
Trade and other receivables	42	**–**	–
Investments in subsidiaries	40	**39,414**	39,321
Non-current assets		**53,044**	53,801
Trade and other receivables	42	**1,531**	1,294
Assets held for sale	41	**716**	716
Cash and cash equivalents	43	**355**	366
Current assets		**2,602**	2,376
Total assets		**55,646**	56,177
Equity			
Share capital	22	**12,669**	11,490
Share premium	22	**4,402**	4,139
Revaluation reserve		**190**	281
Merger relief reserve		**15,167**	–
Retained earnings		**8,229**	11,022
Total equity		**40,657**	26,932
Trade and other payables	44	**14,662**	29,245
Current tax liabilities		**327**	–
Current liabilities		**14,989**	29,245
Total liabilities		**14,989**	29,245
Total equity and liabilities		**55,646**	56,177

Approved by the Board on 16 June 2016 and signed on its behalf by:

Company registration number 48796 (England and Wales)

Paul Abberley (Director)   Ben Money-Coutts (Director)

The notes on pages 151 to 156 are an integral part of these Parent Company financial statements.

Parent Company statement of changes in equity

Year ended 31 March 2016

	Share capital £000	Share premium £000	Revaluation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000
1 April 2014	11,314	2,597	209	–	14,738	28,858
Profit for the year	–	–	–	–	1,827	1,827
Other comprehensive income:						
Gains and losses on available for sale financial assets	–	–	90	–	–	90
Deferred tax on available for sale financial assets	–	–	(18)	–	–	(18)
Total other comprehensive income for the year	–	–	72	–	–	72
Total comprehensive income for the year	–	–	72	–	1,827	1,899
Dividends paid to equity shareholders	–	–	–	–	(5,593)	(5,593)
Share options – value of employee services	–	–	–	–	50	50
Share options – issue of shares	176	1,542	–	–	–	1,718
31 March 2015	**11,490**	**4,139**	**281**	**–**	**11,022**	**26,932**
Profit for the year	**–**	**–**	**–**	**–**	**(1,236)**	**(1,236)**
Other comprehensive income:						
Gains and losses on available for sale financial assets	**–**	**–**	**(123)**	**–**	**–**	**(123)**
Deferred tax on available for sale financial assets	**–**	**–**	**32**	**–**	**–**	**32**
Total other comprehensive income for the year	**–**	**–**	**(91)**	**–**	**–**	**(91)**
Total comprehensive income for the year	**–**	**–**	**(91)**	**–**	**(1,236)**	**(1,327)**
Dividends paid to equity shareholders	**–**	**–**	**–**	**–**	**(1,754)**	**(1,754)**
Share options – value of employee services	**2**	**12**	**–**	**–**	**197**	**211**
Share options – issue of shares	**1,177**	**251**	**–**	**15,167**	**–**	**16,595**
31 March 2016	**12,669**	**4,402**	**190**	**15,167**	**8,229**	**40,657**

The notes on pages 151 to 156 are an integral part of these Parent Company financial statements.

Parent Company statement of cash flows
Year ended 31 March 2016

	Notes	2016 £000	2015 £000
Cash flows from operating activities			
Cash generated from operations	45	**(14,248)**	5,528
Interest received		**2**	2
Net cash from operating activities		**(14,246)**	5,530
Cash flow from investing activities			
Purchase of intangible assets		**(664)**	(1,616)
Proceeds from sale of available for sale financial assets		**258**	309
Purchase of available for sale financial assets	39	**(246)**	(355)
Dividends received		**32**	33
Net cash used in investing activities		**(620)**	(1,629)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**16,609**	1,718
Dividends paid to shareholders	7	**(1,754)**	(5,593)
Net cash used in financing activities		**14,855**	(3,875)
Net increase in cash and cash equivalents		(11)	26
Cash and cash equivalents at start of year		**366**	340
Cash and cash equivalents at end of year	43	**355**	366

The notes on pages 151 to 156 are an integral part of these Parent Company financial statements.

Notes to the Parent Company financial statements

Year ended 31 March 2016

37. Intangible assets and goodwill

Cost	Goodwill £000	Customer relationships £000	Total £000
1 April 2014	10,027	17,497	27,524
Acquisitions during the year	–	1,616	1,616
31 March 2015	**10,027**	**19,113**	**29,140**
Acquisitions during the year	**–**	**664**	**664**
31 March 2016	**10,027**	**19,777**	**29,804**
Amortisation			
1 April 2014	–	11,421	11,421
Impairment during the year	2,511	800	3,311
Amortisation during the year	–	1,534	1,534
31 March 2015	**2,511**	**13,755**	**16,266**
Amortisation during the year	**–**	**1,370**	**1,370**
31 March 2016	**2,511**	**15,125**	**17,636**
Net book value			
31 March 2016	**7,516**	**4,652**	**12,168**
31 March 2015	7,516	5,358	12,874
31 March 2014	10,027	6,076	16,103

Details of the annual impairment assessment can be found in note 15.

38. Deferred tax assets

Revaluation	2016 £000	2015 £000
1 April 2015	**56**	323
Revaluation of available for sale financial assets	**32**	(18)
Other timing differences	**(77)**	(249)
31 March 2016	**11**	56

Deferred tax assets and liabilities are calculated using an effective tax rate of 18% (2015: 20%).

39. Available for sale financial assets

Fair value	Listed investments	Unlisted investments	Total
1 April 2014	1,307	59	1,366
Additions	355	–	355
Disposals	(261)	–	(261)
Revaluation in year	90	–	90
31 March 2015	**1,491**	**59**	**1,550**
Additions	**246**	**–**	**246**
Disposals	**(163)**	**(59)**	**(222)**
Revaluation in year	**(123)**	**–**	**(123)**
31 March 2016	**1,451**	**–**	**1,451**

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

Unlisted investments comprised the Sutherlands EDI investment which was disposed of during the year, resulting in a nil balance carried forward at the balance sheet date.

40. Investments in subsidiaries

Cost	Total £000
1 April 2014	53,516
Share options	42
Transfer to held for sale	(716)
31 March 2015	**52,842**
Share options	**132**
31 March 2016	**52,974**
Impairment	
1 April 2014	13,173
Charge for the year	348
31 March 2015	**13,521**
Charge for the year	**39**
31 March 2016	**13,560**
Net book value	
31 March 2016	**39,414**
31 March 2015	39,321
31 March 2014	40,343

41. Disposal group held for sale

The Group completed the disposal of Charles Stanley Financial Solutions Limited to its management team on 1 April 2016. Accordingly, the assets and liabilities of Charles Stanley Financial Solutions Limited have been presented on the consolidated statement of financial position as held for sale. Refer to note 32 of the financial statements.

Charles Stanley Financial Solutions Limited has been presented as a disposal group held for sale.

At 31 March, the disposal group was stated at fair value less cost to sell and comprised the following assets and liabilities:

	2016 £000	2015 £000
Investment in subsidiaries	**716**	716
Assets held for sale	**716**	716

42. Trade and other receivables

	2016 £000	2015 £000
Current		
Amounts due from Group undertakings	**1,527**	1,290
Other debtors	**4**	4
	1,531	1,294

43. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	**355**	366

44. Trade and other payables

Current	2016 £000	2015 £000
Trade and other payables	**14,396**	28,930
Other payables	**263**	301
Accruals and deferred income	**3**	14
	14,662	29,245

45. Reconciliation of net profit to net cash generated from operations

	2016 £000	2015 £000
(Loss)/profit before tax	**(1,502)**	1,413
Adjustments for:		
Amortisation of intangible assets	**1,370**	1,534
Impairment of intangible assets	**–**	3,311
Dividend income	**(32)**	(33)
Interest income	**(2)**	(2)
Profit on disposal of available for sale financial assets	**(36)**	(48)
Changes in working capital:		
Decrease in receivables	**467**	262
Decrease in payables	**(14,513)**	(909)
Net cash inflow from operations	**(14,248)**	5,528

46. Related party transactions

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

The financial statements of the Parent Company include amounts attributable to subsidiaries. These amounts have been disclosed in aggregate in the relevant notes to the financial statements and in detail in the following table:

	Amounts owed by related parties		Amounts owed to related parties	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Charles Stanley Financial Solutions Limited	**–**	–	**–**	250
Charles Stanley & Co. Limited	**–**	–	**13,835**	28,119
EBS Management PLC	**190**	190	**–**	–
EBS Pensioneer Trustees Limited	**–**	–	**2**	2
Gryphon Investments PLC	**–**	–	**294**	294
Sutherlands Group Limited	**–**	–	**265**	265
Garrison Investment Analysis Limited	**1,337**	1,100	**–**	–
	1,527	1,290	**14,396**	28,930

The only effect of related party transactions on the income statement was in respect of dividends and a share issue.

The Parent Company issued shares of £16.6 million in April 2015.

The Parent Company received dividends totalling £nil (2015: £4.0 million) from Charles Stanley & Co. Limited and £200,000 (2015: £400,000) from Garrison Investment Analysis Limited.

The Parent Company received a management charge from Charles Stanley & Co. Limited of £nil (2015: £2.1 million) during the year.

Five year record

2012–2016

Income statement year ended 31 March	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Continuing operations					
Revenue	**138,650**	144,264	137,894	123,108	115,671
Administrative expenses	**(139,294)**	(141,875)	(134,856)	(112,977)	(105,822)
Impairment of intangible assets and investments	**(465)**	(8,277)	–	(380)	(151)
Other income	**153**	132	140	82	89
Operating (loss)/profit	**(956)**	(5,756)	3,178	9,833	9,787
Gain on sale of business	**299**	1,200	–	–	–
Finance income	**69**	185	484	446	483
Finance costs	**(99)**	(75)	(85)	(44)	(68)
Net finance income	**(30)**	110	399	402	415
(Loss)/profit before tax	**(687)**	(4,446)	3,577	10,235	10,202
Tax expense	**47**	(413)	(784)	(2,601)	(3,001)
(Loss)/profit from continuing operations	**(640)**	(4,859)	2,793	7,634	7,201
Discontinued operations					
Profit/(loss) from discontinued operations	**333**	(1,287)	1,965	(881)	(1,274)
(Loss)/profit for the year attributable to equity shareholders	**(307)**	(6,146)	4,758	6,753	5,927
Earnings per share					
Basic	**(0.61p)**	(13.46p)	10.42p	14.87p	13.08p
Diluted	**(0.61p)**	(13.46p)	10.42p	14.87p	13.08p
Earnings per share continuing operations					
Basic	**(1.27p)**	(10.64p)	6.12p	16.81p	15.89p
Diluted	**(1.27p)**	(10.64p)	6.12p	16.81p	15.89p

Financial calendar

16 June 2016	Results announcement
23 June 2016	Ex-dividend date for final dividend
24 June 2016	Record date for final dividend
29 July 2016	Annual General Meeting
5 August 2016	Final dividend paid

Glossary

Abbreviation	Definition
AGM	Annual General Meeting
App	An Application downloadable by a user to a mobile device
CF30	A controlled function regulated by the Financial Conduct Authority applicable to all employees providing advisory services to clients
CGU	Cash Generating Unit
CISI	Chartered Institute for Securities & Investment
CMI	The Continuous Mortality Investigation that carries out research into mortality and morbidity experience and produces table widely used by actuaries
Company or Parent Company	Charles Stanley Group PLC
Companies Act	UK Companies Act 2006
CPD	Continuing Professional Development
CPI	Consumer Price Index
CREST	The settlement system used by the London Stock Exchange for settling all its transactions
CRO	Chief Risk Officer
CSC	Charles Stanley & Co Limited, the Group's main operating subsidiary
CSR	Corporate Social Responsibility
EPS	Earnings per share
ERM	Enterprise Risk Management
FCA	UK Financial Conduct Authority
FCA APER	Statements of Principle and Code of Practice for Approved Persons issued by the Financial Conduct Authority
FIT	FIT Remuneration Consultants LLP
FP (Matterley)	Authorised Corporate Directors of the Matterley Undervalued Assets Fund
FRC	UK Financial Reporting Council
FSCS	Financial Services Compensation Scheme
FuM	Funds under Management
FuMA	Funds under Management and Administration
Group	Charles Stanley Group PLC and its controlled entities
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process

Abbreviation	Definition
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IHT	Inheritance Tax Team
IMS	Investment Management Services
ISA	Individual Savings Account
IT	Information Technology
LIFFE	London International Financial Futures Exchange
LR	Listing Rules
MEC	Market Exposure Committee
MLRO	Money Laundering Reporting Officer
OCI	Other Comprehensive Income
OEIC	Open-ended Investment Company
ONS	Office for National Statistics
PBT	Profit before tax
PSP	Performance Share Plan
RAS	Risk Appetite Statement
RDR	Retail Distribution Review
RPI	Retail Price Index
S2PxA	Standard table used by actuaries for mortality assumptions
SAYE	Save as You Earn
SIP	Share Incentive Plan
SIPP	Self-invested Personal Pension; a pension plan which enables the holder to choose and manage the investments made
SPS	Statement of Professional Standing
VAT	Value Added Tax, which is a type of consumption tax that is placed on a product whenever value is added at a stage of production and at final stage
VCT	Venture Capital Trust
WMA	Wealth Management Association

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CHARLES STANLEY

Focusing on you