Charles Stanley
GROUP PLC

Annual Report and Accounts 2005

Financial Highlights

- Turnover up by 14% to £78.0 million (2004: £68.2 million)
- Profit before tax, goodwill amortisation and profit on sale of fixed assets up 26% to £10.2 million (2004: £8.1 million)
- Profit before tax up 27% to £8.4 million (2004: £6.6 million)
- Funds under management up £1 billion to £7.7 billion (2004: £6.7 billion)
- Earnings per share (excluding goodwill amortisation) up 25% to 16.03p (2004: 12.82p)
- Final dividend 4.15p (2004: 3.75p)
- Acquisitions of Tozer Wingate and Sutherlands Group Ltd completed

Contents

Chairman's Statement

I am pleased to announce that the Group's income for the year ended 31 March 2005 rose by 14% to reach a new record of £78.0 million (2004: £68.2 million). Although external fees and charges have continued to rise we have exercised tight management over those costs that lie within our control. In consequence, profit before tax, amortisation and profit on fixed assets rose 26% from £8.1 million to £10.2 million. Profit before tax, but after amortisation and investment gains, was £8.4 million (2004: £6.6 million).

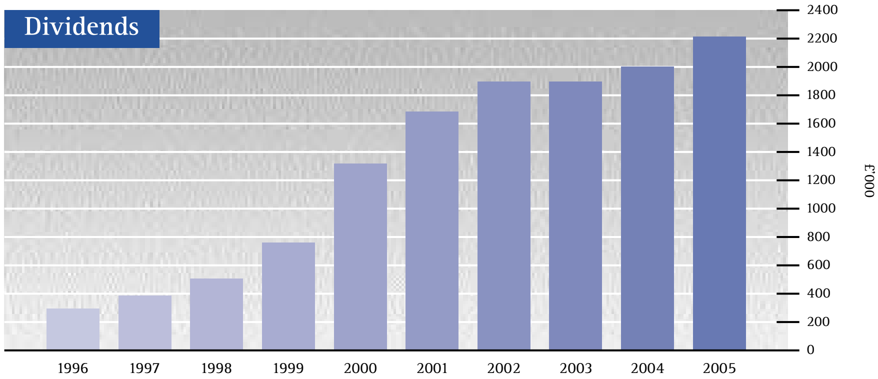
Against a background of reduced UK stock exchange retail trading volumes we continued to build our market share and to increase our average income per transaction. By doing so we have achieved a small increase in total commission income compared with the figure last year. However the significant uplift in our overall revenue came from fee income, which continued to grow - by 36% in the latest year. Fee income across the Group now represents a healthy 38% of our total income, reflecting our long-term policy of increasing the proportion of our revenues derived from this form of income. For the year ended 31 March 2000, by way of comparison, the percentage of fee income to total revenue was only 17%, less than half what we now have achieved.

The investment funds which we manage for clients, or for which we provide fee-charging administrative services, rose during the year to £7.7 billion from £6.7 billion (2004).

Net assets at the year-end rose to £45.5 million (2004: £40.6 million), and our cash balances were also higher at £44.2 million (2004: 34.0 million).

During the year we have pressed forward actively with our strategy of building the Group, both by the introduction of new services and by making carefully-chosen acquisitions. Against the background of indifferent market conditions we believe that our results for the latest year demonstrate the success of this strategy.

In view of these results we propose increasing the final dividend to 4.15p (2004: 3.75p). Taken together with the increase in the interim dividend paid last December the total dividend for the year will thus have risen by 10.5% to 5.25p (2004: 4.75p). The dividend will be paid on 29 July 2005 to shareholders registered on 8 July 2005.



Over the past ten years the compound rate of increase in the dividend has averaged 24% per annum.

Our strategy

The latest year has seen a further dramatic stage in the process of consolidation amongst private client stockbroking companies. By contrast Charles Stanley has developed, over the years, by steadily building its market share both organically and by a process of small but complementary acquisitions. We place considerable emphasis on the skill and resources that we need to select and execute these acquisitions.

With careful planning of improvements to the quality of our service, launches of new products and services, and efficiently executed integration of acquisitions - and above all by paying close attention to the needs of our clients - Charles Stanley has built its position within the small group of large traditional stockbroking companies.

We operate in one of the most heavily regulated industries in the UK, but regulatory costs and pressures have been only part of the story in this process of consolidation. Though our traditions of skill, experience and personal care for the client remain embedded in our culture, the way in which larger traditional stockbroking firms are organised has undergone radical re-structuring. In previous Chairman's Statements I have referred repeatedly to this process of almost continuous change in our industry. Companies that have managed this process successfully - and which continue to do so - are better placed for the future.

Review of the year

The total number of transactions by private clients on the London Stock Exchange fell by 12% in the year ended 31 March 2005 compared with the previous year. Charles Stanley, by contrast, experienced a reduction of about 4% in its private client transactions, and as a consequence our market share of private client business rose from 5.45% to 5.92%. This outperformance reflects our policy of steady acquisition, as well as organic growth. Over the same period we saw a significant increase in the volume of our institutional transactions. The combined effect was to lift our commission income to £47.9 million (2004: £46.1 million).

While we were able to maintain the level of commission income, our fee income grew significantly. From a figure of £22.0 million for 2004, itself a sharp increase on the year before, our fee income rose by a further 36% to £30.0 million. Thus while commission income remains the principal influence on our revenue the proportion arising from less volatile fee-based business continues to grow.

Average costs continue to rise: a proportion is represented by external fees and charges, such as trading and settlement fees, which are unavoidable. But so too is the rise in costs incurred by our programme of continuous improvements in our services to clients. Margins therefore remain under pressure. The profit of £10.2 million, before tax, amortisation and the sale of fixed assets represents a margin of 13% of turnover, compared with 12% for 2004 - still below our target margin level of 15%, but a result which we view as very satisfactory.

In my statement last year I referred to our review which had led to a restructuring of our fee-based investment management service. More precise categorisation of our clients, in line with their investment objectives and requirements, and a more carefully tailored service to meet these requirements, has led to a more focussed charging structure for ongoing investment management. I paid tribute last year to the directors and staff who led and implemented this extensive re-structuring. We have continued to develop this during the past twelve months, with conspicuous success, and to the satisfaction of our clients. Again my thanks are due to all concerned in this exercise.

Our investment management fee income during the year rose to £10.6 million (2004: £7.7 million).

Every year I say a special word about the success of our PEPs and ISAs. Clients' funds which we hold in PEPs and ISAs now comfortably exceed £1 billion. Even though the 10% income tax credit on dividends is no longer reclaimable within PEPs and ISAs, these remain an attractive and efficient medium for investment by many private individuals.

Corporate finance and corporate broking

Our corporate advisory and broking division has enjoyed another excellent year, building considerably on the achievements of last year. A further six corporate clients have been added since the half year, taking our retained client base to 50 companies.

During the year, the team advised on 10 transactions valued at £150 million and, in addition, raised a further £95 million on behalf of clients. Corporate finance fees increased 38%, rising to £5.1 million (2004: £3.7 million).

The institutional broking side also had a good year, with revenues of £8.4 million (2004: £7.6 million).

Pensions, personal and corporate financial planning

The enlarged Pensions, Personal and Corporate Financial Planning Division enjoyed another very successful year, generating revenue of £3.2 million (2004: £1.9 million). EBS, the specialist SIPP and SSAS provider acquired in July 2003 completed its first full year of trading within the Group. As many commentators have observed the countdown to "A" Day will bring significant changes and opportunities in the SIPP market which we believe we will be able to take full advantage of.

I would particularly like to draw shareholders' attention to the launch of our new Self-Invested Pension Plan, the Alpha SIPP. This brings together our capabilities both as a Revenue & Customs-recognised SIPP administrator and as an investment manager. The Alpha SIPP is competitively priced and has been designed to make pension self-investment as simple as possible. We share the widely-held view that SIPPs will play an increasingly important role for individuals planning their financial future.

Acquisitions

In my statement for the half-year to 30 September 2004 I referred to the acquisition of Tozer Wingate, in August last year. This is a benefit consultancy business located close to our significant stockbroking business in Plymouth. Our personal and corporate financial planning business has been steadily expanding in recent years, with a number of complementary acquisitions, both in London and in conjunction with some of our larger branch offices, and Tozer Wingate fits neatly into this pattern.

I also mentioned that we were in talks with Sutherlands Group Ltd and we subsequently completed this acquisition in November 2004. Sutherlands, based in London and Edinburgh has a considerable reputation for its research and dealing in bonds. This is an area which we believe can be expanded within our range of services to both our institutional and private client base.

We announced in February this year that we had entered into non-binding heads of agreement with Rowan Dartington Limited. These talks continue.

We are very pleased to have been joined since the year end by two senior investment managers who will significantly enhance our core discretionary fund management business. We continue to seek out senior talented individuals to build up this aspect of our business, within the attractive cultural environment that we offer at Charles Stanley.

Split Capital Investment Trusts

The long-running saga of split capital investment trusts has moved a little nearer resolution during the year, with the welcome announcement of a compensation fund for investors in certain of these investment trusts. This is funded by a number of firms who played some role in designing, managing or marketing them.

We are not one of the firms that are funding the compensation scheme and we remain of the view that no provision is required.

The Charles Stanley team

This has been another very busy year for all of us at Charles Stanley, and it is pleasing to be rewarded for this with a record income figure. This has been achieved in difficult market conditions, and against a background of a blizzard of directives and new regulations. Many of us in the firm participate in a range of industry activity - in trade associations and working parties, often in close collaboration with our regulators. We have won further awards during the year for the quality of our service. To achieve these results relies so much not just on the skill and experience of our team at Charles Stanley, but on the commitment and dedication of everyone within the team. So, as in previous years, I should like to offer warmest thanks to everyone who has contributed so much to our success.

Shares awards 2004

"Best Discretionary Broker 2004"

INVESTORS CHRONICLE INVESTMENT AWARDS 2004

"Best Dealing-only Stockbroker 2004"

Outlook

Prospects for the current financial year are difficult to assess, with continuing concerns over the economy both at home and in the developed world. There are predictions of rising inflation, conflicting with reports of a downturn in consumer spending. There are mixed messages on the future direction of interest rates, and whether or not growth is slowing. And there is the added uncertainty of political upheaval and economic slowdown in the European Union following the results of the referendums in the Netherlands and France.

There are always uncertainties at this early stage of our year, when I report to shareholders, but this year perhaps more than ever. However the fundamentals of the Group are sound and our increasing reliance on fee-based income makes us less dependant on the unpredictable volatility of Stock Exchange trading volumes. The business is continuing to grow, and unless economic conditions deteriorate I look forward to the year ahead with a degree of optimism.

David HS Howard

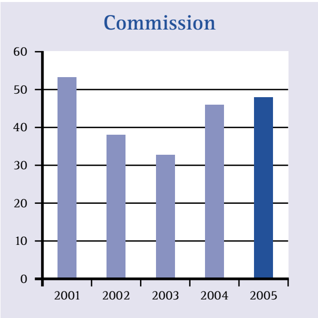
Sir David Howard, Bt.

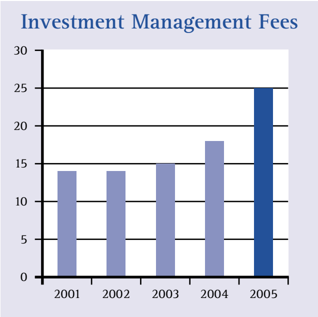
Chairman

9 June 2005

Operating and Financial Review

Charles Stanley Group plc has two trading companies, Charles Stanley & Co. Limited and EBS Management plc. Charles Stanley & Co. Limited provides stockbroking, corporate finance and investment services while EBS Management plc provides specialist pensions advice and administration services. Both operating companies are regulated by the Financial Services Authority. During the year Charles Stanley Group plc acquired the business of Tozer Wingate, a benefit consultancy, and Sutherlands Group Limited, a bond dealer. Both these businesses have been merged into Charles Stanley & Co Limited.





Development and performance during the year

Turnover is shown in note 2 to the accounts on page 37. During 2005 total turnover for the Group increased by 14% from £68 million to £78 million. Excluding turnover on acquisitions the like for like increase for the year was 15% (£66 million to £77 million). Turnover on acquisitions of £1 million relates to Tozer Wingate and Sutherlands Group Limited.

Stockbroking commissions accounted for 61% of turnover (2004: 68%) and increased by 5% on a like for like basis over the year.

Total fee income increased by 36% from £22 million to £30 million. Fees consist of investment management fees of £11 million (2004: £8 million), administration charges of £14 million (2004: £10 million) and corporate finance fees of £5 million (2004: £4 million).

On a like for like basis investment management fees and administration charges have increased by 42%. Funds held in PEPs and ISAs totalled over £1 billion at 31 March 2005.

The Group has continued to grow its financial planning capability and diversify its revenue streams with the acquisition in August 2004 of the benefit consultancy Tozer Wingate.

The Group will continue to extend the range of services offered to clients and aligned with this is the move towards more of a fee based stream of income from discretionary and advisory portfolio clients. We anticipate this will generate additional income streams for the coming year.

Corporate Finance fees have increased by 38% from £3.7 million to £5.1 million.

Total costs have increased by 14% from £63 million to £72 million. Excluding acquisitions the increase was 16%. Staff costs are analysed in note 3 to the accounts on page 37. These have increased by 18% from £22 million to £26 million and represent 36% of our total costs (2004: 35%). Staff numbers have increased by 6% from 459 to 485 due mainly to the acquisitions noted above.

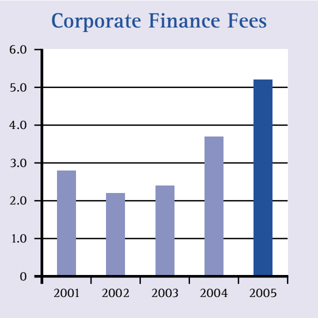
Costs include amortisation of goodwill which has increased from £1.6 million to £2.0 million as a result of acquisitions during the year. The Group amortises goodwill over a period of ten years. Changes in the year are shown in note 10 to the accounts on page 40. Costs also include depreciation which has remained level during the year at £2,279,000 (2004: £2,225,000). Further details are shown in note 11 to the accounts also on page 40.

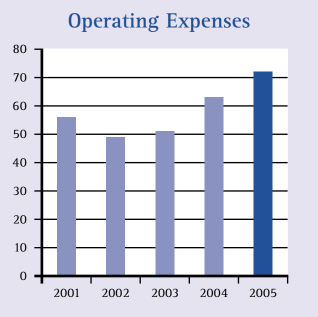
Interest receivable of £1.6 million (2004: £1.1 million) is bank deposit interest earned on the Group's cash balances which stood at £44 million at the year end (2004: £34 million).

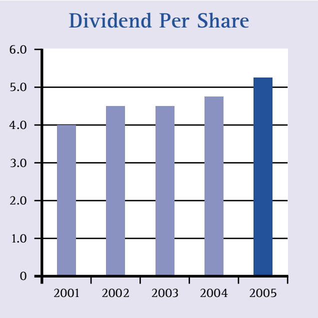
Interest payable is analysed in note 5 on page 38 of the accounts. Interest on other loans relates to acquisitions.

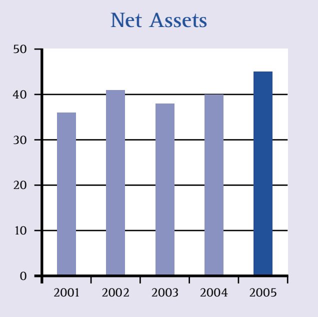
The tax charge of £3.7 million (2004: £2.8 million) is analysed in note 6 on page 38 of the accounts. The current year charge of £3.8 million represents 45% of the Group's profit before tax of £8.4 million (2004: 40% of £6.6 million). The reason why this rate is higher than the corporation tax rate of 30% is explained in the note. Items not allowed for tax purposes include amortisation of goodwill.

As indicated in the Chairman's statement the final dividend for the year is recommended to be increased by 0.40p per share to 4.15p giving a total dividend for the year of 5.25p (2004: 4.75p) at a total cost of £2.2 million (2004: £2.0 million).









Position at end of year

At 31 March 2005 the Group had consolidated net assets of £45 million (2004: £40 million) equivalent to £1.08 per share (2004: £0.96). Cash in hand totalled £44 million (2004: £34 million) reflecting the Group's strategy of maintaining a strong balance sheet and cash position.

Intangible assets have increased to £14 million (2004: £12 million) due to the acquisitions during the year of the business of Tozer Wingate and Sutherlands Group Limited.

Tangible fixed assets have increased over the year - £5.9 million compared to £5.5 million. Additions to fixed assets consist mainly of office and computer equipment relating to new acquisitions and replacing old equipment. During the year the Group sold its freehold property in Norwich.

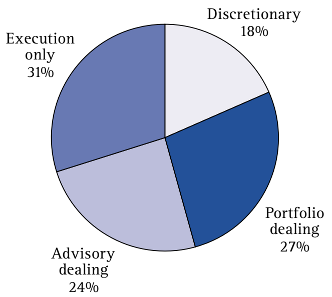
Fixed asset investments include shares in The London Stock Exchange, Euroclear and LIFFE. During the year 242,857 shares in the London Stock Exchange were sold for £1.2 million leaving 400,000 at the year end. Following the takeover of Crest by Euroclear plc the Directors have valued the Group's holding of 6,030 shares at £2.2 million. This reflects the Group's share of net assets discounted for marketability.

During the year operating activities and interest earned generated a cash inflow to the Group of £20 million. After expenditure on tax, dividends, fixed assets and acquisitions there was a net cash inflow of £10 million.

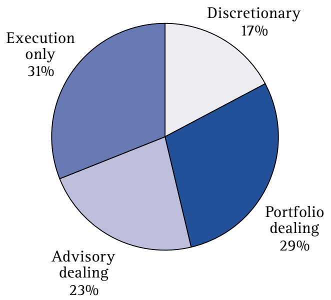
Minority interests decreased by £41,000. This was due to acquisition of preference shares in EBS Management Plc for £77,000 offset by the minority interest in Sutherlands Research Limited.

There has been no change in our capital structure during the year.

Funds under Management 2005



Funds under Management 2004



Funds under management

At the year end funds under management for clients totalled £7.7 billion compared to £6.7 billion at 31 March 2004. We define Funds under Management as funds in respect of which we provide an advisory or discretionary fee-charging management service and/or for which we provide a fee-charging administration service. These funds can be analysed as follows:

	2005 £ billion	2004 £ billion
Discretionary funds under management		
In Group’s nominee or sponsored member	1.4	1.2
Advisory portfolio funds under management		
In Group’s nominee or sponsored member	1.6	1.4
Not held in Group’s nominee	0.5	0.5
	2.1	1.9
Total managed funds	3.5	3.1
Advisory dealing funds		
In Group’s nominee or sponsored member	1.9	1.5
Execution only funds		
In Group’s nominee or sponsored member	2.3	2.1
Total administered funds	4.2	3.6
Total funds under management and administration	7.7	6.7

Resources

As explained above we maintain a strong balance sheet and cash position. Besides our financial strength the Group sees its employees as its most vital resource. Our staff retention rate has been and continues to remain high. This enables us to improve operating efficiency.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through a formal appraisal system, informal meetings with management and the intranet. Employees are consulted regularly on a wide range of matters affecting their current and future interests. The Group's Save As You Earn share option schemes have been running successfully since 1989. In addition employees may receive discretionary bonuses. During the year the Group set up the Charles Stanley Share Incentive Plan and invited all qualifying members of staff to participate. Under this plan members of staff may invest up £250 per month in Charles Stanley Group plc shares.

The Group aims to be an equal opportunities employer and fills vacancies solely in terms of ability, without regard to race, religion, colour, sex or disability. Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Principal risks and uncertainties

The Group's principal operational risk arises from the fact that a significant element of our income is closely linked to Stock Exchange transaction volumes.

Operating risk is constantly monitored by the Board and senior management who have a wealth of experience in the financial services industry.

The Group undertakes limited principal account trading. All trading limits are monitored in accordance with Financial Services Authority regulations and policies determined by the Board.

Financing and interest rate risk

The Group finances its operations primarily out of retained profits.

Foreign currency

The Group has very small transactional currency exposures. We run positions in a variety of currencies, principally the US dollar, to support clients' dealing activities. Policy requires any significant net exposures to be hedged using forward currency contracts as soon as a commitment is made.

Derivative transactions

We do not conduct derivative business on our own account. Client deals have to be transacted by the Group as principal, under the rules of LIFFE, but these are always matching, back to back transactions. In all cases where such transactions place the client or the Group at risk we hold suitable collateral. This normally takes the form of a lien over the customer's assets giving the Group a claim on these assets for both existing and future liabilities.

Treasury policy and capital requirement

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.

Our treasury function seeks to reduce or eliminate financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

It operates within policies and procedures approved by the Board, which include strict controls on the use of financial instruments in managing the Group's risk. We review the credit quality of counterparties and we limit aggregate credit exposures accordingly.

The Group maintains substantially all its cash with the Bank of Scotland, part of HBOS plc, where the vast majority of client cash is also deposited.

While the current level of capital remains well in excess of our regulatory requirements, we are aware of the possible requirement for additional capital as part of the implementation of Basel II and the European Capital Requirements Directive. We play an active role in industry groups which are closely involved in preparing for the Basel II requirements.

Pension arrangements

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

The Group also operates a defined benefit scheme that is now closed to new entrants.
The actuarial valuation carried out at 13 May 2002 in relation to the Group's defined benefit scheme has led us to increase contributions to 25.6% of pensionable pay, less members' contributions. Under FRS 17 the deficit in relation to the final salary scheme as at 31 March 2005 totalled £158,000 as opposed to a projected surplus of £104,000 as at 31 March 2004. Further details are disclosed in note 31 to the accounts on page 51.

Environmental matters

The Group pays close attention to minimising its environmental impact and improving access for disabled people. This is kept under active review. Improvements introduced during the past year include:

- a reduction in electricity usage by programming our computer screens to switch more quickly into energy-efficient standby mode
- programming to save on paper usage by producing more documents electronically
- switching from cathode-ray computer screens to flat screens, which consume less electricity
- the installation of a stair-lift, ramps and toilet facilities for disabled staff and visitors; and
- improvements in our buildings, as we refurbish them, to conserve energy.

Our principal input is electricity, and we use little water and negligible amounts of fuel oil. We do however consume large amounts of paper, but all attempts at re-cycling this have so far proved prohibitively expensive, and would appear to consume more energy than they would save. We continue to keep this under review.

We encourage our staff to use public transport by granting interest-free season ticket loans, and we provide parking space for bicycles. We also provide shower and changing facilities for staff who cycle or run to work. These have recently been upgraded.

During the year we have carried out and paid for environmental improvements to the public areas surrounding our London offices, in conjunction with the local borough Council. Furthermore we maintain a number of award-winning floral displays outside our London offices.

Ethical matters

Our clients specify any ethical preferences that they have, when we construct their investment portfolios or make individual recommendations, and we take care to respect these preferences. We actively support the initiatives of the professional institutes and trade associations of which we are members, in their promotion of ethical conduct, and in response to requests we have contributed to material produced by our regulator, the FSA, which provides a guide to appropriate ethical behaviour. Moreover we have responded actively and supportively to one of this year's themes of the FSA, "Treating the Customer Fairly", which seeks to raise ethical standards across the industry.

International Accounting Standards

We are implementing the changes necessary in order to meet the new requirements following the introduction of International Accounting Standards in 2005. We will present our 2005/06 accounts in a different format but we do not anticipate a significant overall impact on the results.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason we continue to adopt the going concern basis in preparing the Financial Statements.

Peter Hurst
Finance Director

9 June 2005

Directors and Company Information

Charles Stanley Group PLC was incorporated on 16 July 1896. The business had been established on 2 January 1792 and Charles Stanley was first recorded as a member firm of the London Stock Exchange in 1853.

Directors

Sir David Howard, Bt., M.A., D.Sc., F.S.I.(Hon.)
(Chairman and Managing Director)

Sir David is 59. He joined Charles Stanley in 1967. He became Managing Partner in 1971, Managing Director (on incorporation of the partnership) in 1988, and Chairman in 1999. He was Lord Mayor of London in 2000-2001. He has served on Stock Exchange, CREST and LIFFE committees. He is a director of APCIMS (the private client stockbrokers' trade association), the Securities and Investment Institute, and the Financial Services Skills Council and chairs the APCIMS Europe Committee, the Securities and Investment Institute Examinations Board and the Council of City University.

Peter A. Hurst, F.C.A., A.C.I.B., M.S.I.
(Finance Director)

Peter Hurst is 56 and joined Charles Stanley in 1987. He is the main board Director responsible for branches and for finance, information technology and premises. He is a member of the compliance and risk monitoring, e-commerce, marketing, operations and corporate finance approvals committees.

Prior to joining Charles Stanley he had worked in banking for 10 years having been previously in audit practice.

E. Michael Clark, M.S.I.
Michael Clark is 58 and became a member of the Stock Exchange in 1970. He joined Charles Stanley & Co. in 1976, became a partner in 1982 and a Director (on incorporation of the partnership) in 1988. He is responsible for asset management, dealing and research.

Michael R. I. Lilwall, B.Sc., F.S.I. (Dip.)
Michael Lilwall is 47 and joined Charles Stanley as a Director in 1997. He is responsible for the corporate finance division and the financial services division of the Company and takes an active role in business development for the Group.

Previously he was Chief Executive of Shaw & Co. Ltd, whose business was acquired by Charles Stanley in 1997. Prior to that he was a Director of Seymour Pierce Butterfield and Brewin Dolphin & Co. Ltd.

He is a member of the Securities and Investment Institute Editorial Review Panel.

Secretary

Gary Teper, L.L.B.(Hons.), M.Sc., M.S.I.

Company Registration Number

48796 (England and Wales)

Registered Office

25 Luke Street,
London EC2A 4AR

Websites

www.FasTrade.co.uk	—	Internet Trading
www.charles-stanley.co.uk	—	Corporate
www.charlesstanleyplc.co.uk	—	Investor Relations

Registrars

Capita Registrars Plc
Northern House, Woodsome Park, Fenay Bridge,
Huddersfield HD8 0LA

Brokers

Bridgewell Securities Limited
Old Change House, 128 Queen Victoria Street,
London EC4V 4BJ

Bankers

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

Auditors

Saffery Champness
Chartered Accountants
Lion House, Red Lion Street,
London WC1R 4GB

Report of the Directors

The Directors submit their report and financial statements for the year ended 31 March 2005.

Principal activities

The Company and its Group undertakings operate as investment companies and provide stockbroking, corporate finance, investment services and pensions administration.

Results

The Group profit for the year after taxation amounted to £4.7 million.

Dividends

The Directors have declared and now recommend the following dividends in respect of the year ended 31 March 2005:

	2005	2004
Interim dividend paid 15 December 2004 of 1.10p per share (2004: 1.00p)	463,643	421,494
Final dividend proposed of 4.15p (2004: 3.75p)	1,749,380	1,580,602
	£2,213,023	£2,002,096

The final dividend will be posted on 29 July 2005 to shareholders on the Company's register at close of business on 8 July 2005.

Review of the year and future developments

A review of the year and of future developments is set out on pages 3 to 7.

Directors

The Directors named on page 14 served throughout the year. Their biographies are set out on page 14. Sir David Howard retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election by the members.

Other share interests

The Directors are aware of substantial interests in the shares of Charles Stanley Group PLC as follows:

	No. of shares	
	9.6.05	31.3.05
John L.S. Howard	5,153,192	5,153,192
Schroders PLC and its associated companies	4,595,685	4,605,685
Queen Street Securities Limited (a company of which Sir David Howard is a director)	1,675,000	1,675,000
Mrs Caroline P.S. Dore	1,330,000	1,330,000
Robert P.S. Howard	1,272,580	1,272,580

Taxation status

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

Payments to creditors

It is the Group's policy to pay stockbroking creditors on Settlement Day or when stock has been delivered, whichever is later, and to pay suppliers in accordance with their payment terms. Amounts due to suppliers at the balance sheet date represent approximately 20 days' credit based on the total amounts of goods and services invoiced by them during the year.

Charitable and political donations

Charitable donations during the year amounted to £3,910.

No political donations were made during the year.

Auditors

The Company's auditors, Saffery Champness, are willing to continue in office, and a resolution proposing their re-appointment and authorising the Directors to determine their remuneration will be put to the Annual General Meeting.

By Order of the Board
Gary Teper
Secretary
9 June 2005

Directors’ Remuneration Report

The Company is required by the Companies Act 1985 to prepare a Directors' remuneration report for the year ended 31 March 2005 and to put that report to a shareholder vote.
A resolution to approve this report will be proposed at the Annual General Meeting of the Company to be held on 20 July 2005.

The auditors are required to report on the auditable part of the Directors' remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985. The report has, therefore, been divided into separate sections for unaudited and audited information.

Unaudited information

Directors’ remuneration

The pay and benefits for executive Directors are determined by Sir David Howard, Mr E. Michael Clark, Mr Peter A. Hurst and Mr Michael R. I. Lilwall, taking into account individual performance and market conditions.

The basic salaries of the Directors are reviewed annually and when a change of responsibility occurs.

Directors (excluding Sir David Howard) have in the past been entitled to participate in the profit related pay and save as you earn schemes which were open to all employees after a certain period of employment with the Company. The Directors (excluding Sir David Howard) participate in the Charles Stanley Share Incentive Plan which was set up during the year.

In addition, Directors are entitled to certain other benefits such as vehicles, telephones and private health insurance consistent with the industry norm.

Details of entitlements to share options and pension arrangements are disclosed on page 22 of this report.

Policy on Directors' remuneration

It is the policy of the Board that the Directors are remunerated in broadly similar fashion to Group employees generally; that is to say that remuneration consists predominantly of fixed salaries which are reviewed annually by the Board, with the addition of occasional non-formula-linked discretionary bonuses.

In fixing the remuneration packages for current and future financial years the Directors have the following in mind:

- The need to attract, retain and motivate directors of the quality required;
- What comparable companies are paying, taking into account relative performance; and
- Pay and employment conditions elsewhere in the Group.

The Board has given full consideration to Schedule A of the Combined Code on Directors' remuneration in framing its remuneration policy.

In addition to basic salary, the Directors receive other benefits, some of which are performance related. Those that are related to performance are the occasional non-formula-linked discretionary bonuses paid to Directors. Those elements of the Directors' remuneration and benefits that are not related to performance are entitlements to exercise any options granted under the Charles Stanley Save As You Earn Scheme, health insurance, vehicle running costs, telephone expenses and pension entitlements. It is the Board's view that those elements of remuneration and benefits that are profit related are in the case of each of the Directors sufficiently important to incentivise the Director concerned to improve the performance of the Group.

Pensions

Three of the Directors are members of the Group's defined benefits pension scheme which has a normal retirement age of 65. Each Director is entitled to a pension equal to 1/60th of final scheme salary for each year of pensionable service up to a maximum of 40/60ths.

In the event of death in service, a lump sum benefit equal to four times the Director's basic annual salary at the date of death is payable.

The pension arrangements for the Directors ensure that benefits provided are consistent with those provided by other companies in the market place. The expected cost of providing retirement benefits to the Directors is assessed in accordance with the advice of independent qualified actuaries.

One Director has a money purchase scheme. Contributions to this scheme may be taken as salary at the option of the Director.

Share options

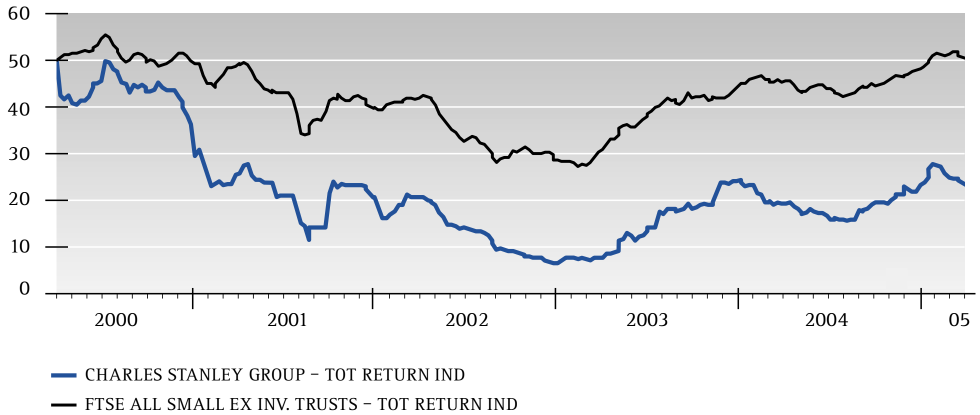
The Company currently does not operate any Executive Option Schemes or Long-term Incentive Plans. All option schemes currently in operation are open to all employees and Directors, except Sir David Howard, once they have met the necessary service requirements.

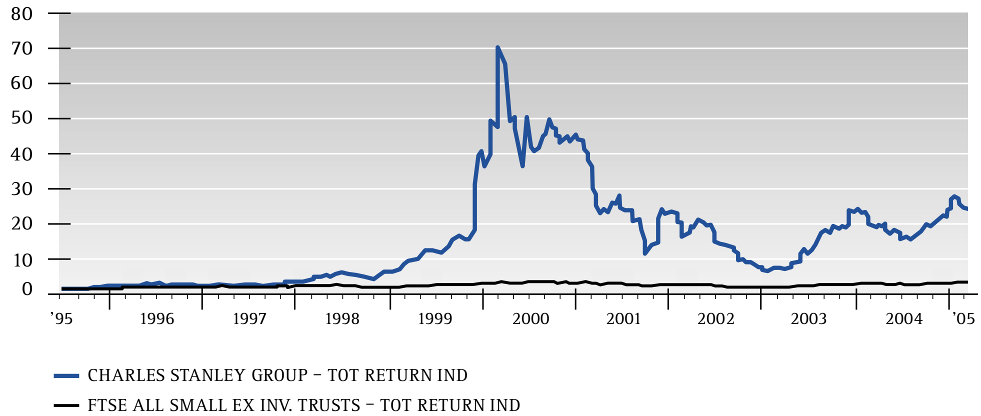
Charles Stanley currently operates two Sharesave Schemes (2001 and 2003). Options are offered at a discount of 20% (2001 Scheme) and 10% (2003 Scheme) to the mid-market closing price on the day prior to the offer and are exercisable for a period of 6 months commencing 5 years after the savings contract commencement date.

In common with similar schemes, the exercise of options under this scheme is not subject to any performance conditions. The Company has taken advantage of the exemption in UITF 17: Employee Share Schemes, in accounting for the Sharesave Schemes.

Performance graphs

The following graphs show the Company's performance over 5 years and 10 years measured by total shareholder return, compared with the performance of the FTSE Small Cap Index, also measured by total shareholder return. This index has been selected as being appropriate in giving a broad equity view and the Company is a constituent of the index.





Directors' contracts

Each of the Directors has a service contract except for Sir David Howard who has no service contract. No Director has a service contract of more than one year's duration except Mr Peter A. Hurst who has a service contract which provides for one year's notice to be given in October of any year.

Audited information

	Fees £	Salary £	Bonus £	Benefits in kind £	Total 2005 £	Total 2004 £
Emoluments						
Sir David Howard						
(Chairman, Managing and highest paid Director)	5,250	251,875	60,350	26,367	343,842	329,731
Peter A. Hurst (Finance Director)	—	208,625	60,350	12,358	281,333	259,110
Michael Clark	—	241,750	60,350	13,114	315,214	300,051
Michael R. I. Lilwall	—	237,180	60,350	10,302	307,832	282,110
	5,250	939,430	241,400	62,141	1,248,221	1,171,002
2004	5,250	871,363	231,000	63,389	1,171,002	

Employee savings related share option schemes

At 1 April 2004 and 31 March 2005

	Period of option	Exercise price	Granted
Peter A. Hurst			
(Finance Director)	January 2003 to January 2008	96p	12,500
Michael Clark	January 2003 to January 2008	96p	12,500
Michael R.I. Lilwall	January 2003 to January 2008	96p	12,500
			37,500

The market price of the ordinary shares at 31 March 2005 was 283p and the range during the year was 184p to 383p.

Pension schemes

Retirement benefits were accruing to three Directors under a defined benefit scheme and one Director under a money purchase scheme. During the year no contributions were made to the money purchase scheme.

At 31 March	2005			2004		
	Accrued pension £	Accrued lump sum £	Transfer value of increase in accrued pension £	Accrued pension £	Accrued lump sum £	Transfer value of increase in accrued pension £
Sir David Howard	69,063	144,983	49,998	63,111	142,000	47,427
Peter A. Hurst	56,073	93,198	27,128	51,333	115,500	27,725
Michael Clark	85,941	151,504	42,139	79,648	179,209	41,541

Related party transactions

The Directors undertake transactions in stocks and shares in the ordinary course of the Group's business for their own accounts. No amounts were owed by the Directors to the Group at 31 March 2005. There were no other material contracts between the Group and Directors.

Directors' interests in ordinary shares

The interests of the Directors in the share capital of Group Companies were:

	Beneficially held			Otherwise held		
	9.6.05	31.3.05	1.4.04	9.6.05	31.3.05	1.4.04
Charles Stanley Group PLC						
Sir David Howard	9,650,000	9,650,000	9,450,000	887,000	887,000	1,295,055
Peter A. Hurst	152,611	152,516	152,436	215,000	215,000	623,055
E. Michael Clark	671,386	668,947	668,867	—	—	—
Michael R.I. Lilwall	53,175	53,080	53,000	—	—	—
Gryphon Investments PLC						
Sir David Howard	15,000	15,000	15,000	—	—	—

Approval

This report was approved by the board of Directors on 9 June 2005 and signed on its behalf by

Gary Teper

Secretary

Corporate Governance

The Directors represent the shareholders' interests in maintaining and growing a successful business, including optimising long-term returns, and are accountable for determining that the Company and its subsidiaries are managed in such a way as to achieve this objective.

The Combined Code on Corporate Governance contains Principles of Good Governance applicable to listed companies and the paragraphs below, together with the Directors' Remuneration Report on pages 19 to 23, describe how these Principles are applied within Charles Stanley Group PLC.

Statement of Directors' Responsibilities
The following statement is made for the purposes of clarifying for members the respective responsibilities of the Directors and the Auditors in the preparation of the financial statements.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the Group's profit or loss for the financial year. In preparing these financial statements, the Directors are required to use appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and confirm that all applicable accounting standards have been followed. The Directors are required to prepare financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board and its committees

The Group has been evolving from a stockbroking partnership, and it continues to have the flat management structure typical of a professional firm. Many senior personnel are involved in the governance of the Group through its two-tier board system and its committees, which have delegated authority to act within carefully defined terms of reference. The Company has no non-executive Directors on the Board (Code provisions A.3.1, A.3.2, A.3.3, A.6.1). The Board recognises the potential value of non-executive Directors, and has in mind to appoint one or more at an appropriate stage in its development, so as to broaden the range of skills and experience available to the Board. At the present time, given the nature of the business, it believes that the current arrangement of a professional, full-time, executive Board, comprising the senior management team in this structure, best promotes the interests of shareholders as a whole.

This senior management team, within this structure of a two-tier Board and committees, is headed by a combined Chairman and “Chief Executive Officer". This does not comply with the Combined Code (A.2.1). In practice each of the four Directors of the Group Board exercises a similar degree of executive authority, there is no “chief executive" as such, and they work closely together as if a team of four “managing partners". While the Chairman presides over this team, and is thus the senior of the executives, the title of “chief executive" is not used, nor would it accurately reflect the way in which the governance of the Company is structured.

The Company has no nomination committee and thus cannot comply with the recommendation that this should comprise non-executive Directors (A.4.1). All appointments to the Board, to subsidiary boards and to committees are made by the Board.

The four Group Directors meet separately to discuss direction and strategy, as well as to consider the half-year and full-year results.

All Group and subsidiary Directors have a good record of attendance at all relevant meetings. During the year all four Group Directors attended every Board meeting. The Articles of Association of Charles Stanley Group PLC require one-third of its Directors to retire by rotation each year. It is the policy of the Company that no Director should serve for more than three years without seeking re-election.

The Board has established a number of committees including in particular the following:

Audit Committee

This committee meets quarterly and comprises three Board Directors and the Company Secretary. It is responsible for monitoring internal controls and ensuring that an objective and professional relationship is maintained with the Group's external auditors.

Compliance Committee

This committee meets monthly and comprises the four Board Directors, compliance officer, the Group financial controller and the head of legal services. Its principal terms of reference are to review compliance with the relevant financial services legislation, adherence to the Group's internal regulations, and the review of individual transactions.

Corporate Finance Approvals Committee

This committee meets as necessary to approve transactions, and quarterly to review the progress of the department. It comprises all four of the Board Directors and the corporate finance managers. It is responsible for ensuring that the Group complies with ongoing obligations in its role as broker and/or nominated adviser.

Dealing Committee

This committee meets monthly and comprises one Board Director, the heads of dealing, IT, compliance, client services and settlement. It is responsible for monitoring dealing and settlement performance and for managing relationships with market makers.

E-Commerce Committee

This committee meets bi-monthly and comprises all four of the Board Directors together with the heads of IT and internet trading. It is responsible for developing and monitoring E-Commerce initiatives and for making recommendations to the Board on E-Commerce strategy.

Finance Committee

This committee meets quarterly and comprises all four of the Board Directors together with the Group's financial controller and company secretary. Its brief is to consider the accounts, review the treasury function and review forecasts and departmental budgets.

Financial Planning Committee

This committee meets monthly and comprises a Board Director together with the heads of the three areas that make up financial planning; namely, private client financial planning, benefit consulting and EBS (Management) Plc. It is responsible for developing the Group’s financial planning capabilities and ensuring that this area of the Group is being properly managed.

Human Resources Committee

This committee meets quarterly and comprises all four of the Board Directors, the head of HR, head of legal services and office manager. It is responsible for considering Group HR and training policy.

Marketing Committee

This committee meets bi-monthly and comprises all four of the Board Directors together with the heads of E-Commerce, client services and the marketing and business development departments. It is responsible for initiating and approving marketing and PR activity as well as reviewing new business opportunities for the whole Group.

Operations Committee

This committee meets monthly. The membership of the committee comprises one Board Director and six non-PLC directors of Charles Stanley & Co Limited, the Group's main trading subsidiary, together with the settlement manager, office manager and systems development manager, finance department manager and heads of legal and HR. This committee provides a formal forum for senior operational managers to raise and resolve general operational issues.

Risk Review Committee

This committee meets quarterly and comprises the Chairman and heads of compliance, finance and legal services. Its role is to consider the issue of risk and to include identified risks into the Group’s risk matrix that it maintains for review by the Board.

Relations with shareholders

The Directors communicate regularly with the Company's institutional shareholders. Shareholders attending the AGM are invited to ask questions and to meet with Directors after the formal proceedings have ended. In its annual and interim reports, result presentations and City announcements generally, the Company endeavours to present an accurate, objective and balanced picture in a style and format which is appropriate for the intended audience. The Company's website (www.charlesstanleyplc.co.uk) provides financial and business information about the Group.

Internal control

The Board has overall responsibility for the Group's system of internal controls, the objectives of which are the safeguarding of the Group's assets, the maintenance of proper accounting records, and the availability of reliable financial information for use within the business and for publication. This system of internal controls is also designed to provide reasonable, albeit not absolute, assurance against material misstatement and to prevent and detect fraud and other irregularities.

The Directors regularly review the effectiveness of the Group's internal control system. There is an ongoing process for identifying, evaluating and managing significant risks which was in place throughout the year. The Group's system of internal control includes appropriate levels of authorisation and segregation of duties. Financial reports are presented to the Board monthly detailing the results, variances against forecast and other performance data.

The results of the ongoing monitoring of compliance, financial and operational controls were reported to the Board which was able to conclude, with reasonable assurance, that appropriate internal control systems had been maintained throughout the year.

Going concern

The Directors have satisfied themselves that the Group has adequate resources to continue in business for the foreseeable future and that it is therefore appropriate for the financial statements for the year ended 31 March 2005 to have been prepared on a going concern basis.

Compliance with the Combined Code

In addition to the Principles of Good Governance the Combined Code also contains a supporting Code of Best Practice. In relation to compliance with the Combined Code it is confirmed that:

The Company does not have any non-executive Directors on the board (A.3.1-3, A.4.1, A.6.1) as it believes that current arrangements best promote the interests of shareholders as a whole.

The Company does not have a nomination committee (A.4.1-6).

The Company does not have a formal remuneration committee (B.2.1-3) but the emoluments of the Directors are the subject of appraisal by the Chairman and the Directors taking into account individual performance and market conditions.

Report of the Independent Auditors to the Members

We have audited the financial statements on pages 30 to 53 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 35 and 36. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, including the Directors' Remuneration Report, and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 24.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement on pages 24 to 27 reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 March 2005 and of the Group's profit for the year then ended, and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Saffery Champness
Chartered Accountants
Registered Auditors
London

9 June 2005

Consolidated Profit and Loss Account

Year ended 31 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Turnover					
Continuing operations		76,987		66,218	
Acquisitions		1,034		1,946	
	2		78,021		68,164
Operating expenses		(67,437)		(58,882)	
Depreciation and amortisation		(4,336)		(3,819)	
			(71,773)		(62,701)
Operating profit/(loss)	4				
Continuing operations		6,365		5,145	
Acquisitions		(117)		318	
			6,248		5,463
Profit on sale of fixed assets – continuing operations			257		74
			6,505		5,537
Income from fixed asset investments			438		—
Interest receivable			1,605		1,100
Interest payable	5		(118)		(55)
Profit on ordinary activities before goodwill amortisation and profit on sale of fixed assets		10,230		8,102	
Goodwill amortisation		(2,057)		(1,594)	
Operating profit and interest before taxation		8,173		6,508	
Profit on sale of fixed assets		257		74	
Profit on ordinary activities before taxation			8,430		6,582
Tax on profit on ordinary activities	6		(3,723)		(2,773)
Profit on ordinary activities after taxation			4,707		3,809
Minority interest			(9)		—
Profit for the year	7		4,698		3,809
Dividends	8		(2,213)		(2,002)
Transfer to reserves	20		2,485		1,807

The notes on pages 35 to 53 form part of these financial statements.

Earnings per Share

Year ended 31 March 2005

	Note	2005 Basic	2005 Diluted	2004 Basic	2004 Diluted
Based on profit for the year	9	11.15p	10.66p	9.04p	8.64p
Excluding goodwill amortisation	9	16.03p	15.32p	12.82p	12.26p
Based on historical cost profit for the year	9	13.68p	13.08p	9.02p	8.62p

Statement of Total Recognised Gains and Losses

	2005 £'000	2004 £'000
Profit for the year	4,698	3,809
Unrealised gains on investments	2,406	579
Total recognised gains and losses	7,104	4,388

Note of Historical Cost Profits and Losses

	2005 £'000	2004 £'000
Reported profit on ordinary activities before taxation	8,430	6,582
Realisation of investment revaluation profit/(loss) of previous years	1,070	(9)
Historical cost profit on ordinary activities before taxation	9,500	6,573
Historical cost profit for the year retained after taxation, minority interests and dividends	3,555	1,798

The notes on pages 35 to 53 form part of these financial statements.

Consolidated Balance Sheet

31 March 2005

	Note	2005		2004	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible	10		13,518		11,846
Tangible	11		5,995		5,493
Investments	12		4,787		3,670
			24,300		21,009
Current assets					
Debtors	13	232,055		171,489	
Listed investments		1,108		908	
Cash at bank and in hand		44,234		33,993	
		277,397		206,390	
Creditors: amounts falling due within one year	14	(254,348)		(185,165)	
Net current assets			23,049		21,225
Total assets less current liabilities			47,349		42,234
Creditors: amounts falling due after more than one year	15		(1,679)		(1,418)
Minority interests	16		(203)		(244)
Net assets			45,467		40,572
Capital and reserves					
Called up share capital	18		10,538		10,537
Share premium account	19		3		—
Revaluation reserve	20		4,089		2,675
Profit and loss account	20		30,837		27,360
Equity shareholders' funds	21		45,467		40,572

Approved by the Board on 9 June 2005

Sir David Howard
Peter Hurst
Directors

The notes on pages 35 to 53 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Net cash inflow from operating activities	22	18,258	13,814
Returns on investments and servicing of finance	23	1,925	1,045
Taxation		(3,489)	(930)
Capital expenditure and financial investment	24	(1,197)	(1,997)
Acquisitions	25	(2,802)	(1,961)
Equity dividends paid		(2,044)	(1,897)
		10,651	8,074
Management of liquid resources		(200)	(586)
Financing			
Issue of share capital	26	4	—
Decrease in debt	26	(214)	(443)
Increase in cash in the year		10,241	7,045
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		10,241	7,045
Cash used to increase liquid resources		200	586
Cash outflow from change in debt and lease financing		214	443
		10,655	8,074
New finance leases		(38)	(620)
New loans		(965)	(300)
Movement in net funds in the year		9,652	7,154
Net funds at 1 April 2004		34,099	26,945
Net funds at 31 March 2005	27	43,751	34,099

The notes on pages 35 to 53 form part of these financial statements.

Company Balance Sheet

31 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Fixed assets					
Intangible	10		8,944		8,084
Tangible	11		2,680		5,493
Investments	12		43,570		36,452
			55,194		50,029
Current assets					
Debtors	13	4		7	
Cash at bank and in hand		329		273	
		333		280	
Creditors: amounts falling due within one year	14	(8,184)		(8,319)	
Net current liabilities			(7,851)		(8,039)
Total assets less current liabilities			47,343		41,990
Creditors: amounts falling due after more than one year	15		(1,679)		(1,418)
Net assets			45,664		40,572
Capital and reserves					
Called up share capital	18		10,538		10,537
Share premium account	19		3		—
Revaluation reserve	20		3,396		(1,885)
Profit and loss account	20		31,727		31,920
Equity shareholders' funds			45,664		40,572

Approved by the Board on 9 June 2005

Sir David Howard
Peter Hurst
Directors

The notes on pages 35 to 53 form part of these financial statements.

Notes to the Financial Statements

1 Accounting Policies

The Group has adopted the following accounting policies which should be read in conjunction with the financial statements set out on pages 30 to 53, which have been prepared under the historical cost convention as modified by the revaluation of investments. The accounts have been prepared in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements combine the financial statements of Charles Stanley Group PLC and all its subsidiaries, drawn up to 31 March. For the purposes of these accounts uniform accounting policies have been followed throughout the Group. No profit and loss account is presented for Charles Stanley Group PLC, as permitted by s.230 of the Companies Act 1985.

Turnover

Turnover comprises stockbroking commission and investment management, corporate finance and pension administration fees.

Dividends are credited to profit and loss account in the year in which they are receivable and are shown exclusive of tax credits.

Stockbroking commission and fees are stated gross but exclude value added tax.

Foreign currencies

Foreign currencies have been translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Intangible fixed assets

Goodwill is capitalised at cost and amortised to the profit and loss account on a straight line basis over its estimated useful economic life of 10 years. Positive goodwill purchased before 1 April 1997 will remain written off against realised reserves.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at cost less accumulated depreciation and any provisions for impairment.

Freehold land is not depreciated. Other tangible fixed assets are depreciated on a straight-line basis at rates sufficient to write off the cost less estimated residual values of individual assets over their estimated useful lives. The depreciation periods of the principal categories of assets are as follows:

Freehold buildings and leasehold properties	up to 50 years
Office equipment and motor vehicles	3 to 10 years

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account using the annuity method. Depreciation on the relevant assets is charged to the profit and loss account. All other leases are "operating leases", and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Fixed asset investments

Listed investments are shown in the financial statements at market value. Unlisted investments and shares in Group undertakings are shown at Directors' valuation, usually based on net asset values. Surpluses and deficits on revaluation are reflected in the revaluation reserve. Permanent impairments in value are written off to profit and loss account. Realised profits and losses, being the difference between net sale proceeds and net carrying amounts, are accounted for in the profit and loss account of the period in which the disposal occurs. Surpluses and deficits recognised on revaluation of those assets in earlier years are dealt with by transfer between reserves.

Current asset investments

Current asset investments are stated at the lower of cost and net realisable value.

Pensions

The cost of providing pension benefits is charged to the profit and loss account over the period of service of employees. Further details are included in note 31.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued, unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Nor is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2 Turnover

Turnover is derived from stockbroking operations in the United Kingdom analysed as follows:

	2005			2004		
	Continuing operations £'000	Acquisitions £'000	Total £'000	Continuing operations £'000	Acquisitions £'000	Total £'000
Commission	47,249	721	47,970	45,195	946	46,141
Investment management fees	10,556	—	10,556	7,714	—	7,714
Administration charges	14,024	313	14,337	9,602	1,000	10,602
Corporate finance fees	5,158	—	5,158	3,707	—	3,707
	76,987	1,034	78,021	66,218	1,946	68,164

3 Particulars of staff

The average number of persons employed (including Directors) during the year was 485 (2004: 459).

	2005 £'000	2004 £'000
Staff costs:		
Wages and salaries	21,401	17,978
Social security costs	2,394	1,965
Other pension costs	2,116	1,872
	25,911	21,815

4 Operating profit

	2005 £'000	2004 £'000
Operating profit is stated after charging:		
Depreciation on owned assets	2,108	1,887
Depreciation on assets held under finance leases	171	338
Goodwill amortisation	2,057	1,594
Auditors' remuneration		
Audit services	101	87
Further assurance services (including "due diligence" work)	27	43
Tax services	36	70
Operating lease rentals	1,210	1,028
Cost of moving Edinburgh office	444	—

5 Interest payable

	2005 £'000	2004 £'000
On bank loans and overdrafts	13	34
Finance lease interest	22	15
On other loans	83	6
	118	55

6 Tax on profit on ordinary activities

	2005 £'000	2004 £'000
Current taxation:		
UK corporation tax at 30% (2004: 30%)	3,777	2,630
Adjustment in respect of prior periods	(54)	143
Total current taxation	3,723	2,773

The tax charge for the year is greater than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	8,430	6,582
Tax at standard rate	2,529	1,975
Effects of:		
Depreciation for the year in excess of capital allowances	156	183
Goodwill amortisation disallowed	281	318
Other items not allowable for tax purposes	338	120
Tax on chargeable gain	284	—
Adjustments in respect of previous periods	(54)	143
Other adjustments	189	34
	1,194	798
Current tax charge for the year	3,723	2,773

No provision has been made for the tax liability of approximately £1,120,000 which would arise if the Group's fixed asset investments were disposed of at their revalued amount.

As at 31 March 2005 there is an unrecognised deferred tax asset, measured at the standard corporation tax rate of 30%, of £290,000 (2004: £240,000). This potential asset relates to the excess of depreciation over capital allowances.

7 Profit for the year

The consolidated profit for the year of £4,698,000 (2004: £3,809,000) includes a profit of £2,020,000 (2004: £2,334,000) which is dealt with in the accounts of the parent undertaking.

8 Dividends

	2005 £'000	2004 £'000
Interim paid of 1.10p per share (2004: 1.00p)	463	421
Proposed final of 4.15p per share (2004: 3.75p)	1,750	1,581
	2,213	2,002

9 Earnings per share

	2005 No.	2004 No.
Basic		
Weighted average number of shares in issue in the year	42,151,469	42,149,378
Diluted		
Weighted average number of options outstanding for the year	1,801,985	1,921,125
Convertible loan stock	129,438	—
Diluted weighted average number of shares in issue in the year	44,082,892	44,070,503
	£'000	£'000
Profit for the year before goodwill	6,755	5,403
Goodwill amortisation	(2,057)	(1,594)
Profit for the year	4,698	3,809
Realisation of investment revaluation gains/(losses) of previous years	1,070	(9)
Historical cost profit for the year	5,768	3,800

10 Intangible fixed assets

	Group £'000	Company £'000
Goodwill		
Cost		
1 April 2004	15,935	11,620
Increase during year	3,729	2,166
31 March 2005	19,664	13,786
Amortisation		
1 April 2004	4,089	3,536
Profit and loss account	2,057	1,306
31 March 2005	6,146	4,842
Net book value		
31 March 2005	13,518	8,944
31 March 2004	11,846	8,084

11 Tangible fixed assets

	Freehold premises £'000	Long leasehold premises £'000	Short leasehold premises £'000	Office equipment and motor vehicles £'000	Total £'000
Group					
Cost					
1 April 2004	372	1,893	2,640	9,038	13,943
Additions	—	—	753	2,207	2,960
Disposals	(187)	—	—	(33)	(220)
	185	1,893	3,393	11,212	16,683
Depreciation					
1 April 2004	35	1,165	1,143	6,107	8,450
Charge for year	7	159	303	1,810	2,279
Disposals	(21)	—	—	(20)	(41)
	21	1,324	1,446	7,897	10,688
Net book value					
31 March 2005	164	569	1,947	3,315	5,995
31 March 2004	337	728	1,497	2,931	5,493

11 Tangible fixed assets (continued)

	Freehold premises £'000	Long leasehold premises £'000	Short leasehold premises £'000	Office equipment and motor vehicles £'000	Total £'000
Company					
Cost					
1 April 2004	372	1,893	2,640	9,038	13,943
Additions	—	—	753	1,903	2,656
Disposals	(187)	—	—	(33)	(220)
Transfer to subsidiary	—	—	—	(10,908)	(10,908)
	185	1,893	3,393	—	5,471
Depreciation					
1 April 2004	35	1,165	1,143	6,107	8,450
Charge for year	7	159	303	1,173	1,642
Disposals	(21)	—	—	(20)	(41)
Transfer to subsidiary	—	—	—	(7,260)	(7,260)
	21	1,324	1,446	—	2,791
Net book value					
31 March 2005	164	569	1,947	—	2,680
31 March 2004	337	728	1,497	2,931	5,493

The net book value of tangible fixed assets includes £362,000 (2004: £547,000) in respect of assets held under finance leases and hire purchase contracts.

Fixed assets include fully depreciated assets costing £4.5 million.

12 Fixed asset investments

	Shares in Group undertakings £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
(a) Group				
1 April 2004				
Cost		696	305	1,001
Revaluation surplus		2,669	—	2,669
Book value		3,365	305	3,670
Additions		98	—	98
Disposals		(1,387)	—	(1,387)
Revaluation in year and amounts written off		345	2,061	2,406
31 March 2005		2,421	2,366	4,787
Cost		394	305	699
Revaluation		2,027	2,061	4,088
(b) Company				
1 April 2004				
Cost	42,354	384	—	42,738
Revaluation deficit	(6,299)	13	—	(6,286)
Book value	36,055	397	—	36,452
Additions	2,653	98	—	2,751
Disposals	(1,000)	(137)	—	(1,137)
Revaluation in year and amounts written off	5,451	53	—	5,504
31 March 2005	43,159	411	—	43,570
Cost	44,007	345	—	44,352
Revaluation	(848)	66	—	(782)

Listed investments include shares in the London Stock Exchange. During the year 242,857 shares were sold for £1.2 million leaving 400,000 shares at 31 March 2005.

Unlisted investments include the Group's holding of 6,030 shares in Euroclear plc. Following the takeover of Crest by Euroclear plc the Directors valued this holding at £2.2 million as at 31 March 2005. This valuation reflects the Group's share of net assets discounted for marketability.

12 Fixed asset investments (continued)

(c) The percentage of issued capital of Group undertakings held is:

Name of company	Activity	Note	Ordinary shares
Gryphon Investments PLC	Investment company		95%
Charles Stanley & Co Limited	Stockbrokers	(1)	100%
Rock (Nominees) Limited	Nominee company	(2)	100%
Exempt Nominees Limited	Nominee company	(2)	100%
Forester MacLean Benefit Consultants Limited	Dormant		100%
Robson Cotterell Limited	Dormant		100%
Roco Nominees Limited	Dormant	(3)	100%
EBS (Management) Plc	Pension Fund Administrator		100%
EBS Pensioneer Trustees Limited	Pensioneer Trustee Services		100%
EBS Self-Administered Personal Pension Plan Trustees Limited	Pensioneer Trustee Services		100%
Sutherlands Group Limited	Holding company		100%
Sutherlands Limited	Agency Stockbrokers	(4)	100%
Sutherlands Research Limited	Research and Analysis	(4)	51%
Sutherlands EBT Trustees Limited	Employee Benefit Trustee	(4)	100%
Alpha Trustees Limited	Dormant		100%

Note

1 Member of The London Stock Exchange and the London International Financial Futures and Options Exchange. Regulated by The Financial Services Authority.

2 Shares held by Charles Stanley & Co Limited.

3 Shares held by Robson Cotterell Limited.

4 Shares held by Sutherlands Group Limited.

13 Debtors

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	229,897	—	170,037	—
Other debtors	630	—	332	7
Prepayments and accrued income	1,528	4	1,120	—
	232,055	4	171,489	7

14 Creditors: amounts falling due within one year

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Trade creditors	788,643	—	623,957	—
Less funds held on behalf of clients in protected bank accounts	(548,817)	—	(450,078)	—
	239,826	—	173,879	—
3% redeemable loan	157	157	300	300
4.5% convertible redeemable loan note	469	469	—	—
4.5% redeemable unsecured loan note	171	171	—	—
Amounts owed to Group undertakings	—	3,152	—	3,849
Obligations under finance leases	194	194	209	209
Corporation tax	2,250	—	2,016	—
Other taxes and social security	2,100	—	1,680	—
Other creditors	3,121	2,218	2,727	2,326
Accruals and deferred income	4,310	73	2,773	54
Proposed dividends	1,750	1,750	1,581	1,581
	254,348	8,184	185,165	8,319

The 3% fixed redeemable loan note 2004 is redeemable on or before 18 July 2004 or on demand.

The 4.5% fixed rate convertible redeemable unsecured loan note 2011 is convertible into fully paid ordinary shares at £2.487 per share. A maximum of 50% of the notes are convertible at any time after 26 November 2005, and the balance at any time after 26 November 2006.

The 4.5% fixed rate redeemable unsecured loan note 2011 is redeemable at any time after 26 April 2005 at the holders' discretion.

15 Creditors: amounts falling due after more than one year

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
4.5% convertible redeemable loan note (note 14)	468	468	—	—
Obligations under finance leases	132	132	293	293
Other creditors	1,079	1,079	1,125	1,125
	1,679	1,679	1,418	1,418

16 Minority interests

	Equity £'000	Non-equity £'000	Total £'000
At 1 April 2004	44	200	244
Acquisition of subsidiary undertaking	36	—	36
Acquisition of redemption preference shares	—	(77)	(77)
At 31 March 2005	80	123	203

Non-equity minority interests comprise 122,400 redeemable preference shares of £1 each in EBS (Management) Plc. The shares do not entitle the holders to any rights against other Group companies. The Company is entitled to redeem the whole or any part of the preference shares at any time on such terms, for such amount and in such manner as it thinks fit.

17 Financial instruments and risk management

Funding and liquidity

The financial assets and liabilities of the Group may be summarised as follows:

	2005 £'000	2004 £'000
Borrowings – UK sterling		
Floating rate borrowings	—	—
Fixed rate borrowings	326	502
Fixed rate loan notes	1,265	300
	1,591	802
Cash at bank and in hand:		
UK Sterling	41,284	31,639
United States Dollars	2,572	1,535
Euros	93	447
Others	285	372
	44,234	33,993

At 31 March, the maturity profile of the Group's financial liabilities, other than short-term creditors such as trade creditors and accruals, was as follows:

	£'000	£'000
Finance leases		
Between one and two years	132	293
Less than one year	194	209
	326	502

17 Financial instruments and risk management (continued)

Fair values

Credit exposures on financial instruments arise through short-term deposits and interest rate and foreign exchange hedging. Such transactions are executed only with highly-credit-rated, authorised counterparties based on ratings issued by the major rating agencies. Counterparty exposure positions are monitored regularly.

There is no significant difference between the book and fair values of the Company's financial instruments.

Undrawn committed borrowing facilities

	2005 £'000	2004 £'000
Revolving borrowing facilities:		
Expiring within one year	7,000	7,000

Further disclosures in respect of financial instruments are included in the Operating and Financial Review on pages 11 and 12.

18 Called up share capital

	2005 £'000	2004 £'000
Authorised:		
80,000,000 ordinary shares of 25p each	20,000	20,000
Allotted and fully paid:		
42,153,753 (2004: 42,149,378) ordinary shares of 25p each	10,538	10,537

On 31 March 2005 the following options have been granted and remain outstanding in respect of ordinary shares of 25p in the Company under the Company's Save As You Earn Scheme.

	No. of Shares	Option price
Grant dated 11 July 2001 Exercisable during the six months commencing 1 September 2006	51,023	£2.87
Grant dated 2 January 2003 Exercisable during the six months commencing 1 February 2008	1,801,985	£0.96

During the year 4,375 ordinary shares were issued fully paid for cash at 96p each following the exercise of options by a former employee.

19 Share premium account

	2005		2004	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
At 1 April 2004	—	—	—	—
Issue of share capital	3	3	—	—
At 31 March 2005	3	3	—	—

20 Reserves

	Group		Company	
	Revaluation reserve	Profit and loss account	Revaluation reserve	Profit and loss account
	£'000	£'000	£'000	£'000
1 April 2004	2,675	27,360	(1,885)	31,920
Profit retained	—	2,485	—	(193)
Surplus on revaluation	2,406	—	5,281	—
Transfer realised revaluation surplus	(992)	992	—	—
	4,089	30,837	3,396	31,727

Cumulative goodwill written off in previous years directly to reserves amounts to £530,000 (2004: £530,000).

21 Reconciliation of movements in shareholders' funds

	2005	2004
	£'000	£'000
Profit for the year	4,698	3,809
Other recognised gains	2,406	579
Dividends	(2,213)	(2,002)
Issue of share capital	4	—
Net increase in shareholders' funds	4,895	2,386
Opening shareholders' funds	40,572	38,186
Closing shareholders' funds	45,467	40,572

22 Reconciliation of operating profit to net cash inflow from operating activities

	2005 £'000	2004 £'000
Operating profit	6,248	5,463
Depreciation charges	2,279	2,225
Goodwill amortised	2,057	1,594
Amount written off investments	—	(61)
(Increase)/decrease in debtors	(60,566)	7,407
Increase/(decrease) in creditors	68,240	(2,699)
Investment acquired in lieu of fees	—	(115)
Net cash inflow from operating activities	18,258	13,814

23 Returns on investments and servicing of finance

	2005 £'000	2004 £'000
Interest received	1,605	1,100
Interest paid	(96)	(36)
Interest element of finance lease payments	(22)	(19)
Dividend received	438	—
Net cash inflow for returns on investments and servicing of finance	1,925	1,045

24 Capital expenditure and financial investment

	2005 £'000	2004 £'000
Purchase of tangible fixed assets	(2,922)	(1,907)
Purchase of investments	(98)	(482)
Sale of tangible fixed assets	408	19
Sale of investments	1,415	373
Net cash outflow for capital expenditure and financial investment	(1,197)	(1,997)

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of leases of £38,000 which did not generate immediate cash flows.

25 Acquisitions

Purchase of subsidiary undertakings and other businesses

	2005 £'000
Fixed assets	226
Current assets	23,305
Current liabilities	(22,351)
Net assets	1,180
Minority interests	(50)
	(1,130)
Goodwill	3,069
Consideration	4,199
Satisfied by	
Cash	2,126
Deferred consideration	965
Loan notes	1,108
	4,199

The additional contingent purchase consideration might exceed the amounts provided by £3 million depending on the future performance of the acquired businesses.

Additions related to:	
Acquisitions in year	(4,199)
Further payments re businesses acquired in previous years	(660)
Changes in period	(4,859)
Deferred consideration	1,092
Paid for by the issue of loan notes	965
Net cash movement shown in cash flow statement	(2,802)

26 Financing

	2005 £'000	2004 £'000
Issue of ordinary share capital	4	–
Capital element of finance lease repayments	(214)	(443)
Cash outflow from change in debt and lease financing	(210)	(443)

27 Analysis of net funds

	At 31.3.05 £'000	Cash flow £'000	Other changes £'000	At 1.4.04 £'000
Current asset investments	1,108	200	–	908
Cash at bank and in hand	44,234	10,241	–	33,993
Finance leases	(326)	214	(38)	(502)
Loans	(1,265)	–	(965)	(300)
Total	43,751	10,655	(1,003)	34,099

28 Contingent liabilities

In the normal course of business the company undertakes to satisfy claims relating to the delivery of securities and the entitlements attaching thereto. At 31 March 2005 there were no known claims not provided for in these financial statements. The company has 78 ongoing complaints from clients relating to advice given in connection with Split Capital Trusts. The directors do not believe that any significant cost will ultimately crystallise as a result.

29 Lease commitments

	2005 £'000	2004 £'000
Group and Company		
Annual commitments under operating leases at 31 March were:		
Land and buildings		
Expiring within one year	429	48
Expiring within two to five years	278	198
Expiring after five years	653	914

30 Capital commitments

	2005 £'000	2004 £'000
Authorised but not contracted for	450	720

31 Pension costs

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 operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group, in cash and equity investments. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 13 May 2002. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 6% per annum, and that salary increases would average 4% per annum.

The 2002 actuarial valuation showed that the market value of the scheme's assets was £10,652,000 and that the actuarial value of the resources of the scheme are likely in the normal course of events to meet in full its prospective liabilities.

The contributions made by the Group over the financial year have been £799,000, equivalent to 25.6% of pensionable pay, less members' contributions. This contribution rate is to continue until reviewed following the triennial valuation of the scheme due as at 13 May 2005. As the scheme is closed to new entrants the current service cost as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing payroll.

31 Pension costs (continued)

The following tables illustrate the impact that the full implementation of Financial Reporting Standard 17 — Retirement Benefits would have had on key aspects of the Group's financial statements.

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	2005	2004	2003
Inflation	3.00%	3.00%	2.75%
Salary increases	3.25%	3.50%	3.75%
Rate of discount	5.75%	6.00%	5.75%
Pension in payment increases (LPI)	3.00%	3.00%	2.75%
Revaluation rate for deferred pensioners	3.00%	3.00%	2.75%
Balance sheet			
Expected long term rate of return			
Equities	6.75%	6.75%	6.50%
With profit deposits and cash	4.00%	4.00%	5.00%
Bonds	5.50%	5.50%	5.25%

	£'000	£'000	£'000
Equities	613	500	258
With profit deposits and cash	13,369	12,195	10,951
Assets	13,982	12,695	11,209
Liabilities	(14,140)	(12,591)	(11,566)
Net pension (liability)/asset	(158)	104	(357)
Net assets excluding pension (liability)/asset	45,467	40,572	38,186
Net assets including pension (liability)/asset	45,309	40,676	37,829

31 Pension costs (continued)

	2005 £'000	2004 £'000
Amount which would have been charged to operating profit		
Current service cost	512	577
Past service cost	—	—
Settlements and curtailments	—	—
Total operating charge	512	577
Amount which would have been included as other finance income/(charge)		
Expected return on pension scheme assets	538	582
Interest on scheme pension scheme liabilities	(776)	(677)
Net charge	(238)	(95)
Other gains/(losses) which would have been recognised		
Actual less expected return on assets	(47)	121
Experience gains on liabilities	147	470
Effect of change in assumptions on liabilities	(411)	(300)
Other (loss)/profit recognised	(311)	291
Movement in deficit during the year		
Surplus/(deficit) in scheme at 1 April	104	(357)
Current service cost	(512)	(577)
Cash contributions	799	842
Other finance charges	(238)	(95)
Actuarial (loss)/gain	(311)	291
(Deficit)/surplus in scheme at 31 March	(158)	104

History of experience gains and losses

	2005		2004		2003	
	% of assets	Amount	% of assets	Amount	% of assets	Amount
Difference between expected and actual returns on scheme assets	(1%)	(47)	1%	121	(2%)	(243)
Experience gains/(losses) on scheme liabilities	1%	147	4%	470	(1%)	(142)
Effects of changes in the demographics and financial assumptions underlying the present value of the scheme liabilities	(3%)	(411)	(2%)	(300)	1%	78
Total actuarial (loss)/gain	(2%)	(311)	2%	291	(3%)	(307)

Directors of Charles Stanley & Co Limited

Name	Responsibility
Stephen C. King	General Manager
Martina M. Murphy	Financial Control
Philip C. Nathan, M.B.E.	Dealing
J. Andrew Butcher	Client Services
Macgregor Anderson	E-Commerce
Michael J. Pitts	IT
Venetia J. Malpas	Compliance
Gary Teper (appointed 1 April 2005)	Legal Services

together with the Directors of Charles Stanley Group PLC as listed on page 14.

Financial Calendar

9 June 2005	Results announced
6 July 2005	Ex-dividend date for final dividend
8 July 2005	Record date for final dividend
20 July 2005	Annual General Meeting
29 July 2005	Final dividend paid
November 2005	Interim results announced

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 105th Annual General Meeting of Charles Stanley Group PLC will be held at 25 Luke Street EC2 on 20 July 2005 at 11.00 am, for the following purposes:

Ordinary Business

1. To receive and adopt the Accounts for the year ended 31 March 2005 with the reports of the Directors and Auditors.

2. To declare a final dividend.

3. To approve the Directors' Remuneration Report as set out on pages 19 to 23 of the Annual Report and Accounts.

4. To re-elect Sir David Howard Bt as a Director.

5. To re-appoint the Auditors and to authorise the Directors to determine their remuneration.

Special Business

As special business to consider and, if thought fit, to pass the following resolutions, resolution 6 being proposed as an Ordinary resolution and resolutions 7 and 8 as Special resolutions.

Ordinary Resolution

Resolution 6

THAT pursuant to section 80(1) of the Companies Act 1985 ("the 1985 Act")

(a) the Directors shall have general and unconditional authority to exercise for the purposes of section 80 all of the powers of the Company to allot, grant options over, grant rights to subscribe for, or convert securities into shares, or otherwise deal with or dispose of any relevant securities (as defined in section 80(2) of the 1985 Act) of the Company to such persons, at such times and generally on such terms and conditions as the Directors may determine

PROVIDED THAT:

(i) the authority hereby conferred shall, subject to section 80(7) of the 1985 Act, be for a period expiring on the earlier of 15 months from the date of this resolution and the end of the 2006 Annual General Meeting of the Company unless renewed, varied or revoked by the Company in general meeting; and

(ii) the maximum nominal amount of relevant securities as aforesaid which may be allotted pursuant to such authority shall be £3,500,000;

(b) the Directors shall be entitled under the authority conferred hereby, or under any renewal thereof, to make at any time prior to the expiry of such authority, any offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry of such authority and to allot relevant securities accordingly; and

(c) the authority given by this resolution shall supersede and revoke any earlier authority given in respect of relevant securities as aforesaid.

Special Resolutions

Resolution 7

THAT the Directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 (“1985 Act") to allot equity securities (within the meaning of section 94 of the 1985 Act) pursuant to the authority conferred by Resolution number 6 in the Notice of Meeting as if section 89(1) of the 1985 Act did not apply to any such allotment provided that this power shall be limited:

(a) to the allotment (otherwise than pursuant to sub-paragraph (b) below) of equity securities, which are, or are to be, wholly paid up in cash up to an aggregate nominal amount of £525,000; and

(b) to the allotment of equity securities for cash in connection with a rights or other issue, which:

(i) is open for a period fixed by the Directors;

(ii) is made to the holders of the ordinary shares and (if in accordance with their rights or the Directors so determine) other equity securities of any class on the register on a fixed record date;

(iii) is in proportion to their then holdings of ordinary shares or (as the case may be) other equity securities of the class concerned (but so that any offer to holders of other equity securities of any class shall be on the basis of their rights to receive such offer failing which as if their holdings had been converted into or they had subscribed for shares on the basis then applicable); and

(iv) save that the Directors may aggregate and sell for the benefit of the Company fractions arising on the apportionment of securities offered, is otherwise made subject to such exclusions or other arrangements as the Directors may deem expedient in relation to legal or practical problems under the laws of or the requirements of any recognised body or stock exchange in any territory,

and shall expire at the earlier of 15 months from the date of this resolution and the end of the 2006 Annual General Meeting of the Company, provided that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power hereby conferred had not expired.

Resolution 8

THAT the Directors be and are hereby generally and unconditionally authorised for the purpose of Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 (3) of the Companies Act 1985) of Ordinary Shares of 25p each in the capital of the Company provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 4,215,375;

(b) the minimum price which may be paid for such shares is 25p;

(c) the maximum price (exclusive of expenses) which may be paid for any such share will not be more than 5% above the average of the middle market quotation for such shares as derived from the Daily Official List of the London Stock Exchange LSE for the ten business days in respect of which the Daily Official List is published immediately preceding the day on which the share is to be purchased;

(d) the authority hereby conferred shall expire at the earlier of 15 months from the date of this resolution and the end of the 2006 Annual General Meeting of the Company;

(e) the Company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry date of such authority and may make purchases of its own shares in pursuance of any such contract as if the authority conferred hereby had not expired.

By Order of the Board

Gary Teper
Secretary

9 June 2005

NOTES

1. A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and on a poll to vote on his behalf. A proxy need not be a member of the Company. A form of proxy accompanies this Notice of Annual General Meeting. To be effective, forms of proxy must be lodged with the Company Secretary by 11.00 am on Monday, 18 July 2005. The completion and return of a Form of Proxy will not preclude a member from attending and voting in person.

2. Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the Company gives notice that only those shareholders entered in the Register of Members of the Company as at 11.00 am on Monday, 18 July 2005 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Members after 11.00 am on Monday, 18 July 2005 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

3. Copies of the Directors' service agreements and a statement of Directors' transactions in the shares of the Company are available for inspection at the Company's Registered Office during usual business hours on any weekday (Saturdays and Public Holidays excluded) from today until the conclusion of the Annual General Meeting. Copies will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

4. At this year's Annual General Meeting, there are 8 resolutions which the Members are asked to approve. An explanation of these resolutions is given below

   Resolution 1
   The Directors will present the Report of the Directors, the Auditors' Report and the Accounts of the Company for the year ended 31 March 2005.

   Resolution 2
   The Directors will propose a final dividend of 4.15p.

   Resolution 3
   The Directors' Remuneration Report is included in the Annual Report and Accounts on pages 19 to 23. It complies with the requirements introduced by the Directors' Remuneration Report Regulations 2002 for a report on the remuneration of all Directors, and the Company's remuneration policy.

   Resolution 4
   In accordance with the Company's Articles of Association, Sir David H S Howard Bt, who is aged 59, retires and is eligible for, and is seeking, re-appointment as a Director. Short biographical details of Sir David are set out on page 14 of the Annual Report and Accounts.

   Resolution 5
   Saffery Champness have expressed their willingness to continue to act as auditors of the Company and Resolution 5 proposes the re-appointment of that firm as the Company's auditors and to authorise the Directors to determine the auditors' remuneration.

Resolution 6 & 7

At the Annual General Meeting last year, as in previous years, shareholders passed Resolutions giving the Directors authorisation, subject to a cap, to allot shares for cash or otherwise and further for limited disapplication of Section 89 of the Companies Act 1985, empowering them to allot shares for cash or otherwise in accordance with statutory pre-emption rights in certain limited circumstances.

The renewed powers will expire at the conclusion of next year's Annual General Meeting.

Resolution 8

Resolution 8 seeks authority for the Company to make market purchases of its own ordinary shares, which would otherwise be prohibited by the Companies Act 1985. The Directors believe there may be times when it would be desirable to manage the Company's capital by buying back shares. However, the Directors only intend to use the authority if they believe such purchases would be in the best interests of shareholders generally and would result in an increase in earnings per share. The resolution specifies the maximum number of shares that can be acquired (approximately 10% of the issued ordinary share capital of the Company as at 9 June 2005) and the minimum and maximum prices at which they may be bought. Any shares purchased under the authority granted by the resolution will either be cancelled or may be held as treasury shares (see the following paragraph).

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 came into force on 1 December 2003 and made certain amendments to the Companies Act 1985 in relation to treasury shares. The amendments allow companies to retain any of their own shares they have purchased as treasury shares with a view to possible re-issue at a future date, rather than cancelling them as had previously been required by legislation. If the Company were to purchase any of its own shares pursuant to the authority of Resolution 8, it would consider holding them as treasury shares, provided that the number did not at any time exceed 10% of the Company's issued share capital. This would give the Company the ability to re-issue treasury shares quickly and cost effectively, and would provide the Company with additional flexibility in the management of its capital base.

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Form of Proxy

CHARLES STANLEY GROUP PLC

ANNUAL GENERAL MEETING 20 JULY 2005

I/We (full name(s))..

of (address)..

being (a) member(s) of the above-named Company hereby appoint the Chairman of the Meeting...................................... as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 20 July 2005 and at any adjournment thereof.

I/We request such proxy to vote on the Resolutions as indicated below:

Resolution	For	Against
Resolution No. 1 Adoption of report and accounts		
Resolution No. 2 Declaration of dividend		
Resolution No. 3 Approval of Directors' remuneration report		
Resolution No. 4 Re-election of Sir David Howard Bt		
Resolution No. 5 Re-appointment and remuneration of Auditors		
Resolution No. 6 Authority under Section 80		
Resolution No. 7 Allotment of equity securities		
Resolution No. 8 Company to purchase its own shares		

Date..Signed..

Notes

1 If you wish to appoint as your proxy a person other than the Chairman of the Meeting, delete "the Chairman of the Meeting" and insert in block capitals the name of the person whom you wish to appoint. A proxy for an individual may only vote on a poll.

2 Please indicate by an "X" in the space provided how you wish your vote to be cast. Without specific instructions the proxy will abstain or vote at his or her discretion.

3 In the case of joint holdings the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.

4 To be valid, this form, signed by the member or his or her attorney duly authorised in writing MUST BE DEPOSITED at the address overleaf no later than 11.00 am. on Monday, 18 July 2005. If signed by an attorney the form must be accompanied by a copy of any power of attorney or other authority under which it is signed or a notarially certified office copy of such power or authority.

First Fold

Third Fold (Tuck-in)

BUSINESS REPLY SERVICE
Licence No. KE 6697

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Charles Stanley Group PLC
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Second Fold

First Fold

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