

**Annual Report and Accounts
2006**

Financial Highlights

- **Revenue up by 18% to £92.6 million**
(2005: £78.7 million)
- **Profit before tax up by 24% to £13.0 million**
(2005: £10.5 million)
- **Funds under management up by £2 billion (26%)**
to £9.7 billion (2005: £7.7 billion)
- **Earnings per share up 26% to 20.45p**
(2005: 16.18p)
- **Final dividend up by 28% to 5.35p (2005: 4.15p)**
- **Total dividend up by 28% to 6.75p (2005: 5.25p)**
- **New 15 strong investment team in London**
made an excellent start
- **New Birmingham and Glasgow offices extend**
Charles Stanley's nationwide presence

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Chairman's Statement

Charles Stanley has enjoyed another excellent year. The income of the Group for the twelve months ended 31 March 2006 reached a new record figure of £92.6 million, an increase of 17.7% compared with the figure for 2004/05 of £78.7 million. Profit before tax was £13.0 million, an increase of 23.9% on the previous year (2005: £10.5 million).

While our transaction volumes increased by 3% the commission income which these volumes generated rose by nearly 19%, from £48.15 million to £57.25 million.

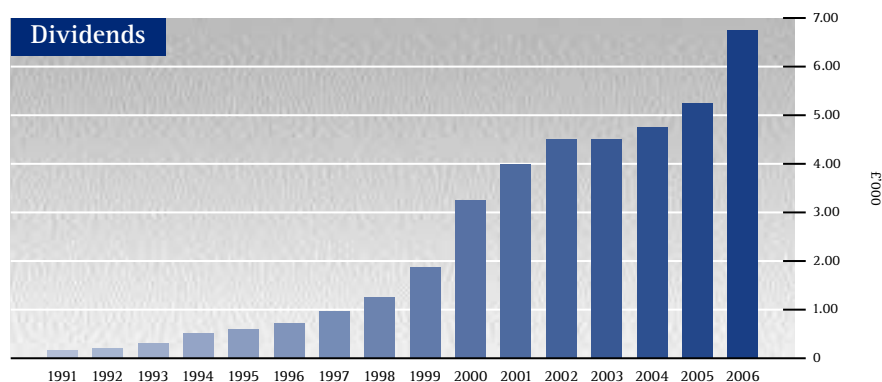
At the same time our investment management and administration fees increased by 18.6% from £23.6 million to £27.9 million, and our corporate finance income increased by 34.0% from £5.2 million to £6.9 million.

The investment funds that we manage and administer for clients rose during the year by 26% from £7.7 billion to £9.7 billion.

The net assets of the Group at the year-end have risen from £48.5 million (as at 31 March 2005, as restated under IFRS accounting principles) to £55.4 million, while our cash balances at the year-end have increased to £48.1 million (2005: £44.2 million).

In view of these results we propose raising the final dividend to 5.35p (2005: 4.15p), making a total dividend for the year of 6.75p, an increase of 28.5% on last year's total dividend of 5.25p per share. The dividend will be paid on 28 July 2006 to shareholders who are registered on 7 July 2006.

In the past 15 years the dividend per share (adjusted for bonus issues) has risen by 4,300%. This represents an annual average compound rate over this fifteen year period which works out at approximately 28.5% per annum.



Review of the year

Charles Stanley remains, as always, committed to providing a comprehensive stockbroking and wealth management service, tailoring different levels of our offering to meet the varied needs of our client base. But we strive constantly to make these services increasingly valuable to our clients.

The funds which we manage or administer on behalf of our clients, on a fee-charging basis, rose during the year by 26% from £7.7 billion to £9.7 billion. Within this figure the funds under discretionary management increased by 57% from £1.4 billion to £2.2 billion, whereas those under advisory management rose by 28% from £2.1 billion to £2.7 billion.

The range and value of our fee-based services continues to move ahead. The increase in the numbers of clients choosing our discretionary or advisory investment management services, and the rise in the value of their portfolios, led to an increase of 23.4% in our investment management fee income from £10.6 million to £13.0 million.

We hold a further £4.8 billion of clients' assets on their behalf for which we charge administration but not investment management fees. The figures are as follows:

	2006 £ billion	2005 £ billion
Discretionary funds under management		
In Group's nominee or Crest personal membership	2.2	1.4
Advisory portfolio funds under management		
In Group's nominee or Crest personal membership	2.1	1.6
Not held in Group's nominee	0.6	0.5
	2.7	2.1
Total managed funds	4.9	3.5
Advisory dealing funds		
In Group's nominee or Crest personal membership	2.4	1.9
Execution only funds		
In Group's nominee or Crest personal membership	2.4	2.3
Total administered funds	4.8	4.2
Total funds under management and administration	9.7	7.7

The overall impact of the improvements on our total investment management, administration and corporate finance income was an increase of 21.6% from £28.7 million to £34.9 million. The ratio of fee income to total revenue moved further ahead, to 37.7% (2005: 36.5%).

As I indicated in my annual statement last year, our target for the margin of profit before tax as a percentage of revenue, is 15%. In the past the margin has been both significantly higher and significantly lower in volatile market conditions. In 2004-05 we achieved 13.4%, and the margin in the latest year is 14.1%. Our target of 15% would have been exceeded but for one-off revenue costs incurred following the acquisitions which were made during the year.

Acquisitions

I am pleased to report that a number of brokers joined us during the year both in London and in several of our branches. I advised in our half-year statement that we opened a new office in Glasgow on 1 June 2005, based on an institutional team formerly with Aitken Campbell. This has added to Charles Stanley's growing presence in Scotland.

On 1 August 2005 we opened a new office in the centre of Birmingham, based on a group of private client stockbrokers formerly with Gerrards. And over the course of the year we were delighted to welcome a group of 15 investment managers to our London office who were previously with Dryden Wealth Management.

These, and indeed all who have joined Charles Stanley in the past 12 months, have made an excellent start, and they add yet greater breadth and depth to the level of service that we offer.

Corporate finance

This division had another strong year, growing its retained corporate client list to an overall fifty-five. Its focus remains upon acting for good quality smaller and growing UK-listed companies across the majority of stock market sectors.

Overall £83 million was raised on behalf of corporate clients across fourteen transactions and the division advised on a further eleven transactions valued in total at £286 million. Nine IPOs were also completed, including those of several foreign companies. In consequence, our corporate finance income increased by 34.0% to £6.9 million (2005: £5.2m).

Several highly experienced individuals have been appointed to ensure that this division remains appropriately resourced to service both its existing client base and its expected growth. This includes a significant investment in the expansion of its institutional sales trading activities.

Earlier this year the division was re-branded as Charles Stanley Securities. This not only reflects the growth of the division, but is more in keeping with the particular nature of its activities.

EBS (Pensions Administration), Financial Planning and Benefit Consultancy

The division has shown a further year of growth with revenues rising to £4.5 million compared with revenues in 2005 of £3.2 million.

EBS has advanced strongly, with more than 300 SIPPs taken on in the latest twelve months.

During the year the Benefit Consultancy Division has further consolidated its position with the integration into a single division of our Plymouth, London and Southampton offices.

We are actively looking at expanding each of these areas through a mixture of acquisition and organic growth.

The quality of our service

As always, I draw the attention of shareholders to the enormous amount of hard work, skill and dedication from a large and growing team of very professional people, in producing such an excellent set of results at Charles Stanley.

During the year we engaged an independent consultant to conduct a major survey of our clients. This was very well received and provided independent confirmation of Charles Stanley's strong reputation for client service. The results will help us with future planning to improve still further the quality of our services.

In the next two or three years we face some fundamental changes in the way that we do things, due principally to the Financial Services Action Plan of the European Union. We are a company that engages pro-actively with our regulators, with trade bodies and with industry working groups. This not only enhances our skills and the quality of the service that we offer but also keeps us in close touch with regulatory developments. Thus, I believe we are well positioned to implement this challenging programme of change.

On behalf of shareholders I offer my thanks to everyone at Charles Stanley who has made 2005-06 such a successful year.

Outlook

Against a turbulent financial background the world's stock exchanges are dancing a strange quadrille: a whirl of partners who move to and fro in dizzy patterns. This at a time when European legislation threatens to dismantle the monopoly that some of these exchanges have enjoyed. We see interesting opportunities in the merger of markets, whether these involve the London Stock Exchange or not. But the range of possible outcomes is too varied at this stage to know with any precision what these opportunities might be.

In such conditions our shareholders might expect even greater caution this year than I express in every annual statement about the prospects for the year ahead. But I see other factors too. Economic conditions remain generally benign. Forthcoming European legislation, however complicated and onerous, opens up new opportunities with its promise of breaking down barriers.

Despite the obvious risks of making predictions, I look forward to the year ahead with, once again, a degree of optimism.

David HS Howard

Sir David Howard, Bt.

Chairman

8 June 2006

Operating and Financial Review

This Operating and Financial Review (“OFR”) has been prepared solely to provide additional information to shareholders as a body to assess the Group's strategies and the potential for those strategies to succeed. This OFR should not be relied on by any other party or for any other purpose.

This OFR contains several forward-looking statements that have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. These statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

The Directors, in preparing this OFR, have sought to comply with the ASB's 2006 Reporting Statement on OFRs.

This OFR has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Charles Stanley Group PLC and its subsidiary undertakings when viewed as a whole.

This OFR discusses the following areas:

- Long term strategy and business objectives
- Results for the 2006 financial year
- Future outlook
- Risks and uncertainties
- Operations
- Resources
- Corporate social responsibility
- Financial review

Long term strategy and business objectives

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 pension administration services. Charles Stanley & Co. Limited is regulated by the Financial Services Authority. The Group has 26 offices around the United Kingdom, and the majority of revenue is derived from inside the United Kingdom.

We aim to earn the trust of investors by setting the standard for client service in stockbroking and investment management. We build on long-established values and proven levels of client satisfaction to develop our business for the future. We do this by maintaining our commitment to providing individually tailored and exceptionally responsive investment services for clients and ensuring they are:

- Of outstanding quality – delivered directly by highly-skilled professionals, supported by modern technology
- Efficient – matched by first class administration and communications, and
- Innovative – enhanced by appropriate and relevant new services

Our seven streams of the business that generate income are as follows:

- Discretionary portfolio services including in-house funds;
- Traditional private client advisory stockbroking;
- Corporate and institutional broking and sales;
- Execution only stockbroking;
- Corporate finance;
- Corporate benefits and personal financial planning; and
- Pensions administration.

Over the past few years, the Group has expanded fairly evenly across these seven streams, which has been achieved by a combination of organic growth and acquisitions.

We implement and monitor our performance by having the following strategic objectives:

- to attain a gross margin of 15% across the Group; and
- to continue to grow the business organically and through acquisitions and new income streams.

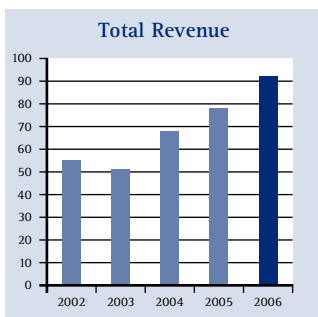
These financial objectives are supported by non-financial objectives which are:

- to reduce levels of electricity and paper usage;
- continual improvement of offices for access to disabled persons;
- to maintain a high level of staff retention; and
- to contribute to community activities and support local and international charities.

Our gross margin has increased from 13.37% in 2005 to 14.08% in 2006. Significant acquisitions during the year included a team of investment managers joining our London office from Dryden Wealth Management Ltd; a new office in Birmingham comprising a group of private client stockbrokers previously with Gerrards; and a new office in Glasgow with an institutional team formerly with Aitken Campbell. We have also established Charles Stanley Securities, a division that is specialising in providing comprehensive, high quality advisory and broking services exclusively to growing smaller and mid-cap UK-listed public companies. In February 2006 we launched the CF Charles Stanley Open Ended Investment Company. This consists initially of three funds, a high income fund, a general UK equity fund together with an overseas fund of funds.

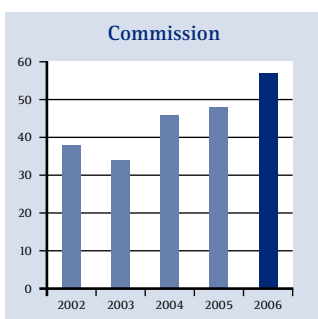
Each of our financial objectives is discussed in the 'Results for 2006 financial year' section below and the non-financial objectives are discussed in the 'Risks and Uncertainties' and 'Resources' sections below.

Results for 2006 financial year



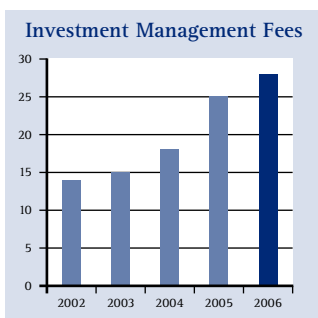
Revenue is shown in note 2 to the accounts on page 41. During 2006 total revenue for the Group increased by 18% from £79 million to £93 million.

Stockbroking commissions have increased by 19% to £57 million and accounted for 62% of revenue (2005: 61%).



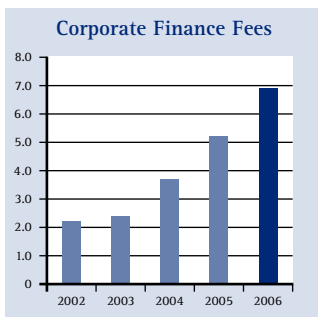
Total fee income increased by 21% from £29 million to £35 million. Fees consist of investment management fees of £13 million (2005: £11 million), administration charges of £15 million (2005: £13 million) and corporate finance fees of £7 million (2005: £5 million).

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, and this is evidenced by the growth during the year of investment management fees of 23%.



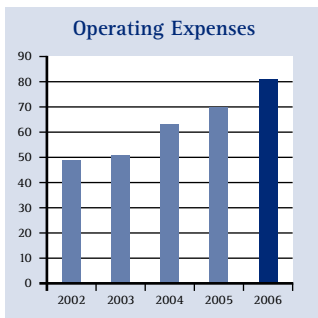
The Group is also diversifying its income streams and this is particularly evident in the level of corporate finance fee income which has grown by 34% this year, and 188% over the past 3 years. Corporate finance fee income now makes up 7.5% of revenue.

The move towards more of a fee based income stream means less reliance on stockbroking commissions.



Total costs have increased by 16% from £70 million to £81 million. Staff costs are analysed in note 3 to the accounts on page 41. These have increased by 25% from £26 million to £32 million and represent 40% of our total costs (2005: 37%). Staff numbers have increased by 6% from 485 to 517.

Costs also include depreciation which has increased by 6% to £2.4 million (2005: £2.2 million). Further details are shown in note 11 to the accounts on page 45.



Interest receivable of £1.8 million (2005: £1.6 million) is bank deposit interest earned on the Group's cash balances which stood at £48 million at 31 March 2006 (2005: £44 million).

The tax charge of £4.4 million (2005: £3.7 million) is analysed in note 6 on page 43 of the accounts. The current year charge of £4.4 million represents 34% of the Group's profit before tax of £13.0 million (2005: 35% of £10.5 million). The reason why this rate is higher than the corporation tax rate of 30% is explained in note 6.

Basic earnings per share for the year were 20.45p (2005: 16.18p) and diluted earnings per share for the year were 19.62p (2005: 15.47p). Gross margin for the year was 14.08% (2005: 13.37%).

Significant one-off revenue costs of £2.2 million have been incurred after new investment teams joined during the year.

As indicated in the Chairman's statement the final dividend for the year is recommended to be increased by 1.2p per share to 5.35p giving a total dividend for the year of 6.75p (2005: 5.25p) at a cost of £2.85 million (2005: £2.2 million).

At 31 March 2006 the Group had consolidated net assets of £55.4 million (2005: £48.5 million) equivalent to £1.31 per share (2005: £1.15). Cash in hand totalled £48 million (2005: £44 million).

Future outlook

While more of our income continues to be derived from a fee based stream, the majority of our income comes from stockbroking commissions, which depend on the volume of trading on the London Stock Exchange.

Several acquisitions have occurred during the year, and we are expecting to see the benefits of these in the forthcoming years.

We see interesting opportunities in the merger of markets, whether these involve the London Stock Exchange or not. But the range of possible outcomes is too varied at this stage to know with any precision what these opportunities might be.

Risks and uncertainties

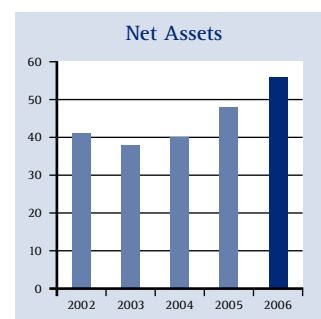
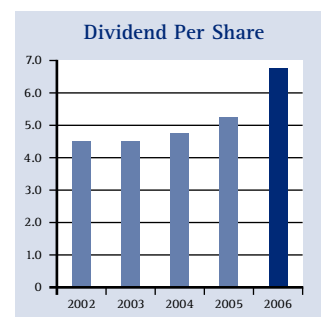
There are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance.

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. The Group is aware of this and is finding new income streams such as corporate finance income, which has grown 34% in the last year, and 188% over the past three years. It should also be noted that the dependency on stockbroking commissions is becoming less every year. In 2001 commissions made up 77% of turnover, however in 2006 commissions only made up 62% of turnover which shows the Group's move towards a more stable fee based income stream. The Group seeks to retain significant flexibility with expenses, with a high proportion of variable cost.

The Group has a clearly defined operational strategy, which is

- to maintain a highly trained workforce that is flexible in operational terms to deal with varying levels of income; and
- recognising also the necessity to retain strong cash reserves to tide us over the downturns.

Operational risk is constantly monitored by the Board and senior management who have a wealth of experience in the financial services industry. In 2005, the Group formed a Risk Management section, headed by an experienced risk manager. More recently we have created a separate internal audit department, which is headed by a director of Charles Stanley & Co Ltd and reports directly to the Group Board.



The Group operates in a highly competitive market with significant product innovations. We are subject to the threat of competitors launching new products in our markets, however we continue to be responsive to market demand and this is evident with the establishment of Charles Stanley Securities and the Open Ended Investment Company this year.

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.

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.

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.

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's borrowings at 31 March 2006 are £1.4m. This figure is made up of Redeemable Loan Notes of £1.2m and finance leases of £0.2m. With £48m in bank accounts, the Group has a high degree of liquidity. The Group maintains substantially all of its cash with the Bank of Scotland, part of HBOS plc, where the vast majority of client cash is also deposited. Transfers between bank accounts of entities within the Group do occur, and we have sufficient funds to cover any shortfall of liquidity should it occur in any of the Group's subsidiaries.

The Group's current level of capital remains well in excess of our regulatory requirements and we are confident that our resources will be sufficient to cover any additional capital required 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.

Operations

The markets in which the Group operates experience a high degree of competition. Over the years we have developed a competitive and innovative culture with a reputation for high quality service and meeting our clients' needs. We are a significant player in the UK retail stockbroking market and continue to keep this status.

The key regulations which affect the Group are primarily those laid down by the Financial Services Authority, including the Listing Rules. We monitor developments in the regulatory environment to stay abreast of any changes and act in a timely and efficient manner to comply with these. A key regulatory change that has occurred this year is the transition to International Financial Reporting Standards, which is explained in note 29 on pages 58 to 63.



"Best Self Select ISA Provider 2005"



"Best Execution-only Stockbroker 2005"

Resources

The Group's most vital resource is its employees. We have consistently sought to recruit and retain the best employees in our market and this has contributed to our success. Our staff retention rate has been high and continues to remain high, which 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. A significant project has been undertaken during the year by an external agency to evaluate our employees' opinions on their firm and how we can best match each other's objectives.

The Group's Save As You Earn share option schemes have been running successfully since 1989. In addition employees may receive discretionary bonuses. We have also 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 to £250 per month in Charles Stanley Group PLC shares.

The Group also encourages its employees to give something back to their local community, and to the international community. During the year we launched a Tsunami Appeal in aid of the Tsunami that affected Asia in December 2004. We encouraged our staff to donate to the cause and matched their donations on a pound-for-pound basis. We are sponsoring a group of ten children who have each lost a parent in the tsunami. This is anticipated as an ongoing donation and will be continually monitored by the Group. We are also actively including employees in this scheme by planning to send an employee each year to visit the affected area in Sri Lanka and see the effect of the Group's donation.



"Best Overall Financial Services Provider 2005"

The Group also made a donation of computers and network products to Children in Distress, a charity which specialises in paediatric palliative care for children touched by HIV/AIDS and living with neurological and genetic disorders.

During the year, the Great Ormond Street Hospital Children's Charity launched the Bull and Bear appeal. The appeal asked PLC directors and other business investors to donate shares towards the Bull and Bear appeal. The Group are providing their services free of charge to enable the shares to be transferred to the charity.

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.

Corporate social responsibility

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:

- programming to save on paper usage by producing more documents electronically
- 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. Having reviewed our waste paper consumption we are now embarking on a recycling scheme for our London office. We will monitor the success of this scheme and consider whether to extend it to our branches.

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.

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.



Financial review

Profit before tax has risen by 24% from £10.5 million to £13.0 million for 2006. Basic earnings per share for the year were 20.45p (2005: 16.18p) and diluted earnings per share for the year were 19.62p (2005: 15.47p). Total dividend per share has been increased by 28% from 5.25p to 6.75p per share for 2006. Funds under Management increased by 26% from £7.7 billion to £9.7 billion.

During the year, the Group adopted International Financial Reporting Standards for the first time. Full details of the adjustments on transition and of the related accounting policies are shown on pages 58 to 63.

Peter Hurst
Finance Director

8 June 2006

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 60. 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 57 and joined Charles Stanley in 1987. He is the main board Director responsible for branches and for finance, information technology, premises and e-commerce. 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, F.S.I.

Michael Clark is 59 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 48 and joined Charles Stanley as a Director in 1997. He is responsible for Charles Stanley Securities (the Institutional and Corporate Finance Business) and the Financial Planning 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.

Secretary

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

Company Registration Number

48796 (England and Wales)

Registered Office

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Websites

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

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Bank of Scotland
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Saffery Champness
Chartered Accountants
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Report of the Directors

The Directors submit their report and financial statements for the year ended 31 March 2006.

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 £9.0 million.

Dividends

The Directors have declared and now recommend the following dividends in respect of the year ended 31 March 2006:

	2006	2005
Interim dividend paid 14 December 2005 of 1.4p per share (2005: 1.1p)	590,245	463,643
Final dividend proposed of 5.35p (2005: 4.15p)	2,261,377	1,749,380
	£2,851,622	£2,213,023

The final dividend will be posted on 28 July 2006 to shareholders on the Company's register at close of business on 7 July 2006.

Business review

A review of the business is set out in the Operating and Financial Review on pages 8 to 15.

Directors

The Directors named on page 16 served throughout the year. Their biographies are set out on page 16. Mr Michael Clark and Mr Michael Lilwall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election by the members.

In accordance with Section 234ZA Companies Act 1985, the Directors confirm that, in the case of each of the persons who are Directors at the time when this report is approved, as far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' interests in the shares of Charles Stanley Group PLC are disclosed in the Directors' Remuneration Report on page 25.

Other share interests

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

	No. of shares	
	8.6.06	31.3.06
John L.S. Howard	5,153,192	5,153,192
Schroders PLC and its associated companies Queen Street Securities Limited (a company of which Sir David Howard is a director)	3,744,138	3,744,138
Mrs Caroline P.S. Dore	1,675,000	1,675,000
Robert P.S. Howard	1,330,000	1,330,000
	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 16 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 £29,463.

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

8 June 2006



Directors' Remuneration Report

The Company is required by the Companies Act 1985 to prepare a Directors' remuneration report for the year ended 31 March 2006 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 18 July 2006.

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 24 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.

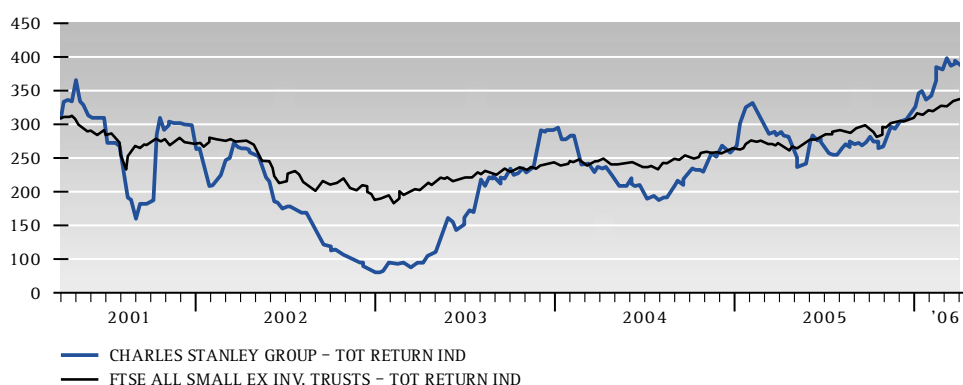
Share options

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 were 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.

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 2006 £	Total 2005 £
Emoluments						
Sir David Howard (Chairman, Managing and highest paid Director)	5,250	262,500	100,400	29,662	397,812	343,842
Peter A. Hurst (Finance Director)	—	228,375	100,400	12,551	341,326	281,333
Michael Clark	—	253,750	100,400	13,393	367,543	315,214
Michael R. I. Lilwall	—	265,500	100,400	10,111	376,011	307,832
	5,250	1,010,125	401,600	65,717	1,482,692	1,248,221
2005	5,250	939,430	241,400	62,141	1,248,221	

Employee savings related share option schemes

At 1 April 2005 and 31 March 2006

	Period of option	Exercise price	Granted
Peter A. Hurst	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 2006 was 390p and the range during the year was 230p to 404p.

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.

Name of Director	Increase in accrued pension excluding inflation £	Transfer value of increase £	Accrued pension 2006 £	Accrued pension 2005 £	Transfer value of accrued pension 2006 £	Transfer value of accrued pension 2005 £	Increase in value of Directors' benefits £
Sir David Howard	7,073	96,423	78,000	69,063	1,208,471	947,113	261,358
Michael Clark	7,919	99,004	96,181	85,941	1,309,998	1,038,806	271,192
Peter A. Hurst	11,788	129,907	69,375	56,073	853,839	609,271	244,568

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 2006. 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		
	8.6.06	31.3.06	1.4.05	8.6.06	31.3.06	1.4.05
Charles Stanley Group PLC						
Sir David Howard	9,650,000	9,650,000	9,650,000	887,000	887,000	887,000
Peter A. Hurst	153,096	153,032	152,516	215,000	215,000	215,000
E. Michael Clark	712,235	712,171	668,947	—	—	—
Michael R.I. Lilwall	53,660	53,596	53,080	—	—	—
Gryphon Investments PLC						
Sir David Howard	15,000	15,000	15,000	—	—	—

Approval

This report was approved by the board of Directors on 8 June 2006 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 21 to 25, 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 Group 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.

There were eleven Board meetings during the year and a record of attendance is shown below:

Director	Meetings attended
Sir David Howard	11/11
Mr Peter Hurst	10/11
Mr Michael Clark	11/11
Mr Michael Lilwall	10/11

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 the four Board Directors, head of Internal Audit and the Company Secretary. It is responsible for monitoring and reviewing the effectiveness of the Group's internal audit function and considering reports from internal audit on internal controls and risk management. It is also responsible for ensuring that an objective and professional relationship is maintained with the Group's external auditors.

The audit committee reviews the independence and the nature of non-audit services supplied and non-audit fee levels relative to the audit fee. The committee is satisfied that the independence of the auditors has not been impaired by providing these services. Details of the auditors' fees are shown in note 4 on page 42.

Compliance Committee

This committee meets monthly and comprises the four Board Directors, compliance officer, the Group financial controller, senior compliance and risk manager 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, Mr Michael Clark, 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 one Board Director, Mr Michael Lilwall, 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 general 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, Mr Peter Hurst, 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 and the senior compliance and risk manager. 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. This process meets the requirements of the "Guidance on Internal Control (The Turnbull Guidance)" published in September 1999. 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.

As part of this process the Directors review the need for an internal audit function within the Group as required by the Combined Code. During the year the Directors decided that an internal audit function would add value and an internal audit department has been set up.

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 2006 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 of Charles Stanley Group PLC for the year ended 31 March 2006 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein. 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, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

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 International Standards on Auditing (UK and Ireland).

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 and Article 4 of the IAS Regulation and whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes the specific information presented in the Operating and Financial Review that is cross referenced from the Business Review section of the Directors' Report. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement 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 Group's corporate governance procedures or its risk and control procedures.



We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. 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 International Standards on Auditing (UK and Ireland) 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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31 March 2006 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 March 2006;
- 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 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Saffery Champness
Chartered Accountants
Registered Auditors
London
8 June 2006

Consolidated Income Statement

Year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Continuing operations			
Revenue	2	92,555	78,687
Administrative expenses		(81,194)	(69,657)
<hr/>			
Operating profit	4	11,361	9,030
Interest payable and similar charges	5	(153)	(118)
Interest receivable	5	1,825	1,605
<hr/>			
Profit before tax		13,033	10,517
Taxation	6	(4,377)	(3,688)
<hr/>			
Profit for the year		8,656	6,829
<hr/>			
Profit attributable to minority interest		34	9
Profit attributable to equity shareholders		8,622	6,820
<hr/>			
		8,656	6,829
<hr/>			

Earnings per Share

	Notes	2006	2005
Based on profit for the year			
Basic	9	20.45p	16.18p
<hr/>			
Diluted	9	19.62p	15.47p
<hr/>			

The notes on pages 37 to 63 form part of these financial statements.



Statement of Recognised Income and Expense

Year ended 31 March 2006

	2006 £'000	2005 £'000
Profit for the year	8,656	6,829
Revaluation of financial assets	2,483	2,406
Deferred tax on revaluation of financial assets	(443)	(427)
Retirement benefit scheme actuarial loss	(2,284)	(311)
Deferred tax on retirement benefit scheme actuarial loss	729	—
Net gains not recognised in the income statement	485	1,668
Total recognised income for the year	9,141	8,497
Attributable to minority interest	34	9
Attributable to equity shareholders	9,107	8,488
	9,141	8,497

The notes on pages 37 to 63 form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2006

	Notes	2006		2005	
		£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Goodwill	10		15,603		15,575
Property, plant and equipment	11		5,480		5,995
Financial assets	12		7,170		4,787
			28,253		26,357
Current assets					
Trade and other receivables	13	239,890		232,055	
Financial assets	14	—		1,108	
Cash and cash equivalents		48,108		44,234	
		287,998		277,397	
Liabilities					
Current liabilities					
Financial liabilities	15	(1,001)		(991)	
Trade and other payables	16	(253,190)		(249,357)	
Current tax liabilities		(3,099)		(2,250)	
		(257,290)		(252,598)	
Net current assets			30,708		24,799
Non-current liabilities					
Financial liabilities	15	(556)		(600)	
Retirement benefit liability	28	(2,429)		(111)	
Deferred tax liabilities	17	(504)		(831)	
Other non-current liabilities	16	(100)		(1,079)	
			(3,589)		(2,621)
Net assets			55,372		48,535
Shareholders' equity					
Ordinary shares	19		10,541		10,538
Share premium	20		21		3
Other reserves	20		3,955		2,863
Retained earnings	20		40,675		34,928
Total shareholders' equity			55,192		48,332
Minority interest in equity	21		180		203
Total equity			55,372		48,535

Approved by the Board on 8 June 2006

Sir David Howard

Peter Hurst

Directors

The notes on pages 37 to 63 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Cash flows from operating activities			
Cash generated from operations	23	10,062	18,258
Interest received		1,825	1,605
Interest paid		(153)	(118)
Tax paid		(3,527)	(3,489)
Net cash from operating activities		8,207	16,256
Cash flows from investing activities			
Acquisition of subsidiaries and other businesses	24	(2,461)	(2,802)
Proceeds from sale of property, plant and equipment		28	408
Purchase of property, plant and equipment		(1,846)	(2,922)
Proceeds from sale of financial assets		2,956	1,415
Purchase of financial assets		(445)	(298)
Dividends received		83	438
Net cash used in investing activities		(1,685)	(3,761)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		21	4
Capital element of finance lease payments		(329)	(214)
Dividends paid to shareholders		(2,340)	(2,044)
Net cash used in financing activities		(2,648)	(2,254)
Net increase in cash and cash equivalents		3,874	10,241
Cash and cash equivalents at start of year		44,234	33,993
Cash and cash equivalents at end of year		48,108	44,234

The notes on pages 37 to 63 form part of these financial statements.

Company Balance Sheet

At 31 March 2006

	Notes	2006		2005	
		£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Goodwill	10		10,485		10,250
Property, plant and equipment	11		—		2,680
Financial assets	12		44,178		44,418
			54,663		57,348
Current assets					
Trade and other receivables	13	817		4	
Cash and cash equivalents		243		329	
		1,060		333	
Liabilities					
Current liabilities					
Financial liabilities	15	(801)		(991)	
Trade and other payables	16	(3,391)		(5,443)	
		(4,192)		(6,434)	
Net current liabilities			(3,132)		(6,101)
Non-current liabilities					
Financial liabilities	15	(556)		(600)	
Other non-current liabilities	16	(100)		(1,079)	
			(656)		(1,679)
Net assets			50,875		49,568
Shareholders' equity					
Ordinary shares	19		10,541		10,538
Share premium	20		21		3
Other reserves	20		82		66
Retained earnings	20		40,231		38,961
Total equity			50,875		49,568

Approved by the Board on 8 June 2006

Sir David Howard

Peter Hurst

Directors

The notes on pages 37 to 63 form part of these financial statements.

Notes to the Financial Statements

General information

The financial information for the year ended 31 March 2006 has been prepared under International Financial Reporting Standards ("IFRS") subject to exemptions referred to below.

Explanation of transition to IFRS

This is the first year for which the Group has presented its financial statements under IFRS. The last financial statements under UK GAAP were for the year ended 31 March 2005.

The Group has applied the transitional provisions of IFRS 1 "First time adoption of International Financial Reporting Standards". The date of transition to International Financial Reporting and Accounting Standards was 1 April 2004 and all comparative information in these financial statements has been restated to reflect the Group's adoption of International Financial Reporting Standards.

IFRS 1 contains a number of exemptions which companies are permitted to apply. The Group has elected:

- not to restate its financial information for acquisitions occurring before 1 April 2004;
- to deem cumulative translation differences to be zero at 1 April 2004;
- to recognise all actuarial gains and losses on pensions and other post-retirement benefits directly in equity attributable to equity holders of the parent at 1 April 2004;
- To apply IFRS 2 to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2005.

The financial information for the year ended 31 March 2005 has been derived from audited UK GAAP information adjusted for the impact of IFRS. The impact of the transition from UK GAAP to IFRS at 1 April 2004 and 31 March 2005 is contained in the reconciliations that are shown on pages 58 to 63 of these statements.

1 Accounting policies

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 2006. For the purposes of these accounts, uniform accounting policies have been followed by the Group. All significant intercompany transactions and balances between Group entities are eliminated on consolidation.

Revenue

Revenue comprises stockbroking commission, investment management fees, corporate finance fees, the profit on buying and selling securities, and the profit or loss arising on positions held in securities.

Dividends are credited to the 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 currency items 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 income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

Goodwill is recognised as an asset and is reviewed for impairment at least annually, or on such other occasions where changes in circumstances indicate that it might be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill arising on acquisition is allocated to cash-generating units for purposes of impairment testing.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amount and is subject to an impairment review at the date of transition.

Impairment

The Group reviews the carrying amounts of its tangible and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss on an annual basis. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less any cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate. This rate reflects current market assessments of the time value of money as well as the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of the impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, impairment losses relating to goodwill may not be reversed.

Property, plant and equipment

Property, plant and equipment are included in the balance sheet at cost less accumulated depreciation and any provisions for impairment.

Freehold land is not depreciated. Other property, plant and equipment 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 income statement using the annuity method. Depreciation on the relevant assets is charged to the income statement. All other leases are "operating leases", and the annual rentals are charged to the income statement on a straight line basis over the lease term.

Financial assets

Investments in securities are recognised and derecognised on trade date. Such investments are initially measured at cost, excluding transaction costs which are expensed immediately.

After initial recognition, investments which are classified as held for trading or available-for-sale are measured at fair value. Gains or losses on investments held for trading are recognised in the profit and loss for the period. Gains or losses on available-for-sale investments are recognised directly as a separate component of equity until the investment is sold, or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss for the period.

1 Accounting policies (continued)

Financial assets (continued)

Investments are classified as held to maturity when they are non-derivatives with fixed or determinable payments and a fixed maturity that the Group has a positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same. Alternatively, it is calculated based on the expected cash flows of the underlying net asset base of the investment. Investments in subsidiaries are carried at cost.

Retirement benefit costs

The cost of providing benefits under defined benefit plans are determined using the projected unit credit method, with actuarial valuations being carried out on an annual basis.

Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and are presented in the statement of recognised income and expense. Past service cost is recognised immediately to the extent that the benefits are already vested. The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

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.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

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.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences may be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the tax profit nor the accounting profit.



Taxation (continued)

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled or when the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Share-based payments

The Group has applied the requirements of IFRS 2 "Share-based Payments". In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2005.

The Group grants share options to certain employees. These are measured at fair value at the date of grant. The fair value so determined is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest. The fair value of share options granted at market price is determined using a Black-Scholes valuation model.

2 Revenue

	2006 £'000	2005 £'000
Commission	57,248	48,150
Investment management fees	13,021	10,556
Administration fees	14,923	13,012
Corporate finance fees	6,911	5,158
Other income	452	1,811
	<hr/>	<hr/>
	92,555	78,687

3 Particulars of staff

The average number of persons employed (including Directors) during the year was 517 (2005: 485).

	2006 £'000	2005 £'000
Staff costs:		
Wages and salaries	26,781	21,401
Social security costs	3,315	2,394
Other pension costs	2,364	2,116
	<hr/>	<hr/>
	32,460	25,911

4 Operating profit

	2006 £'000	2005 £'000
The following items have been included in arriving at operating profit:		
Depreciation of property, plant and equipment:		
Owned assets	2,193	2,108
Assets held under finance leases	212	171
Profit on disposal of property, plant and equipment	(61)	—
Profit on disposal of financial assets	(408)	(257)
Auditors' remuneration:		
Audit services	106	101
Further assurance services (including "due diligence" work)	—	27
Tax services	40	36
Operating lease rentals	1,174	1,210
Cost of moving Edinburgh office	—	444
One-off revenue costs relating to new investment teams	2,201	—

5 Finance income – net

	2006 £'000	2005 £'000
Interest expense:		
Interest payable on bank borrowings	(32)	(13)
Interest payable on other loans	(102)	(83)
Interest payable on finance leases	(19)	(22)
<hr/>		
Interest and similar charges payable	(153)	(118)
Interest income	1,825	1,605
<hr/>		
Finance income – net	1,672	1,487

6 Taxation

	2006 £'000	2005 £'000
Analysis of charge in period:		
Current tax:		
Continuing operations	4,540	3,777
Adjustment in respect of prior periods	(122)	(54)
Deferred tax:		
Continuing operations	(41)	(35)
Total current taxation	4,377	3,688
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.		
	2006 £'000	2005 £'000
Profit before tax	13,033	10,517
Profit multiplied by rate of corporation tax in the UK of 30% (2005: 30%)	3,910	3,155
Effects of:		
Other items not allowable for tax purposes	108	338
Tax on chargeable gain	397	284
Adjustments in respect of previous periods	(122)	(54)
Other adjustments	84	(35)
	467	533
Tax charge for the year	4,377	3,688

7 Profit for the year

The consolidated profit for the year of £8,656,000 (2005: £6,829,000) includes a profit of £3,538,000 (2005: £3,297,000) which is dealt with in the accounts of the parent undertaking.

8 Dividends paid

	2006 £'000	2005 £'000
Final paid of 4.15p per share (2005: 3.75p)	1,750	1,581
Interim paid of 1.4p per share (2005: 1.1p)	590	463
	<hr/> 2,340	<hr/> 2,044

In addition, the Directors are proposing a final dividend in respect of the year ended 31 March 2006 of 5.35p per share which will absorb an estimated £2.3 million of shareholders' funds. It will be paid on 28 July 2006 to shareholders who are on the register of members on 7 July 2006.

9 Earnings per share

	2006 £'000	2005 £'000
Earnings attributable to ordinary shareholders	8,622	6,820
	<hr/>	<hr/>
	No. 000's	No. 000's
Weighted average number of shares in issue in the year	42,158	42,151
Dilution	1,780	1,932
	<hr/> 43,938	<hr/> 44,083
	<hr/>	<hr/>
Basic earnings per share	20.45p	16.18p
Diluted earnings per share	19.62p	15.47p

10 Goodwill

	Group £'000	Company £'000
Goodwill		
Cost		
1 April 2005	19,664	13,786
Acquisitions	660	650
Disposals and adjustments to deferred consideration	(718)	(415)
31 March 2006	19,606	14,021
Aggregate amortisation		
1 April 2005	4,089	3,536
Disposals	(86)	—
31 March 2006	4,003	3,536
Net book value		
31 March 2006	15,603	10,485
31 March 2005	15,575	10,250

11 Property, plant and equipment

	Freehold premises £'000	Long leasehold premises £'000	Short leasehold premises £'000	Office equipment and motor vehicles £'000	Total £'000
Group					
Cost					
1 April 2005	185	1,893	3,393	11,212	16,683
Additions	—	8	661	1,271	1,940
Disposals	—	—	(262)	(4,581)	(4,843)
	185	1,901	3,792	7,902	13,780
Depreciation					
1 April 2005	21	1,324	1,446	7,897	10,688
Charge for year	3	160	466	1,776	2,405
Disposals	—	—	(262)	(4,531)	(4,793)
	24	1,484	1,650	5,142	8,300
Net book value					
31 March 2006	161	417	2,142	2,760	5,480
31 March 2005	164	569	1,947	3,315	5,995

11 Property, plant and equipment (continued)

Company	Freehold premises £'000	Long leasehold premises £'000	Short leasehold premises £'000	Total £'000
Cost				
1 April 2005	185	1,893	3,393	5,471
Additions	—	—	—	—
Transfer to subsidiary	(185)	(1,893)	(3,393)	(5,471)
	—	—	—	—
Depreciation				
1 April 2005	21	1,324	1,446	2,791
Charge for year	2	12	349	363
Transfer to subsidiary	(23)	(1,336)	(1,795)	(3,154)
	—	—	—	—
Net book value				
31 March 2006	—	—	—	—
31 March 2005	164	569	1,947	2,680

The net book value of tangible fixed assets includes £214,000 (2005: £362,000) in respect of assets held under finance leases and hire purchase contracts.

Fixed assets include fully depreciated assets costing £2.2 million.

Disposals include £4.8 million for assets which have reached the end of their useful lives and have been fully depreciated.

12 Financial assets

	Shares in Group undertakings £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
(a) Group				
1 April 2005				
Cost		394	305	699
Revaluation		2,027	2,061	4,088
<hr/>				
Book value		2,421	2,366	4,787
Additions		1,065	—	1,065
Disposals		(1,165)	—	(1,165)
Revaluation in year		2,391	92	2,483
<hr/>				
31 March 2006		4,712	2,458	7,170
<hr/>				
Cost		1,218	305	1,523
Revaluation		3,494	2,153	5,647
<hr/>				
(b) Company				
1 April 2005				
Cost	44,007	345	—	44,352
Revaluation	—	66	—	66
<hr/>				
Book value	44,007	411	—	44,418
Additions	46	238	—	284
Disposals	(339)	(201)	—	(540)
Revaluation in year	—	16	—	16
<hr/>				
31 March 2006	43,714	464	—	44,178
<hr/>				
Cost	43,714	382	—	44,096
Revaluation	—	82	—	82

Listed investments include shares in the London Stock Exchange. During the year 200,000 shares were sold for £1.3 million leaving 200,000 shares at 31 March 2006.

Unlisted investments include the Group's holding of 6,030 shares in Euroclear plc. The Directors have valued this holding at £2.34 million as at 31 March 2006. This valuation reflects the Group's estimate of the fair value of this investment and is calculated at a discount to the net asset value of Euroclear plc's most recent published financial statements.

12 Financial assets (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%
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)	62%
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 Trade and other receivables

	2006		2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Current:				
Trade debtors	237,530	—	229,897	—
Other debtors	556	—	630	—
Amounts due from Group undertakings	—	817	—	—
Prepayments and accrued income	1,804	—	1,528	4
	239,890	817	232,055	4

14 Financial assets (current)

Listed investments	—	—	1,108	—
--------------------	---	---	-------	---

15 Financial liabilities

	2006		2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Current:				
3% redeemable loan	157	157	157	157
4.5% convertible redeemable loan note	469	469	469	469
4.5% redeemable unsecured loan note	81	81	171	171
Obligations under finance leases	94	94	194	194
Short position holdings	200	—	—	—
	1,001	801	991	991
Non-current:				
4.5% convertible redeemable loan note	468	468	468	468
Obligations under finance leases	88	88	132	132
	556	556	600	600

The 3% fixed redeemable loan note is redeemable 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 2005, and the balance at any time after 2006. After the year end £257,134 of the notes were converted and the Company issued and allotted 103,393 new ordinary shares.

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

16 Trade and other payables

	2006		2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Current:				
Trade payables	902,061	—	788,643	—
Less funds held on behalf of clients in segregated bank accounts	(658,166)	—	(548,817)	—
	243,895	—	239,826	—
Amounts owed to Group undertakings	—	2,180	—	3,152
Other taxes and social security	2,570	—	2,100	—
Other creditors	1,293	1,097	3,121	2,218
Accruals and deferred income	5,432	114	4,310	73
	253,190	3,391	249,357	5,443
Non-current:				
Other creditors	100	100	1,079	1,079

17 Deferred tax liabilities

	Revaluation £'000	Retirement benefit £'000	Other temporary difference £'000	Total £'000
1 April 2005	1,226	–	(395)	831
Revaluation of financial assets	443	–	–	443
Movement in retirement benefit liability	–	(729)	–	(729)
Movement in fixed asset timing difference	–	–	(41)	(41)
31 March 2006	1,669	(729)	(436)	504

18 Financial instruments and risk management

Funding and liquidity

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

	2006 £'000	2005 £'000
Borrowings – UK sterling		
Fixed rate borrowings	182	326
Fixed rate loan notes	1,175	1,265
Short position holdings	200	–
	1,557	1,591
Cash at bank and in hand:		
UK Sterling	46,095	41,284
United States Dollars	1,211	2,572
Euros	337	93
Others	465	285
	48,108	44,234

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

	2006 £'000	2005 £'000
Revolving borrowing facilities:		
Expiring within one year	6,000	7,000

Further disclosures in respect of financial instruments are included in the Operating and Financial Review on pages 8 to 15.

19 Called up share capital

	2006 £'000	2005 £'000
Authorised:		
80,000,000 ordinary shares of 25p each	20,000	20,000
<hr/>		
Allotted and fully paid:		
42,165,335 (2005: 42,153,753) ordinary shares of 25p each	10,541	10,538

On 31 March 2006 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	38,583	£2.87
<hr/>		
Grant dated 2 January 2003 Exercisable during the six months commencing 1 February 2008	1,741,110	£0.96

During the year 6,666 ordinary shares were issued fully paid for cash at 96p each and 4,916 ordinary shares were issued fully paid for cash at 287p each following the exercise of options by former employees.

20 Reserves

	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000
Group:			
1 April 2005	3	2,863	34,928
Net profit	—	—	8,622
Dividends paid	—	—	(2,340)
Revaluation of financial assets	—	2,483	—
Deferred tax on revaluation of financial assets	—	(443)	—
Transfer of realised revaluation surplus	—	(948)	948
Retirement benefit scheme actuarial loss	—	—	(2,284)
Deferred tax on retirement benefit scheme actuarial loss	—	—	729
Share options – value of employee services	—	—	72
– issue of shares	18	—	—
	<hr/>	<hr/>	<hr/>
	21	3,955	40,675
<hr/>			
Company:			
1 April 2005	3	66	38,961
Net profit	—	—	3,538
Dividends paid	—	—	(2,340)
Revaluation of financial assets	—	16	—
Share options – value of employee services	—	—	72
– issue of shares	18	—	—
	<hr/>	<hr/>	<hr/>
	21	82	40,231

21 Minority interest in equity

	Total £'000
At 1 April 2005	203
Acquisition of subsidiary undertaking	(20)
Acquisition of redemption preference shares	(37)
Profit attributable to minority interest	34
<hr/>	
At 31 March 2006	180

22 Statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2004	10,537	—	1,876	29,428	41,841
Net profit	—	—	—	6,820	6,820
Dividends paid	—	—	—	(2,044)	(2,044)
Revaluation of financial assets	—	—	2,406	—	2,406
Deferred tax on revaluation	—	—	(427)	—	(427)
Transfer realised revaluation surplus	—	—	(992)	992	—
Retirement benefits scheme actuarial loss	—	—	—	(311)	(311)
Share options – value of employee services	—	—	—	43	43
proceeds of shares issued	1	3	—	—	4
<hr/>					
31 March 2005	10,538	3	2,863	34,928	48,332
Net profit	—	—	—	8,622	8,622
Dividends paid	—	—	—	(2,340)	(2,340)
Revaluation of financial assets	—	—	2,483	—	2,483
Deferred tax on revaluation	—	—	(443)	—	(443)
Transfer realised revaluation surplus	—	—	(948)	948	—
Retirement benefits scheme actuarial loss	—	—	—	(2,284)	(2,284)
Deferred tax on retirement scheme actuarial loss	—	—	—	729	729
Share options – value of employee services	—	—	—	72	72
proceeds of shares issued	3	18	—	—	21
<hr/>					
31 March 2006	10,541	21	3,955	40,675	55,192

23 Reconciliation of net profit to cash generated from operations

	2006 £'000	2005 £'000
Net profit	13,033	10,517
Adjustments for:		
Depreciation	2,405	2,279
Retirement benefit credit	—	(49)
Share option cost	72	43
Dividend income	(83)	(436)
Interest income	(1,825)	(1,605)
Interest expense	153	118
Profit on disposal of property, plant and equipment	(61)	—
Profit on disposal of financial assets	(408)	(257)
Financial assets acquired in lieu of fees	(620)	—
Changes in working capital:		
Increase in debtors	(7,710)	(60,566)
Increase in creditors	5,106	68,214
Cash generated from operations	10,062	18,258

24 Acquisitions

Purchase of subsidiary undertakings and other businesses

	2006 £'000
Goodwill	650
Satisfied by	
Cash	415
Deferred consideration	235
	650
Additions related to:	
Acquisitions in year	(650)
Further payments re businesses acquired in previous years	(10)
Changes in period	(660)
Deferred consideration	(1,701)
Loan notes	(100)
Net cash movement shown in cash flow statement	(2,461)

25 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 2006 there were no known claims not provided for in these financial statements. The Company has twenty-four 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.

26 Lease commitments

	2006 £'000	2005 £'000
Group and Company		
Annual commitments under operating leases at 31 March were:		
Land and buildings		
Expiring within one year	76	429
Expiring within two to five years	324	278
Expiring after five years	646	653

27 Capital commitments

	2006 £'000	2005 £'000
Authorised but not contracted for	140	450



28 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 Company also sponsors the Charles Stanley & Co Ltd Retirement Benefits Scheme ("the Scheme"), which is a funded defined benefit arrangement. The last full actuarial valuation of the Scheme was carried out by an independent qualified actuary as at 13 May 2005 and updated on an approximate basis to 31 March 2006.

The contributions made by the Employer over the financial year have been £869,000, equivalent to 23.2% of pensionable pay. This contribution rate is to continue until reviewed following the next triennial valuation of the Scheme.

It is the policy of the Company to recognise all actuarial gains and losses in the year in which they occur outside the income statement and in the statement of recognised income and expense.

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

	2006 £'000	2005 £'000
Defined benefit obligation at start of year	14,140	12,591
Total employer current service cost	618	512
Interest cost	834	776
Employee contributions	94	—
Actuarial loss	2,627	264
Benefits paid, death in service insurance premiums and expenses	(32)	(3)
Past service costs	—	—
Business combinations	—	—
Curtailments	—	—
Settlements	—	—
	<hr/>	<hr/>
Defined benefit obligation at end of year	18,281	14,140

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

	2006 £'000	2005 £'000
Fair value of assets at start of year	14,029	12,695
Expected return on assets	596	538
Actuarial gains	343	(47)
Contributions by employer	869	846
Contributions by plan participants	47	—
Benefits paid, death in service insurance premiums and expenses	(32)	(3)
Business combinations	—	—
Settlements	—	—
	<hr/>	<hr/>
Fair value of assets at end of year	15,852	14,029

28 Pension costs (continued)

Total expense recognised in the income statement

	2006	2005
	£'000	£'000
Current service cost	618	512
Interest on pension scheme liabilities	834	776
Expected return on pension scheme assets	(596)	(538)
Past service cost	—	—
Curtailments	—	—
Settlements	—	—
Total expense	856	750

Gains/(losses) recognised in statement of recognised income and expense

	2006	2005
Difference between expected and actual return on scheme assets:		
Amount (£'000)	343	(47)
Percentage of scheme assets	2%	(1%)
Experience gains and losses arising on the scheme liabilities:		
Amount (£'000)	(832)	147
Percentage of present value of scheme liabilities	(5%)	1%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount (£'000)	(1,795)	(411)
Percentage of present value of scheme liabilities	(10%)	(3%)
Total amount recognised in statement of recognised income and expense:		
Amount (£'000)	(2,284)	(311)
Percentage of present value of scheme liabilities	(12%)	(2%)

The cumulative amount of actuarial losses recognised in the statement of recognised income and expense since adoption of IAS19 is £2.4 million.

Assets

	2006	2005
	£'000	£'000
Equities	4,480	613
Bonds	—	—
Other	11,372	13,416
Total	15,852	14,029

The fair values of the assets shown above include £511,000 of shares in Charles Stanley Group PLC.

Expected long term rates of return

The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities has been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

The expected long term rates of return are as follows:

	2006	2005
Equities	7.00%	6.75%
Bonds	5.00%	5.50%
Cash	4.00%	4.00%
Overall for scheme	4.85%	4.12%

Assumptions

	2006 % per annum	2005 % per annum
Inflation	3.00	3.00
Salary increases	3.25	3.25
Rate of discount	5.30	5.75
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.00	3.00
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.00	3.00

Present values of defined benefit obligations, fair value of assets and deficit

	2006 £'000	2005 £'000
Present value defined benefit obligation	18,281	14,140
Fair value of plan assets	15,852	14,029
Deficit in scheme	2,429	111

As all actuarial gains and assets are recognised, the deficits shown above are those recognised in the balance sheet.

Best estimate of contributions to be paid to plan for the year ending 31 March 2007

The best estimate of contributions (employer and employee) to be paid to the plan for the year ending 31 March 2007 is £990,000.

29 Reconciliation of net assets and profit under UK GAAP to IFRS

Charles Stanley Group PLC reported under UK GAAP in its previous published financial statements for the year ended 31 March 2005. The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP as at 31 March 2005 to the revised net assets and profit under IFRS as reported in these financial statements. In addition there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this Company, being 1 April 2004.

Group:

Reconciliation of profit for the period ended 31 March 2005

	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Continuing operations:				
Revenue		78,021	666	78,687
Administrative expenses	(a) (c) (d)	(71,773)	2,116	(69,657)
Operating profit		6,248	2,782	9,030
Profit on sale of fixed assets		257	(257)	–
Income from fixed asset investments		438	(438)	–
Interest payable and similar charges		(118)	–	(118)
Interest receivable		1,605	–	1,605
Profit before tax		8,430	2,087	10,517
Taxation	(e)	(3,723)	35	(3,688)
Profit for the year		4,707	2,122	6,829

Under IFRS profit on sale of fixed assets and income from fixed asset investments are included in revenue.

Reconciliation of equity

Group:

1 April 2004 (date of transition to IFRS)

	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Assets				
Non-current assets				
Goodwill		11,846	–	11,846
Property, plant and equipment		5,493	–	5,493
Financial assets		3,670	–	3,670
Retirement benefit asset	(d)	–	73	73
		21,009	73	21,082
Current assets				
Trade and other receivables		171,489	–	171,489
Financial assets		908	–	908
Cash and cash equivalents		33,993	–	33,993
		206,390	–	206,390
Liabilities				
Current liabilities				
Financial liabilities		(509)	–	(509)
Trade and other payables	(b)	(182,640)	1,581	(181,059)
Current tax liabilities		(2,016)	–	(2,016)
		(185,165)	1,581	(183,584)
Net current assets		21,225	1,581	22,806
Non-current liabilities				
Financial liabilities		(293)	–	(293)
Deferred tax liabilities	(e)	–	(385)	(385)
Other non-current liabilities		(1,125)	–	(1,125)
		(1,418)	(385)	(1,803)
Net assets		40,816	1,269	42,085
Shareholders' equity				
Ordinary shares		10,537	–	10,537
Other reserves	(e)	2,675	(799)	1,876
Retained earnings	(a to e)	27,360	2,068	29,428
Total shareholders' equity		40,572	1,269	41,841
Minority interest in equity		244	–	244
Total equity		40,816	1,269	42,085

29 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Group

Reconciliation of equity at 31 March 2005

	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Assets				
Non-current assets				
Goodwill	(a)	13,518	2,057	15,575
Property, plant and equipment		5,995	—	5,995
Financial assets		4,787	—	4,787
		24,300	2,057	26,357
Current assets				
Trade and other receivables		232,055	—	232,055
Financial assets		1,108	—	1,108
Cash and cash equivalents		44,234	—	44,234
		277,397	—	277,397
Liabilities				
Current liabilities				
Financial liabilities		(991)	—	(991)
Trade and other payables	(b)	(251,107)	1,750	(249,357)
Current tax liabilities		(2,250)	—	(2,250)
		(254,348)	1,750	(252,598)
Net current assets		23,049	1,750	24,799
Non-current liabilities				
Financial liabilities		(600)	—	(600)
Retirement benefit liabilities	(d)	—	(111)	(111)
Deferred tax liabilities	(e)	—	(831)	(831)
Other non-current liabilities		(1,079)	—	(1,079)
		(1,679)	(942)	(2,621)
Net assets		45,670	2,865	48,535
Shareholders' equity				
Ordinary shares		10,538	—	10,538
Share premium		3	—	3
Other reserves	(e)	4,089	(1,226)	2,863
Retained earnings	(a to e)	30,837	4,091	34,928
Total shareholders' equity		45,467	2,865	48,332
Minority interest in equity		203	—	203
Total equity		45,670	2,865	48,535

Reconciliation of equity

Company:

1 April 2004 (date of transition to IFRS)

	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Assets				
Non-current assets				
Goodwill		8,084	–	8,084
Property, plant and equipment		5,493	–	5,493
Financial assets	(f)	36,452	6,299	42,751
		50,029	6,299	56,328
Current assets				
Trade and other receivables		7	–	7
Cash and cash equivalents		273	–	273
		280	–	280
Liabilities				
Current liabilities				
Financial liabilities		(509)	–	(509)
Trade and other payables		(7,810)	1,581	(6,229)
		(8,319)	1,581	(6,738)
Net current liabilities		(8,039)	1,581	(6,458)
Non-current liabilities				
Financial liabilities		(293)	–	(293)
Other non-current liabilities		(1,125)	–	(1,125)
		(1,418)	–	(1,418)
Net assets		40,572	7,880	48,452
Shareholders' equity				
Ordinary shares		10,537	–	10,537
Other reserves	(f)	(1,885)	1,898	13
Retained earnings	(a to f)	31,920	5,982	37,902
Total equity		40,572	7,880	48,452

29 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Company:

Reconciliation of equity at 31 March 2005

	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Assets				
Non-current assets				
Goodwill	(a)	8,944	1,306	10,250
Property, plant and equipment		2,680	—	2,680
Financial assets		43,570	848	44,418
		55,194	2,154	57,348
Current assets				
Trade and other receivables		4	—	4
Cash and cash equivalents		329	—	329
		333	—	333
Liabilities				
Current liabilities				
Financial liabilities		(991)	—	(991)
Trade and other payables	(b)	(7,193)	1,750	(5,443)
		(8,184)	1,750	(6,434)
Net current liabilities		(7,851)	1,750	(6,101)
Non-current liabilities				
Financial liabilities		(600)	—	(600)
Other non-current liabilities		(1,079)	—	(1,079)
		(1,679)	—	(1,679)
Net assets		45,664	3,904	49,568
Shareholders' equity				
Ordinary shares		10,538	—	10,538
Share premium		3	—	3
Other reserves	(f)	3,396	(3,330)	66
Retained earnings	(a to f)	31,727	7,234	38,961
Total equity		45,664	3,904	49,568

Notes to the reconciliation of equity due to IFRS

This is the first year that the Group has presented its accounts under IFRS. The following disclosures are required in the year of transition to describe how the transition from UK generally accepted accounting principles (UK GAAP) has affected the reported financial position, financial performance and cash flows of the Group. The date of transition to IFRS is 1 April 2004, and the earliest period for which full comparative information is presented in accordance with IFRS is the year ended 31 March 2005. The effects that each of these statements have on the restated comparative information are also shown below.

(a) IFRS 3 - Business Combinations

In accordance with the transitional provisions of IFRS 1, the Group has chosen to apply IFRS 3 retrospectively from the date of transition. The result of this application is that the value of goodwill arising from previous acquisitions is frozen at the value held on the Group balance sheet as at 1 April 2004, and the reversal of any amortisation charged in the year to 31 March 2005.

This change results in the reversal of £2.1 million previously charged to the income statement under UK GAAP for the year ended 31 March 2005. The value of intangible assets is therefore also increased by £2.1 million for the year ended 31 March 2005.

(b) IAS 10 – Events after Balance Sheet Date

Under this standard, assets and liabilities should be adjusted for subsequent events that existed at the balance sheet date, but not for events that are indicative of conditions that arose subsequent to the balance sheet date. Under UK GAAP proposed dividends at the half year and year end were accrued even though there is no obligation to pay until the dividend is declared. Under IAS 10, entities are not permitted to recognise a liability for dividends declared after the balance sheet date.

The impact of this change is to increase equity at 1 April 2004 by £1.5 million and at 31 March 2005 by £1.7 million.

(c) IFRS 2 - Share-based Payment

The Group recognises a charge to the income statement for the fair value of outstanding share options in relation to the Company's Save As You Earn scheme granted to employees after 7 November 2002 and not vested by 1 January 2005. These charges are calculated using a Black-Scholes valuation model, and are spread over the relevant vesting periods, taking account of actual and expected levels of vesting. Under UK GAAP, there was no charge in the income statement in relation to share option awards.

This change results in a charge of £0.02 million to profit for the year ended 31 March 2005.

(d) IAS 19 - Employee Benefits

The Group recognises the net asset/liability on defined benefit schemes in the balance sheet and takes all service costs to the income statement.

These changes increase equity at 1 April 2004 by £0.1 million, and reduce equity at 31 March 2005 by £0.1 million. This standard also requires an increase in profit of £0.05 million to be recorded for the year ended 31 March 2005.

(e) IAS 12 - Income Taxes

The Group recognises a deferred tax liability on timing differences, unused capital tax losses, revaluations of investments and on retirement benefit assets/liabilities.

These changes result in the recording of a deferred tax liability of £0.4 million at 1 April 2004 and a deferred tax liability of £0.8 million at 31 March 2005.

(f) IAS 32 - Valuation of Investment in Subsidiaries

The Company has restated its investments in subsidiaries at cost. This change results in an increase in the book value of these investments of £6.2 million at 1 April 2006 and £0.8 million at 31 March 2005.

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	Internal Audit
Michael J. Pitts	IT
Venetia J. Malpas	Compliance
Gary Teper	Legal Services and Human Resources

together with the Directors of Charles Stanley Group PLC as listed on page 16.

Financial Calendar

8 June 2006	Results announced
5 July 2006	Ex-dividend date for final dividend
7 July 2006	Record date for final dividend
18 July 2006	Annual General Meeting
28 July 2006	Final dividend paid
November 2006	Interim results announced

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 106th Annual General Meeting of Charles Stanley Group PLC will be held at 25 Luke Street EC2 on 18 July 2006 at 11.00 am, for the following purposes:

Ordinary Business

1. To receive and adopt the Accounts for the year ended 31 March 2006 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 21 to 25 of the Annual Report and Accounts.
4. To re-elect Mr Michael Clark as a Director.
5. To re-elect Mr Michael Lilwall as a Director.
6. 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 7 being proposed as an Ordinary resolution and resolutions 8 and 9 as Special resolutions.

Ordinary Resolution

Resolution 7

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 £3,520,000;
- (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 8

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 2007 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 9

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 4,226,872;
- (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 2007 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

8 June 2006

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 Friday, 14 July 2006. 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 Friday, 14 July 2006 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 Friday, 14 July 2006 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 2006.

Resolution 2

The Directors will propose a final dividend of 5.35p.

Resolution 3

The Directors' Remuneration Report is included in the Annual Report and Accounts on pages 21 to 25. 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, Mr Michael Clark, who is aged 59, retires and is eligible for, and is seeking, re-appointment as a Director. Short biographical details of Mr Clark are set out on page 16 of the Annual Report and Accounts.

Resolution 5

In accordance with the Company's Articles of Association, Mr Michael Lilwall, who is aged 48, retires and is eligible for, and is seeking, re-appointment as a Director. Short biographical details of Mr Lilwall are set out on page 16 of the Annual Report and Accounts.

Resolution 6

Saffery Champness have expressed their willingness to continue to act as auditors of the Company and Resolution 6 proposes the re-appointment of that firm as the Company's auditors and to authorise the Directors to determine the auditors' remuneration.

Resolution 7 & 8

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 9

Resolution 9 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 8 June 2006) 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 18 JULY 2006

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 18 July 2006 and at any adjournment thereof.

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

	For	Against		For	Against
Resolution No. 1 Adoption of report and accounts			Resolution No. 6 Re-appointment and remuneration of Auditors		
Resolution No. 2 Declaration of dividend			Resolution No. 7 Authority under Section 80		
Resolution No. 3 Approval of Directors' remuneration report			Resolution No. 8 Allotment of equity securities		
Resolution No. 4 Re-election of Mr Michael Clark			Resolution No. 9 Company to purchase its own shares		
Resolution No. 5 Re-election of Mr Michael Lilwall					

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 Friday, 14 July 2006. 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)

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