

CHARLES STANLEY GROUP PLC RESULTS FOR THE YEAR ENDED 31 MARCH 2009

Charles Stanley is one of the UK's leading independently owned, full service stockbroking and investment management groups, advising on substantial funds. Today it announces its preliminary results for the year ended 31 March 2009.

Highlights:

- Revenue for the year £101.8 million (2008: £105.6 million) 3.6% decrease
- Underlying profit before tax £9.3 million (2008 £12.3 million) 24.4% decrease
- Underlying profit before tax and one off costs £10.8 million (2008: £16.7 million) 35.3% decrease
- Funds under management or administration £9.0 billion (2008: £11.0 billion)
- Private client income up 0.8% to £84.5 million (2008: £83.8 million)
- Earnings per share before one-off costs 17.30p (2008: 27.99p)
- Earnings per share after one-off costs 14.65p (2008: 20.89p)
- Dividend increased to 8.75p up 1.7% (2008: 8.60p)
- Acquisition of Griffiths & Armour (Financial Services) Ltd

Commenting on the outlook Sir David Howard, Chairman said:

“Charles Stanley has demonstrated its resilience even in the harshest conditions. We are well placed if these continue, and well placed, equally, to move forward when the economy recovers. For the moment I remain cautious, but I have some optimism about the outlook for the Group on a six to twelve month view.”

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CHAIRMAN'S STATEMENT

Despite some of the most difficult economic conditions that any of us can remember Charles Stanley is pleased to report that our revenue for the year ended 31 March 2009 has held up at 96% of the previous year's record figure. The small decline in revenue from the record levels of 2008 was due almost wholly to a difficult year for the securities division which, despite the most adverse conditions, nevertheless produced a healthy profit thanks to our wide diversity of business and an excellent year from our CS Sutherlands bond team.

During the course of this year we have acquired Griffiths & Armour (Financial Services) Ltd and made a number of additions of small teams across the Group. These acquisitions have helped to maintain our revenue levels. But our margins, throughout the Group, have been unable to avoid the pressure of market conditions. Consequently our reported profit before tax, at £9.2 million, is some 25.8% lower than the figure of £12.4 million in 2008. After adjustment to eliminate the effect of investment disposals and one-off acquisition costs our profit before tax is £10.8 million compared with £16.7 million in 2008. We regard this as a solid result in the light of the current climate.

Inevitably the decline in markets has also impacted on the funds which we manage or administer for clients. As at 31 March 2009 the total stood at £9.0 billion, some 18.2% lower than the figure at 31 March 2008 of £11.0 billion. The closest comparator to our mix of client funds is the APCIMS Balanced Portfolio Index, which fell by 20.4% over the same period. Within these figures the funds which we manage on a discretionary basis for clients have fallen by 12.9%, from £3.1 billion to £2.7 billion. As at 31 May 2009 I am pleased to report that total funds under management and administration stood at £10.0 billion.

In October 2008 we acquired Griffiths & Armour (Financial Services) Ltd, a benefits consultancy business previously owned by the leading insurance brokers Griffiths & Armour, based in Liverpool. This is a significant addition to our expanding benefits consultancy business based in London, Plymouth and Southampton.

Despite paying for acquisitions from our own resources our cash balances stood at £36.0 million at 31 March 2009 compared to £32.5 million at 31 March 2008. This reflects the particularly vigorous attention that we have paid to our working capital during these turbulent conditions and our enhanced focus on credit risk management in this period of heightened market uncertainty.

In the light of these results we propose increasing the final dividend from 6.50p per share to 6.65p. Taken together with the interim dividend of 2.10p this will make a total dividend for the year of 8.75p, an increase of 1.7% on last year's total dividend of 8.60p. The dividend will be paid on 4 August 2009 to shareholders registered on 19 June 2009. We are also offering shareholders the opportunity to choose to receive part or all of their dividends in the form of shares rather than in cash.

Divisional review

Charles Stanley provides a comprehensive range of investment, wealth management and financial planning services to retail, institutional and corporate clients. A detailed review of the business in respect of the past year follows this statement.

The quality of our service

Charles Stanley continues to grow. During 2008-09 we have been joined by many new clients, by businesses that we have acquired and by further excellent staff. Our focus, as always, remains on the quality of our service.

I am delighted to welcome all those who have joined us during the past 12 months and I offer my thanks to our committed and enthusiastic brokers and staff for their hard work in producing another set of sound results.

Changes to our Articles of Association

In recent years we have sought your approval from time to time for amendments in our Articles of Association, to keep them in line with changing legislation. A number of further changes are needed this year and we are taking the opportunity to revise our Articles comprehensively.

Outlook

It was clear this time twelve months ago that 2008-09 was going to be another dreadful year for the global economy. The blunders of the Bush administration had plunged the world into a crisis from which it has still to emerge. By and large the short-term problems which this has created can, I am sure, be alleviated and possibly resolved by the sweeping measures taken both in Britain and elsewhere. But the deeper causes of the crisis, the global imbalances between producing and consuming nations, call for a more profound solution which still evades us.

Another imbalance has been the stark difference between the heavy regulation of retail business, which has posed little or no systemic risk, and the thinner regulation of over-extended wholesale businesses, which are the immediate cause of the systemic collapse. We share the view that, in all of our interests, controls must be tightened. But this needs to be proportionate and rather more accurately focussed.

The stock market has held up very well, in the circumstances, and there are increasing signs of recovery. But it is too early to say if this is a short-lived bounce or if the gathering momentum is the beginning of a cyclical upturn. I veer to the latter view, but to be sure of this we need rather more evidence.

In the meantime Charles Stanley has demonstrated its resilience even in the harshest conditions. We are well placed if these continue, and well placed, equally, to move forward when the economy recovers. For the moment I remain cautious, but I have some optimism about the outlook for the Group on a six to twelve month view.

Sir David Howard
Chairman

BUSINESS REVIEW

The Group operates through three Divisions, reflecting its three principal business streams - Private Client, Financial Services and Charles Stanley Securities.

Private Clients

Total funds under management and administration as at 31 March each year were as follows:

	2009 £ billion	2008 £ billion
Discretionary funds under management		
In Group's nominee or Euroclear UK and Ireland ("EUI") personal membership	2.7	3.1
Advisory managed funds		
In Group's nominee or EUI personal membership	1.7	2.4
Not held in Group's nominee	0.2	0.5
	1.9	2.9
Total managed funds	4.6	6.0
Advisory dealing funds		
In Group's nominee or EUI personal membership	2.0	2.2
Execution only funds		
In Group's nominee or EUI personal membership	2.4	2.8
Total administered funds	4.4	5.0
Total funds under management or administration	9.0	11.0

The Private Client division provides services for charities and trusts in addition to individual clients.

The Private Client division has seen a resilient performance in challenging market conditions. Total income has risen by 0.8% whilst like for like income has fallen by 1.0%. Income for the year comprises commission income from trades on behalf of clients, management fees for those clients for whom we provide discretionary or advisory managed services, administration fees and interest turn.

At 31 March 2009, the Group held £9.0 billion of funds under management and administration, a decrease of 18.2% on the 2008 figure of £11.0 billion. This compares with a drop of 20.4% in the APCIMS Balanced Portfolio Index over the same period.

While we seek to increase the managed or administered funds in each category we place higher emphasis on securing discretionary funds. In the latest year the proportion of discretionary funds rose from 28.2% to 30.0% of the total. Discretionary funds under management have decreased by 12.9% during the year to £2.7 billion at 31 March 2009 (2008: £3.1 billion).

Our transaction numbers have declined by 5.0% from 2008 and this has led to lower commission income of £46.0 million for 2009, compared with £48.6 million in the previous year. The division did see increased activity during the second half of the year due to the volatility of markets.

This decrease in commission income is more than offset by the increase in fees for managed clients from £35.2 million to £38.5 million.

The ratio of Private Client revenue comprises 45.6% fee income and 54.4% commission income (42.0% and 58.0% for 2008 respectively). The division generated the following income by client type:

	2009 £m	2008 £m
Managed clients		
Commission	21.8	23.6
Fees	23.4	20.8
Total managed clients	45.2	44.4
Non-managed clients		
Commission	24.2	25.0
Fees and charges	15.1	14.4
Total non-managed clients	39.3	39.4
Total	84.5	83.8

The division has made two significant acquisitions during the year, the business of Truro Stockbrokers and the UK private client business of Insinger de Beaufort. The former increases the geographic coverage in the west of England, building on existing operations in that region, and the latter has strengthened the London based Asset Management activities. Both acquisitions have settled in well and are performing strongly.

Market conditions continue to be difficult and it remains to be seen whether the trading activity and increase in FTSE values since the end of March represent a false dawn or the start of a new bull market. The division is also confronting the challenges of the Retail Distribution Review by the FSA and other regulatory pressures. We are always on the lookout for suitably priced acquisitions where they can add value to the Group's activities and to shareholders. Market turbulence over the last few months has created opportunities for winning new clients.

Michael Clark
Director of Private Client Stockbroking

Peter Hurst
Finance Director

Financial Services

Up to 31 March 2008 the Financial Services operations of the Group were integrated within the Private Client division. During the year the Group decided to recognise this area of the business as a separate division as a result of the key acquisition, in October 2008, of Griffiths & Armour (Financial Services) Ltd. The Financial Services Division comprises of EBS Management PLC ("EBS") (a SIPP administration services provider), Garrison Investment Analysis Ltd ("Garrison") (a discount financial intermediary) and Griffiths & Armour (Financial Services) Ltd, an employee benefits provider together with the existing Charles Stanley Employee Benefits, Financial Planning and Wealth Management areas.

Total income has increased by 13.8% during 2009 though on a like for like basis the income fell by 5.2%. Income within the division is shown below:

	2009 £m	2008 £m
Financial Planning	2.1	2.1
EBS	1.7	1.6
Garrison	1.7	2.1
Griffiths & Armour (Financial Services) Ltd	1.1	-
Total	6.6	5.8

Griffiths & Armour (Financial Services) Ltd has traded well since acquisition in October 2008 and this has allowed the Group to strengthen its benefit consulting services and enhance its proposition to corporate clients. The Employee Benefits business is in the process of reorganisation and this is expected to be completed during the year ended 31 March 2010.

EBS has performed consistently over 2009 with total income of £1.7 million (2008: £1.6 million). It has been a good year when considering the turbulence in the stock market. During the year we took on 364 new SIPP's and 10 new SSASs, but unfortunately the consolidation of the SSAS portfolio has continued with the loss of 22. Although the fixed income we receive from these clients is growing, the time-costed income is reducing, with fewer clients undertaking activities which enable us to raise additional fees.

Garrison has seen a fall in income to £1.7 million (2008: £2.1 million), reflecting the wider falls in market values since April 2008. Garrison has continued to attract new investors and is well positioned for a subsequent recovery in equity markets.

The Financial Planning and Wealth Management area has put in a consistent performance throughout the year with further gains on the wealth management side together with several new hires.

Michael Lilwall
Director

Charles Stanley Securities

CS Securities, the Group's advisory, broking and corporate finance arm for smaller and mid cap UK listed companies, has seen very challenging conditions in its primary markets, with equity fundraisings and corporate transactions at significantly lower levels. This reflects the wider difficulties in the corporate market. Revenues such as retainer fees have held up well and the division has 49 retained clients (2008: 51 retained clients).

On a like for like basis the division generated £10.7 million of income, a decrease of 32.7% from 2008. Income within the division is shown below:

	2009	2008
	£m	£m
Commission	8.0	10.2
Fees	2.7	5.7
Total	10.7	15.9

The division has sought to enhance its research coverage during 2009 by selective recruitment. It has recently strengthened the management team to expand its institutional relationships through research product and sales efforts.

The division's institutional bond trading arm, CS Sutherlands, has enjoyed a strong performance arising from increased investor interest in this sector as equities have struggled. The division has recently added to its public coverage of the sector and anticipates continued heightened investor interest in bond markets as the impacts of gilt issues and of quantitative easing are felt.

Current primary market conditions continue to be challenging and new equity fundraising is still at a very low level. Nevertheless the Securities division is well positioned to benefit from improved corporate confidence.

Michael Lilwall
Director

OPERATING AND FINANCIAL REVIEW

Results for 2009 financial year and financial position

During 2009 total revenue for the Group fell by 3.6% to £101.8 million from £105.6 million. Reported profit for the year of £9.2 million includes losses on disposal and revaluation of available for sale investments and one-off costs of £1.5 million (£4.4 million) relating to new investment teams.

	2009 £m	2008 £m	Change £m	%
Revenue	101.8	105.6	(3.8)	(3.6%)
Administrative expenses	(93.8)	(95.3)	1.5	1.6%
Operating profit	8.0	10.3	(2.3)	
Net interest	1.3	2.0	(0.7)	
Underlying profit before tax	9.3	12.3	(3.0)	(24.4%)
(Loss)/profit on sale of investments	(0.1)	0.1	(0.2)	
Reported profit	9.2	12.4	(3.2)	(25.8%)
Ratio to revenue	9.0%	11.7%		
Add back loss/(profit) on sale of investments	0.1	(0.1)		
Add back one-off costs	1.5	4.4		
Underlying profit before one-off costs	10.8	16.7	(5.9)	(35.3%)
Ratio to revenue	10.6%	15.8%		

Revenue for the year is summarised below:

	2009 £m	2008 £m	Change £m	%
Private Client	84.5	83.8	0.7	0.8%
Financial Services	6.6	5.8	0.8	13.8%
Charles Stanley Securities	10.7	15.9	(5.2)	(32.7%)
Other income	-	0.1	(0.1)	
Total	101.8	105.6	(3.8)	(3.6%)

A detailed analysis of the divisional performance is shown in the Business Review above.

The Group seeks, over time, to alter the balance between commission and fee income increasingly in favour of fees. In 2009 the proportion of fee income (excluding Corporate Finance fees) to the total was 45.4% compared to 40.9% in 2007-08 and 39.1% the previous year.

Administrative expenses

Administrative expenses are summarised as follows:

	2009 £m	2008 £m	Change £m	%
Staff costs	41.5	41.9	0.4	1.0%
Depreciation	2.7	2.3	(0.4)	(17.4%)
Amortisation of intangible assets	1.7	0.6	(1.1)	(183.3%)
Other costs	46.4	46.1	(0.3)	(0.6%)
Total before one-off costs	92.3	90.9	(1.4)	(1.5%)
One-off costs relating to new teams	1.5	4.4	2.9	65.9%
Total	93.8	95.3	1.5	1.6%
Allocated to:				
Private Client division	52.1	53.3	1.2	2.3%
Financial Services	6.3	5.2	(1.1)	(21.2%)
Charles Stanley Securities	10.0	13.0	3.0	23.1%
Total allocated to divisions and other income	68.4	71.5	3.1	4.3%
Unallocated	25.4	23.8	(1.6)	(6.7%)

Total costs have decreased by 1.6% from £95.3 million to £93.8 million. Staff costs are analysed in note 3 to the preliminary statements. These have decreased by 1.0% to £41.5 million from £41.9 million and represent 44.2% of our total costs (2008: 44.0%). Employee numbers have risen by 8.6% to 679 from 625.

For management purposes costs are allocated to divisions by direct attribution and this is shown in note 2 to the preliminary statements.

Due to acquisitions front office salary costs have risen and the ratio of the number of times front office salaries are covered by revenue has changed.

	2009 £m	2008 £m	Change £m	%
Front office fixed salary cost	18.8	17.2	1.6	9.3%
Total income to salary ratio	5.4	6.1		

Given the reduction in revenue, non-salary fixed costs have risen relative to revenue as follows:

	2009	2008
Business support costs as % of revenue	18.3%	15.9%
Overhead costs as % of revenue	14.4%	12.5%
Total general fixed costs as % of income	32.7%	28.4%

The Group has incurred costs of £1.5 million in respect of new investment teams (2008: £4.4 million). When excluding these one-off costs, total expenses have increased by 1.5% to £92.3 million from £90.9 million.

Costs also include depreciation of £2.7 million (2008: £2.3 million) and amortisation of intangible assets of £1.7 million (2008: £0.6 million). Further details are shown in notes 10 and 11 to the preliminary statement. Amortisation includes a full year's charge on intangible assets acquired during the year to March 2008. In 2009 the proportion of our total costs

which are fixed increased to 67% from 59%. Consequently the proportion of fixed costs which is covered by fees has fallen from 86% to 77%.

Interest receivable of £1.4 million (2008: £2.1 million) includes interest on bank deposits and interest earned from interest bearing investments available for sale. The Group's cash balances stood at £36.0 million as at 31 March 2009 (2008: £32.5 million).

The tax charge of £2.7 million is analysed in note 6 of the preliminary statement. This represents 29.3% of the Group's profit before tax of £9.2 million (2008: 28.2% of £12.4 million). The effective rate is higher than the UK standard rate of 28% due to differences between accounting and taxation treatment of certain items.

Earnings per share for the year after one-off costs were 14.65p (2008: 20.89p). There was no dilution at 31 March 2009 of earnings. Further details on earnings per share are explained in note 7.

As indicated in the Chairman's statement the final dividend for the year is recommended to be increased by 0.15p to 6.65p giving a total dividend for the year of 8.75p (2008: 8.60p) at a cost of £3.9 million. Shareholders will, subject to approval at the Annual General Meeting, be offered a scrip alternative.

At 31 March 2009 the Group had net assets of £72.2 million (2008: £71.1 million) equivalent to £1.64 per share (2008: £1.61).

We monitor our performance against our financial objectives by using the following key performance indicators:

Indicator	Description	2009	2008	%
Ratio of operating profit before one off costs to revenue	Operating profit before one off costs as a percentage of income	9.3%	14.0%	(33.6%)
Ratio of reported profit before one off costs to revenue	Underlying profit before one off costs as a percentage of income	10.6%	15.8%	(32.9%)
Basic earnings per share before one off costs	Underlying earnings before one off costs divided by weighted average number of shares in issue during the year	17.30p	27.99p	(38.2%)
Funds under management and administration	Valuation of client assets at the year end	£9.0 bn	£11.0 bn	(18.2%)
Discretionary funds under management	Valuation of discretionary client assets at the year end	£2.7 bn	£3.1 bn	(12.9%)
APCIMS Balanced Portfolio Index	As at period end	2,230	2,802	(20.4%)
Staff turnover	Ratio of staff leavers to average staff during the year	8%	11%	27%
Fees growth	Value of non-commission income for Private Clients	£38.5m	£35.2m	9.4%

Peter Hurst
Finance Director

Charles Stanley Group PLC
Consolidated Income Statement
Year ended 31 March 2009

	<i>Notes</i>	2009 £'000	<i>2008</i> <i>£'000</i>
Continuing operations			
Revenue	2	101,765	105,564
Administrative expenses		(93,834)	(95,225)
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Operating profit	4	7,931	10,339
Interest receivable	5	1,445	2,078
Interest payable and similar charges	5	(106)	(100)
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Underlying profit before tax		9,270	12,317
(Loss)/profit on disposal of available for sale investments	5	(56)	80
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Profit before tax		9,214	12,397
Taxation	6	(2,746)	(3,459)
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Profit for the year attributable to equity shareholders		6,468	8,938

Earnings per Share

Based on reported profit for the year

Basic	7	14.65p	20.89p
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Diluted	7	14.65p	20.21p
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Based on underlying profit for the year

Basic	7	14.75p	20.76p
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Diluted	7	14.75p	20.08p
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Statement of Recognised Income and Expense

	2009	2008
	£'000	£'000
Profit for the year	6,468	8,938
Revaluation of available for sale investments taken to income statement on disposal	201	(26)
Revaluation of available for sale investments	(581)	332
Deferred tax on revaluation of available for sale investments	166	(86)
Retirement benefit scheme actuarial deficit	(2,048)	(578)
Deferred tax on retirement benefit scheme actuarial deficit	545	162
Net expense recognised directly in equity	(1,717)	(196)
Total recognised income for the year attributable to equity shareholders	4,751	8,742

Charles Stanley Group PLC
Consolidated Balance Sheet
31 March 2009

	Notes	2009 £'000	2008 £'000
Assets			
Non-current assets			
Goodwill	9	25,450	23,238
Intangible assets	10	11,197	5,561
Property, plant and equipment	11	7,747	7,420
Deferred tax assets		587	-
Available for sale investments	12	6,200	4,907
		51,181	41,126
Current assets			
Trade and other receivables	13	257,187	299,052
Held for trading investments		163	2,575
Cash and cash equivalents	14	35,951	32,527
		293,301	334,154
Liabilities			
Current liabilities			
Financial liabilities	15	(1,749)	(519)
Trade and other payables	16	(264,363)	(297,341)
Current tax liabilities		(574)	(798)
		(266,686)	(298,658)
Net current assets		26,615	35,496
Non-current liabilities			
Financial liabilities	15	(28)	(1,404)
Retirement benefit liability	23	(3,894)	(1,952)
Deferred tax liabilities		-	(195)
Other non-current liabilities	16	(1,724)	(1,992)
		(5,646)	(5,543)
Net assets		72,150	71,079
Shareholders' equity			
Ordinary shares	17	11,035	11,029
Share premium	18	1,873	1,855
Revaluation reserve	18	2,295	2,509
Retained earnings	18	56,850	55,589
Total shareholders' equity	18	72,053	70,982
Minority interest in equity		97	97
Total equity		72,150	71,079

Charles Stanley Group PLC
Consolidated Cash Flow Statement
Year ended 31 March 2009

	<i>Notes</i>	2009 £'000	<i>2008</i> <i>£'000</i>
Cash flows from operating activities			
Cash generated from operations	19	20,791	10,027
Interest received		1,445	2,078
Interest paid		(106)	(100)
Tax paid		(3,029)	(5,672)
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Net cash from operating activities		19,101	6,333
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Cash flows from investing activities			
Acquisition of subsidiaries and other businesses		(1,471)	(5,032)
Proceeds from sale of subsidiaries		-	100
Acquisition of intangible assets		(5,295)	(5,045)
Purchase of property, plant and equipment		(3,118)	(3,314)
Proceeds from available for sale investments		445	534
Purchase of investments		(2,398)	(1,408)
Dividends received		79	83
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Net cash used in investing activities		(11,758)	(14,082)
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Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		24	1,584
Capital element of finance lease payments		(147)	(62)
Dividends paid to shareholders		(3,796)	(3,551)
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Net cash used in financing activities		(3,919)	(2,029)
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Net increase/(decrease) in cash and cash equivalents		3,424	(9,778)
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Cash and cash equivalents at start of year		32,527	42,305
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Cash and cash equivalents at end of year		35,951	32,527
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Charles Stanley Group PLC

Notes to the Financial Statements

General information

Basis of preparation

The results are an abridged extract from the financial statements for the year ended 31 March 2009, which have not yet been delivered to the Registrar of Companies. The auditors' report on the full financial statements has yet to be signed.

The results have been prepared on a basis consistent with the accounting policies set out in the statutory financial statements for the year ended 31 March 2008. The financial information as set out in this report is unaudited and does not comprise statutory accounts for the purposes of Section 240 of the Companies Act 1985.

The comparative figures for the year ended 31 March 2008 have been taken from, but do not constitute, the Group's statutory financial statements for that financial year. Those financial statements have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report was unqualified.

1 Underlying profit before tax and underlying earnings

The Board believes that a truer reflection of the performance of the Group's on-going business is given by the measure "Underlying Profit before Tax", which represents operating profit plus net interest but excludes profit on the disposal of available for sale investments, and the measure "Underlying Earnings", which represents underlying profit before tax less tax expense. These measures are also followed by the analyst community as benchmarks for the Group's on-going performance. The table below reconciles these measures to the reported income statement.

	2009		2008
	£'000	£'000	£'000
Reported profit before tax		9,214	12,397
Exclude profit on disposal of available for sale investments		56	(80)
Underlying profit before tax		9,270	12,317
Taxation	(2,746)		(3,459)
Less taxation on profit on disposal of available for sale investments	(16)	(2,762)	24 (3,435)
Underlying earnings		6,508	8,882
Attributable to minority		-	-
Attributable to equity shareholders		6,508	8,882
Underlying earnings per share		14.75p	20.76p
Underlying diluted earnings per share		14.75p	20.08p

2 Revenue

	<i>Private Client Division £'000</i>	<i>Financial Services £'000</i>	<i>Charles Stanley Securities £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
Year ended 31 March 2009					
Commission	46,038	28	8,020	-	54,086
Fees					
Investment management	17,252	155	-	-	17,407
Administration	21,200	6,404	-	-	27,604
Corporate finance	-	-	2,655	-	2,655
	38,452	6,559	2,655	-	47,666
Other income	-	-	-	13	13
Total for year ended 31 March 2009	84,490	6,587	10,675	13	101,765
Allocated administrative expenses	(52,052)	(6,346)	(9,964)	-	(68,362)
	32,438	241	711	13	33,403
Unallocated administrative expenses					(25,472)
Operating profit					7,931
Year ended 31 March 2008					
Commission	48,541	37	10,199	-	58,777
Fees					
Investment management	15,987	188	-	-	16,175
Administration	19,227	5,568	-	-	24,795
Corporate finance	-	-	5,734	-	5,734
	35,214	5,756	5,734	-	46,704
Other income	-	-	-	83	83
Total for year ended 31 March 2008	83,755	5,793	15,933	83	105,564
Allocated administrative expenses	(53,234)	(5,193)	(12,965)	-	(71,392)
	30,521	600	2,968	83	34,172
Unallocated administrative expenses					(23,833)
Operating profit					10,339

3 Staff costs

The average number of persons employed (including Directors) during the year was 679 (2008: 625).

	2009	2008
	£'000	£'000
Staff costs for the Group during the year:		
Wages and salaries	34,810	34,933
Social security costs	3,601	4,140
Other pension costs	3,102	2,794
	41,513	41,867

4 Operating profit

The following items have been included in arriving at operating profit:

	2009	2008
	£'000	£'000
Depreciation of property, plant and equipment:		
- owned assets	2,726	2,234
- assets held under finance leases	33	39
Auditors' remuneration:		
- Services supplied for the audit of the accounts	195	131
- Services supplied relating to taxation	79	67
Operating lease rentals payable	1,741	1,541
One-off revenue costs relating to new investment teams	1,564	4,418

5 Finance income – net

	2009	2008
	£'000	£'000
Interest income	1,445	2,078
Interest expense:		
Interest payable on bank borrowings	(29)	(3)
Interest payable on other loans	(69)	(85)
Interest payable on finance leases	(8)	(12)
Interest payable and similar charges	(106)	(100)
(Loss)/profit on disposal of available for sale investments	(56)	80
Finance income – net	1,283	2,058

6 Taxation

	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>
Current taxation:		
- Continuing operations	2,821	3,353
- Relating to prior years	-	(89)
Deferred taxation:		
- Continuing operations	(75)	195
	2,746	3,459

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below.

	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>
Profit before tax	9,214	12,397
Profit multiplied by the rate of corporation tax of 28% (2008: 30%)	2,580	3,719
Effects of:		
Other items not allowed for tax purposes	144	173
Adjustments in respect of previous periods	-	(89)
Other adjustments	22	(344)
	166	(260)
Tax charge for the year	2,746	3,459

7 Earnings per share

	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>
Earnings attributable to ordinary shareholders	6,468	8,938
Loss/(profit) on disposal of available for sale investments	56	(80)
Tax on loss/(profit) on disposal of available for sale investments	(16)	24
Underlying earnings attributable to ordinary shareholders	6,508	8,882
One-off revenue costs relating to new investment teams	1,564	4,418
Tax on one-off costs	(438)	(1,325)
Underlying earnings before one-off costs	7,634	11,975
	No. 000	<i>No.</i> <i>000</i>
Weighted average number of shares in issue in the year	44,136	42,788
Dilution	-	1,437
	44,136	44,225

Based on reported earnings		
Basic earnings per share	14.65p	20.89p
Diluted earnings per share	14.65p	20.21p
Based on underlying earnings		
Basic earnings per share	14.75p	20.76p
Diluted earnings per share	14.75p	20.08p
Based on underlying earnings before one-off costs		
Basic earnings per share	17.30p	27.99p
Diluted earnings per share	17.30p	27.08p
8 Dividends paid		
	2009	2008
	£'000	£'000
Final paid for 2008: 6.50p (2008: 6.25p) per 25p share	2,869	2,657
Interim paid for 2009: 2.10p (2008: 2.10p) per 25p share	927	894
	3,796	3,551

In addition, the Directors are proposing a final dividend in respect of the year ended 31 March 2009 of 6.65p per share which will absorb an estimated £2.94 million of shareholders' funds. It will be paid on 6 August 2009 to shareholders who are on the register of members on 19 June 2009.

9 Goodwill

	£'000
As at 1 April 2008	23,238
Acquisitions	2,420
Adjustments to Goodwill	(208)
As at 31 March 2009	25,450

10 Intangible assets

	<i>Customer lists</i> <i>£'000</i>	<i>Brand costs</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
As at 1 April 2008	6,031	183	6,214
Acquisitions	7,295	-	7,295
<hr/>			
As at 31 March 2009	13,326	183	13,509
<hr/>			
Amortisation			
As at 1 April 2008	616	37	653
Amortisation during year	1,513	146	1,659
<hr/>			
As at 31 March 2009	2,129	183	2,312
<hr/>			
Net book value at 31 March 2009	11,197	-	11,197
<hr/>			
Net book value at 31 March 2008	5,415	146	5,561

11 Property, plant and equipment

	<i>Freehold premises</i> <i>£'000</i>	<i>Long leasehold premises</i> <i>£'000</i>	<i>Short leasehold premises</i> <i>£'000</i>	<i>Office equipment and motor vehicles</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Cost					
1 April 2008	474	1,984	4,585	10,510	17,553
Additions	-	18	666	2,434	3,118
Disposals	-	-	-	(3,290)	(3,290)
<hr/>					
31 March 2009	474	2,002	5,251	9,654	17,381
<hr/>					
Depreciation					
1 April 2008	31	1,600	2,280	6,222	10,133
Charge for year	9	27	411	2,312	2,759
Disposals	-	-	-	(3,258)	(3,258)
<hr/>					
31 March 2009	40	1,627	2,691	5,276	9,634
<hr/>					
Net book value at 31 March 2009	434	375	2,560	4,378	7,747
<hr/>					
Net book value at 31 March 2008	443	384	2,305	4,288	7,420

The net book value of tangible fixed assets includes £135,000 (2008: £131,000) in respect of assets held under finance leases and hire purchase contracts.

Disposals include £2.9 million of assets fully written down.

Fixed assets include fully depreciated assets costing £3.4 million.

12 Available for sale investments

	<i>Listed investments £'000</i>	<i>Unlisted investments £'000</i>	<i>Total £'000</i>
1 April 2008			
Cost	1,087	303	1,390
Revaluation	428	3,089	3,517
Fair value at 1 April 2008	1,515	3,392	4,907
Additions	2,398	-	2,398
Disposals	(472)	-	(472)
Revaluation in year	(633)	-	(633)
Fair value at 31 March 2009	2,808	3,392	6,200
Cost	3,012	303	3,315
Revaluation	(204)	3,089	2,885

13 Trade and other receivables

	<i>2009 £'000</i>	<i>2008 £'000</i>
Current:		
Trade receivables	253,086	295,772
Other receivables	780	668
Prepayments and accrued income	3,321	2,612
	257,187	299,052

14 Cash and cash equivalents

	<i>2009 £'000</i>	<i>2008 £'000</i>
Cash at bank and in hand	35,951	32,527

At the balance sheet date there were also deposits for clients, not included in the consolidated balance sheet, which were held in trust in segregated bank accounts, amounting to £916 million (2008: £996 million).

15 Financial liabilities

	2009	2008
	£'000	£'000
Current		
Bank of England base rate redeemable loan	157	157
4.5% convertible redeemable loan note	201	311
Bank of England base rate unsecured loan note	1,336	-
Obligations under finance leases	55	51
	1,749	519
Non-current		
Bank of England base rate unsecured loan note	-	1,336
Obligations under finance leases	28	68
	28	1,404

16 Trade and other payables

	2009	2008
	£'000	£'000
Current		
Trade payables	248,848	286,180
Other taxes and social security	2,628	2,788
Other payables	8,047	1,984
Accruals and deferred income	4,840	6,389
	264,363	297,341
Non-current		
Other creditors – deferred consideration	1,724	1,992

17 Called up share capital

	2009	2008
	£'000	£'000
Authorised		
80,000,000 ordinary shares of 25p each	20,000	20,000
Allotted and fully paid:		
44,142,718 (2008: 44,117,718) ordinary shares of 25p each	11,035	11,029

During the year 25,000 ordinary shares were issued fully paid for cash at 96p following the exercise of options by employees. These shares had a nominal value of £6,250 and a total consideration value of £24,000.

On 31 March 2009 the following options have been granted and remain outstanding in respect of ordinary shares of 25p in the Group under the Group's Save As You Earn Scheme.

	No of shares	Option price
Grant dated 19 December 2007	397,367	£2.48
Exercisable during the six months commencing 1 September 2011		

18 Reserves and statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Reval- uation reserve £'000	Retained earnings £'000	Total £'000
1 April 2007	10,592	379	2,289	50,569	63,829
Net profit	-	-	-	8,938	8,938
Dividends paid	-	-	-	(3,551)	(3,551)
Revaluation of available for sale investments	-	-	332	-	332
Deferred tax on revaluation of available for sale investments	-	-	(86)	-	(86)
Transfer of realised revaluation surplus	-	-	(26)	-	(26)
Retirement benefit scheme actuarial surplus	-	-	-	(578)	(578)
Deferred tax on retirement scheme actuarial surplus	-	-	-	162	162
Share options – value of employee services	-	-	-	49	49
– issue of shares	400	1,144	-	-	1,544
Conversion of convertible notes	37	332	-	-	369
31 March 2008	11,029	1,855	2,509	55,589	70,982
Net profit	-	-	-	6,468	6,468
Dividends paid	-	-	-	(3,796)	(3,796)
Revaluation of available for sale investments	-	-	(581)	-	(581)
Deferred tax on revaluation of available for sale investments	-	-	166	-	166
Transfer of realised revaluation surplus	-	-	201	-	201
Retirement benefit scheme actuarial deficit	-	-	-	(2,048)	(2,048)
Deferred tax on retirement benefit scheme actuarial deficit	-	-	-	545	545
Share options - value of employee services	-	-	-	92	92
- issue of shares	6	18	-	-	24
31 March 2009	11,035	1,873	2,295	56,850	72,053

19 Reconciliation of net profit to cash generated from operations

	2009	2008
	£'000	£'000
Net profit	9,214	12,397
Adjustments for:		
Depreciation	2,759	2,273
Amortisation of intangibles	1,659	653
Share options – value of employee services	92	49
Dividend income	(79)	(83)
Interest income	(1,445)	(2,078)
Interest expense	106	100
Loss on disposal of fixed assets	25	-
Loss/(profit) on disposal of financial assets	56	(80)
Financial assets acquired in lieu of fees	-	(50)
Changes in working capital:		
Decrease/(increase) in held for trading investments	2,411	(1,341)
Decrease/(Increase) in debtors	42,152	(29,941)
(Decrease)/Increase in creditors	(36,159)	28,128
Cash generated from operations	20,791	10,027

20 Financial instruments and risk management

Through its normal operations the Group is exposed to a number of risks, the most significant of which are market, credit and liquidity risks.

Market risk

Equity risk

The Group is exposed to equity market risk through its equity holdings. These comprise: i) available for sale financial investments, ii) trading portfolio assets and liabilities that arise from trading as principal and iii) the impact on investment management fees.

In common with the stress tests referred to in the Group's Operating and Financial Review, the Group has performed sensitivity analysis assessing the impact of a 10% increase or decrease in underlying equity prices. The results shown below are indicative of the impact that is seen at year end.

i) Available for sale investments

Note 12 summarises the available for sale investments held at the year end date, and the disposals and fair value movements made in the year.

The majority of the Group's available for sale investments are unlisted. Accordingly a rise or fall of 10% does not have an immediate impact on the Group's equity reserves. A similar increase/decrease on the Group's listed investments would have an impact on reserves of £280,000 (2008 £84,000)

ii) Held for trading assets and liabilities

The Group's exposure to market risk on its held for trading positions is monitored daily and reported to the appropriate Directors and senior management. Positions are monitored against limits set down by the risk and regulatory review group/ compliance committee. Any breach of the limits is notified immediately to the compliance Director.

A 10% increase/decrease in equity prices on trading assets and liabilities would increase/decrease profit in the Income statement by £18,000 (2008 £12,000).

iii) Investment management fees

A 10% increase/decrease in equity prices would increase/decrease profit on investment management fees in the Income statement by £1,400,000 (2008: £1,350,000).

The Group does not hold derivatives on its own account.

Foreign exchange risk

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

	2009	2008
	£'000	£'000
Net assets		
Euros	748	451
US Dollars	1,438	787
Other currencies	447	644
	2,633	1,882

The Group's activities are primarily denominated in sterling and it does not enter into forward exchange contracts for hedging anticipated transactions. The risk of adverse currency movements for settlement of non GBP trades on behalf of clients is not borne by the Group. The Group is exposed to currency risk for settlement of non GBP trade suppliers and miscellaneous income streams. At 31 March 2009 these totalled £11,000.

Interest rate risk

The Group has interest bearing assets, principally cash and cash deposits, and liabilities including loan notes accruing interest at Bank of England base rate. The Group views such exposure to interest rate fluctuations as immaterial. If interest rates had been 200 basis points higher or lower profit for the year would have been £709,000 higher/lower (2008: £701,000).

Credit risk

Trade receivables represent monies due from clients and market counterparties. The risk department undertakes reviews of new accounts and counterparties.

Cash and cash equivalents are held with top tier regulated financial institutions. The list of approved banks is reviewed at least annually by the treasury committee. The Group has no concerns over the credit quality of these institutions.

The following table of financial assets analyses amounts by ageing:

As at 31 March 2009

	Neither due nor impaired	0-3 months	3-6 months	6-12 months	Over 1 year	Carrying value
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	230,932	13,828	11,484	758	185	257,187
AFS investments	6,200	-	-	-	-	6,200
HFT investments	163	-	-	-	-	163
Cash and cash equivalents	35,951	-	-	-	-	35,951

As at 31 March 2008

	Neither due nor impaired	0-3 months	3-6 months	6-12 months	Over 1 year	Carrying value
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	262,465	33,560	2,584	251	192	299,052
AFS investments	4,907	-	-	-	-	4,907
HFT investments	2,575	-	-	-	-	2,575
Cash and cash equivalents	32,527	-	-	-	-	32,527

A provision for impairment of receivables existed at 31 March 2009 of £114,000 (31 March 2008: £242,000).

Management of liquidity risk

The tables below analyse the Group's future cash outflows based on the remaining period to the contractual maturity date. The amounts shown are contractual undiscounted cash flows.

As at 31 March 2009

	Less than 1 year	1-2 years	2-5 years	Over 5 years	Carrying value
	£'000	£'000	£'000	£'000	£'000
Trade payables	248,848	-	-	-	248,848
Other taxes and social security	2,628	-	-	-	2,628
Other payables	8,047	-	-	-	8,047
Accrual and deferred income	4,840	-	-	-	4,840
Financial liabilities	1,749	28	-	-	1,777
Current tax liabilities	574	-	-	-	574
Other non – current liabilities	-	1,724	-	-	1,724

As at 31 March 2008

	Less than 1 year	1-2 years	2-5 years	Over 5 years	Carrying value
	£'000	£'000	£'000	£'000	£'000
Trade payables	286,180	-	-	-	286,180
Other taxes and social security	2,788	-	-	-	2,788
Other creditors	1,984	-	-	-	1,984
Accrual and deferred income	6,389	-	-	-	6,389
Financial liabilities	519	1,390	14	-	1,923
Current tax liabilities	798	-	-	-	798
Other non – current liabilities	-	1,992	-	-	1,992

Capital risk management

The Group has an internal capital adequacy assessment process, as required by the Financial Services Authority, which it uses to manage capital. This assessment is Group wide and covers current capital requirements as well as projected capital requirements. The Group is satisfied that there is and will be sufficient capital to meet these requirements.

The process, which has been approved by the Board of Directors, includes both qualitative and quantitative analyses of the requirements as calculated using both Pillar 1 and Pillar 2 methodologies. Any changes to the Group's business activities are considered within this framework.

As at 31 March 2009 the total available regulatory capital was £33.1 million, calculated under Pillar 1 of the Capital Requirements Directive. The relevant balance for 2008, calculated under the Transitional Rules of the Capital Requirements Directive, was £44.7 million.

The Group used the simplified approach for credit risk and standardised approach for operational risk to determine its Pillar 1 requirements at 31 March 2009. From 1 April 2009 the group uses the Fixed Overhead Requirement to calculate total Pillar 1 requirements.

Capital adequacy is monitored daily by the Group's management. Compliance with FSA regulatory requirements was maintained during the year.

Fair value of financial instruments

The carrying value of financial assets not held at fair value (cash and cash equivalents, trade receivables, other receivables, and trade and other payables) is not significantly different from the fair value.

21 Acquisitions

On 1 October 2008, the Group acquired Griffiths & Armour (Financial Services) Ltd. The purchase consideration of just over £3 million was satisfied by cash payable on the completion date amounting to £1.4 million. The balance payable for the remaining sale is payable in two equal instalments of £0.8 million on 30 September 2009 and 30 September 2010 respectively. No material adjustments were made to the book value of Griffiths & Armour (Financial Services) Ltd's net assets before acquisition.

The assets and liabilities of Griffiths & Armour (Financial Services) Ltd at acquisition date were as follows:

	£'000
Motor vehicles and office equipment	40
Current assets	812
Current liabilities	(197)
<hr/>	
Net assets acquired	655
Goodwill acquired	2,420
<hr/>	
Total cost of acquisition	3,075
<hr/>	
Satisfied by:	
Cash	1,471
Loan notes	-
Deferred consideration	1,604
<hr/>	
Total consideration	3,075
<hr/>	

22 Lease commitments

Operating leases

	2009	2008
	£'000	£'000
Group and company		
Total commitments under leases at 31 March were:		
Operating leases – Land and buildings		
Not later than one year	1,773	1,093
Later than one but not later than five years	5,944	3,440
Later than five years	3,485	2,747
	11,202	7,280

Finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
	£000	£000	£000	£000
No later than one year	60	64	55	51
Later than one year not later than five years	29	105	28	68
Later than five years	-	-	-	-
	89	169	83	119
Less future finance charges	(6)	(50)	-	-
Present value of minimum lease payments	83	119	83	119

Included in the financial statements as:

Current liabilities (note 15)	55	51
Non-current liabilities (note 15)	28	68
	83	119

23 Pension costs

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

The Group also 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 2009.

The contributions made by the Employer over the financial year have been £957,960, 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 Group 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

	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>
Defined benefit obligation at start of year	19,908	20,193
Total employer current service cost	694	752
Interest cost	1,281	1,133
Employee contributions	90	94
Actuarial (gain)/loss	(1,693)	(2,225)
Benefits paid, death in service insurance premiums and expenses	(223)	(89)
Past service costs	-	50
Business combinations	-	-
Curtailments	-	-
Settlements	-	-
Defined benefit obligation at end of year	20,057	19,908

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

	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>
Fair value of assets at start of year	17,956	18,672
Expected return on assets	1,123	1,124
Actuarial (losses)/gains	(3,741)	(2,803)
Contributions by employer	958	958
Contributions by plan participants	90	94
Benefits paid, death in service insurance premiums and expenses	(223)	(89)
Business combinations	-	-
Settlements	-	-
Fair value of assets at end of year	16,163	17,956

Total expense recognised in the income statement

	2009	2008
	£'000	£'000
Current service cost	694	752
Interest on pension scheme liabilities	1,281	1,133
Expected return on pension scheme assets	(1,123)	(1,124)
Past service cost		50
Curtailements	-	-
Settlements	-	-
Total expense	852	811

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

	2009	2008
	£'000	£'000
Difference between expected and actual return on scheme assets:		
Amount	(3,741)	(2,803)
Percentage of scheme assets	(23%)	(16%)
Experience gains and losses arising on the scheme liabilities:		
Amount	410	37
Percentage of present value of scheme liabilities	2%	0%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount	1,283	2,188
Percentage of present value of scheme liabilities	6%	11%
Total amount recognised in statement of recognised income and expense:		
Amount	(2,048)	(578)
Percentage of present value of scheme liabilities	(10%)	(3%)

The cumulative amount of actuarial losses recognised in the statement of recognised income and expenses since adoption of IAS19 is £3.8m (2008: £2.3 million).

Assets

	2009	2008	2007
	£'000	£'000	£'000
Equities	7,671	9,142	10,989
Bonds	7,528	2,921	3,108
Other	964	5,893	4,575
Total	16,163	17,956	18,672

The fair values of the assets shown above at 31 March 2009 include £510,625 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:

	2009	<i>2008</i>	<i>2007</i>
Equities	6.75%	7.25%	6.75%
Bonds	4.75%	6.35%	5.50%
Cash	4.00%	4.25%	4.00%
Overall for scheme	5.65%	6.12%	5.78%

Assumptions

	2009	<i>2008</i>	<i>2007</i>
	% per	<i>% per</i>	<i>% per</i>
	annum	<i>annum</i>	<i>annum</i>
Inflation	3.10	3.70	3.30
Salary increases	3.00	3.00	3.50
Rate of discount	6.50	6.35	5.50
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.05	3.65	3.30
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.10	3.70	3.30

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

	2009	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
	£'000	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Present value defined benefit obligation	20,057	19,908	20,193	18,281	14,140
Fair value of plan assets	16,163	17,956	18,672	15,852	13,982
Deficit in scheme	3,894	1,952	1,521	2,429	158

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 2010

The best estimate of contributions (employer and employee) to be paid to the plan for the year ending 31 March 2010 is £960,000 (2008: £950,000).

History of experience gains and losses	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Difference between expected and actual returns on scheme assets					
Amount	(£3,741)	(£2,803)	£1,105	£343	(£47)
% of assets	(23%)	(16%)	6%	2%	(1%)
Experience gains/(losses) on scheme liabilities					
Amount	£410	£37	(£304)	(£832)	£147
% of liabilities	3%	0%	(2%)	(5%)	1%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
Amount	£1,283	£2,188	£107	(£1,795)	(£411)
% of liabilities	6%	12%	0%	(10%)	(3%)
Total actuarial (loss)/gain					
Amount	(£2,048)	(£578)	£908	(£2,284)	(£311)
% of liabilities	10%	(3%)	4%	(12%)	(2%)