

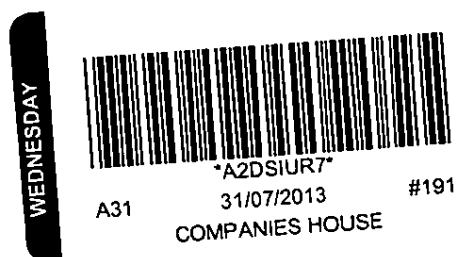
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**CHARLES STANLEY & CO LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2013**



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**CHARLES STANLEY & CO LIMITED**

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## CHARLES STANLEY & CO LIMITED

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### COMPANY INFORMATION

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**Directors**

Sir David Howard Bt  
E M Clark  
J H Rawlingson  
M R I Lilwall  
G Teper  
S C King (resigned 31 May 2012)  
M M Murphy  
P C Nathan M B E  
M Anderson  
V J Malpas  
J H S Akerman (appointed 26 July 2012)  
C Harris-Deans (appointed 26 July 2012)  
A C Scott (appointed 26 July 2012)  
J Stewart-Smith (appointed 26 July 2012)  
M G Bennett

**Company secretary**

Julie Ung (appointed 18 September 2012)  
Gary Teper (resigned 18 September 2012)

**Company number**

1903304

**Registered office**

25 Luke Street  
London  
Greater London  
EC2A 4AR

**Auditor**

KPMG Audit Plc  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

**Bankers**

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

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## CHARLES STANLEY & CO LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

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The directors present their report and the financial statements for the year ended 31 March 2013

#### Principal activities and business review

Up to 2012 the Group was organised into three divisions for management purposes – Investment Management Services, Financial Services and Charles Stanley Securities. During the year a new division was created – Charles Stanley Direct. This division provides a direct investment service to clients. As part of this re-structuring our on-line dealing service, Fastrade, was transferred over from the Investment Services division and our discount intermediary service, Garrison, was transferred over from the Financial Services division. The comparatives for 2012 have been adjusted to reflect this change.

The principal activity of the Investment Management Services division is the provision of investment management services to individuals, trusts and charities. Charles Stanley Direct provides direct investment services to clients including on-line dealing. The Financial Services division includes financial planning and a wealth management area. Charles Stanley Securities is the Group's advisory, broking and corporate finance arm for smaller and mid cap UK listed companies. Sales between segments are carried out at arm's length. All of the Group's activities are undertaken in the United Kingdom.

Over the past two years we have embarked upon a thorough review of our online, direct to client propositions and decided to implement some significant upgrades and alterations to our business. Our direct to client investment platform, Charles Stanley Direct, was launched in January 2013 and hence forward will be recognised as a distinct division within Charles Stanley. The division was created by transferring two existing departments to the new division:

- our on-line business, Fastrade, from the Investment Management Services division and
- the business of our discount financial intermediary, Garrison Investment Analysis Limited, from the Financial Services division.

All comparatives within the following tables have been amended to reflect this change to provide meaningful comparisons between periods.

The Group is now organised into four operating divisions: Investment Management Services, Charles Stanley Direct, Financial Services and Charles Stanley Securities.

#### Funds Under Management:

|                   | <i>Investment<br/>Management</i> | <i>Financial<br/>Services</i> | <i>CS<br/>Direct</i> |                     | <i>Investment<br/>Management</i> | <i>Financial<br/>Services</i> | <i>CS<br/>Direct</i> |                     |
|-------------------|----------------------------------|-------------------------------|----------------------|---------------------|----------------------------------|-------------------------------|----------------------|---------------------|
|                   | <i>£bn</i>                       | <i>£bn</i>                    | <i>£bn</i>           | <i>2013<br/>£bn</i> | <i>£bn</i>                       | <i>£bn</i>                    | <i>£bn</i>           | <i>2012<br/>£bn</i> |
| Managed funds     | 8.85                             | 0.44                          | -                    | 9.29                | 7.41                             | 0.35                          | -                    | 7.76                |
| Non-managed funds | 7.28                             | 0.03                          | 1.12                 | 8.43                | 6.57                             | 0.02                          | 1.02                 | 7.61                |
|                   | 16.13                            | 0.47                          | 1.12                 | 17.72               | 13.98                            | 0.37                          | 1.02                 | 15.37               |

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**CHARLES STANLEY & CO LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2013**

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**Investment Management Services**

Our Investment Management Services division provides services to private investors, charities, and trusts. The services provided cover four distinct services:

Managed      discretionary portfolio management  
                 advisory portfolio management

Administered    advisory share dealing  
                         execution only share dealing

We charge for our services in three main ways:

- investment management **fees** based on a percentage of funds,
- administration **fees** based on a combination of fixed fees and percentage of funds,
- **commission** on transactions undertaken on behalf of clients

In 2013 fee income has continued its long term upward trend and has increased this year by 14.4% from £51.9 million to £59.4 million.

Commission income has decreased only slightly this year from £46.7 million to £45.6 million (2.4%) indicating that this has now stabilised, following a sharp fall in transaction volumes between 2012 and 2013.

The trends in fee and commission income have resulted in our Managed business, with its greater reliance on fees, continuing to grow by 11.1%, while the Administered business has reduced by 2.0%.

|                    | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b>  |
|--------------------|-------------|-------------|-------------|-------------|--------------|
|                    | <b>£m</b>   | <b>£m</b>   | <b>£m</b>   | <b>£m</b>   | <b>£m</b>    |
| Commission         | 45.4        | 54.0        | 55.2        | 46.7        | <b>45.6</b>  |
| Recurring fees     | 37.9        | 40.4        | 48.8        | 51.9        | <b>59.4</b>  |
| Total income       | 83.3        | 94.4        | 104.0       | 98.6        | <b>105.0</b> |
| Fees as % of total | 45.5%       | 42.8%       | 46.9%       | 52.6%       | <b>56.6%</b> |

This had a greater impact on our non-managed than on our managed business.

|                       | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b>  |
|-----------------------|-------------|-------------|-------------|-------------|--------------|
|                       | <b>£m</b>   | <b>£m</b>   | <b>£m</b>   | <b>£m</b>   | <b>£m</b>    |
| Managed               | 45.2        | 53.7        | 61.9        | 63.8        | <b>70.9</b>  |
| Non-managed           | 38.1        | 40.7        | 42.1        | 34.8        | <b>34.1</b>  |
| Total income          | 83.3        | 94.4        | 104.0       | 98.6        | <b>105.0</b> |
| Managed as % of total | 54.3%       | 56.9%       | 59.5%       | 64.6%       | <b>67.5%</b> |

The very strong performance of discretionary funds under Management and Execution only services has been influenced by the continuing migration by many clients from advisory services to either discretionary or execution only services.

**CHARLES STANLEY & CO LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2013**

|                                                        | <b>2013</b>      | <b>2012</b>      | <b>Change</b> |
|--------------------------------------------------------|------------------|------------------|---------------|
|                                                        | <b>£ billion</b> | <b>£ billion</b> | <b>%</b>      |
| Discretionary funds under management                   | <b>6.28</b>      | 4.94             | 27.1%         |
| Advisory managed funds                                 | <b>2.57</b>      | 2.47             | 4.0%          |
| <b>Total managed funds</b>                             | <b>8.85</b>      | 7.41             | 19.4%         |
| Advisory dealing funds                                 | <b>2.59</b>      | 3.01             | (14.0%)       |
| Execution only funds                                   | <b>4.69</b>      | 3.56             | 31.7%         |
| <b>Total administered funds</b>                        | <b>7.28</b>      | 6.57             | 10.8%         |
| <b>Total funds under management and administration</b> | <b>16.13</b>     | 13.98            | <b>15.4%</b>  |

Included in this increase in funds were additional ISA subscriptions during the year of £172 million (2012: £151 million) of which £111 million (2012: £94 million) were under Management and £61 million (2012: £57 million) under Administration.

**Matterley**

Our fund management business has enjoyed a strong performance with funds under management rising 34.6% from £150.9 million to £203.2 million.

Each of our funds is either top quartile or second quartile over one year and four out of our five funds are rated A or better by Citywire.

We are exceptionally pleased with the performance of our Matterley Undervalued Asset Fund which as a top decile performer over three years when ranked against its peer group and recorded a 76.6% growth in Funds under Management to reach £63.8 million at the year end. We expect momentum generated by this performance and the newly acquired critical mass in the fund will drive both it and the department to new heights in the coming year.

|                                             | <b>2013</b>   | <b>2012</b>   | <b>Growth</b> |
|---------------------------------------------|---------------|---------------|---------------|
|                                             | <b>£m</b>     | <b>£m</b>     | <b>£m</b>     |
| IM Matterley Regular High Income Fund       | <b>51.1</b>   | 42.8          | 8.3           |
| IM Matterley Equity Fund                    | <b>10.4</b>   | 8.3           | 2.1           |
| IM Matterley International Growth Portfolio | <b>15.1</b>   | 15.2          | (0.1)         |
| IM Matterley UK & International Fund        | <b>62.8</b>   | 48.6          | 14.2          |
| IM Matterley Undervalued Assets Fund        | <b>63.8</b>   | 36.1          | 27.7          |
|                                             |               |               |               |
|                                             |               |               |               |
| Quartile ranking over                       | <b>3 year</b> | <b>1 year</b> | <b>5 year</b> |
|                                             |               |               |               |
| IM Matterley Regular High Income Fund       | <b>1</b>      | <b>1</b>      | <b>1</b>      |
| IM Matterley Equity Fund                    | <b>2</b>      | <b>1</b>      | <b>1</b>      |
| IM Matterley International Growth Portfolio | <b>3</b>      | <b>3</b>      | <b>3</b>      |
| IM Matterley UK & International Fund        | <b>3</b>      | <b>2</b>      | <b>-</b>      |
| IM Matterley Undervalued Assets Fund        | <b>1</b>      | <b>1</b>      | <b>-</b>      |

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## CHARLES STANLEY & CO LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

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#### Financial Planning

Our financial planning and wealth management service is offered from our offices in London, Southampton, Leeds and Edinburgh and from our subsidiaries in Birmingham, Liverpool and Plymouth. This business has material growth potential as we continue to develop the holistic nature of our services. 1 January 2013 saw the implementation of key elements of the Financial Conduct Authority's Retail Distribution Review ("RDR"). Our business completed a thorough review of its practices to ensure compliance with the RDR regime and consequently issued new terms of business in relation to the provision of its services.

The business recorded another solid year of growth with gross revenue increasing to £2.7 million from £2.6 million, representing a year on year increase of 8.0%.

#### Charles Stanley Securities

CS Securities, the Group's advisory, broking and corporate finance arm for smaller and mid cap UK listed companies, together with the Sutherlands Agency Bond business produced lower revenues for 2012 at £7.5 million versus £10.2 million for 2011. This was due in the main as we forecast to a significant decrease in activity in bond trading in the Sutherlands business.

|              | 2013       | 2012       |
|--------------|------------|------------|
|              | £m         | £m         |
| Commission   | 3.5        | 4.4        |
| Fees         | 4.2        | 3.1        |
| <b>Total</b> | <b>7.7</b> | <b>7.5</b> |

Revenues for the year increased slightly to £7.7 million with commission income broadly flat at £4.2 million and modest growth in fee income to £3.5 million.

Charles Stanley Securities added 14 new retained clients since 1 April 2012 and together with WG Partners now acts for 58 corporate clients on a retained basis. Since 1 April 2013, the division has acted for clients on six transactions including public and private equity fundraisings and M&A transactions.

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## CHARLES STANLEY & CO LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

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#### Key Performance Indicators

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

| Indicator                                     | Description                                                             | 2013    | 2012    | % change |
|-----------------------------------------------|-------------------------------------------------------------------------|---------|---------|----------|
| Ratio of adjusted operating profit to revenue | Ratio of operating profit before one-off costs,                         | 10.3%   | 10.1%   | 2.0%     |
| Ratio of adjusted profit to revenue           | Profit before gains or losses on available for sale financial assets,   | 10.6%   | 10.4%   | 2.0%     |
| Adjusted earnings per share                   | Earnings before gains or losses on available for sale financial assets, | 22.38p  | 19.84p  | 12.8%    |
| Funds under management and administration     | Valuation of client assets at the year-end                              | £17.7bn | £15.4bn | 14.9%    |
| Discretionary funds under management          | Valuation of discretionary client assets at the year-end                | £6.3bn  | £5.0bn  | 26.0%    |
| Staff turnover                                | Ratio of staff leavers to average staff during the year                 | 14.3%   | 12.3%   | (16.3%)  |
| Fees                                          | Value of non-commission income for Investment Services                  | £59.4m  | £51.9m  | 14.4%    |

#### Disclosure of information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### Principal risks and uncertainties

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

##### Credit risk

This represents the risk of the loss through default by counterparty. The most significant risk to the Company is either a client or market counterparty failing to settle a trade. Given the wide range of retail clients of the Company it is not considered that a material default by connected counterparties would arise. Other credit risks, such as Free Delivery of stock or cash, are not deemed to be significant as the Company has an effective credit control department to recover any monies or stock owed through default.

##### Market risk

This is the risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates. The Company trades as principal for the purposes of executing client orders. Other principal positions may arise from dealing errors.

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## CHARLES STANLEY & CO LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

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#### **Operational risk**

This is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk

The Company's Risk Matrix uses the Basel II framework for Operational Risk and the framework for risk assessment, and management, is monitored by the Risk and Regulatory Review Group. During the year the Company implemented an Enterprise Risk Management system to allow more meaningful monitoring of the Company's operational risks as well as improving management information

#### **Liquidity risk**

This is the risk that the Company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost

The Company maintains a mixture of cash and cash equivalents that is designed to meet its operational and trading activities. The Company does not use the wholesale markets for any funding and is confident that it has sufficient liquidity for the foreseeable future. At 31 March 2013 the Company had £35.4 million (2012: £38.3 million) in bank accounts and accordingly a high degree of liquidity

#### **Business risk**

This is defined (in a narrow sense) as the risk that income falls or is volatile relative to the cost base of the Company. It is also defined in a broader sense as exposure to macro-economic, geopolitical, industrial, regulatory and other external risks. All these factors could have a negative effect on either the growth of the business or the retention of existing business

#### **Regulatory risk**

The Company operates in a heavily regulated financial services sector. It monitors developments in regulation, assesses the impact on the business, and implements any changes that will be required to meet these requirements. This is monitored as part of the wider Charles Stanley Group Plc, which has comprehensive compliance monitoring, an awareness of regulatory developments, and involvement with representative industry bodies

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## CHARLES STANLEY & CO LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

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#### Reputational risk

The Company has built a reputation as a high quality provider of investment management and client services. This has been carefully developed over many years and there is a risk that reputational damage could lead to a loss of our existing client base, which could possibly lead to financial loss.

Further disclosures on financial risk management are shown in Note 3 to the Financial Statements.

#### Directors

The directors who served during the year were

Sir David Howard Bt  
E M Clark  
J H Rawlingson  
M R I Lilwall  
G Teper  
S C King (resigned 31 May 2012)  
M M Murphy  
P C Nathan M B E  
M Anderson  
V J Malpas  
M G Bennett  
J H S Akerman (appointed 26 July 2012)  
C Harris-Deans (appointed 26 July 2012)  
A C Scott (appointed 26 July 2012)  
J Stewart-Smith (appointed 26 July 2012)

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## **CHARLES STANLEY & CO LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013**

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#### **Auditor**

Our auditors, KPMG Audit Plc have instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditors for the 2014 year.

#### **People**

The Company is aware that its reputation and success is due to the service provided to clients by highly qualified and committed staff. Our staff are one of the key assets of the organisation and it is policy to attract and retain the best people. Where appropriate we take their views into account when making decisions likely to affect their interests. We have a number of both informal and formal forums for staff and senior management, in addition to a formal appraisal system. For details on the staff numbers and costs refer to note 8 of the Financial Statements.

#### **Disabled employees**

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

#### **Environment**

The Company continues to recognise its impact on the environment and takes steps to minimise it. Although our activities have only a comparatively small impact, we are aware that environmental risks and uncertainties impact to some extent on all companies. We have introduced a number of measures during the year to increase energy efficiency and reduce consumption.

#### **Company's policy for payment of creditors**

It is the Company'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 trade creditors at the balance sheet date represent approximately 26 days' credit.

#### **Political and charitable contributions**

Charitable donations during the year amounted to £4,451 (2012: £39,501).

No political donations were made during the year.

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## CHARLES STANLEY & CO LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

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#### Results and dividends

The profit for the year, after taxation, amounted to £5,360,456 (2012 - £5,441,154)  
Dividends declared during the year are disclosed in Note 26 of the Financial Statements on p 47

#### Going concern

The Directors have satisfied themselves that the Company 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 2013 to have been prepared on a Going Concern basis

#### Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable laws and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

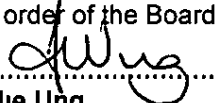
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

#### Provision of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information

By order of the Board

  
.....  
Julie Ung  
Secretary

Date 11 June 2013  
Company Registration No 1903304 (England and Wales)

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## CHARLES STANLEY & CO LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHARLES STANLEY & CO LIMITED

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We have audited the financial statements of Charles Stanley & Co Limited for the year ended 31 March 2013 set out on pages 13 to 48. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**CHARLES STANLEY & CO LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHARLES STANLEY & CO LIMITED**

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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Mike Peck*

**Michael Peck (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London E14 5GL  
11 June 2013

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**CHARLES STANLEY & CO LIMITED**

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**INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2013**

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|                                                      | Note | 2013<br>£            | 2012<br>£     |
|------------------------------------------------------|------|----------------------|---------------|
| <b>REVENUE</b>                                       | 5    | <b>118,630,285</b>   | 111,554,594   |
| Administrative expenses                              |      | <b>(111,607,703)</b> | (104,216,593) |
| <b>OPERATING PROFIT</b>                              | 6    | <b>7,022,582</b>     | 7,338,001     |
| Gain on available-for-sale investments               | 12   | <b>6,609</b>         | 4,015         |
| Finance income                                       | 10   | <b>341,829</b>       | 407,480       |
| Finance costs                                        | 11   | <b>(43,772)</b>      | (65,902)      |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |      | <b>7,327,248</b>     | 7,683,594     |
| Income tax expense                                   | 13   | <b>(1,966,792)</b>   | (2,242,440)   |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                 |      | <b>5,360,456</b>     | 5,441,154     |

All amounts relate to continuing operations

The notes on pages 18 to 48 form part of these financial statements

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**CHARLES STANLEY & CO LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2013**

|                                                           | <b>2013</b>             | <b>2012</b>             |
|-----------------------------------------------------------|-------------------------|-------------------------|
|                                                           | <b>£</b>                | <b>£</b>                |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                      | <b>5,360,456</b>        | <b>5,441,154</b>        |
| Actuarial loss related to pension scheme                  | <b>(2,816,000)</b>      | <b>(2,705,000)</b>      |
| Deferred tax attributable to actuarial gain               | <b>588,320</b>          | <b>582,060</b>          |
| Revaluation gain/(loss) of available-for-sale investments | <b>831,682</b>          | <b>16,213</b>           |
| Deferred tax on revaluation of available for sale assets  | <b>(173,227)</b>        | <b>28,870</b>           |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>            | <b><u>3,791,231</u></b> | <b><u>3,363,297</u></b> |

The notes on pages 18 to 48 form part of these financial statements

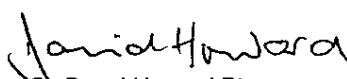
CHARLES STANLEY & CO LIMITED

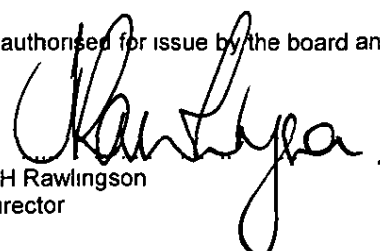
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2013

|                                                                   |    | 2013<br>£          | 2012<br>£          |
|-------------------------------------------------------------------|----|--------------------|--------------------|
| <b>Assets</b>                                                     |    |                    |                    |
| Non-current assets                                                |    |                    |                    |
| Property, plant & equipment                                       | 14 | 7,150,596          | 6,458,254          |
| Deferred tax asset                                                | 20 | 1,417,054          | 878,555            |
| Available for sale investments                                    | 15 | 5,788,476          | 4,364,723          |
| Investments in subsidiaries                                       | 16 | 17                 | 17                 |
| Trade and other receivables                                       | 17 | 1,271,245          | 1,218,751          |
| <b>Total non-current assets</b>                                   |    | <b>15,627,388</b>  | <b>12,920,300</b>  |
| Current assets                                                    |    |                    |                    |
| Trade and other receivables                                       | 17 | 287,203,330        | 291,818,075        |
| Held-for-trading investments                                      |    | 170,855            | 210,808            |
| Cash and cash equivalents                                         | 18 | 35,368,577         | 38,299,661         |
| <b>Total current assets</b>                                       |    | <b>322,742,762</b> | <b>330,328,544</b> |
| <b>Total assets</b>                                               |    | <b>338,370,150</b> | <b>343,248,844</b> |
| <b>Equity</b>                                                     |    |                    |                    |
| Ordinary Shares                                                   | 21 | 2,900,000          | 2,900,000          |
| Revaluation Reserve                                               |    | 2,030,997          | 1,372,543          |
| Retained Earnings                                                 |    | 64,779,905         | 63,998,879         |
| <b>Total equity attributable to equity holders of the Company</b> |    | <b>69,710,902</b>  | <b>68,271,422</b>  |
| <b>Total equity</b>                                               |    | <b>69,710,902</b>  | <b>68,271,422</b>  |
| <b>Liabilities</b>                                                |    |                    |                    |
| Non-current liabilities                                           |    |                    |                    |
| Retirement benefit liabilities                                    | 22 | 8,976,000          | 5,936,000          |
| <b>Total non-current liabilities</b>                              |    | <b>8,976,000</b>   | <b>5,936,000</b>   |
| Current liabilities                                               |    |                    |                    |
| Trade and other payables                                          | 19 | 258,868,675        | 268,855,460        |
| Current tax liabilities                                           |    | 814,573            | 185,962            |
| <b>Total current liabilities</b>                                  |    | <b>259,683,248</b> | <b>269,041,422</b> |
| <b>Total liabilities</b>                                          |    | <b>268,659,248</b> | <b>274,977,422</b> |
| <b>Total equity and liabilities</b>                               |    | <b>338,370,150</b> | <b>343,248,844</b> |

The notes on pages 18 to 48 form part of these financial statements

The financial statements were approved and authorised for issue by the board and were signed on its behalf by the board on 11 June 2013

  
Sir David Howard Bt  
Director

  
J H Rawlingson  
Director

Company Registration No 1903304 (England and Wales)

**CHARLES STANLEY & CO LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2013**

|                                                               | Share<br>Capital<br>£ | Revaluation<br>Reserve<br>£ | Retained<br>Earnings<br>£ | Total<br>£  |
|---------------------------------------------------------------|-----------------------|-----------------------------|---------------------------|-------------|
| 1 April 2011                                                  | 2,900,000             | 1,327,459                   | 62,552,466                | 66,779,925  |
| Profit for the year                                           | -                     | -                           | 5,441,154                 | 5,441,154   |
| <b>Other comprehensive income for the year</b>                | -                     | 45,084                      | (2,122,940)               | (2,077,856) |
| Revaluation of available-for-sale investments                 | -                     | 16,214                      | -                         | 16,214      |
| Deferred tax on revaluation of available-for-sale investments | -                     | 28,870                      | -                         | 28,870      |
| Retirement benefit scheme actuarial deficit                   | -                     | -                           | (2,705,000)               | (2,705,000) |
| Deferred tax on retirement benefit scheme actuarial deficit   | -                     | -                           | 582,060                   | 582,060     |
| Dividends paid                                                | -                     | -                           | (2,000,000)               | (2,000,000) |
| Share options Value of employee services                      | -                     | -                           | 128,199                   | 128,199     |
| 31 March 2012                                                 | 2,900,000             | 1,372,543                   | 63,998,879                | 68,271,422  |
| Profit for the year                                           | -                     | -                           | 5,360,456                 | 5,360,456   |
| <b>Other comprehensive income for the year</b>                | -                     | 658,454                     | (2,227,680)               | (1,569,226) |
| Revaluation of available-for-sale investments                 | -                     | 831,681                     | -                         | 831,681     |
| Deferred tax on revaluation of available-for-sale investments | -                     | (173,227)                   | -                         | (173,227)   |
| Retirement benefit scheme actuarial deficit                   | -                     | -                           | (2,816,000)               | (2,816,000) |
| Deferred tax on retirement benefit scheme actuarial deficit   | -                     | -                           | 588,320                   | 588,320     |
| Dividends paid                                                | -                     | -                           | (2,500,000)               | (2,500,000) |
| Share options Value of employee services                      | -                     | -                           | 148,249                   | 148,249     |
| 31 March 2013                                                 | 2,900,000             | 2,030,997                   | 64,779,905                | 69,710,902  |

The notes on pages 18 to 48 form part of these financial statements

**CHARLES STANLEY & CO LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2013**

|                                                             |    | 2013<br>£          | 2012<br>£          |
|-------------------------------------------------------------|----|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                 |    |                    |                    |
| Cash generated from operations                              | 23 | 1,548,621          | 1,745,058          |
| Interest received                                           |    | 341,829            | 407,480            |
| Interest paid                                               |    | (43,772)           | (65,902)           |
| Tax paid                                                    |    | (1,304,502)        | (3,392,916)        |
| <b>Net cash from operating activities</b>                   |    | <b>542,176</b>     | <b>(1,306,280)</b> |
| <b>Cash flows from investing activities</b>                 |    |                    |                    |
| Dividends received                                          |    | 58,649             | 64,868             |
| Proceeds from sale of property, plant and equipment         |    | -                  | 2,079              |
| Purchase of property, plant and equipment                   |    | (2,946,448)        | (2,677,424)        |
| Proceeds from disposal of available for sale investments    |    | 51,371             | 93,788             |
| Purchase of available for sale investments                  |    | (636,832)          | (292,608)          |
| <b>Net cash used in investing activities</b>                |    | <b>(3,473,260)</b> | <b>(2,809,297)</b> |
| <b>Cash flows from financing activities</b>                 |    |                    |                    |
| Repayment of borrowings                                     |    | -                  | -                  |
| <b>Net cash used in financing activities</b>                |    | <b>-</b>           | <b>-</b>           |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |    | <b>(2,931,084)</b> | <b>(4,115,577)</b> |
| <b>Cash and cash equivalents at start of year</b>           |    | <b>38,299,661</b>  | <b>42,415,238</b>  |
| <b>Cash and cash equivalents at end of year</b>             |    | <b>35,368,577</b>  | <b>38,299,661</b>  |

The notes on pages 18 to 48 form part of these financial statements

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## CHARLES STANLEY & CO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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#### 1. GENERAL INFORMATION

Charles Stanley & Co Limited ("the Company") is a subsidiary of Charles Stanley Group PLC ("the Group"). The Company provides stockbroking, corporate finance and investment services to retail and institutional clients.

The Company is regulated by the Financial Conduct Authority and its parent company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is 25 Luke Street, London, EC2A 4AR.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### 2.1 Basis of preparation of financial statements

The financial statements of Charles Stanley & Co Limited have been presented and prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union and IFRIC Interpretations (IFRSs as adopted by the EU), and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial investments, and financial assets and financial liabilities at fair value through profit and loss.

##### 2.2 Changes in accounting policy and disclosure

The same accounting policies, presentation and methods of computation are followed in these financial statements as applied in the company's financial statements for the year ended 31 March 2012.

A number of new standards and interpretations have been issued with effective dates after the date of these financial statements. These changes are currently being assessed and the Directors do not anticipate that the adoption of these standards and interpretations will materially impact the company's financial statements in the period of the initial application although there could be revised and additional disclosures. The company plans to apply these standards, once endorsed, in the first reporting period that commences after the effective date.

##### IFRS Endorsed by EU and available for early adoption

|                                                                                                                    | <i>IASB Effective date</i> |
|--------------------------------------------------------------------------------------------------------------------|----------------------------|
| Amendments to IAS 1 'Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income'   | 1 July 2012                |
| IFRS 10 'Consolidated Financial Statements'                                                                        | 1 January 2014*            |
| IFRS 11 'Joint Arrangements'                                                                                       | 1 January 2014*            |
| IFRS 12 'Disclosure of Interests in Other Entities'                                                                | 1 January 2014*            |
| IFRS 13 'Fair Value Measurement'                                                                                   | 1 January 2013             |
| IAS 19 'Employee Benefits (revised 2011)'                                                                          | 1 January 2013             |
| IAS 27 'Consolidated and Separate Financial Statements (revised 2011)'                                             | 1 January 2014*            |
| IAS 28 'Investments in Associates (revised 2011)'                                                                  | 1 January 2014*            |
| Amendments to IFRS 7 'Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities'  | 1 January 2013             |
| Amendments to IAS 32 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities' | 1 January 2014             |

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## CHARLES STANLEY & CO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### IFRS not yet endorsed by EU

Below is the list of IFRS standards that have been issued but not yet endorsed by EU

|                                                                                                                                                                                                                                                                                     | <i>IASB Effective date</i> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)                                                                                                                                                                                                                     | 1 January 2014             |
| Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)                                                                                                                                                                                                                    | 1 January 2014             |
| Annual Improvements to IFRSs – 2009-2011 cycle<br>(Amendments to IFRS 1 'First-time adoption of IFRSs', IAS 1 'Presentation of Financial Statements', IAS 16 'Property, Plant and Equipment', IAS 32 'Financial Instruments Presentation' and IAS 34 'Interim Financial Reporting') | 1 January 2013             |
| IFRS 9 'Financial Instruments (2010)'                                                                                                                                                                                                                                               | 1 January 2015             |

*\* The IASB effective date for IFRS 10, 11, 12, IAS 27 (2011) and IAS 28 (2011) is for periods commencing on or after 1 January 2013. The mandatory date for adoption in the EU is for periods commencing on or after 1 January 2014.*

#### 2.3 Segment reporting

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

#### 2.4 Foreign currency translation

Foreign currency transactions are translated into British pounds using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit and loss.

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## CHARLES STANLEY & CO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost included expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

|                           |                 |
|---------------------------|-----------------|
| Freehold property         | - 50 Years      |
| L/Term Leasehold Property | - 10 - 50 Years |
| S/Term Leasehold Property | - 3 - 10 Years  |
| Motor vehicles            | - 3 Years       |
| Office equipment          | - 3 - 10 Years  |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate as a change in accounting estimate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

### 2.6 Impairment of financial assets

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

#### (a) Assets classified as available-for-sale

These include listed and unlisted securities. For listed securities the amount of the loss is measured as the difference between the asset's carrying value and its market value. For unlisted securities the amount of the loss is measured as the difference between the asset's carrying value and Directors' valuation. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the separate income statement on equity investments are reversed through equity. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its costs is objective evidence of impairment. If, in a subsequent period, the fair value of debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate income statement.

#### (b) Impairment testing of trade receivables is described in note 2.7

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## **CHARLES STANLEY & CO LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.7 Trade receivables**

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

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

The Company considers evidence of impairment at a specific asset level. All individual assets are assessed for specific impairment.

An impairment loss in respect of receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit and loss and reflected in an allowance account against receivables.

### **2.8 Cash and cash equivalents**

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

### **2.9 Segregated funds**

Segregated funds are held by the Company in trust on behalf of clients in accordance with the client money rules of the Financial Services Authority and the funds are not shown on the face of the balance sheet as the Company is not beneficially entitled hereto.

### **2.10 Trade payables**

Trade payables are measured on initial recognition at fair value and subsequently at amortised cost using the effective interest method.

### **2.11 Borrowings**

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

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**CHARLES STANLEY & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.12 Current and deferred income tax**

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

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

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

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

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

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## CHARLES STANLEY & CO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 2.13 (a) Employee benefits

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

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms of maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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

##### (b) Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Payments made in advance of services being provided are treated as prepayments.

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## CHARLES STANLEY & CO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 2.14 Revenue

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, rebates and discounts.

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

(a) Commission

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

(b) Fees

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

(c) Dividend income

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

(d) Interest income

Interest income is recognised using the effective interest method.

The Company does not analyse performance by geographic segments internally as the Company's operations are entirely within the UK.

##### 2.15 Leases

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

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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## CHARLES STANLEY & CO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.16 Dividend distribution

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

### 2.17 Share based payments

The Company operates a Save As You Earn scheme under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted

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

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

### 2.18 Investment in Subsidiaries

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

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## CHARLES STANLEY & CO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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#### 3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

##### **Market risk**

##### **Equity risk**

The Company 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 parent Company's Operating and Financial Review, the Company 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 15 summarises the available for sale investments held at the year end date, and the disposals and fair value movements made in the year

A proportion of the Company's available for sale investments are unlisted

A 10% increase/ decrease on the Company's investments would have an impact on reserves of £578,000 (2012 £436,000)

##### **ii) Held for trading assets and liabilities**

The Company's exposure to market risk on its held for trading positions is monitored daily by the finance department and reported to the appropriate Directors and senior management. Positions are monitored against limits set down by the 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 £17,000 (2012 £21,000)

##### **iii) Investment management fees**

A 10% increase/ decrease in equity prices would increase/ decrease profit on investment management fees in the Income statement by £2,500,000 (2012 £3,000,000)

The Company does not hold derivatives on its own account

##### **Foreign exchange risk**

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

**CHARLES STANLEY & CO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**Net assets**

|                  | 2013<br>£        | 2012<br>£        |
|------------------|------------------|------------------|
| Euros            | 166,000          | 505,000          |
| US Dollars       | 2,703,000        | 641,000          |
| Other currencies | 459,000          | 699,000          |
| <b>Total</b>     | <b>3,328,000</b> | <b>1,845,000</b> |

The Company's activities are primarily denominated in British pounds and it does not enter into forward exchange contracts for hedging anticipated transactions

**Interest rate risk**

The Company has interest bearing assets, principally cash and cash deposits. The Company views such exposure to interest rate fluctuations as immaterial.

If interest rates had been 200 basis points higher profit for the year would have been £707,372 higher (2012 £765,993). If interest rates had been 200 base point lower, profit for the year would have been £341,829 lower (2012 £407,480).

**Credit risk**

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

Cash and cash equivalents are held with regulated financial institutions with a credit rating of no less than AA-. The list of approved banks is reviewed at least annually by the treasury committee. The Company has no concerns over the credit quality of these institutions.

The following table of financial assets analyses amounts by ageing

As at 31 March 2013

|                             |                          | Past due but not impaired |            |             |             |                |
|-----------------------------|--------------------------|---------------------------|------------|-------------|-------------|----------------|
|                             | 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 and other receivables | 235,236                  | 18,861                    | 1,212      | 1,849       | -           | 257,158        |
| Cash and cash equivalents   | 35,369                   | -                         | -          | -           | -           | 35,369         |

As at 31 March 2012

|                             |                          | Past due but not impaired |            |             |             |                |
|-----------------------------|--------------------------|---------------------------|------------|-------------|-------------|----------------|
|                             | 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 and other receivables | 246,697                  | 15,520                    | 345        | 278         | -           | 262,840        |
| Cash and cash equivalents   | 38,300                   | -                         | -          | -           | -           | 38,300         |

Excluded from the above is a provision for impairment of receivables where amounts have been fully provided for of £552,000 (31 March 2012 £341,000)

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CHARLES STANLEY & CO LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013

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3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Company's financial liabilities comprise trade and other payables which are all repayable on demand or within 3 months.

**Capital risk management**

The Company has an internal capital adequacy assessment process, as required by the Financial Conduct Authority, which it uses to manage capital. This assessment is Company wide and covers current capital requirements as well as projected capital requirements. The Company 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 Company's business activities is considered within this framework.

As at 31 March 2013 the total available regulatory capital was £73,581,000 (2012: £68,097,000), calculated under Pillar 1 of the Capital Requirements Directive. The regulatory capital includes adjustments for the defined pension liability in accordance with FCA rules.

The Company uses the simplified approach for credit risk and standardised approach for operational risk to determine its Pillar 1 requirements.

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

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## CHARLES STANLEY & CO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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#### 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

##### 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

The Company's Directors are required to follow the requirements of Charles Stanley Group PLC risk management policies, which include specific guidelines on the management of foreign exchange, interest rate and credit risks, and advice on the use of financial instruments to manage them

##### Fair value estimation

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 – Inputs for assets that are not based on observable market data (that is, unobservable inputs)

The table below presents the Company's assets that are measured at fair value at 31 March 2013

|                                | Level 1<br>£     | Level 2<br>£ | Level 3<br>£     | Total<br>£       |
|--------------------------------|------------------|--------------|------------------|------------------|
| Held-for-trading investments   | 170,855          | -            | -                | 170,855          |
| Available-for-sale investments | 2,365,780        | -            | 3,422,696        | 5,788,476        |
|                                | <u>2,536,635</u> | <u>-</u>     | <u>3,422,696</u> | <u>5,959,331</u> |

At 31 March 2012

|                                | Level 1<br>£     | Level 2<br>£ | Level 3<br>£     | Total<br>£       |
|--------------------------------|------------------|--------------|------------------|------------------|
| Held-for-trading investments   | 210,808          | -            | -                | 210,808          |
| Available-for-sale investments | 2,330,636        | -            | 2,034,072        | 4,364,708        |
|                                | <u>2,541,444</u> | <u>-</u>     | <u>2,034,072</u> | <u>4,575,516</u> |

The fair value of financial instruments traded in active markets is based on quoted market prices at balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and prices represent actual and regulatory occurring market transactions on arms length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. Instruments in Level 1 comprise primarily London stock exchange equity investments and fixed income securities classified as held-for trading and available-for-sale.

If one or more significant inputs are not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value the financial instruments include

- Quoted market prices
- Other techniques, such as discounting expected future cash flows, are used to determine the fair value for the remaining financial instruments

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**CHARLES STANLEY & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below

**(a) Revenue recognition**

Accrued fee income receivable is estimated based on current portfolio valuations, historical experience of debt collection and future expectations

**(b) Pension benefits**

The present value of the pension obligations depends on a number of factors that are determined on an actuarial using a number of assumptions. The assumptions used in determining the net cost/ (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 22

Were the discount rate to differ by 10% from the management's estimates, the carrying amount of pension obligations would be an estimated £5.3 million (2012: £3.0 million) lower

**(c) Available-for-sale investments**

Unlisted available-for-sale investments include an investment in Euroclear plc. The fair value of this investment has been estimated by the Directors based on the Group's share of net assets, dividend yield and the prices of similar companies discounted for liquidity. Refer to note 15 for more detail

CHARLES STANLEY & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013

5. REVENUE/SEGMENTS INFORMATION

|                                                   | Private<br>Clients<br>£ | Charles<br>Stanley<br>Securities<br>£ | Financial<br>Services<br>£ | CS Direct<br>£ | Other<br>£ | Total<br>£   |
|---------------------------------------------------|-------------------------|---------------------------------------|----------------------------|----------------|------------|--------------|
| <b>Year ended 31 March 2013</b>                   |                         |                                       |                            |                |            |              |
| Commission Fees                                   | 45,613,654              | 4,203,849                             | 273,228                    | 598,286        | -          | 50,689,017   |
| Investment management                             | 35,299,190              | -                                     | 663,491                    | -              | -          | 35,962,681   |
| Administration                                    | 24,053,138              | 156,083                               | 3,216,581                  | 1,121,549      | -          | 28,547,351   |
| Corporate finance                                 | -                       | 3,372,587                             | -                          | -              | -          | 3,372,587    |
|                                                   | 104,965,982             | 7,732,519                             | 4,153,300                  | 1,719,835      | -          | 118,571,636  |
| Other income                                      | -                       | -                                     | -                          | -              | 58,649     | 58,649       |
| Total for the year ended 31 March 2013            | 104,965,982             | 7,732,519                             | 4,153,300                  | 1,719,835      | 58,649     | 118,630,285  |
| Allocated expenses                                | (75,925,804)            | (8,452,402)                           | (3,672,981)                | (2,179,979)    | -          | (90,231,166) |
| Divisional operating profit/ (loss)               | 29,040,178              | (719,883)                             | 480,319                    | (460,144)      | 58,649     | 28,399,119   |
| Unallocated expenses                              |                         |                                       |                            |                |            | (21,376,537) |
| Operating profit for the year ended 31 March 2013 |                         |                                       |                            |                |            | 7,022,582    |
| <b>Year ended 31 March 2012</b>                   |                         |                                       |                            |                |            |              |
| Commission Fees                                   | 46,704,943              | 4,425,321                             | 325,624                    | 695,397        | -          | 52,151,285   |
| Investment management                             | 30,187,695              | -                                     | 543,415                    | -              | -          | 30,731,110   |
| Administration                                    | 21,759,185              | 277,585                               | 2,484,507                  | 1,286,121      | -          | 25,807,398   |
| Corporate finance                                 | -                       | 2,799,933                             | -                          | -              | -          | 2,799,933    |
|                                                   | 98,651,823              | 7,502,839                             | 3,353,546                  | 1,981,518      | -          | 111,489,726  |
| Other income                                      | -                       | -                                     | -                          | -              | 64,868     | 64,868       |
| Total for the year ended 31 March 2012            | 98,651,823              | 7,502,839                             | 3,353,546                  | 1,981,518      | 64,868     | 111,554,594  |
| Allocated expenses                                | (69,129,118)            | (7,921,810)                           | (2,868,753)                | (1,746,667)    | -          | (81,666,348) |
| Divisional operating profit/ (loss)               | 29,522,705              | (418,971)                             | 484,793                    | 234,851        | 64,868     | 29,888,246   |
| Unallocated expenses                              |                         |                                       |                            |                |            | (22,550,245) |
| Operating profit for the year ended 31 March 2012 |                         |                                       |                            |                |            | 7,338,001    |

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**CHARLES STANLEY & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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**6. OPERATING PROFIT**

The operating profit is stated after charging/(crediting)

|                                                                       | <b>2013</b><br>£ | <b>2012</b><br>£ |
|-----------------------------------------------------------------------|------------------|------------------|
| Depreciation of tangible fixed assets                                 |                  |                  |
| - owned by the company                                                | <b>2,232,929</b> | 2,052,424        |
| Operating lease rentals                                               |                  |                  |
| - other operating leases                                              | <b>1,880,472</b> | 2,034,930        |
| Management fees paid to group undertakings                            | <b>2,750,000</b> | 2,750,000        |
| (Gains) / Losses arising on translation of foreign currency positions | <b>(112,274)</b> | (207,126)        |
| (Profit)/loss on held for trading investments                         | <b>(32,734)</b>  | (27,608)         |
| (Profit)/ loss on property, plant and equipment                       | -                | 11               |
| Financial Services Compensation levy                                  | <b>1,907,799</b> | 1,592,440        |

**7 AUDITORS' REMUNERATION**

|                                                                                      | <b>2013</b><br>£ | <b>2012</b><br>£ |
|--------------------------------------------------------------------------------------|------------------|------------------|
| Fees payable to the company's auditor for the audit of the Company's annual accounts | <b>115,900</b>   | 217,422          |

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**CHARLES STANLEY & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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**8. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

|                       | 2013<br>£         | 2012<br>£         |
|-----------------------|-------------------|-------------------|
| Wages and salaries    | 41,255,415        | 41,078,182        |
| Social security costs | 4,455,392         | 4,403,469         |
| Other pension costs   | 3,843,017         | 3,382,094         |
|                       | <u>49,553,824</u> | <u>48,863,745</u> |

Included in wages and salaries is £148,250 share options - value of employee services

Included in other pension costs is the defined contribution plan costs £2,566,094 (2012 £2,566,094) and defined benefit plan costs £816,000 (2012 £816,000)

The average monthly number of employees, including the directors, during the year was as follows

|                                 | 2013<br>No | 2012<br>No |
|---------------------------------|------------|------------|
| Employees (including directors) | <u>709</u> | <u>696</u> |

**9. DIRECTORS' REMUNERATION**

|                                                                       | 2013<br>£        | 2012<br>£        |
|-----------------------------------------------------------------------|------------------|------------------|
| Emoluments                                                            | <u>8,249,605</u> | <u>3,289,408</u> |
| Company pension contributions to defined contribution pension schemes | <u>293,440</u>   | <u>257,429</u>   |

During the year retirement benefits accruing to directors were £293,440 directors (2012 - £257,429) in respect of defined contribution pension schemes

The highest paid director received remuneration of £1,948,195 (2012 - £436,705)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £68,425 (2012 - £67,552)

**10. FINANCE INCOME**

|                     | 2013<br>£      | 2012<br>£      |
|---------------------|----------------|----------------|
| Interest receivable | <u>341,829</u> | <u>407,480</u> |

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**CHARLES STANLEY & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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**11. FINANCE COSTS**

|                              | <b>2013</b>   | <b>2012</b>   |
|------------------------------|---------------|---------------|
|                              | <b>£</b>      | <b>£</b>      |
| On bank loans and overdrafts | <b>43,772</b> | <b>65,902</b> |

**12. GAINS ON AVAILABLE FOR SALE INVESTMENTS**

|                                                            | <b>2013</b>  | <b>2012</b>  |
|------------------------------------------------------------|--------------|--------------|
|                                                            | <b>£</b>     | <b>£</b>     |
| Revaluation of available for sale investments now realised | -            | (3,539)      |
| Profit on disposal of investments                          | <b>6,609</b> | <b>7,554</b> |
|                                                            | <b>6,609</b> | <b>4,015</b> |

CHARLES STANLEY & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013

13. TAXATION

|                                                  | 2013<br>£        | 2012<br>£        |
|--------------------------------------------------|------------------|------------------|
| <b>Analysis of tax charge in the year</b>        |                  |                  |
| <b>Current tax</b> (see note below)              |                  |                  |
| UK corporation tax charge on profit for the year | 2,088,740        | 2,100,000        |
| Adjustments in respect of prior periods          | 1,458            | 42,423           |
| <b>Total current tax</b>                         | <b>2,090,198</b> | <b>2,142,423</b> |
| <b>Deferred tax</b>                              |                  |                  |
| Deferred tax - current year movement             | 147,406          | 100,017          |
| Adjustments in respect of prior periods          | (270,812)        | -                |
| <b>Tax on profit on ordinary activities</b>      | <b>1,966,792</b> | <b>2,242,440</b> |

**Factors affecting tax charge for the year**

The tax charged for the year is more than the standard rate of corporation tax in the UK of 24%. The differences are explained below

|                                                                                        |                  |                  |
|----------------------------------------------------------------------------------------|------------------|------------------|
| Profit before income tax                                                               | 7,327,248        | 7,683,594        |
| Profit before income tax is multiplied by the standard rate of tax of 24% (2012 – 26%) | 1,758,540        | 1,997,734        |
| Effects of                                                                             |                  |                  |
| Expenses not deductible for tax purposes                                               | 150,642          | 138,477          |
| Excess of capital allowances over depreciation                                         | -                | (21,338)         |
| Income not subject to tax                                                              | (15,663)         | -                |
| Adjustments in respect of previous periods                                             | (269,354)        | 42,423           |
| Tax on chargeable gains                                                                | -                | 1,044            |
| Effect of change in corporation tax                                                    | (5,694)          | (8,335)          |
| Other adjustments                                                                      | 348,321          | 92,435           |
| <b>Tax charge for the year</b>                                                         | <b>1,966,792</b> | <b>2,242,440</b> |

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 March 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax liability accordingly.

CHARLES STANLEY & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013

14. PROPERTY, PLANT & EQUIPMENT

|                       | Freehold | L/term<br>Leasehold<br>Premises | S/term<br>Leasehold<br>Premises | Motor<br>Vehicles | Office<br>equipment | Total      |
|-----------------------|----------|---------------------------------|---------------------------------|-------------------|---------------------|------------|
|                       | £        | £                               | £                               | £                 | £                   | £          |
| <b>Cost</b>           |          |                                 |                                 |                   |                     |            |
| At 1 April 2012       | 220,455  | 2,361,602                       | 6,581,469                       | 91,931            | 11,238,874          | 20,494,331 |
| Additions             | -        | -                               | 362,919                         | 12,452            | 2,571,077           | 2,946,448  |
| Disposals             | -        | -                               | (770,708)                       | (77,270)          | -                   | ( 847,978) |
| At 31 March 2013      | 220,455  | 2,361,602                       | 6,173,680                       | 27,113            | 13,809,951          | 22,592,801 |
| <b>Depreciation</b>   |          |                                 |                                 |                   |                     |            |
| At 1 April 2012       | 46,696   | 1,721,315                       | 4,221,278                       | 68,764            | 7,978,024           | 14,036,077 |
| Charge for year       | 7,351    | 54,244                          | 586,636                         | 3,786             | 1,580,912           | 2,232,929  |
| Disposals             | -        | -                               | (770,708)                       | (56,092)          | -                   | (826,800)  |
| At 31 March 2013      | 54,047   | 1,775,559                       | 4,037,206                       | 16,458            | 9,558,935           | 15,442,205 |
| <b>Net Book Value</b> |          |                                 |                                 |                   |                     |            |
| At 31 March 2013      | 166,408  | 586,043                         | 2,136,474                       | 10,655            | 4,251,016           | 7,150,596  |
| At 31 March 2012      | 173,759  | 640,287                         | 2,360,191                       | 23,167            | 3,260,850           | 6,458,254  |

CHARLES STANLEY & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013

14. PROPERTY, PLANT & EQUIPMENT (Continued)

|                          | Freehold<br>Property<br>£ | L/Term<br>Leasehold<br>Property<br>£ | S/Term<br>Leasehold<br>Property<br>£ | Motor<br>vehicles<br>£ | Office<br>equipment<br>£ | Total<br>£ |
|--------------------------|---------------------------|--------------------------------------|--------------------------------------|------------------------|--------------------------|------------|
| <b>Cost or valuation</b> |                           |                                      |                                      |                        |                          |            |
| At 1 April 2011          | 184,428                   | 2,127,228                            | 5,888,993                            | 91,931                 | 9,951,786                | 18,244,366 |
| Additions                | 36,027                    | 234,374                              | 692,476                              | -                      | 1,714,535                | 2,677,412  |
| Disposals                | -                         | -                                    | -                                    | -                      | (427,447)                | (427,447)  |
| At 31 March 2012         | 220,455                   | 2,361,602                            | 6,581,469                            | 91,931                 | 11,238,874               | 20,494,331 |
| <b>Depreciation</b>      |                           |                                      |                                      |                        |                          |            |
| At 1 April 2011          | 41,956                    | 1,675,095                            | 3,655,175                            | 64,868                 | 6,971,923                | 12,409,020 |
| Charge for the year      | 4,737                     | 46,220                               | 566,103                              | 3,896                  | 1,431,469                | 2,052,425  |
| On disposals             | -                         | -                                    | -                                    | -                      | (425,368)                | (425,368)  |
| At 31 March 2012         | 46,696                    | 1,721,315                            | 4,221,278                            | 68,764                 | 7,978,024                | 14,036,077 |
| <b>Net book value</b>    |                           |                                      |                                      |                        |                          |            |
| At 31 March 2012         | 173,759                   | 640,287                              | 2,360,191                            | 23,167                 | 3,260,850                | 6,458,254  |
| At 31 March 2011         | 142,469                   | 452,133                              | 2,233,818                            | 27,063                 | 2,979,863                | 5,835,346  |

The net book value of property, plant and equipment includes £nil (2012 £24,377) in respect of assets held under finance leases and hire purchase contracts

Disposals include £770,708 (2012 £425,094) of assets fully written down

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**CHARLES STANLEY & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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**15. AVAILABLE FOR SALE INVESTMENTS**

|                    | <b>Listed<br/>Investment<br/>£</b> | <b>Unlisted<br/>Investment<br/>£</b> | <b>Total<br/>£</b> |
|--------------------|------------------------------------|--------------------------------------|--------------------|
| <b>Cost</b>        |                                    |                                      |                    |
| 1 April 2011       | 2,111,592                          | 2,034,087                            | 4,145,679          |
| Acquisitions       | 292,594                            | -                                    | 292,594            |
| Disposal           | ( 89,763)                          | -                                    | (89,763)           |
| Revaluation-equity | 16,213                             | -                                    | 16,213             |
| 31 March 2012      | 2,330,636                          | 2,034,087                            | 4,364,723          |
| Acquisitions       | 136,832                            | 500,000                              | 636,832            |
| Disposal           | (40,678)                           | -                                    | (40,678)           |
| Revaluation-equity | (61,010)                           | 888,609                              | 827,599            |
| 31 March 2013      | 2,365,780                          | 3,422,696                            | 5,788,476          |

The fair value of listed investments is determined by reference to quoted prices on active markets

Listed investments include a £2.0 million holding in Gilts which is pledged to Fortis Global Clearing NV

Unlisted investments include the Company's holding of 6,030 shares in Euroclear plc for which no observable market data is available as to its value

The Directors believe it is appropriate to value this holding on a dividend yield basis

The Group took up 142,857 shares in Masterlist Limited during the year which is an unlisted company. The Directors believe that the price paid for the shares are a reliable reflection of their fair value at year end.

**CHARLES STANLEY & CO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

**16. INVESTMENTS IN SUBSIDIARIES**

|                                    | 2013<br>£ | 2012<br>£ |
|------------------------------------|-----------|-----------|
| Investments in Subsidiaries - cost | <u>17</u> | <u>17</u> |

The percentage holding is as follows

| Company                        | Country of registration<br>or incorporation | Class of shares | % Held |
|--------------------------------|---------------------------------------------|-----------------|--------|
| <b>Subsidiary undertakings</b> |                                             |                 |        |
| Rock (Nominees) Limited        | England                                     | Ordinary        | 100    |
| Exempt Nominees Limited        | England                                     | Ordinary        | 100    |

The aggregate amount of net assets and the results of these undertakings for the last relevant financial year were as follows

|                         | Net Assets<br>£ | Profit for<br>the year<br>£ |
|-------------------------|-----------------|-----------------------------|
| Rock (Nominees) Limited | 15              | -                           |
| Exempt Nominees Limited | <u>2</u>        | <u>-</u>                    |
|                         | 17              | -                           |

The Company is exempt from the obligation to prepare and deliver group accounts because it is included in the group accounts of the holding Company

**17. TRADE AND OTHER RECEIVABLES**

|                                                           | 2013<br>£          | 2012<br>£          |
|-----------------------------------------------------------|--------------------|--------------------|
| <b>Current</b>                                            |                    |                    |
| Trade receivables                                         | 254,764,766        | 260,248,862        |
| Amounts owed by parent and fellow subsidiary undertakings | 27,518,565         | 26,697,893         |
| Staff Loans                                               | 1,376,253          | 2,250,191          |
| Prepayments                                               | 3,543,746          | 2,621,129          |
| <i>Total Current</i>                                      | <u>287,203,330</u> | <u>291,818,075</u> |
| <b>Non current</b>                                        |                    |                    |
| Staff Loans                                               | 1,016,754          | 215,076            |
| Convertible loan                                          | 254,491            | -                  |
| Prepayments                                               | -                  | 1,003,675          |
| <i>Total non current</i>                                  | <u>1,271,245</u>   | <u>1,218,751</u>   |
| <i>Total</i>                                              | <u>288,474,575</u> | <u>293,036,826</u> |

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**CHARLES STANLEY & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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**18. CASH AND CASH EQUIVALENTS**

|                         | <b>2013</b>              | <b>2012</b>              |
|-------------------------|--------------------------|--------------------------|
|                         | <b>£</b>                 | <b>£</b>                 |
| Firm's cash and at bank | <b><u>35,368,577</u></b> | <b><u>38,299,661</u></b> |

**19. TRADE AND OTHER PAYABLES**

|                                     | <b>2013</b>               | <b>2012</b>               |
|-------------------------------------|---------------------------|---------------------------|
|                                     | <b>£</b>                  | <b>£</b>                  |
| Trade creditors                     | <b>246,292,048</b>        | <b>257,744,047</b>        |
| Amounts owed to group companies     | <b>303,201</b>            | <b>691,054</b>            |
| Tax due to Inland Revenue & Customs | <b>2,179,384</b>          | <b>2,109,669</b>          |
| Other creditors                     | <b>2,839,422</b>          | <b>3,681,283</b>          |
| Accrual expenses                    | <b>7,254,620</b>          | <b>4,629,407</b>          |
| Total                               | <b><u>258,868,675</u></b> | <b><u>268,855,460</u></b> |

CHARLES STANLEY & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013

20. DEFERRED TAX (ASSET)/LIABILITY

|                                                          | Revaluation<br>£ | Retirement<br>Benefit<br>£ | Other<br>Temporary<br>Difference<br>£ | Total<br>£         |
|----------------------------------------------------------|------------------|----------------------------|---------------------------------------|--------------------|
| <b>At 1 April 2011</b>                                   |                  |                            |                                       |                    |
| Opening balance                                          | 462,306          | (872,820)                  | 42,872                                | (367,642)          |
| Revaluation of financial assets                          | (28,870)         | -                          | -                                     | (28,870)           |
| Movement in retirement benefit liability                 | -                | (582,060)                  | -                                     | (582,060)          |
| Charge to the income statement –<br>pension contribution | -                | 30,240                     | -                                     | 30,240             |
| Movement in fixed assets timing<br>difference            | -                | -                          | 69,777                                | 69,777             |
| Closing balance at 31 March 2012                         | 433,436          | (1,424,640)                | 112,649                               | (878,555)          |
| <b>At 1 April 2012</b>                                   |                  |                            |                                       |                    |
| Opening balance                                          | 433,436          | (1,424,640)                | 112,649                               | (878,555)          |
| Revaluation of financial assets                          | 173,227          | -                          | -                                     | 173,227            |
| Movement in retirement benefit liability                 | -                | (588,320)                  | -                                     | (588,320)          |
| Charge to the income statement –<br>pension contribution | -                | (51,520)                   | -                                     | (51,520)           |
| Movement in fixed assets timing<br>difference            | -                | -                          | (71,886)                              | (71,886)           |
| <b>31 March 2013</b>                                     | <b>606,663</b>   | <b>(2,064,480)</b>         | <b>40,763</b>                         | <b>(1,417,054)</b> |

21. SHARE CAPITAL

|                                           | 2013<br>£ | 2012<br>£ |
|-------------------------------------------|-----------|-----------|
| <b>Authorised</b>                         |           |           |
| 5,000,000 Ordinary shares of £1 each      | 5,000,000 | 5,000,000 |
| <b>Allotted, called up and fully paid</b> |           |           |
| 2,900,000 Ordinary shares of £1 each      | 2,900,000 | 2,900,000 |

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**CHARLES STANLEY & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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**22. RETIREMENT BENEFIT LIABILITIES**

The company 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 2011 and updated on an approximate basis to 31 March 2013.

The Company currently pays contributions at the rate of 25.5% (2012: 24.3% of pensionable pay) of pensionable pay plus £315,000 per annum. This rate is net of member contributions of 3% of pensionable pay (nil for Directors).

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 comprehensive income.

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

|                                             | <b>2013</b>     | <b>2012</b>  | <b>2011</b>  | <b>2010</b>  | <b>2009</b>  |
|---------------------------------------------|-----------------|--------------|--------------|--------------|--------------|
|                                             | <b>£'000</b>    | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> |
| Fair value of the Scheme's assets           | <b>29,833</b>   | 26,197       | 24,836       | 21,696       | 16,163       |
| Present value of defined benefit obligation | <b>(38,809)</b> | (32,133)     | (28,193)     | (26,652)     | (20,057)     |
| Deficit in scheme                           | <b>(8,976)</b>  | (5,936)      | (3,357)      | (4,956)      | (3,894)      |

**Total expense recognised in the income statement**

|                                          | <b>2013</b>    | <b>2012</b>  |
|------------------------------------------|----------------|--------------|
|                                          | <b>£'000</b>   | <b>£'000</b> |
| Current service cost                     | <b>747</b>     | 772          |
| Past service cost                        | <b>63</b>      | -            |
| Interest on pension scheme liabilities   | <b>1,638</b>   | 1,579        |
| Expected return on pension scheme assets | <b>(1,290)</b> | (1,535)      |
| Total expense                            | <b>1,158</b>   | 816          |

Changes in the present value of the defined benefit obligation are as follows:

|                                                                 | <b>2013</b>   | <b>2012</b>  |
|-----------------------------------------------------------------|---------------|--------------|
|                                                                 | <b>£'000</b>  | <b>£'000</b> |
| Defined benefit obligation at start of year                     | <b>32,133</b> | 28,193       |
| Total employer current service cost                             | <b>747</b>    | 772          |
| Interest cost                                                   | <b>1,638</b>  | 1,579        |
| Employee contributions                                          | <b>62</b>     | 75           |
| Actuarial loss/(gain)                                           | <b>4,397</b>  | 1,980        |
| Benefits paid, death in service insurance premiums and expenses | <b>(231)</b>  | (466)        |
| Past service costs                                              | <b>63</b>     | -            |
| Defined benefit obligation at end of year                       | <b>38,809</b> | 32,133       |

There is an adjustment in respect of the prior period.

CHARLES STANLEY & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013

22. RETIREMENT BENEFIT LIABILITIES (continued)

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

|                                                                 | 2013<br>£'000 | 2012<br>£'000 |
|-----------------------------------------------------------------|---------------|---------------|
| Fair value of assets at start of year                           | 26,197        | 24,836        |
| Expected return on assets                                       | 1,290         | 1,535         |
| Actuarial gains/(losses)                                        | 1,581         | (725)         |
| Contributions by employer                                       | 934           | 942           |
| Contributions by plan participants                              | 62            | 75            |
| Benefits paid, death in service insurance premiums and expenses | (231)         | (466)         |
| Fair value of assets at end of year                             | 29,833        | 26,197        |

Gains/(losses) recognised in statement of comprehensive income

|                                                                                                                        | 2013<br>£'000 | 2012<br>£'000 |
|------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Difference between expected and actual return on scheme assets                                                         |               |               |
| Amount                                                                                                                 | 1,581         | (725)         |
| Percentage of scheme assets                                                                                            | 5%            | (3%)          |
| Experience gains and losses arising on the scheme liabilities                                                          |               |               |
| Amount                                                                                                                 | 271           | 473           |
| Percentage of present value of scheme liabilities                                                                      | 1%            | 2%            |
| Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities |               |               |
| Amount                                                                                                                 | (4,680)       | (2,453)       |
| Percentage of present value of scheme liabilities                                                                      | (12%)         | (8%)          |
| Total amount recognised in statement of comprehensive income                                                           |               |               |
| Amount                                                                                                                 | (2,828)       | (2,705)       |
| Percentage of present value of scheme liabilities                                                                      | (7%)          | (8%)          |

The cumulative amount of actuarial losses recognised in the statement of comprehensive income since adoption of IAS19 is £9.5 million (2012 £6.7 million)

Assets

|          | 2013<br>£'000 | 2012<br>£'000 | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|----------|---------------|---------------|---------------|---------------|---------------|
| Equities | 16,837        | 14,343        | 12,638        | 10,291        | 7,671         |
| Bonds    | 6,519         | 5,973         | 7,481         | 9,770         | 7,528         |
| Other    | 6,477         | 5,881         | 4,717         | 1,635         | 964           |
|          | 29,833        | 26,197        | 24,836        | 21,696        | 16,163        |

The assets include a small holding in Charles Stanley Group

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**CHARLES STANLEY & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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**22. RETIREMENT BENEFIT LIABILITIES (continued)**

**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

|                    | <b>2013</b>  | <b>2012</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> |
|--------------------|--------------|-------------|-------------|-------------|-------------|
| Equities           | <b>6.25%</b> | 7.50%       | 7.50%       | 6.75%       | 6.75%       |
| Bonds              | <b>4.70%</b> | 5.55%       | 5.50%       | 4.75%       | 4.75%       |
| Cash               | <b>1.60%</b> | 3.25%       | 4.30%       | 4.00%       | 4.00%       |
| Overall for scheme | <b>4.85%</b> | 6.10%       | 6.36%       | 5.65%       | 5.65%       |

**Assumptions:**

|                                                                            | <b>2013<br/>% per<br/>annum</b> | <b>2012<br/>% per<br/>annum</b> | <b>2011<br/>% per<br/>annum</b> | <b>2010<br/>% per<br/>annum</b> | <b>2009<br/>% per<br/>annum</b> |
|----------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Inflation – RPI                                                            | <b>3.50</b>                     | 3.25                            | 3.40                            | 3.50                            | 3.10                            |
| Salary increases                                                           | <b>3.00</b>                     | 3.00                            | 3.00                            | 3.00                            | 3.00                            |
| Rate of discount - RPI                                                     | <b>4.45</b>                     | 5.05                            | 5.55                            | 5.66                            | 6.50                            |
| Allowance for pension in payment<br>increases of RPI or 5% p a if less     | <b>n/a</b>                      | 3.25                            | 3.35                            | 3.45                            | 3.05                            |
| Allowance for revaluation of deferred<br>pensions of RPI or 5% p a if less | <b>3.50</b>                     | 3.25                            | 3.40                            | 3.50                            | 3.10                            |

The Occupational Pensions (Revaluation) Order 2010 issued in July 2010 confirmed the government's intention to move to using the Consumer Price Index ("CPI") rather than the Retail Price Index ("RPI") as the inflation measure for determining the minimum pension increases to be applied to the statutory index-linked features of retirement benefits. For 2013 Charles Stanley has used RPI in calculating the liability.

The mortality assumptions adopted at 31 March 2013 imply the following life expectations at age 65

|                                   |            |
|-----------------------------------|------------|
| Male retiring at age 65 in 2013   | 22.6 years |
| Female retiring at age 65 in 2013 | 25.0 years |
| Male retiring at age 65 in 2033   | 24.8 years |
| Female retiring at age 65 in 2033 | 27.3 years |

**Best estimate of contributions to be paid to plan for the year ending 31 March 2013**

The best estimate of contributions (employer and employee) to be paid to the plan for the year ending 31 March 2013 is £884,000 (2012: £933,000).

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CHARLES STANLEY & CO LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013

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23. RECONCILIATION OF NET PROFIT TO CASH GENERATED FROM OPERATIONS

|                                                       | 2013<br>£        | 2012<br>£        |
|-------------------------------------------------------|------------------|------------------|
| <b>Continuing operations</b>                          |                  |                  |
| Profit for the period                                 | 7,327,248        | 7,683,594        |
| <i>Adjustments for</i>                                |                  |                  |
| Depreciation                                          | 2,232,929        | 2,052,424        |
| Dividend income                                       | (58,649)         | (64,868)         |
| Interest income                                       | (341,829)        | (407,480)        |
| Interest expense                                      | 43,772           | 65,902           |
| Loss on disposal of property, plant and equipment     | -                | 11               |
| Profit on disposal of available for sale investments  | (6,609)          | (4,025)          |
| Share option cost                                     | 148,249          | 128,200          |
| Retirement benefit scheme                             | 224,000          | (126,000)        |
| Property, plant and equipment write back              | 21,178           | -                |
| <i>Changes in working capital</i>                     |                  |                  |
| Decrease / (Increase) in held for trading investments | 39,953           | (40,581)         |
| Decrease / (Increase) in trade and other receivables  | 1,905,167        | (41,750,237)     |
| (Decrease) / Increase in trade and other payables     | (9,986,788)      | 34,208,118       |
| Cash generated from continuing operations             | <u>1,548,621</u> | <u>1,745,058</u> |

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## CHARLES STANLEY & CO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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#### 24. LEASE COMMITMENTS

##### Operating leases

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as follows

|                                                   | 2013<br>£ | 2012<br>£ |
|---------------------------------------------------|-----------|-----------|
| Not later than one year                           | 1,993,590 | 1,879,275 |
| Later than one year but not later than five years | 4,556,743 | 4,894,289 |
| Later than five years                             | 790,204   | 1,382,949 |

#### 25. CONTROL

The parent and ultimate parent Company is Charles Stanley Group PLC, a company registered in England and Wales

Charles Stanley Group PLC prepares group financial statements and copies can be obtained from the registered office shown on the company information page

#### 26. CONTINGENCIES AND COMMITMENTS

(a)

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**CHARLES STANLEY & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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**26. RELATED PARTY TRANSACTIONS**

Details of transactions between the Company and its fellow group companies which are related parties are disclosed below

|                                         | 2013<br>£         | 2012<br>£         |
|-----------------------------------------|-------------------|-------------------|
| <b>Amounts due from group companies</b> |                   |                   |
| Charles Stanley Group PLC               | 26,316,479        | 25,488,852        |
| Charles Stanley Financial Solutions Ltd | -                 | 1,209,041         |
| Jobson James Financial Services         | 1,031,036         | -                 |
| <br>EBS Management Plc                  | <br>171,050       | <br>-             |
|                                         | <u>27,518,565</u> | <u>26,697,893</u> |

|                                         | 2013<br>£        | 2012<br>£        |
|-----------------------------------------|------------------|------------------|
| <b>Amounts due to group companies</b>   |                  |                  |
| Garrison Investment Analysis Ltd        | (62,332)         | (49,681)         |
| Jobson James Financial Services Ltd     | -                | (56,248)         |
| Charles Stanley Financial Solutions Ltd | (240,869)        | -                |
| EBS Management Plc                      | -                | (585,125)        |
|                                         | <u>(303,201)</u> | <u>(691,054)</u> |

During the course of the year the Company paid a dividend of £2,500,000 to Charles Stanley Group PLC (2012 £2,000,000) and a management charge of £2,750,000 (2012 £2,750,000) to Charles Stanley Group PLC. At the year end, a balance of £26,316,479 was outstanding and due to Charles Stanley & Co Limited

In addition to the above the Directors undertake transactions in stocks and shares in the ordinary course of the Company's business for their own accounts. No amounts were owed by directors to the Company for these types of transactions at 31 March 2013. At 1 April 2012, a loan of £63,121 was outstanding to M Anderson, a director of the Company. At 31 March 2013 there was a balance of £53,621 outstanding, at an interest rate of 4.0% (2012 4.0%) per annum. There were no other material contracts between the Company and directors.

The Company's transactions with the Charles Stanley & Co Limited Retirement Benefits Scheme are described in Note 23 above. At 31 March 2013 no monies were owed to or outstanding from the scheme (2012 £0).

During the year, Charles Stanley & Co Limited paid operational expenses totalling £947,823 on behalf of Garrison Investment Analysis Ltd (GIA). GIA also provided funds to Charles Stanley & Co Ltd in consideration of expenses. At the year end, a balance of £62,332 was outstanding and due to GIA.

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**CHARLES STANLEY & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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**26. RELATED PARTY TRANSACTIONS (CONTINUED)**

During the year, Charles Stanley & Co Limited paid operational expenses totalling £3,638,595 on behalf of Charles Stanley Financial Solutions Ltd Charles Stanley & Co Limited also paid Charles Stanley Financial Solutions Ltd a management fee of £175,000 Charles Stanley Financial Solutions Ltd also provided funds to Charles Stanley & Co Ltd in consideration of expenses At the year end, a balance of £240,869 was outstanding and due to Charles Stanley Financial Solutions Ltd

During the year, Charles Stanley & Co Limited paid operational expenses totalling £1,923,509 on behalf of Jobson James Financial Services Ltd (JJF) JJF also provided funds to Charles Stanley & Co Ltd in consideration of expenses At the year end, a balance of £1,031,036 was outstanding and due to Charles Stanley & Co Limited

During the year, Charles Stanley & Co Ltd paid operational expenses of £1,729,807 on behalf of EBS EBS also provided funds to Charles Stanley & Co Ltd in consideration of expenses At the year end, a balance of £171,050 was outstanding and due to the Charles Stanley & Co Limited

**27. KEY MANAGEMENT PERSONNEL**

The compensation paid to key management is detailed below Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director

|                          | <b>2013</b> | <b>2012</b> |
|--------------------------|-------------|-------------|
|                          | <b>£</b>    | <b>£</b>    |
| Salaries                 | 8,249,605   | 3,289,408   |
| Post employment benefits | 293,440     | 257,429     |
| Social Security Costs    | 559,503     | 417,000     |

**28. CONTINGENCIES AND COMMITMENTS****(a) Contingent liability**

Due to the activities of a former member of staff, claims have been made against the Company during the year Due to the nature of the claims, it is not practicable to estimate reliably the value of any possible obligation for the Company Further, having regard to likely insurance recoveries, the Directors do not consider there to be a net liability

**(b) Commitments**

In April 2012 the Group entered into an agreement with Masterlist Limited to subscribe £500,000 for shares and £500,000 for convertible loan notes During the year the Company paid £500,000 for shares and £250,000 for convertible loan notes The balance of £250,000 will be subscribed when Masterlist Limited issue the balance of the convertible loan notes at their discretion