

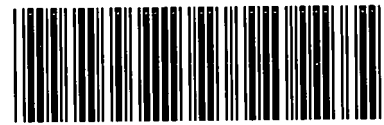
Registered number: 01903304

CHARLES STANLEY & CO. LIMITED

**DIRECTORS' REPORT, STRATEGIC REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2021

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CHARLES STANLEY & CO. LIMITED

CONTENTS

	Page
Company information	1
Strategic report	2 - 4
Directors' report	5 - 6
Statement of Directors' responsibilities	7
Independent auditor's report	8 - 11
Income statement	12
Statement of comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to the financial statements	17 - 55

CHARLES STANLEY & CO. LIMITED

COMPANY INFORMATION

Directors

Andrew Didham (Chairman)
Paul Abberley
Marcia Campbell
Hugh Grootenhuis
Ben Money-Coutts
Anna Troup

Company secretary

Julie Ung

Company number

01903304

Registered office

55 Bishopsgate
London
EC2N 3AS

Auditor

KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Banker

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

CHARLES STANLEY & CO. LIMITED

STRATEGIC REPORT

For the year ended 31 March 2021

Our strategy

Our vision at Charles Stanley & Co. Limited (the "Company") is to become the UK's leading wealth manager.

Section 172 statement

Section 172 of the Companies Act 2006 requires the Directors to act in a way that they consider to be in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so the Directors have regard (among other matters to):

- the likely consequences of long-term decision making
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, clients and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standard of business conduct
- the need to act fairly between members of the Company

Of the appointed Directors, four are non-executive Directors (Andrew Didham, Marcia Campbell, Hugh Grootenhuys, and Anna Troup), who are independent from the executive function. The Directors believe this ensures there is robust oversight of the executive function, so that strategic decisions are made under proper scrutiny and challenge, in each case having due regard to the likely impact on relevant stakeholders.

Further details of stakeholder engagement can be found in the group financial statements of Charles Stanley Group PLC (the "Group"). Copies can be obtained from the registered office shown on page 1.

Our business

The Company has three operating divisions:

Investment Management Services

Investment Management Services offers a comprehensive personalised service direct to private clients; managing discretionary portfolios, providing investment advice and offering execution-only services. Other services include the provision of pooled solutions, model portfolios and inheritance tax solutions for a range of clients. Investment solutions are also provided for institutional investors. It also works with financial planners, both internally and externally, as part of a holistic wealth management approach.

Financial Planning

The Financial Planning division provides holistic financial planning advice and works with clients to ensure that their financial arrangements and plans are optimised to address their current and future needs and circumstances.

Charles Stanley Direct

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

CHARLES STANLEY & CO. LIMITED

STRATEGIC REPORT

For the year ended 31 March 2021

Review of the year

The Company's reported revenues for the year remained relatively stable at £171.1 million (2020: £173.0 million), despite lower average FuMA. Fee income fell by 1.6%, largely reflecting lower interest income, whilst commission income rose by 1.7%.

Funds under Management and Administration

The Company's revenue is substantially driven by the level of its FuMA. Average FuMA for the year was 4.1% lower than the prior year at £23.2 billion (2020: £24.2 billion), reflecting the stressed market conditions during the COVID-19 pandemic. A gradual recovery in markets from the level of FuMA at the beginning of the financial year was accelerated by positive news surrounding vaccines in the second half of the year. Led by the recovery in market performance, year-on-year Company FuMA increased by 27.4% and finished the year at record levels of £25.6 billion (2020: £20.1 billion).

FuMA movement year on year

	2021	2020	
	£bn	£bn	Change
Discretionary funds	15.2	11.9	27.7%
Advisory Managed funds	1.3	1.2	8.3%
Total Managed funds	16.5	13.1	26.0%
Advisory Dealing funds	1.2	1.0	20.0%
Execution-only funds	7.9	6.0	31.7%
Total Administered funds	9.1	7.0	30.0%
Total FuMA	25.6	20.1	27.4%
MSCI PIMFA Private Investor Balanced Index	1,704	1,423	19.7%

Overview of financial performance

Profit for the year

The Company reported a profit before tax of £14.8 million (2020: £18.8 million). The reported profit margin was 8.7% (2020: 10.9%).

Administrative expenses, including restructuring costs, rose by £1.8 million to £155.0 million (2020: £153.2 million), due to IT costs and professional fees. Restructuring costs of £1.3 million (2020: £3.5 million) were recognised in respect of transformation programmes designed to improve productivity and operational efficiency by enhancing IT, client service and middle and back office performance.

Taxation

The tax charge for the year was £2.7 million (2020: £2.8 million) representing an effective tax rate of 18.4% (2020: 15.0%). The current year effective tax rate is higher than the prior year due to expenditure not allowed for tax of £0.4 million. Please refer to note 12 to the financial statements for further information.

Dividends

Dividends totalling £10.0 million were paid during the year (2020: £7.0 million). No final dividends are proposed or recommended by the Directors for the year ended 31 March 2021.

CHARLES STANLEY & CO. LIMITED

STRATEGIC REPORT

For the year ended 31 March 2021

Principal risks and uncertainties

The Company provides wealth management services and provides agency share dealing services to clients and as such it does not take any proprietary positions. The main risks facing the business are operational and IT infrastructure, market, credit and counterparty, liquidity, financial strength, pension, business model and strategy, IT and Cyber security, people and conduct risk and legal and regulatory risk (refer to note 24 of the financial statements). The Company operates in a competitive environment and therefore is also subject to changes in markets or actions of competitors.

Key financial performance indicators

	2021	2020
Business growth		
FuMA (£bn)	25.6	20.1
Average FuMA (£bn)	23.2	24.2
Operating efficiency		
FuMA per Certification Staff ¹ (£m)	104.2	83.2
Shareholder returns		
Return on capital employed ²	13.2%	15.6%

¹ A controlled function regulated by the Financial Conduct Authority applicable to all employees providing advisory services to clients

² Return on capital employed represents reported operating profit divided by capital employed (total assets less current liabilities)

Financial position

The Company maintained its strong financial position with total net assets at 31 March 2021 of £110.1 million (2020: £106.8 million). Cash and cash equivalents amounted to £104.7 million (2020: £87.3 million).

Regulatory capital resources

At 31 March 2021, the Company had regulatory capital resources of £110.5 million (2020: £97.4 million).

	2021	2020
	£'000	£'000
Ordinary share capital	2,900	2,900
Retained earnings	107,870	94,745
Regulatory adjustments	(248)	(277)
Total capital resources	110,522	97,368

The Company monitors a range of capital and liquidity statistics on a weekly and monthly basis.

The Company's Pillar III disclosures are published annually on Charles Stanley Group PLC's website (charlesstanley.co.uk).

CHARLES STANLEY & CO. LIMITED
Registered number: 01903304

DIRECTORS' REPORT

For the year ended 31 March 2021

The Directors submit their report and financial statements for the year ended 31 March 2021.

Principal activities and business review

The Company provides investment management services, financial planning and direct-to-client online dealing services. A review of the business is set out on pages 2 to 4 in the Strategic report, which is incorporated by reference into this report.

Directors

The Directors, who served throughout the year were as follows:

Name	Position	
Andrew Didham	Non-Executive Chairman	
Paul Abberley	Chief Executive Officer	
Ben Money-Coutts	Chief Financial Officer	
Marcia Campbell	Non-Executive Director	
Hugh Grootenhuis	Non-Executive Director	
Bridget Guerin	Non-Executive Director	(Resigned 30 September 2020)
Anna Troup	Non-Executive Director	(Appointed 1 October 2020)

In accordance with the governance framework, the Board are charged with the responsibility to oversee, govern and direct the operation of the Company in line with the strategy set out by Charles Stanley Group PLC.

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

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 auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Employee involvement

The Company is aware that its reputation and success is due to the service provided to clients by highly qualified and committed staff. Staff are one of the key assets of the organisation and it is the Company's policy to attract and retain the best people. Where appropriate, staff's views are taken into account when making decisions likely to affect their interests.

Reappointment of auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in the office.

CHARLES STANLEY & CO. LIMITED

Registered number: 01903304

DIRECTORS' REPORT

For the year ended 31 March 2021

Going concern

The Board aims to maintain and build a sustainable wealth management business over the long term. The Board monitors a three year strategic plan that provides a robust planning tool against which strategic decisions are made. This plan was discussed at the Board's strategy meeting in February 2021 and approved on 24 April 2021.

The Company has demonstrated strong capital and liquidity resilience throughout the pandemic and remains well positioned. We have a strong balance sheet, with no debt and good cash flows. However, the effects of the pandemic will be with us for some time and uncertainties will continue as the government continues to relax social distancing and the enforced closures of certain business and social facilities, the support measures of the government and Bank of England start to reduce and new variants of the COVID-19 virus may continue to emerge.

The Board has reviewed detailed papers prepared by Management that consider the Company's expected future profitability, dividend policy, capital position and liquidity, both as they are expected to be and under more severely stressed conditions. The stressed scenarios reviewed include both a prolonged three-year downturn in capital markets and, separately, a resurgence of the COVID-19 pandemic. Unrelated idiosyncratic liquidity stress tests have been overlaid as well. The assumptions upon which the scenarios were modelled are based on management's own judgements, taking account of external research, including a more pessimistic view than taken by the 'Rates Down' guidance provided by the Bank of England. The Board has also reviewed the management actions that could be taken in these scenarios.

The Board has taken account of reports from Management concerning the operational resilience of the business which have been updated to reflect the switch to remote home working in compliance with Government advice. The Board is satisfied that the business can successfully operate in these conditions as it has demonstrated since mandatory social distancing measures came into force in March 2020. The majority of our staff are now working from home and our material outsourced suppliers continue to provide their services and we believe can continue to do so for an indefinite period. Finally, the Board has reviewed a reverse stress test analysis to consider the length and depth that a recession would have to reach to cause the Group to cease to be viable.

Financial outlook

We consider that the prospects for corporate earnings, with a generally benign central bank framework, will lead to an improvement in market values over the next year. Absent a major resurgence of COVID-19 and further lockdown, markets appear well supported. We approach the current year with a degree of cautious optimism.

Following the end of the financial year, the Company and wider Group carried out a reorganisation of its front office divisions to reflect a new operating structure. Three new divisions were formed: Investment Management Services, Financial Planning Services and Central Financial Services. For further details please see the Strategic report of Charles Stanley Group PLC's Annual report and accounts.

The Board is confident about the strength of the Company's balance sheet and liquidity position. As at 31 March 2021, the Company had total cash balances of £104.7 million, no borrowings and a strong regulatory capital resources of 222% of the requirement.

By order of the Board,

Julie Ung
Secretary
26 May 2021



CHARLES STANLEY & CO. LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 March 2021

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and applicable law.

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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board,



Julie Ung
Secretary
26 May 2021

AUDITOR'S REPORT TO THE MEMBERS OF CHARLES STANLEY & CO. LIMITED

For the year ended 31 March 2021

Opinion on financial statements

We have audited the financial statements of Charles Stanley & Co. Limited ("the Company") for the year ended 31 March 2021 which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended
- Have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

AUDITOR'S REPORT TO THE MEMBERS OF CHARLES STANLEY & CO. LIMITED

For the year ended 31 March 2021

- Enquiring of Directors, the audit committee, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud
- Reading Board, Joint Audit Committee, Joint Risk Committee, Nomination Committee and Joint Remuneration Committee minutes
- Considering remuneration incentive schemes and performance targets for Management and Directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of Management override of controls, in particular the risk that Management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other Management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the Directors and other Management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, employment law, data protection, anti-money laundering, market abuse regulations and financial services regulations including Client Assets, and specific areas of regulatory capital and liquidity and certain aspects of Company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other Management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

AUDITOR'S REPORT TO THE MEMBERS OF CHARLES STANLEY & CO. LIMITED

For the year ended 31 March 2021

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- We have not identified material misstatements in the strategic report and the Directors' report
- In our opinion the information given in those reports for the financial year is consistent with the financial statements
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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
- The financial statements are not in agreement with the accounting records and returns
- Certain disclosures of Directors' remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S REPORT TO THE MEMBERS OF CHARLES STANLEY & CO. LIMITED

For the year ended 31 March 2021

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:
www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Bano Sheikh (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
26 May 2021

CHARLES STANLEY & CO. LIMITED

INCOME STATEMENT

For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Revenue	4	171,137	172,546
Administrative expenses	4	(153,655)	(149,755)
Restructuring costs	5	(1,336)	(3,472)
Other income	6	-	76
Operating profit	7	16,146	19,395
Profit/(loss) on disposal of property, plant and equipment		3	(18)
Impairment of freehold property		(645)	-
Finance income	8	132	449
Finance costs	9	(798)	(983)
Net finance and other income		(1,308)	(552)
Profit before tax		14,838	18,843
Tax expense	12	(2,727)	(2,831)
Profit for the year attributable to equity shareholders		12,111	16,012

The notes on pages 17 to 55 form part of these financial statements.

The results for each year relate to continuing activities. There were no discontinued operations in either the current year or the prior year.

CHARLES STANLEY & CO. LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Profit for the year		12,111	16,012
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of the defined benefit obligation	10	1,449	1,379
Related tax - deferred		(275)	(121)
Fair value through other comprehensive income financial assets - unrealised gains		1	1,896
Fair value through other comprehensive income financial assets - realised loss		(925)	-
Related tax - deferred		815	(410)
Related tax - current		(625)	-
		440	2,744
Other comprehensive income for the year, net of tax		440	2,744
Total comprehensive income for the year attributable to owners of the Company		12,551	18,756

The notes on pages 17 to 55 form part of these financial statements.

CHARLES STANLEY & CO. LIMITED
Registered Number: 01903304

STATEMENT OF FINANCIAL POSITION

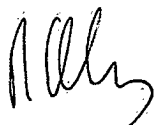
For the year ended 31 March 2021

	Notes	31 Mar 2021 £'000	31 Mar 2020 £'000
Assets			
Intangible assets	13	24	74
Property, plant and equipment	14	14,526	18,125
Net deferred tax assets	16	1,497	1,216
Financial assets at fair value through other comprehensive income	17	102	4,482
Financial assets at amortised cost	17	-	507
Non-current assets		16,149	24,404
Trade and other receivables	19	237,797	220,712
Financial assets at fair value through profit and loss	17	30	44
Cash and cash equivalents	20	104,726	87,323
Current tax assets		126	105
Current assets		342,679	308,184
Total assets		358,828	332,588
Equity			
Share capital	21	2,900	2,900
Revaluation reserve		74	3,538
Retained Earnings		107,156	100,376
Total equity		110,130	106,814
Liabilities			
Employee benefits		3,198	5,080
Non-current provisions	22	2,011	1,983
Non-current lease liabilities	15	6,599	9,718
Non-current liabilities		11,808	16,781
Trade & other payables	23	233,187	204,934
Current lease liabilities	15	3,087	2,808
Current provisions	22	616	1,251
Current liabilities		236,890	208,993
Total liabilities		248,698	225,774
Total equity and liabilities		358,828	332,588


The notes on pages 17 to 55 form part of these financial statements.

The financial statements were approved and authorised on 26 May 2021 for issue by the Board and were signed on its behalf by:

Paul Abberley
Chief Executive Officer



Ben Money-Coutts
Chief Financial Officer



CHARLES STANLEY & CO. LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Share capital	Revaluation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
1 April 2020	2,900	3,538	100,376	106,814
Profit for the year	-	-	12,111	12,111
Other comprehensive income:				
Financial assets at fair value through other comprehensive income:				
- unrealised gains and losses	-	1	-	1
- realised gains and losses	-	(925)	-	(925)
- related deferred tax	-	815	-	815
- related current tax	-	(625)	-	(625)
Remeasurement of defined benefit scheme liability:				
Defined benefit plan actuarial gain	-	-	1,449	1,449
Related tax on defined benefit plan	-	-	(275)	(275)
Total other comprehensive income/(expense) for the period	-	(734)	1,174	440
Total comprehensive income for the period	-	(734)	13,285	12,551
Dividends paid	-	-	(10,000)	(10,000)
Transfer between reserves	-	(2,730)	2,730	-
Share options				
- value of employee services	-	-	765	765
31 March 2021	2,900	74	107,156	110,130
1 April 2019	2,900	2,052	92,865	97,817
Adjustment on initial application of IFRS 16	-	-	(1,043)	(1,043)
Profit for the year	-	-	16,012	16,012
Other comprehensive income:				
Revaluation of financial assets at fair value through other comprehensive income	-	1,896	-	1,896
Related tax	-	(410)	-	(410)
Defined benefit plan actuarial gain	-	-	1,379	1,379
Related tax on defined benefit plan	-	-	(121)	(121)
Total other comprehensive income for the period	-	1,486	1,258	2,744
Total comprehensive income for the period	-	1,486	17,270	18,756
Dividends paid	-	-	(7,000)	(7,000)
Share options				
- value of employee services	-	-	(1,716)	(1,716)
31 March 2020	2,900	3,538	100,376	106,814

The notes on pages 17 to 55 form part of these financial statements.

CHARLES STANLEY & CO. LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash generated from operating activities	26	21,902	24,019
Interest received		139	459
Interest paid		-	(60)
Taxation paid		(3,206)	(3,394)
Net cash from operating activities		18,835	21,024
Cash flows from investing activities			
Purchase of intangible assets		-	(90)
Purchase of property, plant and equipment		(1,583)	(1,540)
Proceeds from disposal of property, plant and equipment		-	50
Proceeds from sale of financial assets		3,984	1,000
Purchase of financial assets		-	(507)
Dividends received		-	76
Net cash generated from/(used in) investing activities		2,401	(1,011)
Cash flows from financing activities			
Interest paid		(798)	(912)
Payments of lease liabilities		(3,035)	(2,495)
Net cash used in financing activities		(3,833)	(3,407)
Net increase in cash and cash equivalents		17,403	16,606
Cash and cash equivalents at start of period		87,323	70,717
Cash and cash equivalents at end of period	20	104,726	87,323

The notes on pages 17 to 55 form part of these financial statements.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. General information

Charles Stanley & Co. Limited ("the Company") is a subsidiary of Charles Stanley Group PLC ("the Group"). The Company provides wealth management services to retail and institutional clients.

The Company is regulated by the Financial Conduct Authority. The 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 55 Bishopsgate, London, United Kingdom, EC2N 3AS.

2. Basis of preparation and 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 the financial statements

The Company's financial statements are presented and prepared on a going concern basis and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

2.2 Functional and presentation currency

The Company financial statements are presented in GBP, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis at each reporting date.

Item	Measurement basis	Note
Freehold premises	Fair value	14
Equity securities	Fair value	17
Non-derivative financial instruments held at fair value through profit or loss	Fair value	17
Net defined benefit asset or liability	Fair value of plan assets less the present value of the defined benefit obligation	10

2.4 Going concern

These financial statements have been prepared on a going concern basis. The Directors assessed the going concern of the Company in light of its current trading performance. In addition to the Company's core strategy and forecasts the Board has reviewed detailed papers prepared by Management that consider the Company's expected future profitability, dividend policy, capital position and liquidity, both as they are expected to be and under more severely stressed conditions.

The stressed scenarios reviewed include both a prolonged downturn in capital markets and, separately, a resurgence of the COVID-19 pandemic. In both instances idiosyncratic liquidity stress overlays were made too. The Directors also considered what Management actions could be taken in such circumstances, including reducing discretionary expenditure where practicable to do so. It was determined that the Company has sufficient liquidity to cover all anticipated payments during that period.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

2. Basis of preparation and significant accounting policies (continued)

2.4 Going concern (continued)

The base case scenario for these stress tests were built on FuMA levels as at 31 March 2021 and included single digit net organic growth, no market growth and rising general overheads. The first stress scenario anticipated a severe fall in market levels in excess of recent economic downturns, impacting significantly on revenue from market-based fees as well as commission and administrative income. Interest income was also modelled to be negligible. A second stress scenario was carried out modelling a less severe initial fall in markets. Even without any management actions taken, the Company would retain adequate liquidity, solvency and regulatory capital surplus in excess of the current requirement throughout the 12 month period following the approval of the financial statements. The assumptions upon which the scenarios were modelled are based on Management's own judgements, taking account of external research, including a more pessimistic view than taken by the 'Rates Down' guidance provided by the Bank of England. Lastly the Company has performed reverse stress tests to determine whether any material uncertainties regarding the financial strength existed. No issues were identified.

Further assessments were made around financial and operational risk management, the existence of material uncertainties and significant judgements or estimations that are required to be made by the Directors.

The Directors also considered the regulatory capital of the Company and determined that, based on the latest approved forecasts, the Company will have sufficient regulatory capital for the assessed period.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.5 Foreign currency translation

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

2.6 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 Chief Executive Officer.

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

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

2. Summary of significant accounting policies (continued)

2.7 Revenue recognition

Revenue comprises income from clients arising in the ordinary course of the Company's activities. The Company has applied the five-step model set out in IFRS 15 to its client contracts. For each identified contract, the Company has analysed the various specific services which are provided. Where contracts with clients promise to deliver more than one of these distinct services, each individual service has a single performance obligation for which revenue is recognised independently of other services when the service is delivered.

The following information details the nature and timing of the satisfaction of performance obligations in contracts with clients for which the Company is principal:

2.7.1 Investment management fees

Investment management fees comprise Discretionary Fund Management (DFM) fees and Annual Management Charges (AMC) which are recognised over the period in which the service is provided. Fees are charged as a percentage of the FuM over the period and are therefore variable. Charges are made annually, quarterly, or monthly in arrears depending on the client arrangement. Portfolio values are known by the Company and therefore no estimates or uncertainties exist over the variable fees. Accrued income is recognised to account for income earned but not yet charged.

2.7.2 Administration fees

Administration fees are recognised in the period in which they relate. Charges are made annually, bi-annually, quarterly or monthly depending on the service. Fixed fees include certain custody charges, other transaction related charges and incidental charges. Variable fees are charged as a percentage of FuM over the period, examples include; Financial Planning fees, Charles Stanley Direct fees and Non-managed custody charges. Most fees are charged and deducted from client portfolio accounts at the date of billing.

2.7.3 Commission

Commission income and expenses are recognised on a trade date basis. The trade date is the date in which the trade has been executed. Settlement of the trade usually happens two or three days after the trade has been executed.

2.7.4 Interest income

Interest income is recognised in the period in which it relates to. The amount that is recognised is net of any amounts paid to clients.

2.7.5 Dividend income

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

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

2. Summary of significant accounting policies (continued)

2.8 Share-based payment arrangements

The Company's employees participate in the Group's various equity-settled share-based payment schemes under which the Company receives services from employees as consideration for equity instruments (share options or share awards) of Charles Stanley Group PLC. The fair value of the employee services received in exchange for the grant of the share options or share awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options or share awards granted on the grant date:

- Including market performance conditions
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save)

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

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

When the share options are exercised or share awards made, Charles Stanley Group PLC issues new ordinary shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium in Charles Stanley Group PLC.

2.9 Employee benefits

2.9.1 Pension obligations

The Company operates two pension schemes – a defined benefit and a defined contribution scheme. The defined benefit scheme determines 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 defined contribution scheme is a pension plan under which the Company pays fixed contributions to 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.

The net charge to the income statement in respect of the defined benefit scheme mainly comprises of the service cost and the net interest on the net defined benefit asset or liability and is presented in operating expenses. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of AA credit rated corporate bonds that have terms of maturity approximating to the terms of the related pension liability.

Remeasurements of the defined benefit obligation arising from experience of 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 the income statement.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

2. Summary of significant accounting policies (continued)

2.9.2 Short term employee benefits

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

2.10 Restructuring costs

Restructuring costs include employee termination benefits, external consultant costs, IT costs and legal and professional fees. Costs are recognised and classified to restructuring based on the allocation of costs that are directly related to transformation programmes and those that are considered to be one-off exceptional costs.

2.11 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 future taxable profits 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.

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

2.12 Intangible assets

2.12.1 Internally generated software

Computer software which is not an integral part of the related hardware or has been developed internally by the Company is recognised as an intangible asset when the Company is expected to benefit from future use of the software and the costs are reliably measurable. Computer software costs recognised as assets are amortised using the straight-line method over their useful lives (three years).

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

2. Summary of significant accounting policies (continued)

2.13 Property, plant and equipment

Freehold premises are measured at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, where 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 other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

Freehold and right-of-use properties	3 to 50 years
Motor vehicles	3 years
Fixtures, fittings and equipment	3 to 10 years

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

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

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

2.14 Financial instruments

The Company classifies its non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

The Company classifies its non-derivative financial liabilities as other financial liabilities.

2.14.1 Non-derivative financial assets – recognition and derecognition

All financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire. Financial liabilities are derecognised when the associated contractual obligations are discharged or expire.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

2. Summary of significant accounting policies (continued)

2.14.1 Non-derivative financial assets – recognition and derecognition (continued)

Financial assets and liabilities are only offset and presented on a net basis if the Company has a legally enforceable right of set-off and intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are recognised initially at fair value plus directly attributable transaction costs if they are not classified as fair value through profit or loss. Financial instruments classified as fair value through profit or loss are recognised initially at fair value, with associated transaction costs being expensed immediately to the income statement.

2.14.2 Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Company's right to receive payments is established.

Financial assets at fair value through other comprehensive income – equity instruments

Financial assets at fair value through other comprehensive income are financial assets that are not held for trading, for which an irrevocable election has been made at initial recognition to measure it at fair value through other comprehensive income with only dividend income recognised in profit or loss. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

This category of financial assets are carried at fair value. Gains or losses arising from changes in the fair value are presented in the consolidated statement of comprehensive income in the period in which they arise. Gains recognised on financial assets at fair value through other comprehensive income will never be transferred to profit or loss.

Financial assets at amortised cost

Financial assets at amortised cost are financial assets held in a business model to collect the cash flows arising from contractual terms or give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. These financial assets are carried at amortised cost using the effective interest method, less any impairment. Interest income is recognised as finance income using the effective interest rate, except for short-term receivables where the interest would be immaterial.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

2. Summary of significant accounting policies (continued)

2.14.2 Non-derivative financial assets – measurement (continued)

Loans and receivables

Loans and receivables comprise of trade and other receivables and cash and cash equivalents in the statement of financial position. Loans and receivables are carried at amortised cost using the effective interest method, less any impairment.

2.14.3 Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are measured initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

2.15 Impairment

2.15.1 Impairment of non-derivative financial assets

At each reporting date the Company recognises loss allowances for expected credit losses for all financial assets at amortised cost. The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for debt securities and bank balances for which credit risk has not increased significantly since initial recognition, these are measured at 12 month expected credit losses. When estimating expected credit loss by determining whether credit risk has increased significantly since initial recognition, the Company considers reasonable and supportive information that is relevant and available without undue cost or effort.

2.15.2 Impairment of non-financial assets

Intangible assets with a determinable useful life are amortised over the useful life and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs).

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

2 Summary of significant accounting policies (continued)

2.16 Trade receivables

Trade receivables are amounts due for services performed in the ordinary course of business. Receivables from clients for trades are recognised when the corresponding liability is recognised, as explained in note 24. If collection is expected within one year they are classified as current assets. Receivables due after one year are presented as non-current assets.

Trade receivables are measured at amortised cost using the effective interest method, less provision for impairment.

2.17 Cash and cash equivalents

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

2.18 Segregated funds

Segregated funds are held in trust by the Company on behalf of clients in accordance with the FCA's Client Asset Rules. These funds are not shown within the Company's statement of financial position neither are the corresponding liabilities.

2.19 Provisions

Provisions are recognised when:

- The Company has a present obligation (legal or constructive) as a result of a past event
- The obligation can be measured reliably
- It is probable that the Company will be required to settle that obligation.

Provisions are measured based on the estimated consideration required to settle the obligation at the date of the statement of financial position and are discounted to present value where the effect is material.

Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount receivable can be measured reliably.

2.20 Trade payables

Trade payables consist of amounts payable and obligations for goods or services in the ordinary course of business. Stockbroking payables for market trades are recognised on the trade date, rather than the settlement date, as this is the point at which the Company has an obligation to make a payment. Trade payables are classified as current liabilities if payment is due within one year. Payables due after one year are presented as non-current liabilities. Trade payables are measured at amortised cost using the effective interest method.

2.21 Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

2.22 Leases – the Company as a lessee

The Company is party to leases as a lessee in relation to property agreements for the use of office space. The Company does not engage in any leases where it acts as a lessor and all agreements represent leases as a lessee. In accordance with IFRS 16, the Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements to which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets e.g. ICT equipment. For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented in administrative expenses in the consolidated income statement.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

2 Summary of significant accounting policies (continued)

2.22 Leases – the Company as a lessee (continued)

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

The Company assesses whether a contract is or contains a lease at inception of the contract. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The Company's weighted average incremental borrowing rate applied to lease liabilities is 6.66%.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments
- Variable lease payments that depend on an index or rate, initially measured using the index or the rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use assets reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Company does not have any leases that include purchase options or transfer ownership of the underlying asset.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

2. Summary of significant accounting policies (continued)

2.22 Leases – the Group as a lessee (continued)

The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned – for the Company this is property, plant and equipment. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in Administrative expenses in the consolidated income statement.

2.23 Application of new and revised IFRSs and changes in accounting policies

2.23.1 Changes in accounting policies

The accounting policies adopted in the preparation of the Company's financial statements are as set out above. They are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 March 2020, except for the mandatory standards and amendments that had an effective date subsequent to 1 April 2020.

2.23.2 Changes in accounting standards

During the year, none of the new mandatory standards nor amendments to existing IFRS standards had a material impact on the reported financial position or performance of the Company.

Following the UK's exit from the EU on 1 January 2021, the Company will be required to report under UK-adopted IFRS as adopted and endorsed by The UK Endorsement Board (UKEB). The Company will report under UK-adopted IFRS from 1 April 2021. We do not anticipate any material changes.

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 April 2021. These new standards are not applicable to these financial statements and they are not expected to have a material impact when they become effective. The Company plans to apply these standards and amendments in the reporting period in which they become effective.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. Use of judgements and estimates

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions to determine the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on the Company's historical experience and other relevant factors. Actual results may differ from the estimates applied.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Major sources of estimation and uncertainty in applying the Company's accounting policies

The following key estimates have been made by the Directors in applying the Company's accounting policies:

3.1.1 Retirement benefit obligations

In consultation with an independent actuary, the Company makes estimates about a number of long-term trends and market conditions to determine the value of the deficit of its defined benefit pension scheme. These long-term forecasts and estimates are highly judgmental and subject to the risk that actual events may be significantly different from that forecast.

The valuation performed as at 31 March 2021 resulted in a decrease in the actuarial deficit to £3.2 million which has been reflected in these financial statements. The decrease in the deficit was caused by investment performance, changes in the actuarial assumptions and contributions made to the scheme during the year.

One of the key estimates applied is the long-term gap between the rate of CPI and RPI inflation indices. Historically the gap has been assumed to be 0.9%, however because of proposed changes to the calculation of RPI published by the UK Government in September 2019 to take effect sometime between 2025 and 2030, the Directors believe a more appropriate estimate of the gap to use now is 0.5%. This reflects the Directors' belief that alignment of RPI to CPI will occur by 2030 and that the gilt market is fully pricing in such alignment.

3.1.2 Share-based payments

The Company participates in a number of equity-settled share-based payment arrangements with its employees. When such awards are made, the fair value at grant date serves as the basis for calculating the staff costs.

The vesting conditions attached to the awards are subject to specific non-market performance conditions. The expense in respect of each arrangement is recognised over the vesting period, based on an estimate of the number of awards expected to vest. The estimate of awards expected to vest is revised at each reporting date and the cumulative charge is updated.

3.1.3 Revaluation of freehold properties

The Company periodically revalues its freehold properties in accordance with its accounting policy. The Company obtained professional valuations from independent chartered surveyors during the year. The methodology and appraisal basis for valuing the properties is not considered to be a significant estimation uncertainty, which could otherwise lead to a material adjustment in future periods.

3.2 Key accounting judgements in applying the Company's accounting policies

The Directors do not consider there are any key accounting judgements impacting the financial statements.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. Operating segments

The Company has three operating divisions which are its reportable segments and represent the underlying performance. These segments are the basis on which the Company reports its performance to the Chief Executive Officer, who is the Company's chief operating decision maker.

	Investment	Financial	Charles		Total
	Management		Stanley	Support	
	Services	Planning	Direct	Functions	
	£'000	£'000	£'000	£'000	£'000
Year ended 31 March 2021					
Investment management	93,670	2,146	-	-	95,816
Administration	20,206	7,876	6,862	-	34,944
Total fees	113,876	10,022	6,862	-	130,760
Commission	37,666	10	2,701	-	40,377
Total revenue	151,542	10,032	9,563	-	171,137
Administrative expenses	(80,611)	(10,735)	(4,080)	(59,565)	(154,991)
Other income	-	-	-	-	-
Operating contribution	70,931	(703)	5,483	(59,565)	16,146
Allocated costs	(51,782)	(3,419)	(4,364)	59,565	-
Operating profit/(loss)	19,149	(4,122)	1,119	-	16,146
Segment assets	358,210	202	416	-	358,828
Segment liabilities	247,268	1,430	-	-	248,698

Notes

1. Administration expenses above include support function costs incurred by the Company, which are allocated to other companies within the Group. The administrative expenses reported in the income statement reflect only the administrative costs of the Company, net of costs which are allocated to other Group companies.
2. Administration expenses include £1.3 million of restructuring costs.
3. Support function costs are allocated to the respective divisions based on proportions agreed by the Directors which reflect utilisation.

Immediately following the financial year end, the Company carried out a reorganisation of its front office divisions to reflect a new operating structure. For reporting periods on or after 1 April 2021, three new divisions (Investment Management Services, Financial Planning Services and Central Financial Services) will represent the main operating divisions and the reportable operating segments of the Company.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. Operating segments (continued)

	Investment Management Services £'000	Financial Planning £'000	Charles Stanley Direct £'000	Support Functions £'000	Total £'000
Year ended 31 March 2020					
Investment management	92,607	2,006	-	-	94,613
Administration	23,788	6,683	7,763	-	38,234
Total fees	116,395	8,689	7,763	-	132,847
Commission	38,005	7	1,687	-	39,699
Total revenue	154,400	8,696	9,450	-	172,546
Administrative expenses	(82,000)	(10,599)	(4,056)	(56,572)	(153,227)
Other income	76	-	-	-	76
Operating contribution	72,476	(1,903)	5,394	(56,572)	19,395
Allocated costs	(49,787)	(2,924)	(3,861)	56,572	-
Operating profit/(loss)	22,689	(4,827)	1,533	-	19,395
Segment assets	332,078	201	309	-	332,588
Segment liabilities	224,438	1,336	-	-	225,774

Notes

1. Administrative expenses above include support function costs incurred by the Company, which are allocated to other companies within the Group. The administrative expenses reported in the income statement reflect only the administrative costs of the Company, net of costs which are allocated to other Group companies.
2. Administration expenses include £3.5 million of restructuring costs and £3.0 million of Investment Management Services non-cash share credit.
3. Support function costs are allocated to the respective divisions based on proportions agreed by the Directors which reflect utilisation.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

5. Restructuring costs

The Company is undertaking a transformation programme to improve sales and productivity. As part of the programme the following exceptional costs are included in the income statement:

	2021	2020
	£'000	£'000
Redundancy costs	56	1,613
External consultants - Contract staff	840	991
IT and communications	339	667
Legal and professional fees	101	201
	1,336	3,472

6. Other income

	2021	2020
	£'000	£'000
Dividend income	-	76

7. Operating profit

Operating profit for the year has been arrived at after charging/(crediting):

	2021	2020
	£'000	£'000
Depreciation of property, plant and equipment	4,271	4,096
Amortisation and impairment	50	324
Gains on financial assets at fair value through profit and loss	(7)	(10)
Losses/(gains) on foreign currency exchange	38	(381)
Financial Services Compensation Scheme Levy	3,523	2,377
Fees payable to the Company's auditor for audit services:		
Audit of Company's annual accounts	210	185
	210	185
Fees payable to the Company's auditor for other services:		
Regulatory-related assurance services	125	115
Other assurance services	50	40
	175	155
	385	340

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

8. Finance income

	2021	2020
	£'000	£'000
Interest income	139	459
Gains on financial assets at fair value through profit or loss	(7)	(10)
	<u>132</u>	<u>449</u>

9. Finance costs

	2021	2020
	£'000	£'000
Interest payable	(29)	(60)
Finance lease costs	(769)	(923)
	<u>(798)</u>	<u>(983)</u>

10. Employee benefits

10.1 Defined contribution scheme

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

10.2 Defined benefit scheme

The Company also sponsors the Charles Stanley & Co. Limited Retirement Benefits Scheme, which is a funded defined benefit arrangement. This is a separate, trustee-administered fund holding the scheme assets to meet long-term pension liabilities of the scheme members.

A full triennial valuation was carried out as at 13 May 2020 in accordance with the scheme funding requirements of the Pensions Act 2004 and is anticipated to be approved by the trustees of the scheme by November 2021. Preliminary results from this triennial valuation have been reflected in these financial statements.

The funding of the scheme is agreed between the Company and the trustees in line with those requirements. There is a particular requirement to calculate the pension surplus or deficit using prudence, as opposed to best estimate actuarial assumptions.

For the purposes of IAS 19 the actuarial valuation as at 13 May 2020, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 March 2021. The valuation methodology adopted for the current year's disclosures are the same as those used in the prior year.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

10. Employee benefits (continued)

10.2 Defined benefit scheme (continued)

Amounts included in the statement of financial position

	2021	2020
	£'000	£'000
Fair value of scheme assets	21,357	22,162
Present valuation of defined benefit obligation	(23,693)	(27,242)
Impact of asset ceiling	(862)	-
Deficit in scheme	(3,198)	(5,080)
Liability to be recognised	(3,198)	(5,080)

The present value of the scheme's liabilities is measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. The value calculated in this way is reflected in the liability in the statement of financial position as shown above.

The Group has reviewed the implications of the guidance provided by IFRIC 14 and has concluded that it is necessary to make any adjustments to the IAS 19 figures in respect of an asset ceiling or Minimum Funding Requirements as at 31 March 2021.

Following a High Court ruling in 2018, the cost of equalising pension benefits for the impact of unequal Guaranteed Minimum Pensions (GMPs) has been recognised. No allowance has been made for GMP equalisation of historic transfers out of the scheme.

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

	2021	2020
	£'000	£'000
Defined benefit obligation at 1 April	27,242	27,880
Interest expense	601	635
Actuarial gains due to scheme experience	(812)	(96)
Actuarial gains due to changes in demographic assumptions	(583)	(329)
Actuarial losses/(gains) due to change in financial assumptions	1,733	(308)
Benefits paid and expenses	(4,488)	(540)
Defined benefit obligation at 31 March	23,693	27,242

Three members (2020: no members) received transfer values in full settlement of liabilities under the scheme during the year. There have been no other scheme amendments, curtailments or settlements in the year.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

10. Employee benefits (continued)

10.2 Defined benefit scheme (continued)

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

	2021	2020
	£'000	£'000
Fair value of assets at 1 April	22,162	21,039
Interest income	485	484
Return on scheme assets	2,649	646
Contributions by employer	549	533
Benefits paid and expenses	(4,488)	(540)
Fair value of assets at 31 March	21,357	22,162

Defined benefit costs recognised in the income statement

	2021	2020
	£'000	£'000
Net interest cost	116	151
Total amount recognised in income statement	116	151

Defined benefit costs recognised in statement of comprehensive income

	2021	2020
	£'000	£'000
Return on scheme assets	2,649	646
Experience gains arising on scheme liabilities	812	96
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	583	329
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (losses)/gains	(1,733)	308
Effect of the asset ceiling - losses	(862)	-
Total amount recognised in statement of comprehensive income	1,449	1,379

Scheme assets

	2021	2020
	£'000	£'000
Equities	13,099	10,954
Bonds	6,479	9,758
Property	439	641
Cash	205	313
Alternatives	1,135	496
Total assets	21,357	22,162

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

10. Employee benefits (continued)

10.2 Defined benefit scheme (continued)

None of the scheme's assets include any direct investment in the Company's own financial instruments (2020: no direct investment) nor any property occupied by, or other assets used by the Company. Alternatives include hedge funds, infrastructure and renewable energy investments. All of the scheme's assets have a quoted market price in an active market with the exception of the scheme's bank account balance.

No additional assets have been pledged, nor are any other arrangements agreed between the Company and the trustees to secure the benefits of plan members.

It is the policy of the trustees of the scheme and the Company to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the planned investment strategy are documented in the scheme's Statement of Investment Principles.

The scheme's trustees have adopted a five stage de-risking flight plan to reduce risk gradually over the life of the scheme as the scheme nears its objective. The investment mandate also adopted a liability driven approach. At the reporting date, the scheme's portfolio is 89.7% liability hedged on the basis of the present value of the defined benefit obligation assessed at 31 March 2021 for accounting purposes.

Further details on the assumptions underpinning the valuation are provided below:

Significant actuarial assumptions

	2021	2020
	%	%
Inflation - Consumer Prices Index (CPI)	2.80	2.20
Rate of discount	2.10	2.40
Allowance for pension in payment increases of CPI (or 5% p.a. if less than CPI, 3% minimum)	3.50	3.30
Allowance for revaluation of deferred pensions of CPI (or 2.5% p.a. if less than CPI)	2.50	2.20
Allowance for commutation of pension for cash at retirement	50.00	-

In previous years, no allowance was made for members taking tax-free cash on retirement. In line with the preliminary triennial valuation results as at 13 May 2020, this year's IAS 19 report assumes that members take 50% of the maximum tax-free cash at retirement on current cash commutation factors in place. The Board believes this to be a prudent approach with actual experience typically being a higher percentage.

The mortality assumptions adopted at 31 March 2021 are 95% (2020: 100%) of the standard tables used by actuaries for mortality assumptions (S3PMA/ S3PFA_M), Year of Birth, no age rating for males and females, projected using CMI_2020 converging to 1.25% p.a. While COVID-19 has had an impact on mortality in 2020, the impact on future mortality trends is currently unknown. These imply the following life expectancies at 65 of:

	2021	2020
Male retiring in current year	22.5	21.6
Female retiring in current year	24.2	23.5
Male retiring in twenty years	23.8	22.6
Female retiring in twenty years	25.7	24.7

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

10. Employee benefits (continued)

10.2 Defined benefit scheme (continued)

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 4.4%
Rate of inflation	Increase of 0.25% p.a.	Increase by 1.2%
Rate of mortality	Increase in life expectancy of one year	Increase by 3.9%
Commutation	Members commute an extra 10% of pension on retirement	Decrease by 1.4%

The sensitivities shown are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth. The average duration of the defined benefit obligation at the period ended 31 March 2021 is 18 years (2020: 17 years).

The scheme typically exposes the Company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to scheme liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future income statements. This effect would be partially offset by an increase in the value of the scheme's bond holdings. Additionally, caps on inflationary increases are in place to protect the scheme against extreme inflation.

The best estimate of contributions to be paid by the Company to the scheme for the year commencing 1 April 2021 is £0.6 million (2020: £0.6 million).

10.3 Employee benefit expenses

The average number of persons employed (including Directors) during the year was 732 (2020: 762).

	2021	2020
	£'000	£'000
Employment costs for the Company during the year:		
Wages and salaries	48,096	50,147
Social Security costs	7,662	7,700
Share-based payments	760	(2,152)
Pension costs:		
Defined contribution plan	4,308	4,250
Defined benefit plan	116	151
	60,942	60,096

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

11. Directors' remuneration

	31 Mar 2021	31 Mar 2020
	£'000	£'000
Emoluments	1,244	1,410

During the year, the Directors were entitled to pension contributions of £0.1 million (2020: £0.1 million) which can be paid into defined contribution pension schemes or as additional salary.

The highest paid Director received remuneration of £0.7 million (2020: £0.7 million). The value of the contributions in respect of defined contribution pension schemes to which the highest paid Director was entitled to, amounted to £0.1 million (2020: £0.1 million).

For information about the share schemes in which the Directors participate, see Charles Stanley Group PLC's Annual report and accounts.

12. Income taxes

	2021	2020
	£'000	£'000
Current taxation		
Expense for the year	2,289	2,795
Adjustment in respect of prior years	178	4
	2,467	2,799
Deferred taxation		
Expense for the year	258	45
Adjustment in respect of prior years	2	(13)
	260	32
Total tax expense on continuing operations	2,727	2,831

Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind. A deferred tax rate of 19% has been applied, being the latest substantively enacted corporation tax rate as at 31 March 2021.

In the Spring Budget 2021, the Government announced that the UK corporation tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge. If this rate had been substantively enacted at the 31 March 2021, the deferred tax asset would have increased by £0.5 million.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

12. Income taxes (continued)

The effective tax rate for the year is different from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are as follows:

	2021	2020
	£'000	£'000
Profit before tax from continued operations	14,838	18,843
Profit multiplied by rate of corporation tax in the UK of 19%	2,819	3,580
Tax effects of:		
Income not subject to tax	-	(15)
Expenses not allowed for tax	357	49
Adjustments in respect of prior years	-	(9)
Tangible asset depreciation and capital allowances differences	180	86
Other adjustments	(193)	(254)
Group relief	(436)	(606)
	(92)	(749)
Total tax expense for the period	2,727	2,831

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

13. Intangible assets

	Internally generated software £'000
Cost	
At 1 April 2019	7,472
Additions	90
At 31 March 2020	7,562
Additions	-
Disposals	(7,278)
At 31 March 2021	284
Amortisation	
At 1 April 2019	7,164
Charge for the period	324
At 31 March 2020	7,488
Charge for the period	50
Disposal	(7,278)
At 31 March 2021	260
Net book value	
At 31 March 2021	24
At 31 March 2020	74

None of the intangible assets have been pledged as security.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

14. Property, plant and equipment

	Freehold premises	Fixtures and fittings	Property right-of-use assets	Office equipment and motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	3,433	7,491	-	19,428	30,352
Adjustment on application of IFRS 16	-	-	12,007	-	12,007
Additions	55	211	759	515	1,540
Disposals	-	(121)	-	(12)	(133)
At 31 March 2020	3,488	7,581	12,766	19,931	43,766
Revaluation	(913)	-	-	-	(913)
Additions	-	11	445	1,127	1,583
Disposals	-	(135)	(291)	(12,712)	(13,138)
At 31 March 2021	2,575	7,457	12,920	8,346	31,298
Depreciation					
At 1 April 2019	206	3,870	-	17,570	21,646
Charge for the year	54	687	2,401	954	4,096
Disposals	-	(93)	-	(8)	(101)
At 31 March 2020	260	4,464	2,401	18,516	25,641
Revaluation	(305)	-	-	-	(305)
Charge for the year	49	689	2,551	982	4,271
Disposals	-	(98)	(25)	(12,712)	(12,835)
At 31 March 2021	4	5,055	4,927	6,786	16,772
Net book value					
At 31 March 2021	2,571	2,402	7,993	1,560	14,526
At 31 March 2020	3,228	3,117	10,365	1,415	18,125

Freehold premises are carried at fair value. The most recent valuations of freehold premises were carried out in February 2021 by independent chartered surveyors. An impairment charge of £0.6 million was recognised following the revaluation.

If freehold premises had been carried under the cost model, their carrying value would have been £2.5 million (2020: £3.5 million). The cost and accumulated depreciation of property, plant and equipment in the above table includes £6.5 million (2020: £21.7 million) in respect of fully depreciated assets which are still in use.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

15. Leases – the Company as a lessee

The Company has entered various leases in respect of property as a lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Most leases typically run for a period of 5 to 10 years, with an option to renew the lease after that date. Extension and termination options are included in a number of leases to maximise operational flexibility when managing the assets of the Company. The majority of extension and termination options held are exercisable by the Company and not by the lessor. None of the properties are sub-let by the Company. Other than property, there are no further classes of assets that are leased by the Company.

15.1 Amounts recognised in the statement of financial position

The following amounts relating to leases were recognised at the balance sheet date:

	2021	2020
	£'000	£'000
Non-current assets		
Property right-of-use assets	7,993	10,365
	7,993	10,365
Lease liabilities		
Current	3,087	2,808
Non-current	6,599	9,718
	9,686	12,526

15.2 Lease liabilities – maturity analysis

	2021	2020
	£'000	£'000
Contractual undiscounted cash flows		
Less than one year	3,688	3,528
One to five years	6,455	9,977
More than five years	924	1,074
Total undiscounted lease liabilities at 31 March	11,067	14,579

15.3 Amounts recognised in the income statement

The following amounts were recognised in the income statement:

	2021	2020
	£'000	£'000
Amounts recognised in income statement		
Depreciation	2,574	2,401
Interest expense	769	923
	3,343	3,324

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

15. Leases – the Company as a lessee (continued)

15.4 Changes in liabilities from financing activities

	2021	2020
	£'000	£'000
Balance at 1 April	12,526	14,251
New leases	195	770
Interest expense	769	923
Interest paid	(769)	(923)
Payment of lease liabilities	(3,035)	(2,495)
Balance at 31 March	9,686	12,526

16. Net deferred tax assets

The layout of the table below has been re-presented compared to the 2020 financial statements. It shows movements in deferred tax assets and liabilities under a single table, where previously separate tables were shown for the gross deferred tax assets and liabilities. There have been no restatements to numbers or categories and the net deferred tax asset is unchanged from the prior year.

	Employee benefits	Financial assets	Deferred capital allowances	Other timing differences	Total
	£'000	£'000	£'000	£'000	£'000
Deferred tax assets					
At 1 April 2019	1,161	(418)	661	160	1,564
Current year (charge)/credit to income statement	(79)	(1)	(5)	42	(43)
Prior year adjustment to income statement	4	-	8	1	13
Current year charge to other comprehensive income	(121)	(410)	-	-	(531)
Credit to equity on application of IFRS 16	-	-	213	-	213
31 March 2020	965	(829)	877	203	1,216
Current year (charge)/credit to income statement	(82)	-	(196)	21	(257)
Prior year adjustment to income statement	-	-	(12)	10	(2)
Current year (charge)/credit to other comprehensive income	(275)	815	-	-	540
31 March 2021	608	(14)	669	234	1,497

The deferred tax asset has been calculated based on the rate expected to apply when the relevant timing differences are forecast to unwind. Based on the UK corporation tax rate substantively enacted at the balance sheet date, this has been applied at 19% (2020: 19%).

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

17. Financial assets

	2021	2020
	£'000	£'000
Current		
Listed equity securities - designated at FVTPL	30	44
	<u>30</u>	<u>44</u>
Non-current		
Unlisted equity securities - designated at FVOCI	102	4,482
Debt securities - at amortised cost	-	507
	<u>102</u>	<u>4,989</u>

The fair value of listed equity securities is determined by reference to quoted prices on active markets.

17.1 Equity securities designated at fair value through other comprehensive income

The Company designates the investments shown below as equity securities at fair value through other comprehensive income because these securities represent investments that the Company intend to hold for long term strategic purposes.

	Fair value at 2021	Fair value at 2020
	£'000	£'000
Investment in Euroclear Holding SA	-	4,381
Investment in SWIFT SCRL	102	101
	<u>102</u>	<u>4,482</u>

The investment in Euroclear Holding SA was disposed of in full during the year. The fair value of the investment at the date of derecognition was £3.5 million, recognising a realised gain within the revaluation reserve of £3.4 million. The cumulative realised gain of £2.7 million, net of current tax of £0.6 million, was subsequently transferred within equity between the revaluation reserve and retained earnings.

No strategic investments were acquired during the year.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

18 Investment in subsidiaries

	2021	2020
	£	£
Investment in subsidiaries	17	17

Details of the Company's subsidiaries at the reporting date are listed below. The registered office of all the entities below is 55 Bishopsgate, London, UK, EC2N 3AS.

Company	Country of incorporation	Class of shares	% Held
Rock (Nominees) Limited	England and Wales	Ordinary	100
Exempt Nominees Limited	England and Wales	Ordinary	100

The Company is exempt from the requirement to prepare and deliver consolidated accounts because it is included in the consolidated accounts of the Group.

19 Trade and other receivables

	2021	2020
	£'000	£'000
Current		
Amounts owed by group undertakings	7,216	17,003
Trade Receivables	196,219	173,873
Other Receivables	160	438
Accrued income	28,260	26,432
Prepayments	5,942	2,966
	237,797	220,712

20 Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash at bank and in hand	104,726	87,323

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

21 Share capital

	2021	2020
	£'000	£'000
Authorised		
5,000,000 ordinary shares of £1 each	5,000	5,000
Allotted, called up and fully paid		
2,900,000 ordinary shares of £1 each	2,900	2,900

22 Provisions

	2021	2020
	£'000	£'000
Current		
At start of the year	1,251	1,841
Provisions made during the year	582	762
Provisions used during the year	(786)	(1,352)
Unused provisions transferred to income statement	(403)	(40)
Provisions transferred between current and non-current	(28)	40
	616	1,251
Non-current		
At start of the year	1,983	1,961
Provisions made during the year	-	62
Provisions transferred between current and non-current	28	(40)
	2,011	1,983

The Company held various provisions as at 31 March 2021. Property related provisions of £2.1 million relate to dilapidations to account for the expected cost to reinstate the properties to their original state at the end of the lease. The majority of this is expected to be utilised in a period of greater than 1 year from the balance sheet date. Dilapidation provisions are based on estimated costs per square foot. The remaining provision of £0.5 million relates to general redundancy for which the Company was obligated to settle at the balance sheet date.

23 Trade and other payables

	2021	2020
	£'000	£'000
Current		
Trade and other payables	198,193	168,466
Other taxes and social security costs	7,315	6,090
Other payables	17,844	18,163
Accruals	9,835	12,215
	233,187	204,934

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

24 Fair value 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. Information is presented below regarding the exposure to each of these risks and the procedures for measuring and managing them.

24.1 Market risk

This is the risk that the Company's income or value of its financial instruments are impacted by fluctuations in market prices, such as equity prices, foreign exchange rates and interest rates.

The Company does not undertake any proprietary trading other than in respect of its own equity holdings and positions arising from incidental dealing errors.

The Company has small currency exposures. Positions are held in a variety of currencies, principally the US dollar, to support clients' dealing activities.

24.1.1 Equity risk

The Company is exposed to equity market risk through its equity holdings. These comprise:

- i) Unlisted financial investments designated at fair value through other comprehensive income.
- ii) Listed financial assets held for trading at fair value through profit or loss.

Equity price movements in respect of the Company's client holdings have a direct impact on investment management fees received.

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 at the year end.

24.1.1.1 Unlisted investments

Note 17 summarises the Company's investments held at the year-end date.

Following the full disposal of Euroclear Holding SA in FY 2021, unlisted equities held by the by the Company are immaterial and therefore the equity risk is deemed to be immaterial.

24.1.1.2 Investment Management Services fees

It is estimated that a 10% increase or decrease in equity prices would result in the same increase or decrease in investment management fees and profit in the income statement by £6.3 million (2020: £5.7 million).

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

24 Fair value and risk management (continued)

24.1 Market risk (continued)

24.1.2 Foreign exchange risk

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

	2021	2020
	£'000	£'000
Net assets		
Euros	36	33
US Dollar	51	323
Other currencies	-	4
	87	360

The Company's activities are denominated primarily in GBP and it does not enter into forward exchange contracts for hedging anticipated transactions. The risk of adverse currency movements for settlement of non-GBP trades on behalf of clients is not borne by the Company. The Company is exposed to currency risk for settlement of non-GBP trade suppliers and miscellaneous income streams. At 31 March 2021 these totalled £25,000 (2020: £25,000).

24.1.3 Interest rate risk

The Company holds interest-bearing assets, principally cash and cash deposits. In prior years sovereign debt securities at amortised cost and loan notes accruing interest at fixed rates were held. 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 £2.1 million higher (2020: £1.7 million higher). If interest rates had been 200 basis points lower, profit for the year would have been £0.1 million lower (2020: £0.5 million lower).

24.2 Credit and counterparty risk

This represents the risk of loss through default by a 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.

The Company monitors both the collateral requirements of individual client accounts, as well as any debit balances that occur if stock purchases are not settled on due date, or that are due to losses that have been incurred during client trading activity, on a daily basis.

Shares are only delivered free of payment to a client or their agent once settlement has been achieved and there is no outstanding debit balance on the account. In the event of an error, it will be made immediately apparent the next day when the debit balances of clients' accounts are monitored.

On occasion, delivery of stock to a recognised professional counterparty may take place free of payment via an electronic settlement system, but only on prior confirmation from their custodian that the required funds in settlement will be transferred directly to the Company's bank account. There have been no historic instances where this has created an irrecoverable loss. Exposures for trades that are outstanding beyond the contractual settlement date are monitored on a daily basis.

The Company has a Market Exposure Committee (MEC) which reviews exposures to market counterparties on a daily basis. The Committee also sets exposure limits in respect of individual market counterparties.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

24 Fair value and risk management (continued)

24.2 Credit and counterparty risk (continued)

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

Cash and cash equivalents are held with regulated financial institutions with investment grade credit ratings. 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. As at 31 March 2021, the 'expected credit losses' impairment model did not have a material impact on the Company.

An ageing analysis of the Company's financial assets is presented in the following table:

	Neither due nor impaired £'000	0-3 months £'000	3-6 months £'000	6-12 months £'000	Over 1 year £'000	Carrying value £'000
At 31 March 2021						
Trade and other receivables	227,586	4,269	-	-	-	231,855
Cash and cash equivalents	104,726	-	-	-	-	104,726
At 31 March 2020						
Trade and other receivables	215,969	1,777	-	-	-	217,746
Cash and cash equivalents	87,323	-	-	-	-	87,323
Financial assets at amortised cost	-	-	-	-	507	507

Notes

1. The FY 2020 amounts have been restated to correct the ageing analysis of trade and other receivables. Prepayments of £3.0 million have been excluded from the balance as these are not deemed to be financial assets. Further restatements have been made to reallocate £216.0 million in the analysis to increase neither due or impaired and decrease past due but not impaired. Client trade receivables whereby the maturity date was prior to 31 March 2020, have been included within 0-3 months. All other trade and other receivables are considered neither due nor impaired as they are within the Group's expected maturity period.

24.3 Liquidity risk

This is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains adequate liquid resources as cash (in prior years a mix of cash equivalents and sovereign debt securities) which are held to meet the obligations arising from operational and trading activities, these are short term in nature. At 31 March 2021 the Company had £104.7 million (2020: £87.3 million) in bank accounts.

When investing cash belonging to the Company, the focus is on security of the principal and the maintenance of liquidity in order that the Company has access to sufficient resources. Liquidity stress tests are regularly conducted to ensure ongoing liquidity adequacy, and a Contingency Funding Plan is also maintained to provide backup liquidity should a severe liquidity stress event arise.

The Treasury Committee operates within strict policies and procedures approved by the Board, which includes controls on the use of financial instruments in managing the Company's risk. It is the Company's policy to hold liquid resources to meet obligations as and when they fall due. The Company's financial instruments comprise cash and liquid resources, and various items including trade receivables and trade payables that arise directly from its operations. The Company reviews the credit quality of counterparties and limits its aggregate credit exposures accordingly.

The majority of the short-term liabilities arise from the settlement of clients' trading activities and it is the Company's policy to pay stockbroking creditors on settlement day or when the stock is delivered, whichever is later. The Company's financial liabilities comprise of trade and other payables and financial liabilities which are all repayable on demand or within three months.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

24 Fair value and risk management (continued)

24.3.1 Fair value of financial instruments

24.3.1.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Fair value	FVTPL £'000	FVTOCI £'000	Amortised cost £'000	Other financial liabilities £'000	Total £'000
At 31 March 2021					
Financial assets measured at fair value					
Unlisted equity investments	-	102	-	-	102
Listed equity investments	30	-	-	-	30
Total	30	102	-	-	132
Financial assets not measured at fair value					
Trade and other receivables	-	-	231,855	-	231,855
Cash and cash equivalents	-	-	104,726	-	104,726
Total	-	-	336,581	-	336,581
Financial liabilities not measured at fair value					
Trade and other payables	-	-	-	225,872	225,872
Current lease liabilities	-	-	-	3,087	3,087
Non-current lease liabilities	-	-	-	6,599	6,599
Total	-	-	-	235,558	235,558
At 31 March 2021					
Fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	
Unlisted equity investments	-	-	102	102	
Listed equity investments	30	-	-	30	
Total	30	-	102	132	

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

24 Fair value and risk management (continued)

24.3.1 Fair value of financial instruments (continued)

24.3.1.1 Accounting classifications and fair values (continued)

Fair value	FVTPL £'000	FVTOCI £'000	Amortised cost £'000	Other financial liabilities £'000	Total £'000
At 31 March 2020					
Financial assets measured at fair value					
Unlisted equity investments	-	4,482	-	-	4,482
Listed equity investments	44	-	-	-	44
Total	44	4,482	-	-	4,526
Financial assets not measured at fair value					
Trade and other receivables	-	-	217,746	-	217,746
Debt securities	-	-	507	-	507
Cash and cash equivalents	-	-	87,323	-	87,323
Total	-	-	305,576	-	305,576
Financial liabilities not measured at fair value					
Trade and other payables	-	-	-	198,844	198,844
Total	-	-	-	198,844	198,844

Fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 March 2020				
Unlisted equity investments	-	-	4,482	4,482
Listed equity investments	44	-	-	44
Total	44	-	4,482	4,526

Notes

1. The FY 2020 amounts for financial assets not measured at fair value have been restated for amounts relating to trade and other receivables. Prepayments of £3.0 million have been excluded from the balance as these are not deemed to be financial assets. For financial liabilities not measured at fair value, trade and other payables amounts have been restated to remove other taxes and Social Security costs, of £6.1 million, as these are not deemed to be financial liabilities.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

24 Fair value and risk management (continued)

24.3.1 Fair value of financial instruments (continued)

24.3.1.2 Measurement of fair values

i) Valuation techniques and significant unobservable inputs

Financial instruments measured at fair value

Fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date

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

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

There were no transfers between any of the levels of the fair value hierarchy during the year ended 31 March 2021.

ii) Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Unlisted equity securities
	£'000
Brought forward	4,482
Disposals	(4,381)
Total unrealised gains and losses for the year included in statement of comprehensive income	1
Carried forward	102

The Company has an established control framework with respect to the measurement of fair values. If one or more significant inputs are not based on observable market data, the instrument is included in Level 3. Recognised techniques are used to value the financial instruments grouped under Level 3, including discounted future cash flow and dividend yield valuation methods. All valuations performed are presented to the Company's Directors for final approval. Significant valuation issues are reported to the Audit Committee.

24.3.2 Equity securities

The Level 3 balance relates to holdings in unlisted investments. At 31 March 2021 these unlisted investments had a fair value of £0.1 million (2020: £4.5 million). During the year the Company disposed of its holding of 2,358 shares in Euroclear Holdings SA, accounting for the disposal of £4.4 million in the table above. The remaining balance carried forward relates to an immaterial unlisted investment. Fair value was determined using a valuation technique that required significant unobservable inputs.

24.4 Financial strength risk

Failing to maintain financial strength in order to support business objectives, meet regulatory capital requirements, and provide shareholders with an acceptable return.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

24 Fair value and risk management (continued)

24.5 Pension risk

The risk that the cost of the Company sponsored defined benefit pension scheme increases or its valuation affects dividends, reserves and capital. This would materialise when the pension obligations exceed the assets set aside to cover them.

24.6 Business model and strategy

The risk that the business model and strategy do not respond in an optimal manner to changing market conditions such that sustainable growth, market share or profitability are adversely impacted.

24.7 Operational and IT infrastructure risk

A material failure of business processes or IT infrastructure may result in unanticipated financial loss or reputational damage.

24.8 IT security and cyber security risk

The risk that Charles Stanley's system infrastructure is breached by external counterparties with or without malicious intention. Possible breaches could involve data theft, ransomware or a shutdown of systems.

24.9 People and conduct risk

The risk that clients or the wider market, as opposed to the firm, suffer detriment as a result of the Company's services, products or activities.

24.10 Legal and regulatory risk

The risk of breaching, or non-compliance with, regulations and restrictions enforced on the industry and the Company, resulting in regulatory censure and/or fines.

25 Involvement with structured entities

The Company holds fund management contracts over various investment funds (all open-ended investment companies), acting as an agent on behalf of the Authorised Corporate Director. These investment funds invest capital received from investors in a portfolio of assets in order to provide returns to those investors from capital appreciation of those assets, income from those assets or both. The investment funds are financed through the issue of units to the investors. The Company's objective is to generate fees from managing assets on behalf of third parties.

The net assets of each fund are detailed below:

	2021	2020
	£'m	£'m
MI Charles Stanley Monthly High Income Fund	66.8	65.9
MI Charles Stanley Equity Fund	17.8	10.8
MI Charles Stanley UK & International Growth Fund	108.9	91.7
MI Charles Stanley Multi Asset 2 Cautious Fund	3.4	1.9
MI Charles Stanley Multi Asset 3 Moderate Fund	37.8	26.0
MI Charles Stanley Multi Asset 4 Growth Fund	39.5	26.6
MI Charles Stanley Multi Asset 5 Adventurous Fund	6.6	3.7
The MOTIM Fund	16.4	11.7
	297.2	238.3

Included in the statement of financial position is accrued income of £nil (2020: £nil) relating to fees recognised which have not yet been received. These represent the Company's maximum exposure to loss in the funds.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

25 Involvement with structured entities (continued)

The following table presents the Company's total income from unconsolidated structured entities in the income statement. All income relates to annual management charges:

	2021	2020
	£'000	£'000
MI Charles Stanley Monthly High Income Fund	545	571
MI Charles Stanley Equity Fund	65	74
MI Charles Stanley UK & International Growth Fund	996	1,158
MI Charles Stanley Multi Asset 2 Cautious Fund	13	18
MI Charles Stanley Multi Asset 3 Moderate Fund	104	184
MI Charles Stanley Multi Asset 4 Growth Fund	107	181
MI Charles Stanley Multi Asset 5 Adventurous Fund	17	25
The MOTIM Fund	75	36
Total	1,922	2,247

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

26 Reconciliation of net profit to cash generated from operations

	31 Mar 2021	31 Mar 2020
	£'000	£'000
Profit before tax	14,837	18,843
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	4,271	4,096
Amortisation of intangible assets	51	324
Impairment of freehold property	645	-
Dividend income	-	(76)
Interest income	(139)	(459)
Interest expense	799	984
Gain on disposal of property, plant and equipment	-	(18)
Profit on disposal of financial assets	(7)	32
Share-based payments – value of employee services	765	(1,716)
Retirement benefit scheme	116	151
<i>Changes in working capital:</i>		
Increase in receivables	(27,087)	(13,617)
Increase in payables	27,651	15,475
Net cash inflow from operations	21,902	24,019

27 Contingent liabilities

The Company is exposed to the risk of legal matters which could give rise to the need to recognise provisions, or in the case they do not qualify for the recognition of a provision, to disclose contingent liabilities. At present there are no material contingent liabilities facing the Company.

28 Commitments

At 31 March 2021, capital expenditure authorised and contracted for, but not included in the financial statements, amounted to £nil million (2020: £0.2 million).

29 Subsequent events

There were no material adjusting events prior to the date of signing this report.

30 Capital risk management

The Company's objectives when managing capital are determined by its ultimate parent company. The Company meets its capital needs by equity financing. The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company must at all times monitor and demonstrate compliance with the regulatory capital requirements.

CHARLES STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

31 Related party transactions

Details of transactions between the Company and its fellow Group companies which are or were related parties are disclosed below:

	2021	2020
Amounts owed by related parties	£'000	£'000
Charles Stanley Group PLC	7,216	16,679
Myddleton Croft Limited	-	324
Total	7,216	17,003

With the exception of transactions noted above, the Company did not enter into any transactions with related parties who are not member of the Group during the year.

32 Ultimate controlling party

The Company is a subsidiary undertaking of Charles Stanley Group PLC which is the ultimate parent company, incorporated in England and Wales.

Charles Stanley Group PLC prepares group financial statements and copies can be obtained from the registered office shown on page 1.