CHARLES STANLEY

Interim report and accounts

Six months ended 30 September 2019

Who we are

Charles Stanley provides holistic wealth management services to private clients, charities, trusts and institutions. Its origins trace back to 1792 and it is one of the oldest firms on the London Stock Exchange. The Company has a national presence, with 27 locations and 850 professionals. Its wealth management services are provided direct to clients and to intermediaries.

Our values

Charles Stanley has three core values. It aims to be Caring, Fair and Progressive. These values underpin the Company's strategy and the way it operates. The Company believes that it should work in the best interests of its clients and seeks to offer a truly personal service.

Our purpose

Our PURPOSE is to build on our long history, traditional values and strong reputation to help our clients prosper.

Our FOCUS to achieve our PURPOSE is to strive towards excellence:

- by meeting our clients' goals through the highest standards of holistic wealth and investment management services
- with the passion by which we build long-term personal relationships between our staff and our clients
- by working collaboratively, encouraging and supporting our valued staff to build skills and careers
- by committing to add value to all our stakeholders in contributing to our local communities.

Our vision is to become the UK's leading wealth manager.

We define leading in terms of quality rather than quantity. Focusing on client satisfaction as well as staff engagement and equity market rating, we measure our progress against these targets year-on-year.

At a glance

Interim management report

Interim financial statements

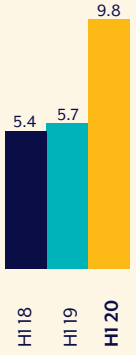
At a glance

Group highlights

- Revenues up 9.9% to £85.4 million (H1 2019: £77.7 million)
- Underlying[1] profit before tax up 71.9% to £9.8 million (H1 2019: £5.7 million)
- Underlying[1] profit margin[2] up 190 bps to 11.2% (H1 2019: 9.3%)
- Underlying[1] earnings per share up by 74% to 16.13 pence (H1 2019: 9.27 pence)
- Interim dividend increased by 9.1% to 3.0 pence per share
- 7.4% year-on-year increase in Group's regulatory capital resources
- Restructuring programme on course

Financial highlights

Underlying profit before tax (£m)[1]



Underlying pre-tax profit margin (%)[2]

Return on capital employed (%)[3]

Reported profit before tax (£m)

Reported basic earnings per share (p)

Dividend per share (p)

Discretionary funds (£bn)

FuMA (£bn)

1. The underlying figures represent the Group results excluding adjusting items which are listed on pages 10 and 11.
2. This represents the underlying profit as defined in note 1 above and excluding the charge in respect of non-cash share options awarded to certain investment management teams under the revised remuneration arrangements settled in 2017, expressed as a percentage of underlying revenues (see page 6).
3. Return on capital employed represents reported operating profit for FY 2018 and FY 2019, and a rolling 12 month operating profit for H1 2020 divided by capital employed (total assets less current liabilities as at the reporting period).

Divisional revenue

Investment Management Services

£77.0m

(H1 2019: £70.7m)

Charles Stanley Direct

£4.5m

(H1 2019: £3.5m)

Financial Planning

£3.9m

(H1 2019: £3.5m)

Group underlying[1] revenue

£85.4m

(H1 2019: £77.7m)

Interim management report

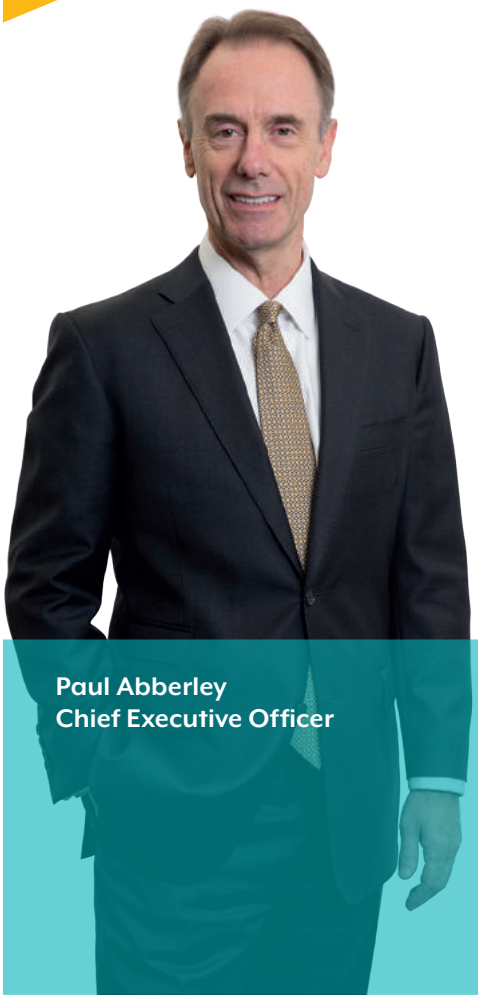
Revenues and profits have grown strongly in the first half of the year. Consequently the Board has declared a 9.1% increase of the interim dividend to 3.0 pence per share.

First half review

The Group has delivered a much-improved financial performance in the first half of the financial year. Revenues increased 9.9% to £85.4 million (H1 2019: £77.7 million) and underlying profit before tax rose by 71.9% to £9.8 million (H1 2019: £5.7 million). Reported profits after adjusting items also increased significantly to £8.1 million, a 58.8% improvement on the prior year (H1 2019: £5.1 million) and our adjusted profit margin climbed from 9.3% to 11.2%.

Revenues

Total funds under management and administration ('FuMA') have increased 2.1% since our year end to £24.6 billion. The mix has continued to shift toward discretionary assets and this, combined with the completion of our repricing project plus growing revenues from the Financial Planning division, has led to a meaningful improvement in the revenue margin achieved of 69.9 bps (H1 2019: 62.7 bps). Consequently revenues have risen 9.9% to £85.4 million (H1 2019: £77.7 million).



Paul Abberley
Chief Executive Officer

£9.8m

Growth in top line revenues has contributed to an increase in underlying profit before tax up 71.9% to £9.8 million (H1 2019: £5.7 million).

Expenditure

Underlying expenditure continues to be well controlled. Overall this increased 4.1% from £72.4 million in the prior year to £75.4 million in this period. Of the total increase of £3.0 million, £4.2 million related to an underlying increase of employment costs, a result of a general salary review, recruitment of additional financial planners, higher contractor costs and higher variable pay because of improved performance. Offsetting these increases was a one-off reduction of £1.7 million in the non-cash charge for the share option charge for certain investment managers. Non-staff related costs rose £0.5 million. The reason for this was the doubling of the Financial Services Compensation Levy ('FSCS') to £2.1 million (H1 2019: £1.0 million). Other non-staff costs reduced. This regulatory levy is outside the control of the Company and largely results from the failure of financial services companies that are not subject to the FCA's detailed prudential standards.

Business transformation

In May 2019 we announced the launch of a programme to improve productivity as well as operational efficiency. As part of this, one-off restructuring costs of £1.2 million were incurred during the first half which are expected to give rise to annualised savings of £0.8 million.

The transformation programme we are engaged in has two key objectives; first to improve sales, and secondly to restructure the operating model to increase productivity.

A Group Head of Distribution was appointed in March 2019, and during the past six months the distribution team has been brought together to give greater focus to overall sales growth across the Charles Stanley Group. Clear lines of communication, collaborative efforts and organisational structure have been developed and business plans put in place for the intermediary and the professionals market, with more to follow. Separately, clear targets have been established for the investment management teams and more detailed monitoring put in place. These efforts are not yet reflected in the Group's fund flows, with asset inflows from new clients in the first half outstripped by net outflows from existing and lost clients. However there are some early encouraging signs with a 27.4% increase in model portfolios and growth in discretionary funds continuing at a satisfactory pace, up 6.1%.

11.2%

Underlying pre-tax profit margin increased to 11.2%, a rise of 190 bps.

The restructuring of the operating model is focused on the Group's largest division, Investment Management Services, and has several components. The first element has been the creation of a single Middle Office function. This was established at the beginning of September. The function comprises a Client Services team supporting the front office in day-to-day operations; a Controls, Oversight and Monitoring team providing first line of defence monitoring and reporting; a Front Office support team tasked with identifying synergies between the support functions of Front Office business units; a Business Solutions team responsible for maintaining operational efficiency across the organisation and implementing standardised operating practices; and a Digital team establishing a definitive digital strategy for the Group. The establishment of this Middle Office function has not yet led to costs being taken out of the system but we confidently expect that to follow.

We have previously highlighted that our transformation programme will include enhancing delivery of our IT systems and processes, to ensure that we can pre-empt our future needs and requirements, and that we remain at the forefront of adopting new technologies. The next phase of our restructure will put us in a market-leading position by partnering with an IT services organisation so that we can take advantage of their experience and economies of scale to deliver automation and innovation to our processes. We are acutely aware of the ever-changing demands of our customers and staff for pervasive data and mobile support, as well as the challenges presented by cyber-attacks. We want to prepare ourselves for this future and to ensure we are in the best position to grasp the exciting opportunities that are ahead.

The final element of the restructure is to improve the productivity of the Front Office. Whereas the creation of the Middle Office and reorganisation of the IT infrastructure are central projects, improving the productivity of the Front Office is bespoke to the 65 investment management teams across the Group, whose level of profitability is varied. We are primarily focused on assisting those teams whose profit margin is less than 15%, and are adopting a variety of measures tailored for their circumstances. These range from helping teams with their marketing and client retention programmes through to restructuring branches and teams. In the first half this enabled the Investment Management Services division to reduce its headcount by 19, generating additional annualised savings of £0.8 million.

Dividend

The Board has declared an interim dividend of 3.0 pence per share (H1 2019: 2.75 pence per share), which will be paid on 17 January 2020 to shareholders on the register on 13 December 2019.

Outlook

Despite periodic bouts of volatility, financial markets have performed strongly over the first three quarters of calendar year 2019. A global manufacturing recession and sluggish corporate profit growth are not usually positive for financial markets in the round, but policy support in the guise of broad-based monetary policy easing and targeted fiscal stimulus have offset market fears that we may be about to enter a more dangerous, potentially recessionary, economic environment.

"Restructuring programme on course."

Taken together, we believe that with a renewed emphasis on fiscal policy, the global financial environment is likely to see moderate growth and that central bank policy stimulus supports reasonable investment returns with the low level of sovereign bond yields underlining the relative attractiveness of the equity market. However, investors need to be prepared for occasional bouts of turbulence as there is mounting evidence that the low-volatility environment we have seen in recent years may be coming to an end.

Subject to what market conditions prevail globally, and how the General Election and Brexit impact domestically, we expect the underlying business to make steady progress during the second half. We also expect the implementation of our transformation programme to accelerate during this period, which will give rise to a higher level of exceptional restructuring costs. In the near term, these actions are likely to suppress the rate of progress of the reported profit after restructuring costs but will ultimately improve the Group's underlying profitability.

Paul Abberley
Chief Executive Officer

Ben Money-Coutts
Chief Financial Officer
20 November 2019

Ben Money-Coutts
Chief Financial Officer

16.13p

Underlying earnings per share increased by 74% to 16.13 pence.

Group results and performance

The following tables show the Group's financial performance for the six months ended 30 September 2019 and for the prior year. These reconcile the underlying results, which the Board considers the best reflection of the Group's performance, to the statutory reported results. The difference comprises adjusting items, which are stripped out of the underlying results so as not to distort the underlying performance; these items are explained on pages 10 and 11.

	Underlying performance £m	Adjusting items £m	Reported performance £m
Six months ended 30 September 2019			
Revenue	**85.4**	**–**	**85.4**
Expenditure	**(75.4)**	**(1.7)**	**(77.1)**
Net finance and other non-operating costs	**(0.2)**	**–**	**(0.2)**
Profit/(loss) before tax	**9.8**	**(1.7)**	**8.1**
Tax (expense)/credit	**(1.6)**	**0.3**	**(1.3)**
Profit/(loss) after tax	**8.2**	**(1.4)**	**6.8**
Profit before tax margin[1] (%)	**11.2**		**9.5**
Basic earnings per share (p)	**16.13**		**13.36**
Six months ended 30 September 2018			
Revenue	77.7	–	77.7
Expenditure	(72.4)	(0.6)	(73.0)
Net finance and other non-operating income	0.4	–	0.4
Profit/(loss) before tax	5.7	(0.6)	5.1
Tax (expense)/credit	(1.0)	0.1	(0.9)
Profit/(loss) after tax	4.7	(0.5)	4.2
Profit before tax margin[1] (%)	9.3		6.6
Basic earnings per share (p)	9.27		8.31

1. The underlying pre-tax margin is based on the underlying profit before tax of £9.8 million (H1 2019: £5.7 million) adjusted for the credit of £0.2 million (H1 2019: £1.5 million charge) in respect of non-cash share-based option arrangements awarded to certain investment management teams under revised remuneration arrangements settled in 2017.

Funds under Management and Administration

The primary driver of the Group's revenue is the level of its FuMA. These stood at £24.6 billion at 30 September 2019, representing a 2.1% increase from £24.1 billion at 31 March 2019.

	30 September 2019 £bn	31 March 2019 £bn	Change %
Discretionary funds	**13.9**	13.1	6.1
Advisory Managed funds	**1.5**	1.5	–
Total managed funds	**15.4**	14.6	5.5
Advisory Dealing funds	**1.2**	1.3	(7.7)
Execution-only funds	**8.0**	8.2	(2.4)
Total administered funds	**9.2**	9.5	(3.2)
Total Funds under Management and Administration	**24.6**	24.1	2.1
MSCI WMA Private Investor Balanced Index	**1,665**	1,587	4.9

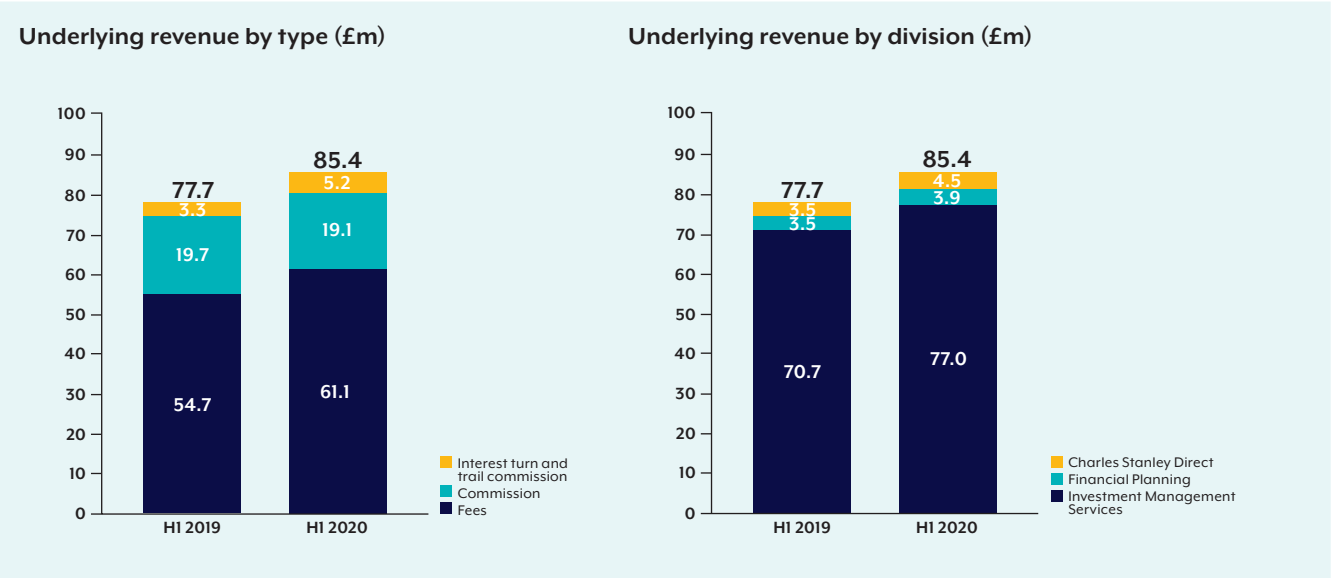
Growth in FuMA has largely been recorded in the Discretionary service. Discretionary funds increased by £0.8 billion or 6.1% in the period reaching £13.9 billion, and now represent 56.5% of total FuMA. The acquisition of Myddleton Croft Limited on 1 August 2019 also contributed £0.1 billion to the FuMA and the team is bedding in well, enhancing the Group's presence in Yorkshire and the North East.

Charles Stanley Direct achieved a 6.7% increase in FuMA to £3.2 billion, whilst other service categories experienced marginal declines.

The composition of the overall movement in FuMA for the period is shown in the following chart:

Underlying revenue

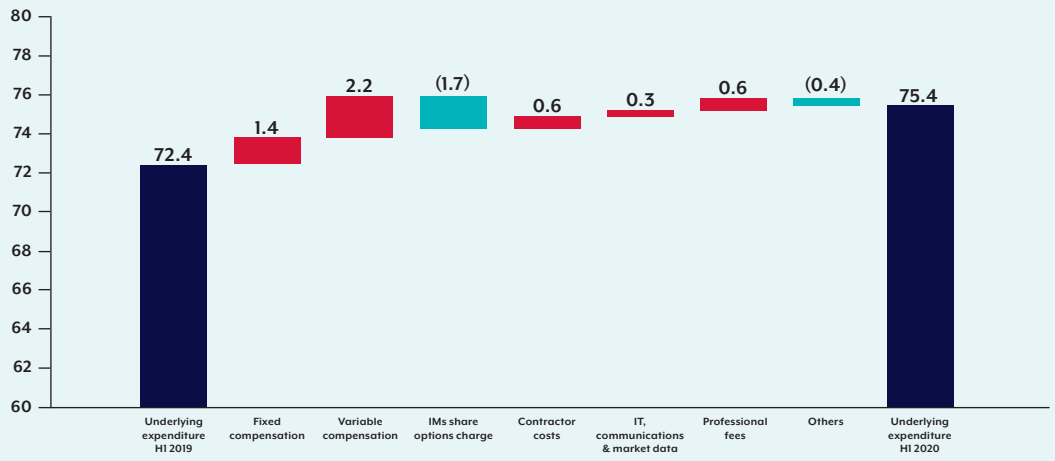
Revenue from the underlying performance grew by 9.9% to £85.4 million. This increase was largely attributable to the completion of our repricing programme at the end of the previous financial year, and the continuing growth of both the higher margin discretionary service and advisory fees from the Financial Planning division, which were up 11.4%. Combined, these factors gave rise to the revenue margin improving from 62.7 bps a year ago to 69.9 bps.



Underlying expenditure

Underlying expenditure increased by £3.0 million (4.1%) on the prior year to £75.4 million. The chart below shows the key contributors to the movement.

Underlying expenditure (£m)



Staff costs represent the majority of the Group's expenditure and in turn accounted for the majority of the increase year-on-year. Overall, employment costs rose £2.5 million, of which £1.4 million was attributable to an increase of fixed staff expenditure due mainly to the recruitment of additional financial planners to grow that division. Variable compensation increased by £2.2 million as a result of higher profits and contractor costs rose £0.6 million. These increases were offset by a one-off reduction of £1.7 million in the non-cash charge for the share option scheme for investment managers. The 60% contingent element of this award is now expected to vest in FY 2022 rather than in FY 2020, so the cost is being spread over five years rather than three years as previously. Non-staff costs increased by £0.5 million due to a doubling of the FSCS levy to £2.1 million (H1 2019: £1.0 million). Other non-staff costs reduced.

Underlying pre-tax profit

The underlying pre-tax profit increased from £5.7 million to £9.8 million, an increase of 71.9%. The pre-tax profit margin increased to 11.2% (H1 2019: 9.3%) adjusting for the non-cash share-based option arrangements and adjusting items. All divisions reported increased revenues, and both Investment Management Services and Charles Stanley Direct generated healthy increases in profit. We continue to invest in Financial Planning, particularly through the hiring of more planners. As expected, this has led to greater losses in the near term because of higher staff and allocated costs: we remain confident that, as the division's revenues grow, it will move into profit.

	Investment Management Services[1] £m	Charles Stanley Direct £m	Financial Planning £m	Underlying performance £m
Six months ended 30 September 2019				
Revenue	**77.0**	**4.5**	**3.9**	**85.4**
Direct fixed staff costs	**(10.7)**	**(0.5)**	**(3.1)**	**(14.3)**
Direct variable staff costs	**(23.2)**	**–**	**(0.7)**	**(23.9)**
Other direct operating expenses	**(6.7)**	**(1.4)**	**(0.9)**	**(9.0)**
Allocated costs	**(24.7)**	**(1.9)**	**(1.6)**	**(28.2)**
Operating profit/(loss)	**11.7**	**0.7**	**(2.4)**	**10.0**
Net finance and other non-operating costs	**(0.2)**	**–**	**–**	**(0.2)**
Profit/(loss) before tax	**11.5**	**0.7**	**(2.4)**	**9.8**
Six months ended 30 September 2018				
Revenue	70.7	3.5	3.5	77.7
Direct fixed staff costs	(10.9)	(0.7)	(2.4)	(14.0)
Direct variable staff costs	(22.6)	–	(0.7)	(23.3)
Other direct operating expenses	(7.2)	(0.9)	(0.9)	(9.0)
Allocated costs	(23.2)	(1.7)	(1.2)	(26.1)
Operating profit/(loss)	6.8	0.2	(1.7)	5.3
Net finance and other non-operating income	0.4	–	–	0.4
Profit/(loss) before tax	7.2	0.2	(1.7)	5.7

1. The H1 2019 figures have been restated to reflect the amalgamation of the Asset Management division into the Investment Management Services division with effect from 1 April 2019.

Adjusting items

To calculate the underlying performance the following adjusting items have been added back:

	Investment Management Services £m	Charles Stanley Direct £m	Financial Planning £m	H1 2020 Total £m	H1 2019 Total £m
Reported profit/(loss) before tax	**10.1**	**0.5**	**(2.5)**	**8.1**	5.1
Amortisation of client relationships	**0.4**	**–**	**0.1**	**0.5**	0.6
Restructuring costs	**1.0**	**0.2**	**–**	**1.2**	–
Underlying profit/(loss) before tax	**11.5**	**0.7**	**(2.4)**	**9.8**	5.7

Amortisation of client relationships: (£0.5 million)
Payments made for the introduction of customer relationships that are deemed to be intangible assets are capitalised and amortised over their useful life, which has been assessed to be 10 years. This amortisation charge has been excluded from the underlying profit since it is a significant non-cash item that investors and analysts typically add back when considering underlying profitability and cash generation.

Restructuring costs: (£1.2 million)
As part of the Group's stated objectives, the Group continues to undertake a number of initiatives to improve productivity and operational activity. A number of key programmes are being implemented, which have given rise to exceptional charges. One-off costs incurred to date on these projects have been removed from underlying results and, instead are being reported separately on the consolidated income statement. Total restructuring costs for H1 2020 amounted to £1.2 million. These largely relate to organisational management changes made in May. It is anticipated that there will be further restructuring charges in the second half and next year as the Group's transformation programme gathers momentum. The overall level of these charges is estimated to be approximately £9.5 million over the three years to 31 March 2022 and the annualised benefits, once completed, are expected to be in the order of £4.5 million per annum.

Taxation
The corporation tax charge for the period was £1.3 million (H1 2019: £0.9 million) representing an effective tax rate of 16.2% (H1 2019: 17.2%). The reduction in the effective tax rate compared to the prior period is primarily due to higher levels of non-taxable income in the prior year and the recognition of deferred tax assets in the current period. A detailed reconciliation between the standard and effective rate of corporation tax is provided in note 11 of the Interim financial statements.

Earnings per share
The Group's reported basic earnings per share for the period were 13.36 pence (H1 2019: 8.31 pence). The underlying basic earnings per share increased 74% to 16.13 pence (H1 2019: 9.27 pence).

Dividends
Consistent with our previously declared progressive dividend policy, the Board has declared an interim dividend of 3.0 pence per share (H1 2019: 2.75 pence per share) which will be paid on 17 January 2020 to shareholders on the register at 13 December 2019.

Financial position
The Group improved its already strong financial position with total net assets at 30 September 2019 of £110.1 million (31 March 2019: £106.4 million). The principal balance sheet movement was accounted for by the application of IFRS 16 leases for the first time. This resulted in property right-of-use assets of £12.7 million being brought onto the balance sheet together with lease liabilities of £13.7 million. Cash balances, including short-term Treasury bills, remain strong at £77.9 million (31 March 2019: £81.2 million). They have reduced marginally since the last financial year end due to other net working capital movement of £6.4 million, and the initial consideration paid for Myddleton Croft Limited of £0.9 million offsetting cash generated from operating activities of £4.8 million.

Regulatory capital
Charles Stanley & Co. Limited, the Group's main operating subsidiary, is an IFPRU 125k Limited Licence Firm regulated by the FCA. In view of this, the Group is classified as a regulated group and is subject to the same regime.

The Group monitors a range of capital and liquidity statistics on a daily, weekly and monthly basis. At 30 September 2019 the Group had regulatory capital resources of £81.1 million (H1 2019: £75.5 million and FY 2019: £82.9 million). Our capital solvency ratio is well above the internal risk appetite at 206% (H1 2019: 193% and FY 2019: 214%).

As required under FCA rules, the Group maintains an Internal Capital Adequacy Assessment Process (ICAAP), which includes performing a range of stress tests to determine the appropriate level of regulatory capital and liquidity that the Group needs to hold. The last review of the ICAAP conducted and signed off by the Board was in September 2019. Regulatory capital forecasts are performed monthly and take into account expected dividends and intangible asset acquisitions and disposals as well as budgeted and forecast trading results. The Group's Pillar III disclosures are published annually on the Group's website (charles-stanley.co.uk) and provide further details about the Group's regulatory capital resources and requirements.

Directors' responsibilities

We confirm that to the best of our knowledge:

a) The condensed set of financial statements has been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union (EU).

b) The Interim management report includes a fair review of the information required by:

   i) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties facing the Group for the remaining six months of the financial year; and

   ii) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Julie Ung
Company Secretary
20 November 2019

Independent review report to Charles Stanley Group PLC

Six months ended 30 September 2019

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainty due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report, its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Simon Ryder
For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
20 November 2019

Condensed consolidated income statement

Six months ended 30 September 2019

	Notes	**Unaudited Six months ended 30 September 2019 £000**	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Revenue	4	**85,399**	77,699	155,158
Administrative expenses	4	**(75,993)**	(73,042)	(145,767)
Restructuring costs	4	**(1,203)**	–	–
Other income	4	**26**	78	101
Operating profit		**8,229**	4,735	9,492
Gain on disposal of property, plant and equipment		**–**	–	293
Gain on sale of business		**–**	–	119
Reversal of impairment of corporate loans		**–**	–	500
Finance income		**382**	382	702
Finance costs		**(517)**	(23)	(76)
Net finance and other non-operating (costs)/income		**(135)**	359	1,538
Profit before tax		**8,094**	5,094	11,030
Tax expense	11	**(1,313)**	(874)	(2,026)
Profit for the period attributable to owners of the Parent Company		**6,781**	4,220	9,004
Earnings per share				
Basic	8	**13.36p**	8.31p	17.74p
Diluted	8	**13.12p**	8.15p	17.41p

The results for each period relate to continuing operations. There were no discontinued operations in either the current or any of the periods presented.

The notes on pages 21 to 45 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

Six months ended 30 September 2019

	Notes	**Unaudited Six months ended 30 September 2019 £000**	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Profit for the period		**6,781**	4,220	9,004
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Remeasurement of the defined benefit scheme obligation	10	**160**	1,152	(515)
Related tax		**(27)**	(195)	39
Fair value through other comprehensive income financial assets – unrealised gains and losses		**979**	35	898
Related tax		**(20)**	–	(153)
		1,092	992	269
Items that are or may be reclassified to profit or loss				
Gain on revaluation of freehold properties transferred to profit or loss		**–**	–	(219)
Related tax		**–**	–	24
		–	–	(195)
Other comprehensive income for the period, net of tax		**1,092**	992	74
Total comprehensive income for the period attributable to owners of the Parent Company		**7,873**	5,212	9,078

The notes on pages 21 to 45 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of financial position

As at 30 September 2019

Assets	Notes	Unaudited 30 September 2019 £000	Unaudited 30 September 2018 £000	Audited 31 March 2019 £000
Intangible assets	12	**20,165**	18,997	18,339
Property, plant and equipment	13	**19,879**	9,093	8,706
Net deferred tax asset		**2,021**	2,280	2,134
Financial assets at fair value through other comprehensive income	17	**3,565**	1,723	2,586
Financial assets at amortised cost	17	**507**	1,010	1,010
Non-current assets		**46,137**	33,103	32,775
Trade and other receivables	17	**158,824**	145,346	191,301
Financial assets at fair value through profit or loss	17	**1,749**	2,292	2,234
Financial assets at amortised cost	17	**9,994**	–	9,994
Cash and cash equivalents	17	**67,912**	66,985	71,211
Current assets		**238,479**	214,623	274,740
Total assets		**284,616**	247,726	307,515
Equity				
Share capital	14	**12,723**	12,691	12,692
Share premium	14	**4,660**	4,617	4,625
Own shares		**(364)**	(78)	(201)
Revaluation reserve		**2,948**	1,474	1,989
Merger relief reserve		**15,167**	15,167	15,167
Retained earnings		**74,983**	68,912	72,134
Equity attributable to owners of the Parent Company		**110,117**	102,783	106,406
Non-controlling interests		**24**	24	24
Total equity		**110,141**	102,807	106,430
Liabilities				
Employee benefits	10	**6,493**	5,156	6,841
Non-current trade and other payables	17	**847**	–	–
Lease liabilities	17	**13,724**	–	–
Provisions	16	**2,015**	1,915	1,961
Non-current liabilities		**23,079**	7,071	8,802
Trade and other payables	17	**150,454**	134,007	189,496
Current tax liabilities		**470**	1,298	946
Provisions	16	**472**	2,543	1,841
Current liabilities		**151,396**	137,848	192,283
Total liabilities		**174,475**	144,919	201,085
Total equity and liabilities		**284,616**	247,726	307,515

Approved by the Board of Charles Stanley Group PLC (company number 48796) on 20 November 2019 and signed on its behalf by:

Paul Abberley (Chief Executive Officer) **Ben Money-Coutts (Chief Financial Officer)**

The notes on pages 21 to 45 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

Six months ended 30 September 2019

	Share capital £000	Share premium £000	Own shares £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
31 March 2019	12,692	4,625	(201)	1,989	15,167	72,134	106,406	24	106,430
Adjustment on initial application of IFRS 16	–	–	–	–	–	(1,043)	(1,043)	–	(1,043)
Profit for the period	–	–	–	–	–	6,781	6,781	–	6,781
Other comprehensive income:									
Financial assets at fair value through other comprehensive income:									
– unrealised gains and losses	–	–	–	979	–	–	979	–	979
– related tax	–	–	–	(20)	–	–	(20)	–	(20)
Remeasurement of defined benefit scheme liability:									
– actuarial gain in the period	–	–	–	–	–	160	160	–	160
– deferred tax movement on scheme liability	–	–	–	–	–	(27)	(27)	–	(27)
Total other comprehensive income for the period	–	–	–	959	–	133	1,092	–	1092
Total comprehensive income for the period	–	–	–	959	–	6,914	7,873	–	7,873
Dividends paid	–	–	–	–	–	(3,047)	(3,047)		(3,047)
Own shares acquired	–	–	(197)	–	–	–	(197)	–	(197)
Share transfer to employees	–	–	34	–	–	(34)	–	–	–
Share-based payments:									
– value of employee services	–	–	–	–	–	59	59	–	59
– issue of shares	31	35	–	–	–	–	66	–	66
30 September 2019 (unaudited)	12,723	4,660	(364)	2,948	15,167	74,983	110,117	24	110,141

The notes on pages 21 to 45 are an integral part of these condensed consolidated financial statements.

	Share capital £000	Share premium £000	Own shares £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
31 March 2018	12,686	4,564	(95)	1,598	15,167	63,842	97,762	24	97,786
Adjustment on initial application of IFRS 15	–	–	–	–	–	579	579	–	579
Adjustment on initial application of IFRS 9	–	–	–	(159)	–	152	(7)	–	(7)
Profit for the period	–	–	–	–	–	4,220	4,220	–	4,220
Other comprehensive income:									
Financial assets at fair value through other comprehensive income:									
– unrealised gains and losses	–	–	–	35	–	–	35	–	35
Remeasurement of defined benefit scheme liability:									
– actuarial gain in the period	–	–	–	–	–	1,152	1,152	–	1,152
– deferred tax movement on scheme liability	–	–	–	–	–	(195)	(195)	–	(195)
Total other comprehensive income for the period	–	–	–	35	–	957	992	–	992
Total comprehensive income for the period	–	–	–	35	–	5,177	5,212	–	5,212
Dividends paid	–	–	–	–	–	(2,791)	(2,791)		(2,791)
Shares transferred to employees	–	–	17	–	–	(17)	–	–	–
Share-based payments:									
– value of employee services	–	–	–	–	–	1,970	1,970	–	1,970
– issue of shares	5	53	–	–	–	–	58	–	58
30 September 2018 (unaudited)	12,691	4,617	(78)	1,474	15,167	68,912	102,783	24	102,807

The notes on pages 21 to 45 are an integral part of these condensed consolidated financial statements.

	Share capital £000	Share premium £000	Own shares £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
1 October 2018	12,691	4,617	(78)	1,474	15,167	68,912	102,783	24	102,807
Profit for the period	–	–	–	–	–	4,784	4,784	–	4,784
Other comprehensive income:									
Financial assets at fair value through other comprehensive income:									
– unrealised gains and losses	–	–	–	863	–	–	863	–	863
– related tax	–	–	–	(153)	–	–	(153)	–	(153)
Realisation of unrealised gain on freehold properties:	–	–	–	(219)	–	–	(219)	–	(219)
– related tax	–	–	–	24	–	–	24	–	24
Remeasurement of defined benefit scheme liability:									
– actuarial loss in the period	–	–	–	–	–	(1,667)	(1,667)	–	(1,667)
– tax movement on scheme liability	–	–	–	–	–	234	234	–	234
Total other comprehensive income for the period	–	–	–	515	–	(1,433)	(918)	–	(918)
Total comprehensive income for the period	–	–	–	515	–	3,351	3,866	–	3,866
Dividends paid	–	–	–	–	–	(1,396)	(1,396)		(1,396)
Unclaimed dividends	–	–	–	–	–	109	109	–	109
Own shares acquired	–	–	(123)	–	–	–	(123)	–	(123)
Share-based payments:									
– value of employee services	–	–	–	–	–	1,158	1,158	–	1,158
– issue of shares	1	8	–	–	–	–	9	–	9
31 March 2019 (audited)	12,692	4,625	(201)	1,989	15,167	72,134	106,406	24	106,430

The notes on pages 21 to 45 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows

Six months ended 30 September 2019

	Notes	**Unaudited Six months ended 30 September 2019 £000**	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Cash flows from operating activities				
Cash generated from operating activities	18	**4,756**	4,316	21,444
Interest received		**288**	260	608
Interest paid		**(41)**	(23)	(76)
Tax paid		**(1,878)**	(1,226)	(2,525)
Net cash generated from operating activities		**3,125**	3,327	19,451
Cash flows from investing activities				
Acquisition of intangible assets		**(1,446)**	(150)	(376)
Purchase of property, plant and equipment		**(1,226)**	(221)	(882)
Purchase of financial assets		**(20,712)**	(1,500)	(21,888)
Proceeds from sale of property, plant and equipment		**–**	–	400
Proceeds from sale of financial assets		**21,802**	2,545	12,890
Net cash inflow from disposal of business		**–**	–	119
Dividends received		**26**	78	101
Net cash (used in)/generated from investing activities		**(1,556)**	752	(9,636)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**66**	58	67
Purchase of ordinary shares for employee share schemes		**(197)**	–	(123)
Payment of lease liabilities		**(1,690)**	–	–
Dividends paid		**(3,047)**	(2,791)	(4,187)
Net cash used in financing activities		**(4,868)**	(2,733)	(4,243)
Net (decrease)/increase in cash and cash equivalents		**(3,299)**	1,346	5,572
Cash and cash equivalents at start of period		**71,211**	65,639	65,639
Cash and cash equivalents at end of period		**67,912**	66,985	71,211

The cash flows for each period relate to continuing operations. There were no discontinued operations in any of the periods presented.

The notes on pages 21 to 45 are an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

1. General information

Charles Stanley Group PLC ('the Company') is the Parent Company of the Charles Stanley group of companies ('the Group').

The Company is a public limited company which is listed on the London Stock Exchange and is domiciled in the United Kingdom. The Company is registered in England and Wales. The address of its registered office is 55 Bishopsgate, London EC2N 3AS, UK.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all the information and disclosures required for a complete set of IFRS financial statements, and therefore should be read in conjunction with the Charles Stanley Group PLC Annual report and accounts for the year ended 31 March 2019, which were prepared under IFRS as adopted by the EU and the Companies Act 2006. This half-yearly financial report is the first set of the Group's financial statements where IFRS 16 has been applied. Changes to significant accounting policies are described in note 2.6.

The financial information contained in this half-yearly financial report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The figures and financial information for the year ended 31 March 2019 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2.2 Functional and presentation currency

The condensed consolidated financial statements are presented in GBP, which is Charles Stanley Group PLC's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.3 Restatement of comparative figures

Certain comparative figures shown in note 4 have been amended to reflect presentational changes in the current period. These changes have had no impact on prior year reported earnings or net assets.

2.4 Going concern

These condensed consolidated financial statements have been prepared on a going concern basis. The Directors assessed the going concern of the Group in light of its current trading performance. The Directors looked at the forecasts covering the 18-month period from 30 September 2019 to 31 March 2021 and applied stress tests for adverse scenarios, which were determined as part of the Group's ICAAP. As a result it was determined that the Group has sufficient liquidity to cover all anticipated payments during that period. The Directors also considered the regulatory capital of the Group and determined that, based on the latest approved forecasts, the Group will have sufficient regulatory capital for the same 18-month period.

At the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

2.5 Impact on revenue recognition
On application of IFRS 15 the Group has considered its three main revenue categories:

I. Investment management fees

II. Administration fees

III. Commission

The Group has applied the five-step model set out in IFRS 15 to its customer contracts. For each identified contract, the Group has analysed the various specific services which are provided. Where contracts with customers 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 transaction price for each service is separately set out in the contract. On this basis, there has been no material impact on the Group's revenue recognition in this period, when compared to revenue that would have been reported in the period under IAS 18. No additional performance obligations have been recognised in contracts with customers and there have been no changes in timing of recognition of revenue.

2.6 Significant accounting policies and application of new and revised IFRSs
The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's Annual report and accounts for the year ended 31 March 2019, except for the mandatory standards and amendments that had an effective date on the start of the six month period. Aside from the adoption of IFRS 16, which is described below, none of the new mandatory standards nor amendments had a material impact on the reported financial position or performance of the Group. The changes in accounting policies will also be reflected in the Group's consolidated financial statements for the year ended 31 March 2020.

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 April 2020. 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 Group plans to apply these standards and amendments in the reporting period in which they become effective.

2.6.1 Changes in accounting policies – IFRS 16 Leases
Except as described below, the accounting policies applied in these condensed consolidated financial statements are the same as those applied in the last Annual report and accounts. In the current period, the Group has applied IFRS 16 Leases for the first time. The date of initial application of IFRS 16 for the Group was 1 April 2019. IFRS 16 replaced IAS 17 Leases and introduced a single, on-balance sheet accounting model for lessees and eliminates the classification of leases as either operating or finance leases.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the leases substantially transferred all the risks and rewards of ownership. For leases previously classified as operating leases by IAS 17, the Group has recognised right-of-use assets and associated lease liabilities in the statement of financial position. The nature of expenses related to those leases has also changed. The Group recognises a straight-line depreciation expense and a front-loaded interest expense on lease liabilities. Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there were timing differences between actual lease payments and the expense recognised.

The Group is not party to any material leases where it acts as a lessor nor any material leases which were classified as finance leases under IAS 17.

2.6.2 Accounting policies under IFRS 16 Leases
The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in 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 these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

2.6.2 Accounting policies under IFRS 16 Leases (continued)

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 Group uses its incremental borrowing rate.

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

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or 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 consolidated 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 Group 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 cases 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 asset reflects that the Group 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 Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

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 Group 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.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group 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.

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 Group has not used this practical expedient.

2.6.3 Approach to transition

The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right-of-use assets arising from property leases using the approach set out in IFRS 16.C8(b)(i). Under IFRS 16.C8(b)(i) right-of-use assets are calculated as if the Standard applied at lease commencement, but discounted using the borrowing rate at the date of initial application.

The Group's weighted average incremental borrowing rate applied to lease liabilities as at 1 April 2019 was 6.66%. The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and International Financial Reporting Interpretations Committee ('IFRIC') 4 will continue to be applied to those leases entered into or modified before 1 April 2019.

As part of the Group's adoption of IFRS 16 and application of the modified retrospective approach to transition, the Group also elected to use the following practical expedients:

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics; and
- hindsight has been used in determining the lease term.

2.6.4 Financial impact

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. Operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right-to-use assets and lease liabilities.

The table below sets out the adjustments to the consolidated statement of financial position recognised at the date of initial application of IFRS 16.

	As reported at 31 March 2019 £000	Impact of IFRS 16 £000	**As reported at 1 April 2019 £000**
Non-current assets			
Property, plant and equipment	8,706	11,613	**20,319**
Net deferred tax assets	2,134	213	**2,347**
Equity			
Retained earnings	72,134	(1,043)	**71,091**
Liabilities			
Trade and other payables	189,496	(987)	188,509

The table below presents operating lease commitments disclosed at 31 March 2019 and lease liabilities recognised at 1 April 2019.

	£000
Operating lease commitments disclosed under IAS 17 at 31 March 2019	**17,681**
Lease liabilities recognised under IFRS 16 at 1 April 2019	**14,251**

2.6.4 Financial impact (continued)

In terms of the income statement impact, the application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared to IAS 17. During the six months ended 30 September 2019, in relation to leases under IFRS 16 the Group recognised the following amounts in the condensed consolidated income statement:

	£000
Depreciation	**1,186**
Interest expense	**613**

3. Use of judgements and estimates

In the application of the Group'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 Group'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 Group's accounting policies

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

3.1.1 Goodwill and intangible assets

For the purposes of impairment testing, the Parent Company and the Group assess goodwill and client relationships based on the recoverable amount of the individual units making up the relevant intangible asset. The recoverable amount is calculated based on assumptions which are set out in more detail in note 12. It was concluded that no impairment of the carrying value of goodwill or intangible assets occurred in the period.

3.1.2 Retirement benefit obligations

In consultation with an independent actuary, the Group 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 judgemental and subject to the risk that actual events may be significantly different from those forecast. The valuation performed as at 30 September 2019 resulted in a decrease of £0.3 million in the actuarial deficit which has been reflected in these financial statements.

3.1.3 Unlisted financial assets designated as fair value through other comprehensive income

Unlisted financial assets include an investment in Euroclear PLC. The Directors have estimated the fair value of this investment based on the price/earnings ratio of comparable quoted companies, discounted to reflect the illiquidity of Euroclear PLC shares. No new information has become available that would require a change in the valuation of any further unlisted investments.

3.1.4 Share-based payments

The Group 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.

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

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

4. Operating segments

The Group has three client facing operating divisions. These operating divisions are supported by a number of central support functions which are its reportable segments. These segments are the basis on which the Group reports its performance to the Chief Executive Officer, who is the Group's chief operating decision-maker.

4. Operating segments (continued)

	Investment Management Services £000	Charles Stanley Direct £000	Financial Planning £000	Support Functions £000	Total £000
Six months ended 30 September 2019					
Investment management fees	**46,617**	**–**	**856**	**–**	**47,473**
Administration fees	**11,932**	**3,837**	**3,086**	**–**	**18,855**
Total fees	**58,549**	**3,837**	**3,942**	**–**	**66,328**
Commission	**18,369**	**700**	**2**	**–**	**19,071**
Total revenue	**76,918**	**4,537**	**3,944**	**–**	**85,399**
Administrative expenses[1]	**(41,071)**	**(2,038)**	**(4,985)**	**(29,102)**	**(77,196)**
Other income	**26**	**–**	**–**	**–**	**26**
Operating contribution	**35,873**	**2,499**	**(1,041)**	**(29,102)**	**8,229**
Allocated costs	**(25,623)**	**(1,928)**	**(1,551)**	**29,102**	**–**
Operating profit/(loss)[2]	**10,250**	**571**	**(2,592)**	**–**	**8,229**
Segment assets	**278,451**	**5,606**	**265**	**294**	**284,616**
Segment liabilities	**173,908**	**–**	**567**	**–**	**174,475**

Notes
1. Administrative expenses include £1.2 million of restructuring costs and £0.5 million of amortisation of client relationships.
2. The operating profit/(loss) as per the above table is different to that presented in the divisional analysis included within the Interim management report as the table above includes adjusting items which are excluded from the underlying analysis.

	Investment Management Services[2] £000	Charles Stanley Direct £000	Financial Planning £000	Support Functions £000	Total £000
Six months ended 30 September 2018					
Investment management fees	43,252	–	719	–	43,971
Administration fees	8,564	2,747	2,734	–	14,045
Total fees	51,816	2,747	3,453	–	58,016
Commission	18,925	752	6	–	19,683
Total revenue	70,741	3,499	3,459	–	77,699
Administrative expenses	(40,831)	(1,588)	(4,068)	(26,555)	(73,042)
Other income	74	2	2	–	78
Operating contribution	29,984	1,913	(607)	(26,555)	4,735
Allocated costs	(23,593)	(1,713)	(1,249)	26,555	–
Operating profit/(loss)[1]	6,391	200	(1,856)	–	4,735
Segment assets	241,170	5,926	336	294	247,726
Segment liabilities	144,241	678	–	–	144,919

Notes
1. The operating profit/(loss) as per the above table is different to that presented in the divisional analysis included within the Interim management report as the table above includes adjusting items which are excluded from the underlying analysis.
2. The H1 2019 figures have been restated to reflect the amalgamation of the Asset Management division into the Investment Management Services division with effect from 1 April 2019.

4. Operating segments (continued)

	Investment Management Services[2] £000	Charles Stanley Direct £000	Financial Planning £000	Support Functions £000	Total £000
Year ended 31 March 2019					
Investment management fees	85,561	–	1,529	–	87,090
Administration fees	19,246	6,290	5,774	–	31,310
Total fees	104,807	6,290	7,303	–	118,400
Commission	35,341	1,407	10	–	36,758
Total revenue	140,148	7,697	7,313	–	155,158
Administrative expenses	(81,893)	(3,319)	(8,305)	(52,250)	(145,767)
Other income	97	2	2	–	101
Operating contribution	58,352	4,380	(990)	(52,250)	9,492
Allocated costs	(46,323)	(3,382)	(2,545)	52,250	–
Operating profit/(loss)[1]	12,029	998	(3,535)	–	9,492
Segment assets	301,638	5,248	335	294	307,515
Segment liabilities	201,085	–	–	–	201,085

Notes

1. The operating profit/(loss) as per the above table is different to that presented in the divisional analysis included within the Interim management report as the table above includes adjusting items which are excluded from the underlying analysis.
2. The FY 2019 figures have been restated to reflect the amalgamation of the Asset Management division into the Investment Management Services division with effect from 1 April 2019.

5. Seasonality and cyclicality of interim operations

The Group's trading patterns are most directly affected by investments in stock markets rather than seasonal patterns.

6. Restructuring costs

The Group is undertaking a transformation programme to improve sales and productivity. As part of this programme the following one-off exceptional costs are included in the condensed consolidated income statement:

	Unaudited Six months ended 30 September 2019 £000	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Redundancy costs	**722**	–	–
External consultants – professional fees	**18**	–	–
External consultants – contract staff	**463**	–	–
	1,203	–	–

7. Acquisition of subsidiary

On 1 August 2019, the Group obtained control of Myddleton Croft Limited by acquiring 100 per cent of its issued share capital. Myddleton Croft Limited is a Leeds-based investment management firm. The recognised amounts of identifiable assets and liabilities acquired were as follows:

	1 August 2019 £000
Property, plant and equipment	41
Trade and other receivables	97
Cash and cash equivalents	194
Trade and other payables	(139)
Total identifiable net assets acquired	193
Customer relationships	2,080
Deferred tax liability on customer relationships	(295)
Total consideration	1,978

Satisfied by:	
Cash	1,131
Contingent consideration	847
	1,978

Initial consideration of £0.9 million was paid on 1 August 2019 and a further £0.2 million paid in October 2019 on agreement of the net assets value of Myddleton Croft Limited at completion. The contingent consideration of £0.9 million is payable three months after the first and second anniversaries of the date of completion.

8. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume exercise of all potentially dilutive share options.

Earnings per share	**Unaudited Six months ended 30 September 2019 pence**	Unaudited Six months ended 30 September 2018 pence	Audited Year ended 31 March 2019 pence
Basic earnings per share	**13.36**	8.31	17.74
Diluted earnings per share	**13.12**	8.15	17.41

The Directors believe that a truer reflection of the performance of the Group's underlying business is given by the measure of underlying earnings per share, which is presented in the Interim management report. This measure is also followed by the analyst community as a benchmark of the Group's underlying performance.

The earnings and weighted average number of shares used in the calculation of basic and diluted earnings per share is shown below:

Earnings	**Unaudited Six months ended 30 September 2019 £000**	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Earnings used in the calculation of basic earnings per share and diluted earnings per share	**6,781**	4,220	9,004

Number of shares	**Unaudited Six months ended 30 September 2019 000**	Unaudited Six months ended 30 September 2018 000	Audited Year ended 31 March 2019 000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**50,774**	50,753	50,745
Effect of potentially dilutive share options	**896**	1,057	985
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**51,670**	51,810	51,730

All amounts relate to continuing operations. There were no discontinued operations in any of the periods presented.

9. Share-based payment arrangements

During the period, the Group granted options under the Deferred Equity Plan and the Performance Share Plan.

9.1 Deferred Equity Plan (equity-settled)

The Deferred Equity Plan is only open to Executive Directors and certain senior managers. Nil-cost options are granted under the plan for any annual bonus amounts deferred into shares, in accordance with the Group's remuneration policy. Options vest over periods of between one and three years and contractual life of the options is five years. There are no performance conditions attached to options granted under the plan.

63,168 options were granted under the scheme on 24 June 2019. As these awards are over nil-cost options with an entitlement to dividends during the vesting period, the grant date fair value was deemed to be £2.92, being the share price at that date.

No brought forward options lapsed during the period and 11,318 were exercised.

9.2 Performance Share Plan (equity-settled)

The Performance Share Plan is only open to Executive Directors and certain senior managers. Nil-cost options are awarded annually under the plan and vest over a period of three years based on specific performance targets. The contractual life of the options is five years.

500,000 options were granted under the scheme on 25 June 2019. As these awards are over nil-cost options with an entitlement to dividends during the vesting period, the grant date fair value was deemed to be £2.90, being the share price at that date.

The performance conditions relating to 302,083 options granted during the year ended 31 March 2017 were partially met and therefore 115,272 of these options vested and the remaining 186,811 lapsed during the period.

10. Employee benefits

10.1 Defined contribution scheme

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

10.2 Defined benefit scheme

The Group 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 scheme assets to meet long-term pension liabilities of the scheme members.

A full actuarial valuation was carried out as at 13 May 2017 in accordance with the scheme funding requirements of the Pensions Act 2004. The next full actuarial valuation is due on 13 May 2020.

The funding of the scheme is agreed between the Group 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 2017, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 September 2019. The valuation methodology adopted for the current period disclosures is the same as that used in the prior period.

Amounts included in the condensed consolidated statement of financial position

	Unaudited Six months ended 30 September 2019 £000	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Fair value of scheme assets	**23,710**	20,327	21,039
Present valuation of defined benefit obligation	**(30,203)**	(25,483)	(27,880)
Deficit in scheme and liability recognised in condensed consolidated statement of financial position	**(6,493)**	(5,156)	(6,841)

Defined benefit costs recognised in the condensed consolidated income statement

	Unaudited Six months ended 30 September 2019 £000	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Past service cost and gain from settlement	–	–	276
Net interest cost	**77**	83	160
Total amount recognised in condensed consolidated income statement	**77**	83	436

10. Employee benefits (continued)

Defined benefit costs recognised in the condensed consolidated statement of comprehensive income

	Unaudited Six months ended 30 September 2019 £000	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Return on scheme assets	**2,435**	218	829
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	–	165	184
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	**(2,275)**	769	(1,528)
Total amount recognised in condensed consolidated statement of comprehensive income	**160**	1,152	(515)

Significant actuarial assumptions

	Unaudited Six months ended 30 September 2019 %	Unaudited Six months ended 30 September 2018 %	Audited Year ended 31 March 2019 %
Inflation – Consumer Prices Index (CPI)	**2.20**	2.40	2.40
Rate of discount	**1.80**	2.80	2.30
Allowance for pension in payment increases of CPI (or 5% p.a. if less than CPI, minimum 3% p.a.)	**3.00**	3.00	3.00
Allowance for revaluation of deferred pensions of CPI (or 5% p.a. if less than CPI)	**2.20**	2.40	2.40

The mortality assumptions adopted at 30 September 2019 are 100% (30 September 2018 and 31 March 2019: 100%) of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2015 converging to 1.00% p.a. These imply the following 100% life expectancies at age 65:

	Unaudited Six months ended 30 September 2019	Unaudited Six months ended 30 September 2018	Audited Year ended 31 March 2019
Male retiring in current year	**21.8**	21.8	21.8
Female retiring in current year	**23.7**	23.7	23.7
Male retiring in twenty years	**22.9**	22.8	22.9
Female retiring in twenty years	**25.0**	24.9	25.0

10. Employee benefits (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 4.3%
Rate of inflation	Increase of 0.25% p.a.	Increase by 1.0%
Rate of mortality	10% reduction to mortality rates	Increase by 4.0%

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 and pension increases. The average duration of the defined benefit obligation at 30 September 2019 was 17 years.

11. Income taxes

Tax recognised in the condensed consolidated income statement

	Unaudited Six months ended 30 September 2019 £000	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Current taxation			
Current period expense	**1,408**	1,323	2,592
Adjustment in respect of prior periods	**(45)**	(2)	(335)
	1,363	1,321	2,257
Deferred taxation			
Credit for the period	**(37)**	(426)	(193)
Adjustment in respect of prior periods	**(13)**	(21)	(38)
	(50)	(447)	(231)
Total tax expense	**1,313**	874	2,026

In addition to amounts charged to the condensed consolidated income statement, a deferred tax charge of £0.01 million relating to the revaluation of fair value through other comprehensive income financial assets has been credited directly to equity (30 September 2018: £nil and 31 March 2019: £0.2 million).

Current tax of £0.01 million has been credited directly to equity (30 September 2018: £0.01 million and 31 March 2019: £0.02 million) and deferred tax of £0.01 million has been credited directly to equity (30 September 2018: £0.4 million credit and 31 March 2019: £0.02 million charge) and £0.01 million charged (30 September 2018: £0.2 million and 31 March 2019: £0.07 million) in respect of the defined benefit scheme and share option plans respectively.

Legislation to reduce the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted in September 2016. The deferred tax asset at 30 September 2019 has been calculated based on the rate expected to apply when the relevant timing differences are forecast to unwind.

11. Income taxes (continued)

The tax expense for the period is lower than the standard rate of corporation tax in the UK of 19% (30 September 2018 and 31 March 2019: 19%). The differences are as follows:

	Unaudited Six months ended 30 September 2019 £000	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Profit before tax	**8,094**	5,094	11,030
Profit multiplied by rate of corporation tax in the UK	**1,538**	968	2,096
Tax effects of:			
Income not subject to tax	**(42)**	(10)	(28)
Expenses not allowed for tax	**41**	39	85
Tax rate change	**3**	–	–
Share-based payments	**(2)**	9	576
Adjustments in respect of prior periods	**(58)**	–	(373)
Intangible asset amortisation and impairments	**–**	7	9
Fixed asset differences	**52**	(138)	(28)
Disposal of business	**–**	–	(190)
Other adjustments	**(219)**	(1)	(121)
	(225)	(94)	(70)
Total tax expense for the period	**1,313**	874	2,026

12. Intangible assets

Cost	Goodwill £000	Customer relationships £000	Internally generated software £000	Total £000
At 1 October 2018	20,213	24,711	7,471	52,395
Additions	–	226	–	226
At 31 March 2019	**20,213**	**24,937**	**7,471**	**52,621**
Additions	**–**	**2,514**	**75**	**2,589**
At 30 September 2019	**20,213**	**27,451**	**7,546**	**55,210**
Amortisation				
At 1 October 2018	6,161	20,458	6,779	33,398
Charge for the period	–	500	384	884
At 31 March 2019	**6,161**	**20,958**	**7,163**	**34,282**
Charge for the period	**–**	**538**	**225**	**763**
At 30 September 2019	**6,161**	**21,496**	**7,388**	**35,045**
Net book value				
At 30 September 2019 (unaudited)	**14,052**	**5,955**	**158**	**20,165**
At 31 March 2019 (audited)	14,052	3,979	308	18,339
At 30 September 2018 (unaudited)	14,052	4,253	692	18,997

None of the intangible assets have been pledged as security.

Goodwill is allocated to the Group's operating divisions as follows:

	Unaudited Six months ended 30 September 2019 £000	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Investment Management Services	**8,805**	8,805	8,805
Charles Stanley Direct	**5,247**	5,247	5,247
	14,052	14,052	14,052

12. Intangible assets (continued)

12.1 Goodwill

The recoverable amount of goodwill allocated to a cash generating unit ('CGU') is determined initially by calculating the CGU's fair value less cost to sell. If this is lower than the carrying amount or is not determinable, a value in use calculation is also prepared.

Fair value less cost to sell is calculated largely based on a percentage of FuMA (between 1.18% and 3.15%). Where this approach is not appropriate, a turnover multiple is used. The rates used in the fair value less cost to sell calculations are those implied by recent transactions in the market or, where appropriate, based on publicly available information for similar businesses. The inputs into fair value less cost to sell calculations are considered to be Level 3 in the fair value hierarchy. The valuation techniques for calculating the recoverable amount are consistent with those used in prior years.

At 30 September 2019, fair value less cost to sell was higher than the carrying value for each CGU when applying the percentage at the lower end of the range to FuMA. In validating the recoverable amounts for the CGUs as opposed to value in use, the Group performed a sensitivity analysis on the percentage of FuMA used. The Group believes that reasonably possible changes in this assumption would not cause an impairment loss to be recognised for any of the CGUs. Therefore, no value in use calculations have been prepared and no impairment charge has been recognised in the condensed consolidated income statement.

12.1.1 Investment Management Services

The goodwill attributed to the Investment Management Services division of £8.8 million is represented by six underlying CGUs comprising acquired investment management teams in different locations across the UK. The largest CGUs are Edinburgh and Bournemouth, which represent 49% and 26% of the total goodwill held by the division respectively. The recoverable amount of goodwill related to Investment Management Services was assessed using fair value less cost to sell for the period ended 30 September 2019. The fair value was determined based on a percentage of FuMA. The recoverable amount was determined to be higher than the carrying amount of the CGU and therefore the goodwill carrying value is adequately supported.

If the percentage applied to FuMA in the fair value calculation was reduced by 10%, the carrying values of each CGU and therefore the goodwill carrying value would still be adequately supported.

12.1.2 Charles Stanley Direct

The recoverable amount of goodwill relating to Charles Stanley Direct was assessed using fair value less cost to sell for the period ended 30 September 2019. Fair value less cost to sell was determined based on a percentage of AuA in recent market transactions. The range observed was 2.67% to 4.19%. The recoverable amount was determined to be higher than the carrying amount of the CGU and therefore the goodwill carrying value is adequately supported.

If the percentage applied to AuA in the fair value calculation was reduced by 10% the goodwill carrying value would still be adequately supported.

12.2 Customer relationships

Purchases of customer relationships relate to payments made to investment managers and third parties for the introduction of customer relationships. This includes the customer relationships arising on the acquisition of Myddleton Croft Limited on 1 August 2019.

The client relationships have been reviewed for impairment by comparing the carrying value of each relationship and the remaining consideration that the Group expects to receive for services which are derived from the customer relationships. The remaining expected consideration is estimated based on the expected revenue which would be received for one year. For each relationship, the carrying amount exceeds the estimated remaining consideration and therefore there is no indication of impairment.

12.3 Internally generated software

Internally generated software is software designed, developed and commercialised by the Group.

13. Property, plant and equipment

Cost	Freehold premises £000	Short leasehold premises £000	Property right-of-use assets £000	Office equipment and motor vehicles £000	Total £000
At 1 October 2018	3,769	7,141	–	18,806	29,716
Additions	–	424	–	371	795
Disposals	(335)	(74)	–	–	(409)
At 31 March 2019	**3,434**	**7,491**	**–**	**19,177**	**30,102**
Adjustment on application of IFRS 16	**–**	**–**	**12,007**	**–**	**12,007**
Additions	**54**	**167**	**686**	**319**	**1,226**
Disposals	**–**	**(53)**	**–**	**–**	**(53)**
At 30 September 2019	**3,488**	**7,605**	**12,693**	**19,496**	**43,282**
Depreciation					
At 1 October 2018	189	3,571	–	16,863	20,623
Charge for the period	31	334	–	457	822
Disposals	(14)	(35)	–	–	(49)
At 31 March 2019	**206**	**3,870**	**–**	**17,320**	**21,396**
Adjustment on application of IFRS 16	**–**	**–**	**394**	**–**	**394**
Charge for the period	**27**	**342**	**792**	**488**	**1,649**
Disposals	**–**	**(38)**	**–**	**2**	**(36)**
At 30 September 2019	**233**	**4,174**	**1,186**	**17,810**	**23,403**
Net book value					
At 30 September 2019 (unaudited)	**3,255**	**3,431**	**11,507**	**1,686**	**19,879**
At 31 March 2019 (audited)	3,228	3,621	–	1,857	8,706
At 30 September 2018 (unaudited)	3,580	3,570	–	1,943	9,093

Freehold premises are carried at their revalued amount. The most recent valuations of freehold premises were carried out in February 2018 by independent chartered surveyors. If freehold premises had been carried under the cost model, their carrying value would have been £3.5 million (30 September 2018: £3.7 million and 31 March 2019: £3.4 million).

The cost and accumulated depreciation of property, plant and equipment in the above table includes £20.9 million (30 September 2018: £19.5 million and 31 March 2019: £19.9 million) in respect of fully depreciated assets which are still in use.

14. Called up share capital

The following movements in share capital occurred during the period:

	Number of shares 000	Ordinary shares £000	Share premium £000	Total £000
Authorised shares with a par value of 25p each	80,000	20,000	–	20,000
Allotted and fully paid:				
At 1 October 2018	50,765	12,691	4,617	17,308
Exercise of share options	2	1	8	9
31 March 2019	**50,767**	**12,692**	**4,625**	**17,317**
Exercise of share options	**123**	**31**	**35**	**66**
30 September 2019	**50,890**	**12,723**	**4,660**	**17,383**

At 30 September 2019, the Group held 118,904 (30 September 2018: 20,920 and 31 March 2019: 62,773) own shares which are held in an employee benefit trust.

15. Dividends

The following dividends were declared and paid by the Parent Company during the period:

	Unaudited Six months ended 30 September 2019 £000	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Final dividend for 2018 of 5.5p per share paid 31 July 2017	–	2,791	2,791
Interim dividend for 2019 of 2.75p per share paid 18 January 2019	–	–	1,396
Final dividend for 2019 of 6.0p per share paid 17 July 2019	**3,047**	–	–
	3,047	2,791	4,187

An interim dividend of 3.0 pence per share was declared by the Board on 20 November 2019. This will be payable on 17 January 2020 to registered shareholders at 13 December 2019.

Dividends are payable from the Parent Company's distributable reserves which comprise retained earnings adjusted for charges in respect of outstanding share-based payment arrangements and the merger relief reserve.

16. Provisions

Current	Unaudited Six months ended 30 September 2019 £000	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
At start of period	**1,841**	2,636	2,636
Provisions made during the period	**–**	–	350
Provisions used during the period	**(1,331)**	(30)	(783)
Net provisions reclassified to non-current	**–**	(63)	(21)
Unused provisions transferred to income statement	**(38)**	–	(341)
At end of period	**472**	2,543	1,841

Non-current	Unaudited Six months ended 30 September 2019 £000	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
At start of period	**1,961**	1,813	1,813
Provisions made during the period	**54**	39	127
Net provisions reclassified from current	**–**	63	21
At end of period	**2,015**	1,915	1,961

The Group held provisions as at 30 September 2019 in respect of certain legal claims and leasehold property dilapidations.

17. Fair values and risk management

17.1 Fair value of financial instruments

17.1.1 Accounting classifications and fair values

The tables show the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Carrying value	Fair value through profit or loss £000	Fair value through OCI £000	Amortised cost £000	Other financial liabilities £000	Total £000
At 30 September 2019					
Unlisted equity investments	–	3,565	–	–	3,565
Listed equity investments	1,749	–	–	–	1,749
Total	1,749	3,565	–	–	5,314
Financial assets not measured at fair value					
Trade and other receivables	–	–	158,824	–	158,824
Sovereign debt securities[1]	–	–	10,501	–	10,501
Cash and cash equivalents	–	–	67,912	–	67,912
Total	–	–	237,237	–	237,237
Financial liabilities not measured at fair value					
Trade and other payables	–	–	–	150,454	150,454
Non-current trade and other payables	–	–	–	847	847
Lease liabilities	–	–	–	13,724	13,724
Total	–	–	–	165,025	165,025

Financial assets and liabilities measured at fair value	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 30 September 2019				
Unlisted equity investments	–	–	3,565	3,565
Listed equity investments	1,625	124	–	1,749
Non-current trade and other payables	–	–	(847)	(847)
Total	1,625	124	2,718	4,467

1. The Sovereign debt securities of £10.5 million are classified as £0.5 million of Gilts reported under non-current assets and £10.0 million of Treasury bills reported under current assets.

17. Fair values and risk management (continued)

Carrying value	Fair value through profit or loss £000	Fair value through OCI £000	Amortised cost £000	Other financial liabilities £000	Total £000
At 30 September 2018					
Unlisted equity investments	–	1,723	–	–	1,723
Listed equity investments	2,292	–	–	–	2,292
Total	2,292	1,723	–	–	4,015
Financial assets not measured at fair value					
Trade and other receivables	–	–	145,346	–	145,346
Government gilts	–	–	1,010	–	1,010
Cash and cash equivalents	–	–	66,985	–	66,985
Total	–	–	213,341	–	213,341
Financial liabilities not measured at fair value					
Trade and other payables	–	–	–	134,007	134,007
Total	–	–	–	134,007	134,007

Financial assets measured at fair value	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 30 September 2018				
Unlisted equity investments	–	–	1,723	1,723
Listed equity investments	2,292	–	–	2,292
Total	2,292	–	1,723	4,015

17. Fair values and risk management (continued)

Carrying value	Fair value through profit or loss £000	Fair value through OCI £000	Amortised cost £000	Other financial liabilities £000	Total £000
At 31 March 2019					
Unlisted equity investments	–	2,586	–	–	2,586
Listed equity investments	2,234	–	–	–	2,234
Total	2,234	2,586	–	–	4,820
Financial assets not measured at fair value					
Trade and other receivables	–	–	191,301	–	191,301
Sovereign debt securities[1]	–	–	11,004	–	11,004
Cash and cash equivalents	–	–	71,211	–	71,211
Total	–	–	273,516	–	273,516
Financial liabilities not measured at fair value					
Trade and other payables	–	–	–	189,496	189,496
Total	–	–	–	189,496	189,496

Financial assets measured at fair value	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2019				
Unlisted equity investments	–	–	2,586	2,586
Listed equity investments	2,110	124	–	2,234
Total	2,110	124	2,586	4,820

1. The Sovereign debt securities of £11.0 million are classified as £1.0 million of Gilts reported under non-current assets and £10.0 million of Treasury bills reported under current assets.

17.1.2 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 Group 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).

17. Fair values and risk management (continued)

The following table shows the valuation techniques used in measuring Level 3 fair values for financial instruments measured at fair value in the condensed consolidated statement of financial position, as well as the significant unobservable inputs used:

Financial instrument	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value
Equity Securities: Euroclear PLC	Fair value is determined by applying an earnings multiple to Euroclear PLC's latest published results	The Group has used a multiple of 15.0 times, which is based on multiples seen for comparable listed entities after applying a discount to reflect the illiquidity of Euroclear PLC shares	Increasing or decreasing the multiple by 10% would result in a £0.25 million increase or decrease in the fair value of the Group's shareholding

There were no transfers between any of the levels of the fair value hierarchy during the six months ended 30 September 2019 or in the prior year.

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
At 1 October 2018	1,723
Total unrealised gains and losses for the period included in the condensed consolidated statement of comprehensive income	863
At 31 March 2019	**2,586**
Total unrealised gains and losses for the period included in the condensed consolidated statement of comprehensive income	**979**
At 30 September 2019	**3,565**

The Group 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 Group's Executive Directors for final approval. Significant valuation issues are reported to the Group Audit Committee.

17.2 Unlisted equity securities

The Level 3 balance relates to holdings in unlisted investments. At 30 September 2019, these unlisted investments had a fair value of £3.6 million (30 September 2018: £1.7 million and 31 March 2019: £2.6 million). Included within this balance is the Group's holding of 2,358 shares (30 September 2018 and 31 March 2019: 2,358 shares) in Euroclear PLC, which had a fair value of £3.5 million (30 September 2018: £1.6 million and 31 March 2019: £2.5 million), and 21 shares in Swift, which had a fair value of £0.1 million (30 September 2018: £0.1 million and 31 March 2019: £0.1 million). Fair value was determined using a valuation technique that required significant unobservable inputs.

17.3 Contingent consideration

The Level 3 balance comprises an amount payable as part of the acquisition of Myddleton Croft Limited based on the signed terms of the Sales and Purchase Agreement utilising forecasts.

18. Reconciliation of net profit to cash generated from operations

	Unaudited Six months ended 30 September 2019 £000	Unaudited Six months ended 30 September 2018 £000	Audited Year ended 31 March 2019 £000
Profit before tax	**8,094**	5,094	11,030
Adjustments for:			
Depreciation	**2,043**	808	1,630
Amortisation of intangible assets	**763**	1,143	2,027
Share-based payments – value of employee services	**97**	1,888	3,128
Retirement benefit scheme	**77**	(152)	(160)
Dividend income	**(26)**	(78)	(101)
Interest income	**(288)**	(260)	(608)
Interest expense	**517**	23	76
Profit on disposal of financial assets	**(22)**	(41)	(55)
Gain on disposal of property, plant and equipment	**–**	–	(293)
Changes in working capital:			
Unrealised gains on financial assets at fair value through profit or loss	**(72)**	(82)	39
Decrease/(Increase) in receivables	**32,486**	33,623	(12,451)
(Decrease)/Increase in payables	**(38,913)**	(37,650)	17,182
Net cash inflow from operations	**4,756**	4,316	21,444

19. Principal risks and uncertainties

The principal risks and uncertainties facing the Group are substantially the same as those included within the Group's Annual report and accounts for the year ended 31 March 2019.

20. Contingent liabilities

The Group 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. The financial impact of this potential exposure cannot be reliably estimated and, as a result, no provision was recognised in the consolidated statement of financial position as at 30 September 2019.

21. Commitments

At 30 September 2019, capital expenditure authorised and contracted for, but not included, in the financial statements amounted to £nil (30 September 2018 and 31 March 2019: £nil).

22. Subsequent events

There are no material adjusting events or events requiring disclosure prior to the date of signing this report.

23. Related party transactions

Related party transactions are disclosed in the Group's Annual report and accounts for the year ended 31 March 2019. No transactions took place during the period to 30 September 2019 that would materially affect the financial position or performance of the Group.

Cautionary statement

The Interim management report for the six months ended 30 September 2019 has been prepared to provide information to shareholders to assess the current position and future potential of Charles Stanley Group. It contains certain forward-looking statements with respect to the Group's financial condition, operations and business opportunities. These forward-looking statements involve risks and uncertainties that could cause the actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which the Group operates to differ materially from the impression created by the forward-looking statements. Any forward-looking statement is made in good faith based on information available to the Directors at the time of their approval of this report. Past performance cannot be relied on as a guide to future performance.

Glossary

Abbreviation	Definition
AuA	Assets under Administration
Bps	Basis points, a unit of measure. One basis point is equal to 1/100th of 1%, or 0.01%
CGU	Cash Generating Unit
CMI	The Continuous Mortality Investigation which carries out research into mortality and morbidity experience and produces information widely used by actuaries
Parent Company, Company	Charles Stanley Group PLC
CPI	Consumer Prices Index
DTR	Disclosure Guidance and Transparency Rules
EU	European Union
FCA	UK Financial Conduct Authority
FuM	Funds under Management
FuMA	Funds under Management and Administration
Group	Charles Stanley Group PLC and its controlled entities
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFPRU	The FCA's prudential sourcebook for Investment Firms
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
OCI	Other comprehensive income
S2PxA	Standard table used by actuaries for mortality assumptions
MSCI WMA Private Investor Balanced Index	Index that aims to represent the investment strategy of an investor seeking a balanced approach between income and capital growth in their portfolio and which the Group regards as an appropriate overall benchmark measure of its private clients' portfolios

Directors

Executive

Paul Abberley (Chief Executive Officer)

Ben Money-Coutts (Chief Financial Officer)

Gary Teper (resigned 21 May 2019)

Non-Executive

Sir David Howard (Chairman)

Marcia Campbell

Andrew Didham

Hugh Grootenhuis

Bridget Guerin

Financial calendar

21 November 2019	Interim results announced
12 December 2019	Ex-dividend date for interim dividend
13 December 2019	Record date for interim dividend
17 January 2020	Payment date of interim dividend

Company information

Company Secretary

Julie Ung

Registered office

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Company registration number

48796 (England and Wales)

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External auditor

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Chartered Accountants
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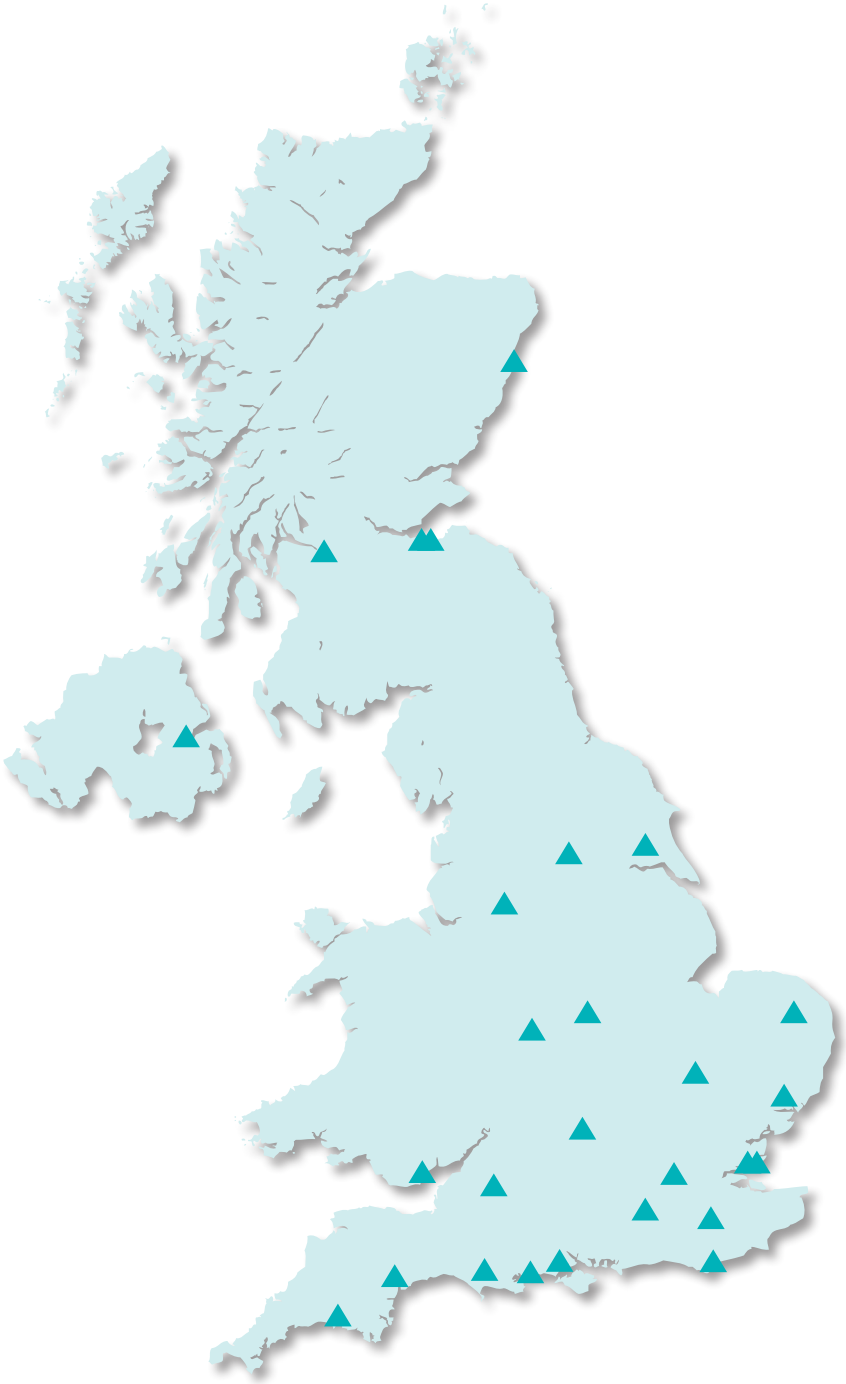
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Where we are

We operate in 27 UK locations.

For a list of our offices visit:
charles-stanley.co.uk



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