CHARLES STANLEY

Interim report and accounts

Six months ended 30 September 2018

Contents

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.

For more information visit charles-stanley.co.uk

Who we are

Charles Stanley traces its origins back to 1792 and is one of the oldest firms on the London Stock Exchange. We provide holistic wealth management services to private clients, charities, trusts and institutions. These are delivered by 350 professionals located in 22 offices throughout the UK, both direct to clients and to intermediaries.

What we do

Charles Stanley has a distinctive client-facing approach, offering a genuine personal service across the full range of wealth management services. We provide these services in three forms: our time to interact with clients, our investment insights and our willingness to make investment decisions on clients' behalf. Our commitment to holistic wealth management is delivered through four core offerings – Investment Management Services, providing personal discretionary fund management capabilities to private clients; Asset Management, providing a range of pooled funds; Financial Planning, advising clients on how to plan their financial arrangements and deploy their investments; and Charles Stanley Direct, providing clients direct access to our execution-only services online.

Our values

Charles Stanley's core values – Caring, Fair and Progressive – have provided an overarching framework within which we operate, supporting our underlying strategy to always work in our clients' best interests and offer a truly personal service.

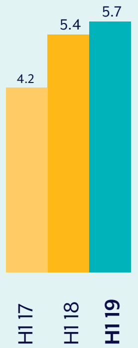
At a glance

Group highlights

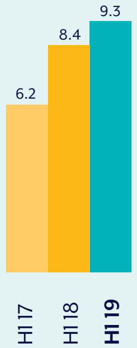
– Continued revenue growth across all divisions
– Core Business earnings per share up by 19.6% to 9.27 pence
– H1 2019 dividend increased by 10% to 2.75 pence per share
– 16.2% year-on-year increase in the Group's regulatory capital resources
– Improved digital offering further enhancing client user experience
– Focus in second half is to accelerate improvements in operational performance

Financial highlights

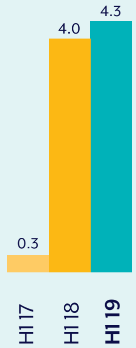
Core Business profit before tax (£m)[1]



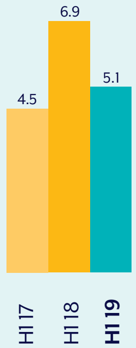
Core Business operating margin (%)[2]



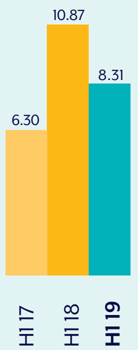
Return on capital employed (%)[3]



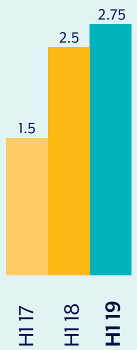
Reported profit before tax (£m)



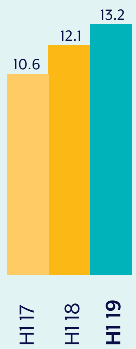
Reported basic earnings per share (p)



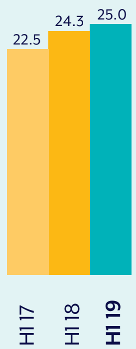
Dividend per share (p)



Discretionary funds (£bn)



FuMA (£bn)



1. The Core Business figures represent the results of our four main operating divisions, excluding held for sale activities and adjusting items which are listed out on pages 10 and 11.
2. The Core Business operating margin, excluding the charge in respect of share options awarded to certain investment management teams under the revised remuneration arrangements settled last year.
3. Return on capital employed represents reported operating profit (as shown on page 14) divided by capital employed (total assets less current liabilities).

Divisional revenue

Investment Management Services

£66.9m

(H1 2018: £65.2m)

Asset Management

£3.8m

(H1 2018: £3.3m)

Financial Planning

£3.5m

(H1 2018: £2.9m)

Charles Stanley Direct

£3.5m

(H1 2018: £2.6m)

Group Core Business[1] revenue

£77.7m

(H1 2018: £74.0m)

Interim management report

In the first half of the financial year we have made solid progress across all fronts: Funds under Management and Administration ('FuMA'), revenues and profits are all up. Consequently the Board has declared a 10% increase of the interim dividend to 2.75 pence per share.

First half review

The first half of the financial year delivered another solid set of financial results. FuMA have grown 5.0% since the year end to £25.0 billion, revenues increased by an equivalent percentage to £77.7 million (H1 2018: £74.0 million) and profits from the Core Business have increased at a marginally higher rate to £5.7 million (H1 2018: £5.4 million). In the prior year the Group had exceptional gains of £2.6 million from the disposal of non-core activities and corporate investments which have not been repeated. Consequently the reported profit before tax of £5.1 million is lower than the prior year comparative of £6.9 million.

In overall terms the growth of FuMA has largely mirrored that of the market, with the MSCI WMA Private Investor Balanced Index having increased 5.5%. Underlying the overall increase, we continue to see a shift toward our Discretionary service, which grew 7.3% whilst the lower margin Advisory Managed and Advisory Dealing services were respectively down 5.6% and flat. Execution-only increased by 4.8% with Charles Stanley Direct, our digital platform, continuing to outperform, up 12.4%.

£13.2bn

Discretionary funds increased by 7.3% to £13.2 billion and now represent 52.8% of total FuMA.

The continuing shift toward Discretionary funds helped contribute to an increase in the Group's blended revenue margin from 62bps to 63bps. The improvement in the revenue margin has to some extent been assisted by increased interest earned on cash balances which has partially offset declines in trading commissions following their long term downward trend. This, combined with the overall increase in FuMA led to revenues increasing to £77.7 million. Pleasingly, all four operating divisions reported higher turnover with particularly strong showings from two of our smaller divisions, Financial Planning and Charles Stanley Direct, up 20.7% and 34.6% respectively.

Core Business costs during the period have grown broadly in line with revenues, in total up 4.9% to £72.4 million (H1 2018: £69.0 million). The majority of this increase was accounted for by front office staff costs, which include a £1.5 million (H1 2018: £0.8 million) non-cash charge in respect of share options awarded to certain investment management teams part way through the prior year. Other costs increased by 1.4%.

We have a medium-term target of achieving a 15% profit before tax margin and these results show further progress in that regard. The Core Business pre-tax margin was 9.3% (H1 2018: 8.4%), excluding the share option charge referred to above.

Accelerating our progress

The reorganisation of the business in recent years has laid the foundations for future growth. Notably we continue to achieve above industry average client satisfaction, with our latest survey scoring 94% of clients highly satisfied. This is at the heart of what we strive for. For example, we noted from the latest survey that our digital services were highlighted as an area for improvement. In response to this, we released a new MyCS website and app for private clients which significantly enhance the user experience. Further evidence of our commitment to improve our digital offering is our stated intention to reinvest around half of the incremental revenue generated from the recent increase in the Charles Stanley Direct fund platform fee back into further developing the platform.

"Growth in top line revenues has contributed to an increased Core Business profit of £5.7 million (H1 2018: £5.4 million)."

9.3%

Core Business pre-tax profit margin of 9.3% shows progress on prior period moving us further toward our medium term target of 15%.

Secondly, we have a highly engaged workforce who recognise the need for change across the Group and are participating in helping to make it happen. This is essential because there still remains much to be done. Whilst the progression of our revenues and margin has been pleasing, management is fully focused on increasing the rate of improvement which has been slower than had been originally hoped. There are two main strands to the focus, driving top line revenue growth whilst improving operational efficiency and in turn harnessing operational gearing.

To drive revenues, in September we successfully implemented a new charging structure in Charles Stanley Direct and expect to complete the three-year repricing exercise of our Investment Management Services division by 31 March 2019. We are continuing to grow our intermediary sales team and hope to announce shortly the appointment of a Group Head of Distribution to bring greater focus to our overall sales effort. A central initiative for remuneration has been launched alongside this, to ensure we are capturing the operational gearing that should flow from this enhanced sales capability. We expect the continuing shift away from Advisory Managed and Dealing services to Discretionary services also to drive revenues by improving the mix.

In tandem with the efforts to drive the rate of top-line growth, we have also identified a number of core programmes to improve operating efficiency in both front and back offices. These include a restructuring and cleansing of our data to exploit fully our technology, delivering a streamlined standard work flow to our front and middle offices and developing more granular business plans for each business unit, which have previously only been formulated at a divisional level. Whilst there are likely to be one-off costs to affect some of the changes in contemplation, the implementation should not only proportionately reduce ongoing cost and risk, but also give our front office teams more time to focus their attention on both existing and potential new clients.

To summarise, we expect the combination of FuMA growth, revenue margin improvement through repricing and asset mix change, and a strong cost discipline will drive the Group towards its stated target of achieving a 15% Core Business profit margin.

Outlook

Concern that the upward leg of the economic cycle is about to end was brought into focus in October. Rising interest rates in the US, already unnerved by ongoing trade tensions, unresolved Brexit negotiations and Italy at odds with the EU about its budget, triggered a sharp fall in stock markets. This led to a decline in our FuMA to £23.8 billion as at 31 October 2018.

"We significantly enhanced our users' digital experience by releasing a new website and app for private clients."

The main way economies are taken into recession is through undue monetary tightening by a central bank, possibly allied to problems in a commercial banking system. This usually happens when central banks think they have been too lenient for too long, and have allowed inflation to get a hold again. There is little evidence that inflation is yet a major prospect in the advanced economies, with most of them reporting inflation around central bank targets. In the past, further economic growth might have pushed up wages and prices more rapidly, but today a global market with plenty of surplus labour and spare capacity to make goods seems to be keeping these pressures under control. On balance, therefore, we retain a positive view for world economies and markets over the next 12 to 18 months.

Subject to market conditions, and the level of trading activity in particular, we expect to make continued progress in the second half and remain fully committed to our vision of transforming Charles Stanley into the UK's leading wealth manager.

Paul Abberley
Chief Executive Officer

Ben Money-Coutts
Chief Financial Officer
21 November 2018

9.27p

Core Business earnings per share of 9.27 pence was up 19.6% on prior year.

Group results and performance

The Board considers the Core Business profit before tax and earnings per share to be a better reflection of the Group's underlying business performance than the statutory figures reported in the consolidated financial statements. The tables below show the results for the current and prior period for the Core Business, the held for sale activities (EBS Management PLC was disposed of on 31 May 2017), and various adjusting items which are excluded so as not to distort the underlying performance; these are explained on pages 10 and 11.

	Core Business £m	Held for sale £m	Adjusting items £m	Reported performance £m
Six months ended 30 September 2018				
Revenue	**77.7**	**–**	**–**	**77.7**
Expenditure	**(72.4)**	**–**	**(0.6)**	**(73.0)**
Other income and net finance 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**
Six months ended 30 September 2017				
Revenue	74.0	0.6	–	74.6
Expenditure	(69.0)	(0.6)	(1.1)	(70.7)
Other income and net finance income	0.4	–	2.6	3.0
Profit before tax	5.4	–	1.5	6.9
Tax (expense)/credit	(1.4)	–	0.1	(1.3)
Profit after tax	4.0	–	1.6	5.6
Profit before tax margin[1] (%)	8.4	–	–	9.2
Basic earnings per share (p)	7.75	–	–	10.87

1. The Core Business operating margin, excluding the charge in respect of share options awarded to certain investment management teams under the revised remuneration arrangements.

Funds under Management and Administration

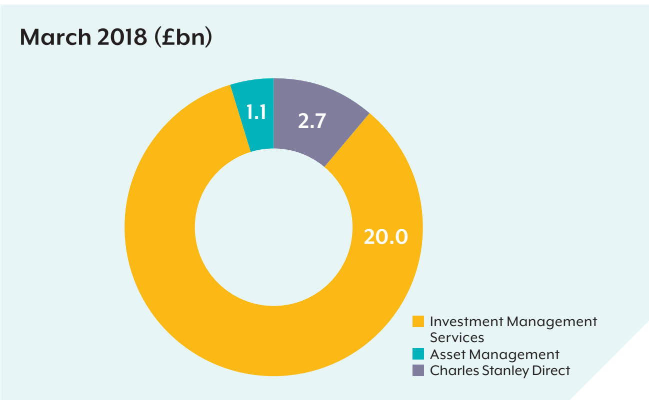
The primary driver of the Group's revenue is the level of FuMA. These stood at £25.0 billion at 30 September 2018, up 5.0% on the prior year end. This increase largely reflects the market performance during the period with the MSCI WMA Private Investor Balanced Index increasing by 5.5%.

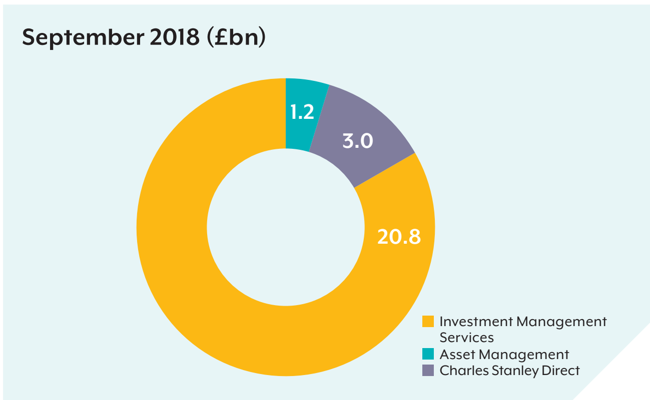
	30 September 2018 £bn	31 March 2018 £bn	Change %
Discretionary funds	**13.2**	12.3	7.3
Advisory Managed funds	**1.7**	1.8	(5.6)
Total managed funds	**14.9**	14.1	5.7
Advisory Dealing funds	**1.4**	1.4	–
Execution-only funds	**8.7**	8.3	4.8
Total administered funds	**10.1**	9.7	4.1
Total Funds under Management and Administration	**25.0**	23.8	5.0
MSCI WMA Private Investor Balanced Index	**1,612**	1,527	5.5

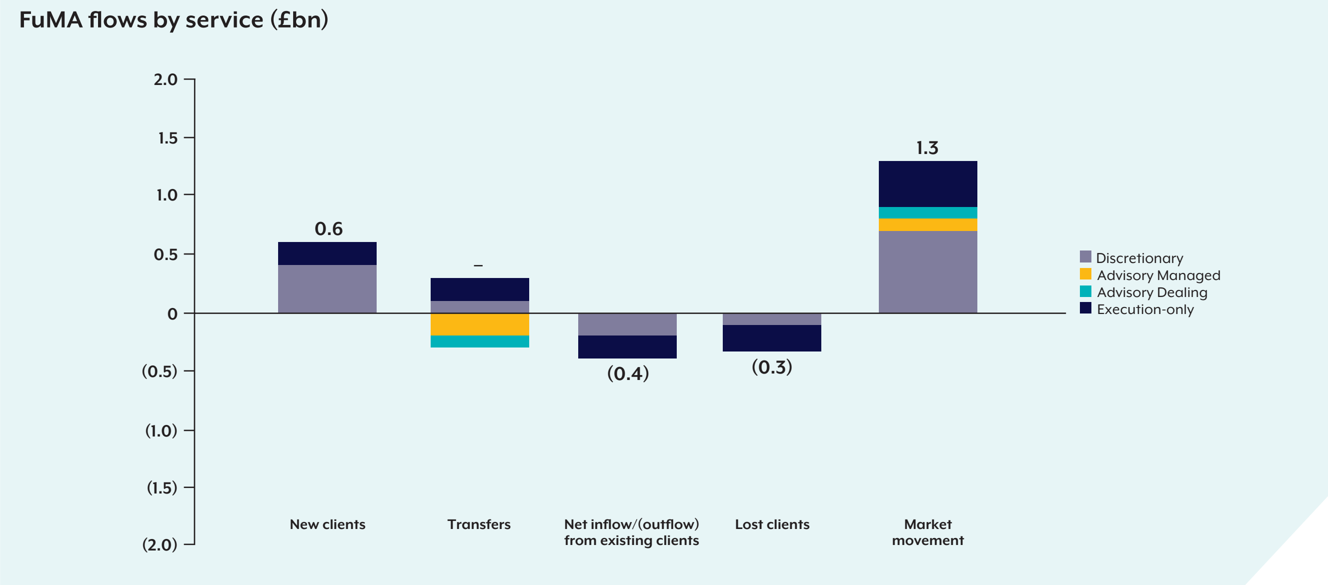
The growth in FuMA has largely been recorded in Discretionary and Execution-only services. Discretionary funds increased by 7.3% reaching £13.2 billion and now represent 52.8% of total FuMA. As noted in the fund flow by service chart on page 8, the increase in Discretionary funds comprised a combination of market growth, net new inflows and upgrades of existing clients from Advisory services. Similarly, Execution-only assets have risen by 4.8% with our on-line platform Charles Stanley Direct registering an increase of 12.4% during the first half of the financial year.

The chart below illustrates the Group's funds split by division. The Investment Management Services division manages 83.2% of the total FuMA held across the four fund categories. Charles Stanley Direct administers 12.0% of assets; £2.6 billion through the online platform and £0.4 billion through the telephone execution service. The remaining 4.8% of assets are managed by the Asset Management division predominantly held in model portfolios, inheritance tax solutions and fiduciary management mandates.

Breakdown of FuMA by division



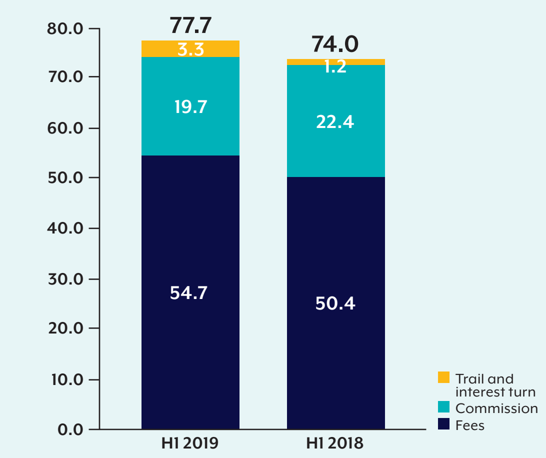


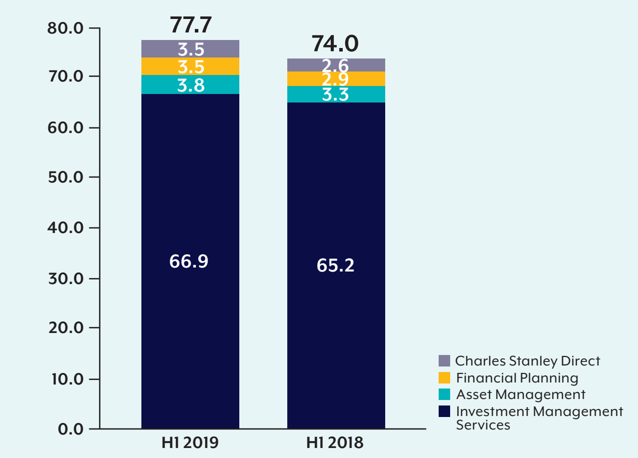


Inflows from new clients of £0.6 billion were offset by outflows from existing (£0.4 billion) and lost (£0.3 billion) clients, with the £1.2 billion net increase in FuMA since 31 March 2018 predominantly driven by positive market performance of £1.3 billion.

Core Business revenue

Revenue from the Core Business grew by 5.0% to £77.7 million. The change in composition of the Group's revenue compared to the prior year is shown in the charts below and indicates the continued increase in the proportion of fees, now representing 70.4%.



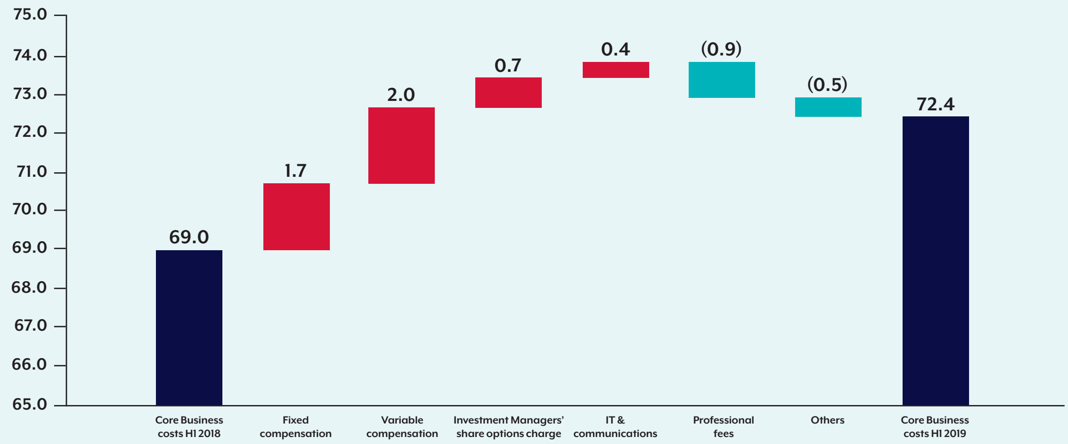


All of the operating divisions reported higher revenues than in the first half of 2018. In absolute terms, the main increase in the Group's revenue was generated by the Investment Management Services division, which grew revenues by £1.7 million through a combination of higher fees and interest offsetting lower commission. The three smaller divisions all recorded strong progress in revenues; Charles Stanley Direct up 34.6%, Financial Planning up 20.7% and Asset Management up 15.2%; reflecting the positive momentum in these activities.

Core Business expenditure

Core Business expenditure increased by £3.4 million (4.9%) on prior year to £72.4 million. The chart below shows the principal changes in costs year-on-year.

Core Business expenditure (£m)



Staff costs represent the majority of the Group's expenditure. Of the £4.4 million additional staff spend in the period, £1.4 million relates to variable formulaic staff costs associated with higher revenues, £0.6 million from higher training and contractor costs and £0.7 million is due to a full six-month charge associated with share options granted to certain investment management teams under the revised remuneration arrangements part way through last year.

Core Business pre-tax profit

The Core Business pre-tax profit increased from £5.4 million to £5.7 million, representing a margin of 9.3% (H1 2018: 8.4%) adjusting for the non-cash share-based option arrangements referred to above. With the exception of the Financial Planning division, where costs have increased as we have invested in its capacity, all areas of the business have generated a profit, including Charles Stanley Direct. Whilst this shows an ability to generate sustainable profits, there is still a long journey ahead to meet and exceed our stated medium term target for the Group of achieving a 15% pre-tax profit margin. Accordingly, the immediate focus is to identify methods for improving productivity in both the front and back offices whilst continuing to scale our holistic wealth management offering.

	Investment Management Services[1] £m	Asset Management[1] £m	Financial Planning £m	Charles Stanley Direct £m	Core Business £m
Six months ended 30 September 2018					
Revenue	**66.9**	**3.8**	**3.5**	**3.5**	**77.7**
Direct fixed staff costs	**(9.9)**	**(1.0)**	**(2.4)**	**(0.7)**	**(14.0)**
Direct variable staff costs	**(22.0)**	**(0.6)**	**(0.7)**	**–**	**(23.3)**
Other direct operating expenses	**(6.4)**	**(0.8)**	**(0.9)**	**(0.9)**	**(9.0)**
Allocated costs	**(21.8)**	**(1.4)**	**(1.2)**	**(1.7)**	**(26.1)**
Operating profit/(loss)	**6.8**	**–**	**(1.7)**	**0.2**	**5.3**
Net finance and other non-operating income	**0.2**	**0.2**	**–**	**–**	**0.4**
Profit/(loss) before tax	**7.0**	**0.2**	**(1.7)**	**0.2**	**5.7**
Six months ended 30 September 2017					
Revenue	65.2	3.3	2.9	2.6	74.0
Direct fixed staff costs	(9.8)	(0.8)	(1.7)	(0.6)	(12.9)
Direct variable staff costs	(20.1)	(0.6)	(0.8)	–	(21.5)
Other direct operating expenses	(6.0)	(0.7)	(0.6)	(1.2)	(8.5)
Allocated costs	(22.4)	(1.2)	(1.0)	(1.5)	(26.1)
Other income	0.2	–	–	–	0.2
Operating profit/(loss)	7.1	–	(1.2)	(0.7)	5.2
Net finance and other non-operating income	0.2	–	–	–	0.2
Profit/(loss) before tax	7.3	–	(1.2)	(0.7)	5.4

1. The H1 2018 figures have been restated to reflect the transfer of an investment management team from Asset Management to Investment Management Services during FY 2018.

Adjusting items

To calculate the Core Business results the following adjusting items have been added back/deducted:

	2018 £m	2017 £m
Reported profit before tax per above	**5.1**	6.9
Amortisation of client relationships	**0.6**	0.5
Other one-off (gains)/charges[1]	**–**	(2.0)
Core Business profit before tax	**5.7**	5.4

1. For details of adjusting items for the prior period, please refer to the Interim report and accounts for the six months ended 30 September 2017.

Amortisation of client relationships: (£0.6 million credit)
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 Core Business profit since it is a significant non-cash item which investors and analysts typically add back when considering profit before tax or earnings per share ratios.

Taxation
The corporation tax charge for the period was £0.9 million (H1 2018: £1.3 million) representing an effective tax rate of 17.2% (H1 2018: 19.6%). The reduction in the effective tax rate compared to the prior period is primarily due to high 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 9 of the Interim financial statements.

Earnings per share
The Group's reported basic earnings per share for the period were 8.31 pence (H1 2018: 10.87 pence). The Core Business basic earnings per share increased 19.6% to 9.27 pence from 7.75 pence in the first half of 2018.

Dividends
Consistent with our previously declared progressive dividend policy, the Board has declared an interim dividend of 2.75 pence per share (H1 2018: 2.5 pence per share) which will be paid on 18 January 2019 to shareholders on the register at 14 December 2018.

Financial position
The Group improved its already strong financial position with total net assets at 30 September 2018 of £102.8 million (31 March 2018: £97.8 million). The principal balance sheet movements were an increase in the Group's cash reserves to £67.0 million (31 March 2018: £65.6 million), primarily as a result of cash generated from operations, and a £3.7 million reduction in the deficit attributable to the Group's defined benefit pension scheme.

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 2018 the Group had regulatory capital resources of £75.5 million (H1 2018: £65.0 million). Our capital adequacy ratio has improved to 193% (FY 2018: 177%).

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 October 2018. 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
21 November 2018

Independent review report to Charles Stanley Group PLC

Six months ended 30 September 2018

Conclusion

We have been engaged by Charles Stanley Group PLC (the 'Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 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 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the DTR of 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 have read the other information contained in the half-yearly financial report and considered 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 Ireland) 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.

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 (IFRSs) 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
21 November 2018

Condensed consolidated income statement

Six months ended 30 September 2018

	Notes	**Unaudited Six months ended 30 September 2018 £000**	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Revenue	3	**77,699**	74,580	150,860
Administrative expenses	3	**(73,042)**	(70,686)	(142,146)
Other income	3	**78**	184	278
Operating profit		**4,735**	4,078	8,992
Loss on disposal of property, plant and equipment		**–**	(7)	(45)
Gain on sale of business	5	**–**	707	707
Gain on sale of corporate investments		**–**	1,930	2,463
Impairment of freehold property		**–**	–	(995)
Finance income		**382**	171	343
Finance costs		**(23)**	(27)	(18)
Net finance and other non-operating income		**359**	2,774	2,455
Profit before tax		**5,094**	6,852	11,447
Tax expense	9	**(874)**	(1,343)	(2,715)
Profit for the period attributable to owners of the Parent Company		**4,220**	5,509	8,732
Earnings per share				
Basic	6	**8.31p**	10.87p	17.23p
Diluted	6	**8.15p**	10.73p	16.93p

The results 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.

Condensed consolidated statement of comprehensive income

Six months ended 30 September 2018

	Notes	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Profit for the period		**4,220**	5,509	8,732
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Remeasurement of the defined benefit scheme obligation	8	**1,152**	1,160	3,863
Related tax		**(195)**	(186)	(657)
Revaluation of freehold properties		–	–	208
Related tax		–	–	(17)
Fair value through other comprehensive income financial assets – unrealised gains and losses		**35**	–	–
		992	974	3,397
Items that are or may be reclassified to profit or loss				
Available-for-sale financial assets – unrealised gains and losses	15	–	562	494
Available-for-sale financial assets – realised gains and losses reclassified to profit or loss	15	–	(2,345)	(2,863)
Related tax		–	359	398
		–	(1,424)	(1,971)
Other comprehensive income for the period, net of tax		**992**	(450)	1,426
Total comprehensive income for the period attributable to owners of the Parent Company		**5,212**	5,059	10,158

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 2018

Assets	Notes	Unaudited 30 September 2018 £000	Unaudited 30 September 2017 £000	Audited 31 March 2018 £000
Intangible assets	10	**18,997**	20,206	19,293
Property, plant and equipment	11	**9,093**	10,079	9,680
Net deferred tax asset		**2,280**	1,764	2,075
Financial assets at fair value through other comprehensive income	15	**1,723**	–	–
Financial assets at amortised cost	15	**1,010**	–	–
Available-for-sale financial assets	15	**–**	5,833	5,819
Trade and other receivables		**–**	922	945
Non-current assets		**33,103**	38,804	37,812
Trade and other receivables		**145,346**	108,888	178,024
Financial assets at fair value through profit or loss	15	**2,292**	53	100
Available-for-sale financial assets	15	**–**	864	–
Cash and cash equivalents		**66,985**	56,554	65,639
Current assets		**214,623**	166,359	243,763
Total assets		**247,726**	205,163	281,575
Equity				
Share capital	12	**12,691**	12,674	12,686
Share premium	12	**4,617**	4,440	4,564
Own shares		**(78)**	(95)	(95)
Revaluation reserve		**1,474**	1,954	1,598
Merger relief reserve		**15,167**	15,167	15,167
Retained earnings		**68,912**	58,656	63,842
Equity attributable to owners of the Parent Company		**102,783**	92,796	97,762
Non-controlling interests		**24**	24	24
Total equity		**102,807**	92,820	97,786
Liabilities				
Employee benefits	8	**5,156**	8,827	6,460
Provisions	14	**1,915**	1,699	1,813
Non-current liabilities		**7,071**	10,526	8,273
Trade and other payables		**134,007**	98,176	171,666
Current tax liabilities		**1,298**	663	1,214
Provisions	14	**2,543**	2,978	2,636
Current liabilities		**137,848**	101,817	175,516
Total liabilities		**144,919**	112,343	183,789
Total equity and liabilities		**247,726**	205,163	281,575

Approved by the Board of Charles Stanley Group PLC (company number 48796) on 21 November 2018 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 2018

	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)
Share transfer 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 April 2017	12,672	4,429	–	3,378	15,167	53,424	89,070	24	89,094
Profit for the period	–	–	–	–	–	5,509	5,509	–	5,509
Other comprehensive income:									
Revaluation of available-for-sale financial assets:									
– unrealised gains and losses	–	–	–	562	–	–	562	–	562
– realised gains and losses transferred to profit or loss	–	–	–	(2,345)	–	–	(2,345)	–	(2,345)
Deferred tax on available-for-sale financial assets	–	–	–	359	–	–	359	–	359
Remeasurement of defined benefit scheme liability:									
– actuarial gain in the period	–	–	–	–	–	1,160	1,160	–	1,160
– deferred tax movement on scheme liability	–	–	–	–	–	(221)	(221)	–	(221)
– current tax relief	–	–	–	–	–	35	35	–	35
Total other comprehensive income for the period	–	–	–	(1,424)	–	974	(450)	–	(450)
Total comprehensive income for the period	–	–	–	(1,424)	–	6,483	5,059	–	5,059
Dividends paid	–	–	–	–	–	(2,281)	(2,281)		(2,281)
Own shares acquired	–	–	(95)	–	–	–	(95)	–	(95)
Share-based payments:									
– value of employee services	–	–	–	–	–	1,030	1,030	–	1,030
– issue of shares	2	11	–	–	–	–	13	–	13
30 September 2017 (unaudited)	12,674	4,440	(95)	1,954	15,167	58,656	92,796	24	92,820

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 2017	12,674	4,440	(95)	1,954	15,167	58,656	92,796	24	92,820
Profit for the period	–	–	–	–	–	3,223	3,223	–	3,223
Other comprehensive income:									
Revaluation of available-for-sale financial assets:									
– unrealised gains and losses	–	–	–	(68)	–	–	(68)	–	(68)
– realised gains and losses transferred to profit or loss	–	–	–	(518)	–	–	(518)	–	(518)
Deferred tax on available-for-sale financial assets	–	–	–	39	–	–	39	–	39
Revaluation of freehold properties	–	–	–	208	–	–	208	–	208
Deferred tax on revaluation of freehold properties	–	–	–	(17)	–	–	(17)	–	(17)
Remeasurement of defined benefit scheme liability:									
– actuarial gain in the period	–	–	–	–	–	2,703	2,703	–	2,703
– deferred tax movement on scheme liability	–	–	–	–	–	(436)	(436)	–	(436)
– current tax relief	–	–	–	–	–	(35)	(35)	–	(35)
Total other comprehensive income for the period	–	–	–	(356)	–	2,232	1,876	–	1,876
Total comprehensive income for the period	–	–	–	(356)	–	5,455	5,099	–	5,099
Dividends paid	–	–	–	–	–	(1,265)	(1,265)		(1,265)
Share-based payments:									
– value of employee services	–	–	–	–	–	996	996	–	996
– issue of shares	12	124	–	–	–	–	136	–	136
31 March 2018 (audited)	12,686	4,564	(95)	1,598	15,167	63,842	97,762	24	97,786

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 2018

	Notes	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Cash flows from operating activities				
Cash generated from operating activities	16	**4,316**	2,694	15,485
Interest received		**260**	171	297
Interest paid		**(23)**	(27)	(18)
Tax paid		**(1,226)**	(1,387)	(2,985)
Net cash from operating activities		**3,327**	1,451	12,779
Cash flows from investing activities				
Acquisition of intangible assets		**(150)**	(355)	(676)
Purchase of property, plant and equipment		**(221)**	(622)	(2,796)
Purchase of financial assets		**(1,500)**	(1,008)	(1,429)
Proceeds from sale of property, plant and equipment		**–**	–	22
Proceeds from sale of financial assets		**2,545**	2,094	3,780
Net cash outflow from disposal of business		**–**	(1,256)	(1,256)
Dividends received		**78**	184	278
Net cash generated/(used in) from investing activities		**752**	(963)	(2,077)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**58**	13	149
Purchase of ordinary shares for employee share schemes		**–**	(95)	(95)
Dividends paid		**(2,791)**	(2,281)	(3,546)
Net cash used in financing activities		**(2,733)**	(2,363)	(3,492)
Net increase/(decrease) in cash and cash equivalents		**1,346**	(1,875)	7,210
Cash and cash equivalents at start of period		**65,639**	58,429	58,429
Cash and cash equivalents at end of period		**66,985**	56,554	65,639

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 2018, which were prepared under IFRS as adopted by the EU and the Companies Act 2006. This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in note 2.5.

The financial information contained in this Interim report and accounts 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 2018 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 the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.3 Restatement of comparative figures

Certain comparative figures 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. The comparatives in note 3 have been amended.

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 2018 to 31 March 2020 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 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 2018, except for the mandatory standards and amendments that had an effective date prior to the start of the six month period. Aside from the adoption of IFRSs 9 and 15, which are 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 2019.

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 April 2019. These new standards are not applicable to these financial statements and they are not expected to have a material impact when they become effective, with the exception of IFRS 16 Leases, the impact of which is detailed below. The Group plans to apply these standards and amendments in the reporting period in which they become effective.

2.5.1 Changes in accounting policies – IFRS 9 Financial Instruments

In the current period the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the:

I. Classification and measurement of financial assets and financial liabilities

II. Impairment for financial assets

III. General hedge accounting

The date of initial application is 1 April 2018. The Group has elected not to restate comparatives, and to recognise the impact of the new accounting requirements in opening retained earnings on the date of adoption as set out below. Accordingly the comparatives presented do not reflect the accounting requirements of IFRS 9 but rather those of IAS 39. On application of IFRS 9 the Group has recognised an increase in retained earnings, and corresponding decrease in revaluation reserve, of £0.2 million representing gains recognised in other comprehensive income in respect of financial assets now classified as fair value through profit and loss. The impact on the income statement for the period is an additional £0.2 million of gains have been included in finance income which would have previously been recognised in other comprehensive income.

2.5.1.1 Classification and measurement of financial assets

The basis of classification for financial assets under IFRS 9 has changed from those of IAS 39. Under IFRS 9 financial assets are classified as; amortised cost, fair value through profit or loss, or fair value through other comprehensive income which replace the IAS 39 categories of available-for-sale, loans and receivables and held to maturity. The new classification and measurement for the Group's financial assets on 1 April 2018, are set out in the table below.

	IAS 39 classification	Carrying value under IAS 39 as at 31 March 2018 £000	IFRS 9 classification	**Carrying value under IFRS 9 as at 1 April 2018 £000**
Listed model investment portfolios	Available-for-sale	2,127	Fair value through profit or loss	**2,127**
Government gilts	Available-for-sale	2,004	Amortised cost	**1,997**
Unlisted equity investments	Available-for-sale	1,688	Fair value through other comprehensive income	**1,688**
Listed equity investments	Fair value through profit or loss	100	Fair value through profit or loss	**100**

Under the new financial asset categories the Group's treatment of gains and losses has changed when compared to the Group's previous accounting policy. Under IAS 39 the Group elected for all gains and losses on available-for-sale financial assets to be recognised in other comprehensive income and presented in the revaluation reserve until they were realised. Under the requirements of IFRS 9 the Group's financial assets held in model portfolios, the objective of which is to demonstrate that the Group's investment strategies are successful, are classified as fair value through profit or loss based on judgements required by IFRS 9 on the nature of the business model under which financial assets are managed. This has resulted in net gains being included in the income statement for the period, instead of in other comprehensive income. The revaluation reserve attributable to assets newly classified as fair value through profit or loss and fair value through other comprehensive income has been transferred to retained earnings on application of IFRS 9, whilst the fair value gains previously recognised on government gilts have been reversed. Gains recognised on fair value through other comprehensive income financial assets will never be recognised in the income statement.

2.5.1.2 Classification and measurement of financial liabilities
The classification and measurement of financial liabilities remains unchanged from IAS 39, therefore there has been no impact on the Group's financial liabilities on adoption of the new standard.

2.5.1.3 Impairment for financial assets
In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

As at 1 April 2018, the Directors of the Company reviewed and assessed the Group's existing assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised.

In respect of IFRS 9, whether each significant class of the Group's financial assets is classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income, the expected credit loss model has been applied. No additional impairments have been recognised on application of IFRS9 as no material defaults are anticipated within the next 12 months.

2.5.1.4 Hedge accounting
IFRS 9 incorporates new hedge accounting requirements. The Group does not carry out, and does not currently intend to carry out, any material hedging activities which would be accounted for in accordance with IFRS 9.

2.5.2 Changes in accounting policies – IFRS 15 Revenue from Contracts with Customers
In the current period the Group has adopted IFRS 15 Revenue from Contracts with Customers. The Group has elected not to restate comparative information from prior periods upon adoption, instead transitional adjustments have been recognised in opening retained earnings on 1 April 2018. Accordingly, the comparative information presented does not reflect the accounting requirements of IFRS 15 but rather those of IAS 18.

IFRS 15 outlines a single comprehensive model for revenue arising from contracts with customers and supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The core principle of IFRS 15 is that an entity recognises revenue to reflect the transfer of goods or services to a customer, measured as an amount that the entity expects to be entitled to in exchange for those goods or services. In addition to the guidance on recognising revenue from contracts with customers, IFRS 15 also prescribes the treatment of costs associated with obtaining contracts where they are not within the scope of another standard.

2.5.2.1 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. As the Group's revenue recognition policies are unchanged there has been no impact on opening reserves. No additional performance obligations have been recognised in contracts with customers and there have been no changes in timing of recognition of revenue.

2.5.2.2 Capitalisation of costs previously expensed

IFRS 15 also prescribes that the incremental costs of obtaining a contract with a customer shall be recognised as an asset if the entity expects to recover those costs. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. For the Group, this changes the historic treatment of payments made to investment managers for introducing customer relationships to the Group. Under IFRS 15, all these payments will be capitalised if they are expected to be recovered. Previously, these payments were capitalised if made within the first 12 months of an investment manager joining the Group and payments made after the initial 12 months were expensed immediately to the income statement. On application of IFRS 15 the Group has recognised an increase in opening retained earnings of £0.6 million, representing £0.8 million capitalised costs which had been previously expensed less £0.1 million of accumulated amortisation on the newly capitalised assets and £0.1 million in respect of deferred tax. For more details see note 10. The impact on the income statement for the six-month period is an additional amortisation expense of £0.04 million on assets capitalised on application of the standard.

2.5.3 Standards not yet mandatorily effective – IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases for annual periods commencing on or after 1 January 2019. The Group does not intend to adopt this standard early. IFRS 16 introduces a single, on-balance sheet accounting model for lessees and eliminates the classification of leases as either operating or finance leases. There are recognition exemptions for short-term leases and leases of low-value items.

On transition to IFRS 16, the Group is most likely to apply the modified retrospective approach with optional practical expedients.

The Group has performed a preliminary review of the impact of adopting IFRS 16 and concluded that its primary impact will be in respect of the Group's various leasehold offices. These leases will need to be shown in the statement of financial position, with a right of use asset and associated lease liability being recognised. These changes are expected to be material to the financial statements of the Group, but the full impact will not be quantifiable until the application date when the Group can accurately assess its incremental cost of borrowings. The Group had non-cancellable undiscounted operating lease commitments at 30 September 2018 of £21.7 million.

3. Operating segments

The Group has four operating divisions, representing the Core Business, 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.

	Investment Management Services £000	Asset Management £000	Financial Planning £000	Charles Stanley Direct £000	Support Functions £000	Total £000
Six months ended 30 September 2018						
Investment management fees	41,041	2,211	719	–	–	43,971
Administration fees	7,473	1,091	2,734	2,747	–	14,045
Total fees	48,514	3,302	3,453	2,747	–	58,016
Commission	18,414	511	6	752	–	19,683
Total revenue	66,928	3,813	3,459	3,499	–	77,699
Administrative expenses	(38,380)	(2,451)	(4,068)	(1,588)	(26,555)	(73,042)
Other income	45	29	2	2	–	78
Operating contribution	28,593	1,391	(607)	1,913	(26,555)	4,735
Allocated costs	(22,177)	(1,416)	(1,249)	(1,713)	26,555	–
Operating profit/(loss)[1]	6,416	(25)	(1,856)	200	–	4,735
Segment assets	240,099	487	610	6,236	294	247,726
Segment liabilities	143,555	135	551	678	–	144,919

Note

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 Core Business analysis.

3. Operating segments (continued)

	Investment Management Services[3] £000	Asset Management[3] £000	Financial Planning[2] £000	Charles Stanley Direct £000	Support Functions £000	Total £000
Six months ended 30 September 2017						
Investment management fees	38,059	2,182	615	–	–	40,856
Administration fees	5,959	664	2,850	1,902	–	11,375
Total fees	44,018	2,846	3,465	1,902	–	52,231
Commission	21,152	460	16	721	–	22,349
Total revenue	65,170	3,306	3,481	2,623	–	74,580
Administrative expenses	(35,926)	(2,039)	(3,588)	(1,806)	(27,327)	(70,686)
Other income	184	–	–	–	–	184
Operating contribution	29,428	1,267	(107)	817	(27,327)	4,078
Allocated costs	(23,588)	(1,195)	(1,081)	(1,460)	27,327	–
Operating profit/(loss)[1]	5,843	72	(1,188)	(643)	–	4,078
Segment assets	191,783	487	5,133	7,466	294	205,163
Segment liabilities	108,215	115	2,241	1,772	–	112,343

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 Core Business analysis.
2. The revenues and costs of EBS Management PLC are included within the Financial planning division results up to the 31 May 2017, when the disposal was completed.
3. The H1 2018 figures have been restated to reflect the transfer of an investment management team from Asset Management to Investment Management Services during 2018 in order to provide more appropriate reporting.

3. Operating segments (continued)

	Investment Management Services £000	Asset Management £000	Financial Planning[2] £000	Charles Stanley Direct £000	Support Functions £000	Total £000
Year ended 31 March 2018						
Investment management fees	77,218	4,395	1,302	–	–	82,915
Administration fees	13,274	1,643	5,530	4,332	–	24,779
Total fees	90,492	6,038	6,832	4,332	–	107,694
Commission	40,738	900	25	1,503	–	43,166
Total revenue	131,230	6,938	6,857	5,835	–	150,860
Administrative expenses	(73,538)	(4,404)	(7,277)	(3,407)	(53,520)	(142,146)
Other income	233	45	–	–	–	278
Operating contribution	57,925	2,579	(420)	2,428	(53,520)	8,992
Allocated costs	(46,051)	(2,412)	(2,193)	(2,864)	53,520	–
Operating profit/(loss)[1]	11,874	167	(2,613)	(436)	–	8,992
Segment assets	269,316	487	5,123	6,355	294	281,575
Segment liabilities	180,769	262	2,623	135	–	183,789

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 Core Business analysis.
2. The revenues and costs of EBS Management PLC are included within the Financial planning division results up to the 31 May 2017, when the disposal was completed.

4. Seasonality and cyclicality of interim operations

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

5. Disposal of subsidiary

The Group announced the sale of EBS Management PLC to Embark Group Limited on 11 April 2017. The sale subsequently completed on 31 May 2017. The net assets of EBS Management PLC at the date of disposal were as follows:

	31 May 2017 £000
Trade and other receivables	828
Cash and cash equivalents	3,256
Trade and other payables	(2,214)
Attributable goodwill	1,294
Gain on disposal	707
Total consideration	3,871

Satisfied by:	
Cash	2,000
Deferred consideration	1,871
	3,871

The initial cash consideration of £2.0 million was received and recognised in full during the prior period. Deferred consideration of £2.0 million was payable in cash by Embark Group Limited in two equal instalments of £1.0 million on the first and second anniversary of the completion date. This has been discounted to fair value at the disposal date. The discount is being unwound over the two-year period and recognised as finance income. The first instalment was received in June 2018.

6. 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 2018 pence**	Unaudited Six months ended 30 September 2017 pence	Audited Year ended 31 March 2018 pence
Basic earnings per share	**8.31**	10.87	17.23
Diluted earnings per share	**8.15**	10.73	16.93

The Directors believe that a truer reflection of the performance of the Group's underlying business is given by the measure of Core Business 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 2018 £000**	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Earnings used in the calculation of basic earnings per share and diluted earnings per share	**4,220**	5,509	8,732

Number of shares	**Unaudited Six months ended 30 September 2018 000**	Unaudited Six months ended 30 September 2017 000	Audited Year ended 31 March 2018 000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**50,753**	50,680	50,682
Effect of potentially dilutive share options	**1,057**	663	881
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**51,810**	51,343	51,563

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

7. Share-based payment arrangements

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

7.1 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.

40,304 options were granted under the scheme on 22 June 2018. 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 £3.85, being the share price at that date.

No brought forward options lapsed during the period and 4,532 were exercised.

7.2 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.

499,779 options were granted under the scheme on 25 June 2018. 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 £3.84, being the share price at that date.

The performance conditions relating to 244,000 options granted during the year ended 31 March 2016 were not met and therefore these options lapsed during the period.

8. Employee benefits

8.1 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.

8.2 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 the 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 at 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 2018. 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 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Fair value of scheme assets	**20,327**	19,974	19,897
Present valuation of defined benefit obligation	**(25,483)**	(28,801)	(26,357)
Deficit in scheme	**(5,156)**	(8,827)	(6,460)
Liability recognised in condensed consolidated statement of financial position	**(5,156)**	(8,827)	(6,460)

Defined benefit costs recognised in the condensed consolidated income statement

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Past service cost and gain from settlement	–	(485)	–
Net interest cost	**83**	128	240
Total amount recognised in condensed consolidated income statement	**83**	(357)	240

8. Employee benefits (continued)

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

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Return on scheme assets	**218**	335	683
Experience gains arising on the scheme liabilities	**–**	51	2,817
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	**165**	278	254
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	**769**	496	109
Total amount recognised in condensed consolidated statement of comprehensive income	**1,152**	1,160	3,863

Significant actuarial assumptions

	Unaudited Six months ended 30 September 2018 %	Unaudited Six months ended 30 September 2017 %	Audited Year ended 31 March 2018 %
Inflation – Consumer Prices Index (CPI)	**2.40**	2.40	2.30
Rate of discount	**2.80**	2.70	2.60
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)	**2.40**	2.40	2.30

The mortality assumptions adopted at 30 September 2018 are 100% (30 September 2017 and 31 March 2018: 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 2018	Unaudited Six months ended 30 September 2017	Audited Year ended 31 March 2018
Male retiring in current year	**21.8**	21.9	21.9
Female retiring in current year	**23.7**	23.7	23.8
Male retiring in twenty years	**22.8**	23.0	23.3
Female retiring in twenty years	**24.9**	25.0	25.5

8. 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 4.4%
Rate of inflation	Increase of 0.25% p.a.	Increase by 1.1%
Rate of mortality	10% reduction to mortality rates	Increase by 3.5%

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 2018 was 18 years.

9. Income taxes

Tax recognised in the condensed consolidated income statement

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Current taxation			
Current period expense	**1,323**	1,091	2,703
Adjustment in respect of prior periods	**(2)**	–	501
	1,321	1,091	3,204
Deferred taxation			
(Credit)/expense for the period	**(426)**	252	(336)
Adjustment in respect of prior periods	**(21)**	–	(153)
	(447)	252	(489)
Total tax expense	**874**	1,343	2,715

In addition to amounts charged to the condensed consolidated income statement, deferred tax of £nil relating to the revaluation of fair value through other comprehensive income financial assets has been credited directly to equity (30 September 2017 and 31 March 2018: £0.4 million credit for available-for-sale financial assets). A further credit of £nil (30 September 2017: £nil and 31 March 2018: £0.02 million) in relation to deferred tax on revaluation of freehold property has been recognised directly to equity.

Current tax of £0.01 million has been credited directly to equity (30 September 2017: £0.04 million and 31 March 2018: £nil) and deferred tax of £0.4 million has been credited directly to equity (30 September 2017: £0.2 million credit and 31 March 2018: £0.07 million charge) and £0.2 million charged (30 September 2017: £nil and 31 March 2018: £nil) 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 2018 has been calculated based on the rate expected to apply when the relevant timing differences are forecast to unwind.

9. 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 2017 and 31 March 2018: 19%). The differences are as follows:

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Profit before tax	**5,094**	6,852	11,447
Profit multiplied by rate of corporation tax in the UK	**968**	1,302	2,175
Tax effects of:			
Income not subject to tax	**(10)**	(397)	(44)
Expenses not allowed for tax	**39**	20	181
Share-based payments	**9**	(29)	(53)
Adjustments in respect of prior periods	**–**	–	348
Intangible asset amortisation and impairments	**7**	4	–
Fixed asset differences	**(138)**	576	302
Disposal of business	**–**	(134)	(143)
Change in tax rate	**–**	–	31
Other adjustments	**(1)**	1	(82)
	(94)	41	540
Total tax expense for the period	**874**	1,343	2,715

10. Intangible assets

Cost	Goodwill £000	Customer relationships £000	Internally generated software £000	Total £000
At 1 October 2017	20,213	23,625	7,300	51,138
Additions	–	150	171	321
At 31 March 2018	**20,213**	**23,775**	**7,471**	**51,459**
Adjustment on application of IFRS 15	**–**	**786**	**–**	**786**
Additions	**–**	**150**	**–**	**150**
At 30 September 2018	**20,213**	**24,711**	**7,471**	**52,395**
Amortisation				
At 1 October 2017	6,161	19,223	5,548	30,932
Charge for the period	–	549	685	1,234
At 31 March 2018	**6,161**	**19,772**	**6,233**	**32,166**
Adjustment on application of IFRS 15	**–**	**89**	**–**	**89**
Charge for the period	**–**	**597**	**546**	**1,143**
At 30 September 2018	**6,161**	**20,458**	**6,779**	**33,398**
Net book value				
At 30 September 2018 (unaudited)	**14,052**	**4,253**	**692**	**18,997**
At 31 March 2018 (audited)	14,052	4,003	1,238	19,293
At 30 September 2017 (unaudited)	14,052	4,402	1,752	20,206

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 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £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

10. Intangible assets (continued)

10.1 Goodwill

The recoverable amount of goodwill allocated to a cash generating unit (CGU) is determined initially by calculating the CGU's fair value less costs 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. Where this approach is not appropriate, a turnover multiple is used. Fair value less costs to sell is calculated largely based on a percentage of FuMA (between 1.50% and 3.26%). 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 costs 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 2018, 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 value in use determined for the CGUs, 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. Hence, no impairment charge has been recognised in the consolidated income statement.

10.1.1 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 Birmingham 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 costs to sell for the period ended 30 September 2018.

10.1.2 Charles Stanley Direct

The recoverable amount of goodwill relating to Charles Stanley Direct was assessed using fair value less costs to sell for the period ended 30 September 2018. The recoverable amount was determined to be higher than the carrying amount of the CGU and therefore the goodwill carrying value is adequately supported.

10.2 Customer relationships

Purchases of customer relationships relate to payments made to investment managers and third parties for the introduction of customer relationships.

10.3 Internally generated software

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

11. Property, plant and equipment

Cost	Freehold premises £000	Short leasehold premises £000	Office equipment and motor vehicles £000	Total £000
At 1 October 2017	5,013	6,876	18,219	30,108
Additions	–	477	766	1,243
Revaluations	(1,244)	–	–	(1,244)
Disposals	–	(246)	(343)	(589)
At 31 March 2018	**3,769**	**7,107**	**18,642**	**29,518**
Additions	**–**	**57**	**164**	**221**
Disposals	**–**	**(23)**	**–**	**(23)**
At 30 September 2018	**3,769**	**7,141**	**18,806**	**29,716**
Depreciation				
At 1 October 2017	578	3,130	16,321	20,029
Charge for the period	58	348	407	813
Revaluations	(477)	–	–	(477)
Disposals	–	(222)	(305)	(527)
At 31 March 2018	**159**	**3,256**	**16,423**	**19,838**
Charge for the period	**30**	**338**	**440**	**808**
Disposals	**–**	**(23)**	**–**	**(23)**
At 30 September 2018	**189**	**3,571**	**16,863**	**20,623**
Net book value				
At 30 September 2018 (unaudited)	**3,580**	**3,570**	**1,943**	**9,093**
At 31 March 2018 (audited)	3,610	3,851	2,219	9,680
At 30 September 2017 (unaudited)	4,435	3,746	1,898	10,079

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 £3.7 million (30 September 2017: £4.6 million and 31 March 2018: £3.7 million).

The cost and accumulated depreciation of property, plant and equipment in the above table includes £19.5 million (30 September 2017: £18.4 million and 31 March 2018: £18.8 million) in respect of fully depreciated assets which are still in use.

Included in short leasehold premises additions for the period is an amount of £0.04 million (30 September 2017: £0.9 million and 31 March 2018: £0.9 million) in respect of dilapidations obligations arising under lease agreements for the Group's various branches. Depreciation totalling £0.1 million (30 September 2017: £0.6 million and 31 March 2018: £0.7 million) was recognised in respect of these additions, in line with the expired portion of the associated lease agreements.

12. 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 2017	50,696	12,674	4,440	17,114
Exercise of share options	47	12	124	136
31 March 2018	**50,743**	**12,686**	**4,564**	**17,250**
Exercise of share options	**22**	**5**	**53**	**58**
30 September 2018	**50,765**	**12,691**	**4,617**	**17,308**

At 30 September 2018, the Group held 20,920 (30 September 2017 and 31 March 2018: 25,452) own shares, which are held in an employee benefit trust.

13. Dividends

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

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Final dividend of 4.5 pence per share paid 31 July 2017	–	2,281	2,281
Interim dividend of 2.5 pence per share paid 19 January 2018	–	–	1,265
Final dividend of 5.5 pence per share paid 31 July 2018	**2,791**	–	–
	2,791	2,281	3,546

An interim dividend of 2.75 pence per share was declared by the Board on 21 November 2018. This will be payable on 18 January 2019 to registered shareholders at 14 December 2018.

Dividends are payable from the Parent Company's distributable reserves which comprise retained earnings and the merger relief reserve. As at 30 September 2018 the Parent Company's distributable reserves totalled £26.1 million.

14. Provisions

Non-current	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
At start of period	**1,813**	1,108	1,108
Provisions made during the period	**39**	591	705
Net provisions reclassified from current	**63**	–	–
At end of period	**1,915**	1,699	1,813

Current	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
At start of period	**2,636**	2,162	2,162
Provisions made during the period	**–**	1,109	1,147
Provisions used during the period	**(30)**	(250)	(513)
Net provisions reclassified to non-current	**(63)**	–	–
Unused provisions transferred to income statement	**–**	(43)	(160)
At end of period	**2,543**	2,978	2,636

The Group held provisions as at 30 September 2018 in respect of certain legal claims and leasehold property dilapidations.

15. Fair values and risk management

15.1 Fair value of financial instruments

15.1.1 Accounting classifications and fair values

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

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

15. Fair values and risk management (continued)

Carrying value	Held for trading £000	Loans and receivables £000	Available-for-sale £000	Other financial liabilities £000	Total £000
At 30 September 2017					
Financial assets measured at fair value – available-for-sale investments	–	–	6,697	–	6,697
Financial assets at fair value through profit and loss – listed investments	53	–	–	–	53
Total	53	–	6,697	–	6,750
Financial assets not measured at fair value					
Trade and other receivables	–	109,810	–	–	109,810
Cash and cash equivalents	–	56,554	–	–	56,554
Total	–	166,364	–	–	166,364
Financial liabilities not measured at fair value					
Trade and other payables	–	–	–	98,176	98,176
Total	–	–	–	98,176	98,176

Fair value	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 30 September 2017				
Financial assets measured at fair value – available-for-sale investments	4,082	–	2,615	6,697
Financial assets at fair value through profit and loss – listed investments	53	–	–	53
Total	4,135	–	2,615	6,750

15. Fair values and risk management (continued)

Carrying value	Held for trading £000	Loans and receivables £000	Available-for-sale £000	Other financial liabilities £000	Total £000
At 31 March 2018					
Financial assets measured at fair value – available-for-sale investments	–	–	5,819	–	5,819
Financial assets at fair value through profit and loss – listed investments	100	–	–	–	100
Total	100	–	5,819	–	5,919
Financial assets not measured at fair value					
Trade and other receivables	–	178,024	–	–	178,024
Cash and cash equivalents	–	65,639	–	–	65,639
Total	–	243,663	–	–	243,663
Financial liabilities not measured at fair value					
Trade and other payables	–	–	–	171,666	171,666
Total	–	–	–	171,666	171,666

Fair value	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2017				
Financial assets measured at fair value – available-for-sale investments	4,130	–	1,689	5,819
Financial assets at fair value through profit and loss – listed investments	100	–	–	100
Total	4,230	–	1,689	5,919

15.1.2 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).

15. 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 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 ordinary shares	Fair value is determined using the latest price at which Euroclear PLC has repurchased its own shares	Euroclear PLC shares are highly illiquid so the Group's ability to realise the value of this shareholding is uncertain as it is highly dependent on the actions of Euroclear PLC	The value of the shares may increase if the market for the shares becomes more liquid

There were no transfers between any of the levels of the fair value hierarchy during the six months ended 30 September 2018 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 2017	2,615
Disposals	(393)
Total realised gains for the period transferred to income statement	(499)
Total unrealised gains and losses for the period included in statement of comprehensive income	(35)
At 31 March 2018	**1,688**
Disposals	**–**
Total unrealised gains and losses for the period included in statement of comprehensive income	**35**
At 30 September 2018	**1,723**

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

15.2 Unlisted equity securities

The Level 3 balance relates to holdings in unlisted investments. At 30 September 2018 these unlisted investments had a fair value of £1.7 million (30 September 2016: £2.6 million and 31 March 2018: £1.7 million). Included within this balance is the Group's holding of 2,358 shares (30 September 2017 and 31 March 2018: 2,358 shares) in Euroclear PLC which had a fair value of £1.6 million (30 September 2017: £1.6 million and 31 March 2017: £1.6 million). Fair value was determined using a valuation technique that required significant unobservable inputs.

16. Reconciliation of net profit to cash generated from operations

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Profit before tax	**5,094**	6,852	11,447
Adjustments for:			
Depreciation	**808**	1,443	2,256
Amortisation of intangible assets	**1,143**	1,369	2,603
Impairment of freehold property	**–**	–	995
Share-based payments – value of employee services	**1,888**	1,030	2,026
Retirement benefit scheme	**(152)**	(541)	(205)
Dividend income	**(78)**	(184)	(278)
Interest income	**(260)**	(171)	(297)
Interest expense	**23**	27	18
Profit on disposal of financial assets	**(41)**	(1,957)	(2,471)
Loss on disposal of property, plant and equipment	**–**	7	45
Gain on disposal of business	**–**	(707)	(707)
Changes in working capital:			
(Increase)/decrease in financial assets at fair value through profit or loss	**(82)**	20	(27)
Increase in provisions	**9**	–	–
Decrease/(increase) in receivables	**33,623**	37,716	(33,470)
(Decrease)/increase in payables	**(37,659)**	(42,210)	33,550
Net cash inflow from operations	**4,316**	2,694	15,485

17. 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 2018.

18. Contingent liabilities

In the normal course of business, the Group is exposed to certain legal and tax issues which could, in the event of a dispute, develop into litigious proceedings and in some cases may result in contingent liabilities. The Annual report and accounts for the year ended 31 March 2018 presented full details of the contingent liabilities that the Group was exposed to at 31 March 2018. During the six months ended 30 September 2018, the Group has not become engaged or involved in, or otherwise subject to, any litigation which has resulted in liabilities crystallising.

19. Commitments

At 30 September 2018 capital expenditure authorised and contracted for, but not included in the financial statements, amounted to £nil (30 September 2017: £0.1 million and 31 March 2018: £nil).

20. Subsequent events

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

The recent High Court ruling in the Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank Plc equalisation case requires defined benefit pension schemes to equalise Guaranteed Minimum Pension benefits for men and women. There is currently significant uncertainty on the financial impact of the ruling for the Group in relation to the Charles Stanley Retirement Benefit Scheme's liabilities. The Group, alongside the Scheme's Trustees, actuaries and legal advisers, is undertaking a full recalculation of its Guaranteed Minimum Pension benefits. In the event that the Scheme's liabilities are assessed to have increased as a result of this ruling, the additional liability will be recognised in the second half of the financial year. At this stage, it is not expected that the additional liability, if any, will be material.

21. Related party transactions

Related party transactions are disclosed in the Group's Annual report and accounts for the year ended 31 March 2018. No transactions took place during the period to 30 September 2018 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 2018 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
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
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

Non-Executive

Sir David Howard (Chairman)

Marcia Campbell

Andrew Didham

Hugh Grootenhuis

Bridget Guerin

Financial calendar

22 November 2018	Interim results announced
13 December 2018	Ex-dividend date for interim dividend
14 December 2018	Record date for interim dividend
18 January 2019	Payment date of interim dividend

Company information

Company Secretary
Julie Ung

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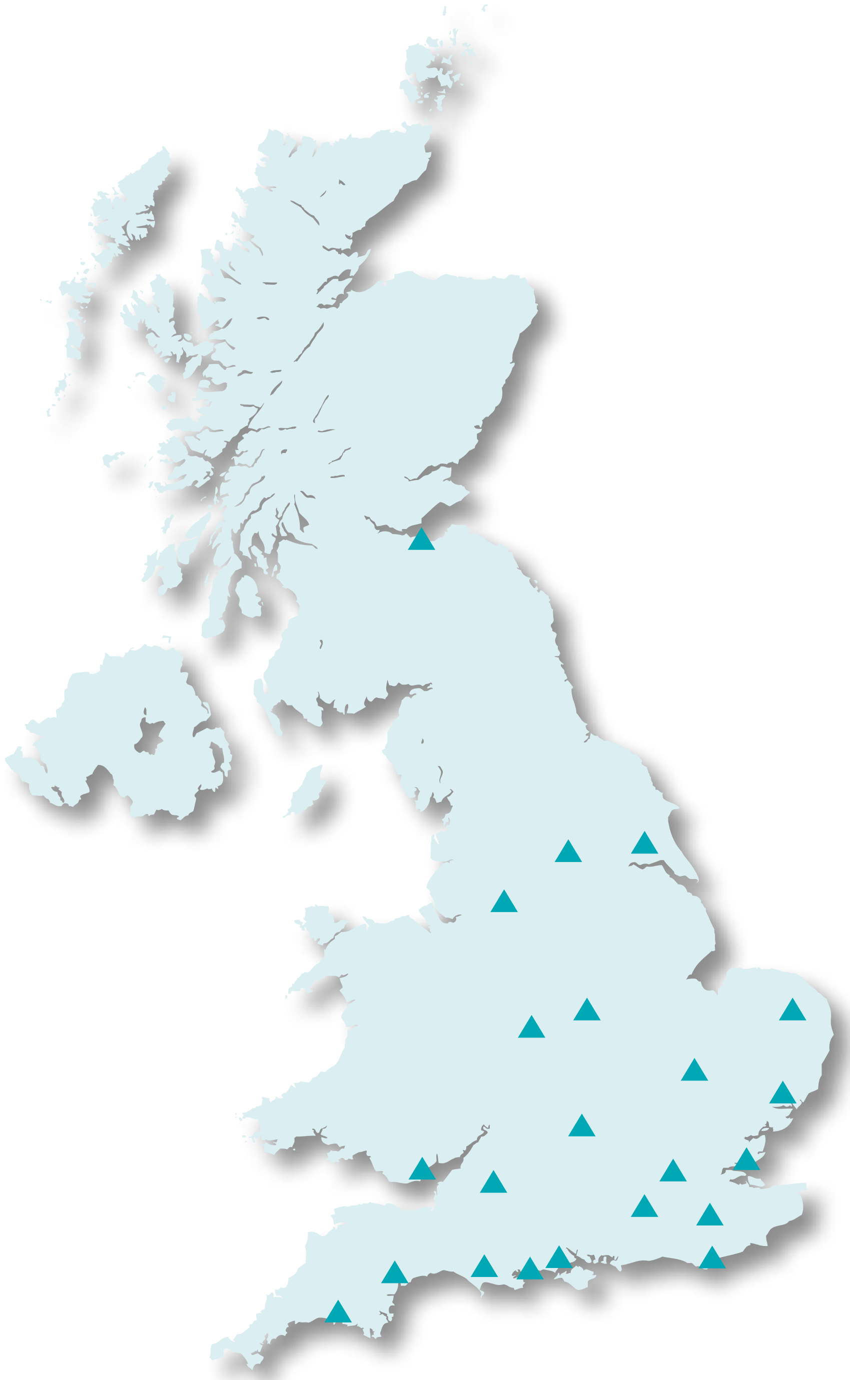
Where we are

We operate in 22 UK locations.

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



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