CHARLES STANLEY

Interim report and accounts

Six months ended 30 September 2017

Contents

Who we are

Charles Stanley is one of the UK's leading, independently-owned wealth managers tracing its origins back directly to 1792 and is one of the oldest firms on the London Stock Exchange. Charles Stanley provides holistic wealth management services to private clients, charities and smaller institutions. These are delivered by over 400 professionals located in 24 offices throughout the UK, both direct to clients and to intermediaries.

Over the years we have constantly refined our proposition to meet the changing needs of our clients. Our services include personalised investment portfolio management, pooled solutions, financial planning advice and an award-winning execution-only dealing platform, Charles Stanley Direct.

Our vision

Our vision is to become the UK's leading wealth manager by 2020.

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.

The continuing positive transformation across the business sees us on track to achieving this.

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.

For more information visit
charles-stanley.co.uk

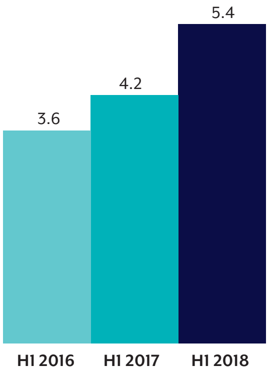
At a glance

Group highlights

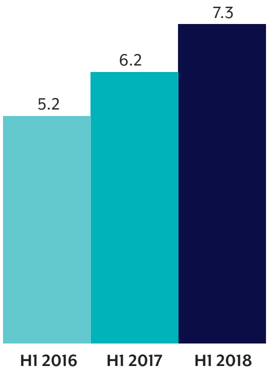
– Continued improvement in revenues and overall profitability
– Strategy remains on track
– Core Business[1] basic earnings per share up 9.8% on prior year
– Disposal of remaining non-core activity completed
– 21.9% year-on-year increase in the Group's regulatory capital resources
– H1 2018 dividend increased to 2.5 pence per share

Financial highlights

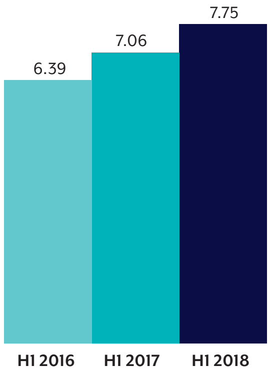
Core Business[1] profit before tax (£m)



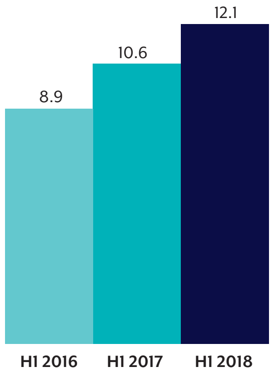
Core Business[1] operating margin (%)



Core Business[1] basic earnings per share (p)

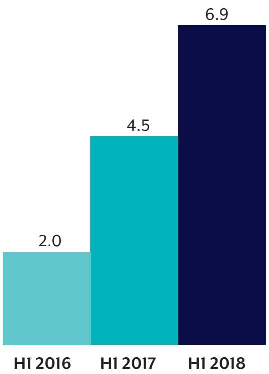


Discretionary funds (£bn)

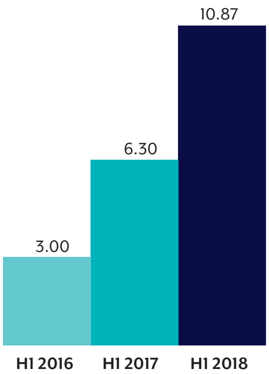


[1]The Core Business figures represent the results of our four main operating divisions, excluding held for sale activities and adjusting items.

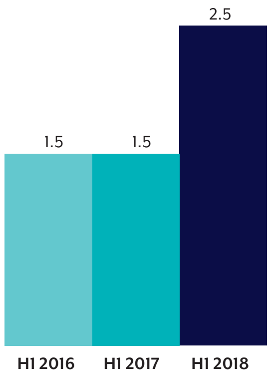
Reported profit before tax (£m)



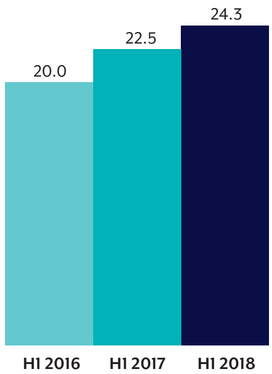
Reported basic earnings per share (p)



Dividend per share (p)



FuMA (£bn)



The four main operating divisions

Investment Management Services	Asset Management	Financial Planning	Charles Stanley Direct
Revenue	Revenue	Revenue	Revenue
H1 2018 **£64.6m** H1 2017 £59.8m	H1 2018 **£3.9m** H1 2017 £3.1m	H1 2018 **£2.9m** H1 2017 £2.4m	H1 2018 **£2.6m** H1 2017 £2.1m

Interim management report

Paul Abberley
Chief Executive Officer

Ben Money-Coutts
Chief Financial Officer

The Group has continued to make good progress during the first half of the financial year, with growth in Discretionary funds of 6.1% to £12.1 billion and a Core Business profit before tax of £5.4 million, representing a year-on-year increase of 28.6%.

First half review

During the first half, we finalised the disposal of our only remaining non-core activity, EBS Management PLC. That marked the completion of Charles Stanley's initial turnaround, a two-year initiative which has returned the Group to profitability by focusing on core wealth management activities.

Our unique proposition is a full-service, holistic offering provided through an autonomous investment manager model. The structure for delivering this on a profitable basis is in place. Consequently we are now focused on invigorating our sales channels, both external and internal, and on improving productivity throughout the business.

Revenue growth

Charles Stanley has a strong reputation for client satisfaction, exemplified by a recent independent survey confirming that 58% of our clients would recommend us to a family member, friend or colleague, compared to an industry average of 43%.

That reputation has underpinned the Group's annualised revenue growth. In the first six months that rate was 5% after taking account of losses associated with investment managers who departed following last year's variable remuneration restructuring. Much of this growth continues to be generated directly by our investment managers but an increasing proportion is beginning to be derived from our Intermediary Sales Team who accounted for £81 million, or 10%, of new funds during the period.

In addition to securing new FuMA we have a number of other initiatives in train to increase revenue. First, we are implementing new charging structures arising from a firm-wide pricing review. Second, we continue to promote our discretionary investment management services where it is appropriate for existing clients. We expect regulatory requirements will accelerate the shift from advisory to discretionary services. Third, we are devoting more resource to growing and integrating our financial planning proposition. Fourth, we are widening our distribution network by building links with external independent financial advisers (IFAs).

Elsewhere, and with a focus on cross-divisional cooperation, the Asset Management division has launched the Personal Portfolio Service. This service is designed for smaller clients and provides a range of risk-rated open-ended investment companies (OEICs) supported by a suitability overlay. Charles Stanley Direct has assisted this launch by promoting the range on its platform. Both Asset Management and Charles Stanley Direct continue to achieve good growth in revenue, 25.8% and 23.8% respectively.

Operational efficiency

Alongside our revenue-generating activities, we are seeking to improve our operating model in order to create capacity in the front office and efficiencies throughout our Support Functions. To that end, we have recently appointed a highly experienced Transformation Director to oversee the redesign and automation of end-to-end processes. His work will complement process change already being implemented within each division. Currently this includes upgrading systems in the Asset Management and Financial Planning divisions and seeking to standardise tools used by the Investment Management Services division.

Board changes and governance

During the first half, we welcomed Hugh Grootenhuis and Marcia Campbell to our Board as independent Non-executive Directors. Both have considerable experience and knowledge in contemporary wealth management practices and business operations. Together they will offer constructive scrutiny and challenge to the executive team.

These appointments mark the completion of the Board restructure which has been undertaken as part of a wider governance refresh. In part that has been done in anticipation of the Senior Managers and Certification Regime (SMCR), but it will also improve our operational efficiency and risk management.

Outlook

With global growth improving, the main threat to financial markets is inflation and higher interest rates. However, we are not seeing the effects of this trend yet so we forecast a supportive market backdrop for the next 6-12 months.

That said, in recent months, we have faced various headwinds. First, there is an unusually high level of regulatory change being introduced in 2018 which is expected to give rise to an additional IT and process change cost in the second half of approximately £0.9 million. Secondly, although overall share trading volumes have been in line with our expectations, the commission income generated from it in recent months has been lower because of mix variances. We will therefore need either a higher level of trading activity or other revenue increases to be generated in the second half in order to meet current market expectations.

Notwithstanding the note of caution, we remain confident about the long-term prospects for Charles Stanley. We are growing organically and have a fully engaged team in place working towards one clear objective: to be the UK's leading wealth manager.

Paul Abberley
Chief Executive Officer

Ben Money-Coutts
Chief Financial Officer

21 November 2017

First half financial review

The Group continued to make good progress during H1 2018. Overall FuMA grew 1.3% to £24.3 billion, with Discretionary funds up 6.1% to £12.1 billion. The growth in funds and improved mix resulted in revenue of the Core Business increasing 9.8% and an improved profit before tax of £5.4 million (H1 2017: £4.2 million), an increase of 28.6%. The operating margin of our Core Business has also increased from 6.2% in the prior year to 7.3% this. The Board has declared an interim dividend of 2.5 pence per share (H1 2017: 1.5 pence per share), an increase of 67%, payable on 19 January 2018.

FuMA movements

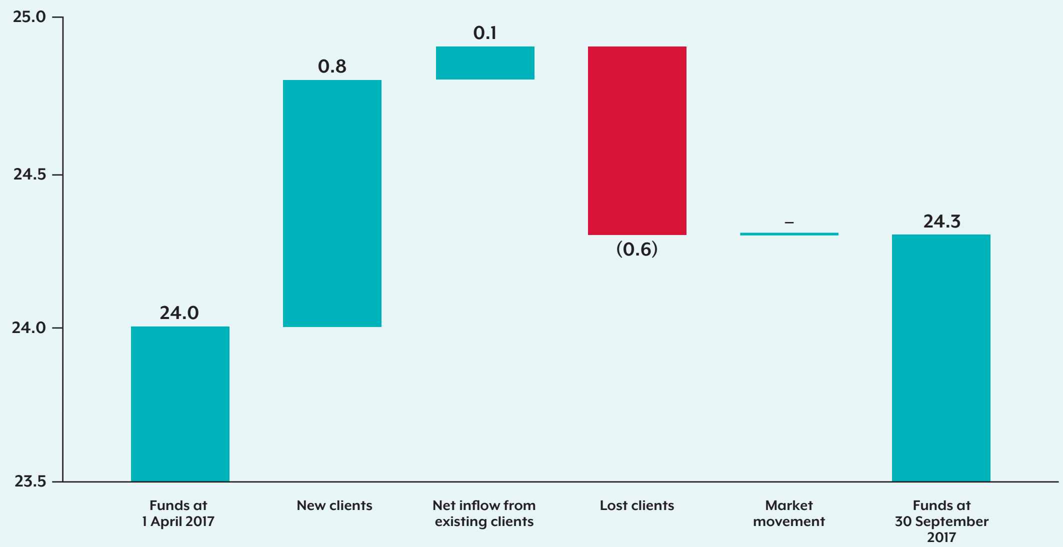
	30 September 2017 £bn	31 March 2017 £bn	Change %
Discretionary funds	**12.1**	11.4	6.1
Advisory Managed funds	**2.2**	2.4	(8.3)
Total managed funds	**14.3**	13.8	3.6
Advisory Dealing funds	**1.7**	1.8	(5.6)
Execution-only funds	**8.3**	8.4	(1.2)
Total administered funds	**10.0**	10.2	(2.0)
Total FuMA	**24.3**	24.0	1.3
FTSE UK Private Investor Balanced Index	**4,119**	4,122	(0.1)

FuMA reached £24.3 billion at 30 September 2017, representing a 1.3% increase from the £24.0 billion position at 31 March 2017. During the same period the markets remained relatively flat, with the FTSE UK Private Investor Balanced Index down 0.1%.

Discretionary funds increased by £0.7 billion or 6.1% in H1 2018. Advisory Managed and Advisory Dealing funds reduced as efforts continued to upgrade existing clients from these services into discretionary services where appropriate. Execution-only funds fell by 1.2% overall comprising an increase of 8.7% (£0.2 billion) in Charles Stanley Direct funds offset by a reduction in the voice-brokered Execution-only book (£0.3 billion).

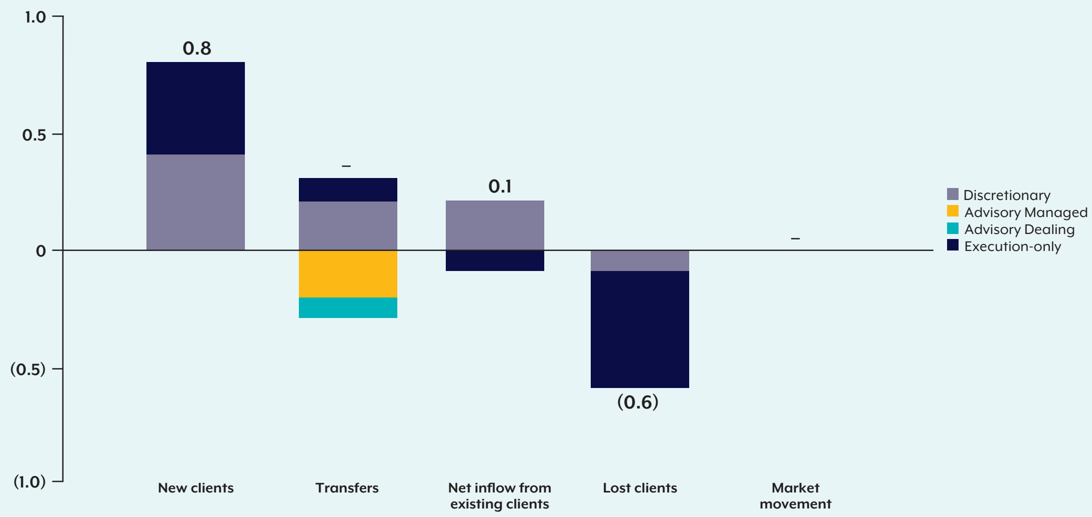
The £0.3 billion net increase in FuMA comprised of inflows from new (£0.8 billion) and existing (£0.1 billion) clients, offset by £0.6 billion of lost clients, of which £0.3 billion (50%) was accounted for by clients of departed investment managers. Adjusting for these, the underlying annualised rate of growth of FuMA was 5%.

FuMA flows (£bn)



As shown below the new inflows of £0.8 billion in the period were equally split across Discretionary and Execution-only services, whereas outflows were predominantly Execution-only funds relating to departed investment managers.

FuMA flows by service (£bn)



Results and Performance

The Group's financial performance for the six months ended 30 September 2017 and the comparative period to 30 September 2016 is summarised in the tables on the next page. These tables show the results of the Core Business (comprising the Investment Management Services, Asset Management, Financial Planning and Charles Stanley Direct divisions), the held for sale activities (EBS Management PLC, disposed of on 31 May 2017), and various adjusting items.

The held for sale figures for the period ended 30 September 2016 have been restated to bring them in line with the current period disclosures where the results of EBS Management PLC are excluded from the Core Business and shown separately.

In addition, so as to conform with the accounting treatment of the dilapidations arising in respect of the Group's London headquarters adopted for the year ended 31 March 2017, the charge of £0.9 million recognised in respect of leasehold dilapidations in the prior year has been retrospectively capitalised on the balance sheet in the form of leasehold improvements and depreciated over the remaining life of the lease. Consequently, the adjusting items and reported performance numbers contained within the Interim report and accounts for the six months ended 30 September 2016 have been restated by this amount. The Core Business comparative results were not impacted by this accounting restatement.

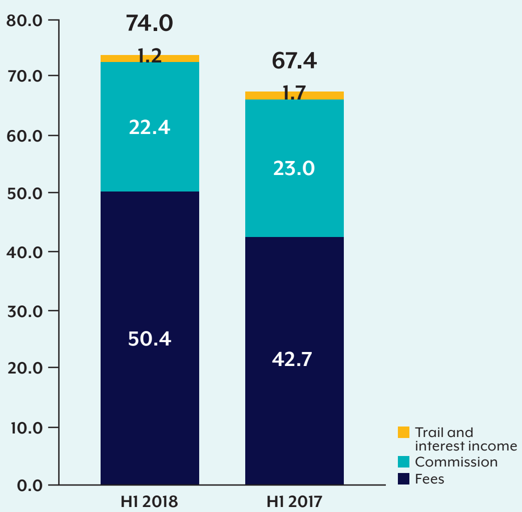
	Core Business £m	Held for sale £m	Adjusting items £m	Reported performance £m
Six months ended 30 September 2017				
Revenue	**74.0**	**0.6**	**–**	**74.6**
Expenses	**(69.0)**	**(0.6)**	**(1.1)**	**(70.7)**
Other income	**0.2**	**–**	**–**	**0.2**
Operating profit/(loss)	**5.2**	**–**	**(1.1)**	**4.1**
Net finance income	**0.2**	**–**	**2.6**	**2.8**
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**

	Core Business £m	Held for sale £m	Adjusting items £m	Reported performance £m
Six months ended 30 September 2016				
Revenue	67.4	1.4	–	68.8
Expenses	(63.9)	(1.4)	(3.4)	(68.7)
Other income	0.2	–	–	0.2
Operating profit/(loss)	3.7	–	(3.4)	0.3
Net finance income	0.5	–	3.7	4.2
Profit before tax	4.2	–	0.3	4.5
Tax expense	(0.7)	–	(0.6)	(1.3)
Profit/(loss) after tax	3.5	–	(0.3)	3.2

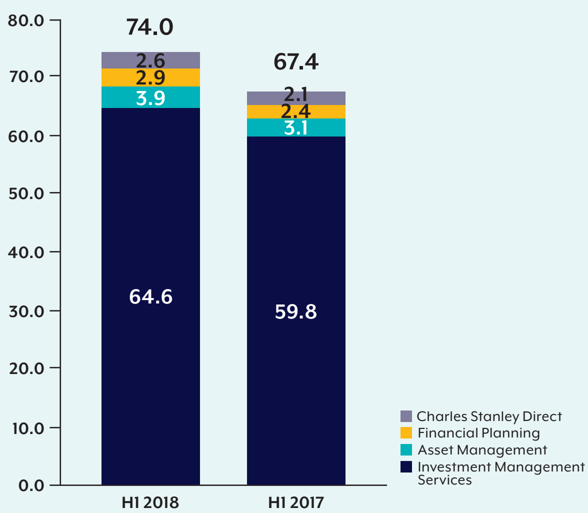
Core Business revenue

Revenue from the Core Business increased by 9.8% (£6.6 million) to £74.0 million in the period. The movements by revenue type and by division are illustrated in the charts below.

Core Business revenue by type (£m)



Core Business revenue by division (£m)



Fee income increased by £7.7 million compared to prior year. This was driven by an increase in fee margins following a gradual introduction of new fee structures, growth in assets from new business, clients migrating to our discretionary services and an improvement in markets since the prior period. This positive movement was partly offset by the impact of lost clients from departed investment managers and a reduction in commission and interest income.

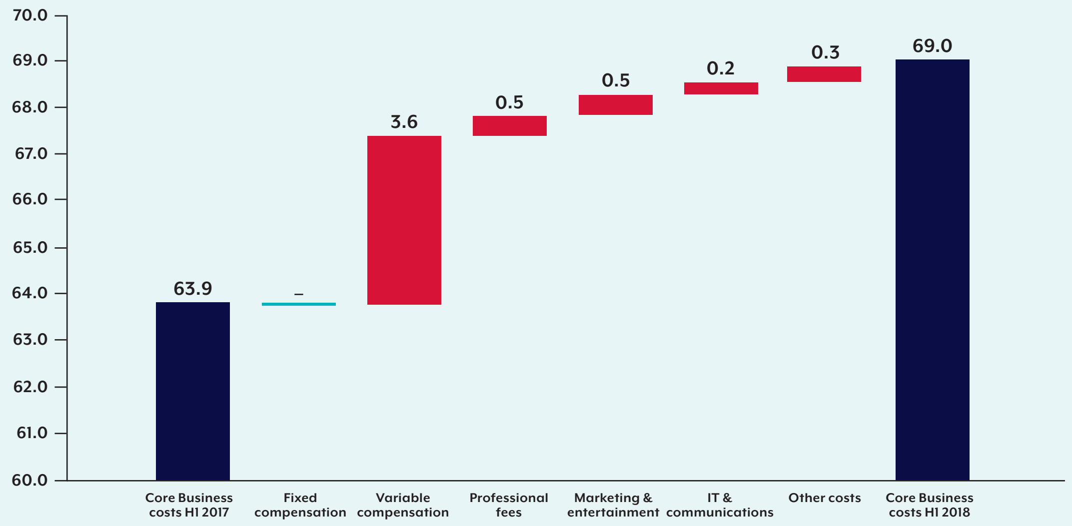
Core Business expenditure

Core Business expenditure increased by £5.1 million (8.0%) on prior year to £69.0 million. An increase in variable remuneration of £3.6 million was primarily driven by the increase in revenue noted above, along with the expense for the new employed investment managers' share option arrangements granted in June 2017 (£0.8 million). Fixed employment costs remained flat on prior year as savings resulting from a 2.4% reduction in headcount were offset by costs for termination payments and temporary contractors following the restructure of certain departments.

Marketing costs increased by £0.5 million compared to H1 2017, representing additional spend on marketing campaigns and brand awareness initiated by the Group to promote new business. Higher professional fees (£0.5 million) and IT & communications costs (£0.2 million) were also incurred during H1 2018 primarily in connection with the implementation of new regulatory requirements.

A reconciliation of the year-on-year increase in Core Business expenditure is shown below.

Core Business expenditure (£m)



Core Business profit

The Core Business profit before tax of £5.4 million was ahead of prior year by £1.2 million, showing continued progress as the Board's strategy is implemented. The Core Business operating margin for H1 2018 was 7.3% (H1 2017: 6.2%, FY 2017: 7.1%).

Divisional results

The table below shows the H1 2018 results at a divisional level, with the H1 2017 comparatives restated for the exclusion of EBS Management PLC's results so as to present performance on a like-for-like basis.

	Investment Management Services £m	Asset Management £m	Financial Planning £m	Charles Stanley Direct £m	Core Business £m
Six months ended 30 September 2017					
Revenue	**64.6**	**3.9**	**2.9**	**2.6**	**74.0**
Expenditure	**(58.2)**	**(3.4)**	**(4.1)**	**(3.3)**	**(69.0)**
Other income	**0.2**	**–**	**–**	**–**	**0.2**
Operating profit/(loss)	**6.6**	**0.5**	**(1.2)**	**(0.7)**	**5.2**
Net finance income	**0.2**	**–**	**–**	**–**	**0.2**
Profit/(loss) before tax	**6.8**	**0.5**	**(1.2)**	**(0.7)**	**5.4**

	Investment Management Services £m	Asset Management £m	Financial Planning £m	Charles Stanley Direct £m	Core Business £m
Six months ended 30 September 2016					
Revenue	59.8	3.1	2.4	2.1	**67.4**
Expenditure	(54.0)	(2.7)	(4.4)	(2.8)	**(63.9)**
Other income	0.2	–	–	–	**0.2**
Operating profit/(loss)	6.0	0.4	(2.0)	(0.7)	**3.7**
Net finance income	0.5	–	–	–	**0.5**
Profit/(loss) before tax	6.5	0.4	(2.0)	(0.7)	**4.2**

Investment Management Services

The Investment Management Services division provides personal investment services to individuals, companies, trusts and charities and includes dealing, custody and administration services.

	H1 2018 £m	H1 2017 £m	Change %
Revenue	**64.6**	59.8	8.0
Direct costs	**(34.7)**	(30.6)	13.4
Other income	**0.2**	0.2	–
Contribution	**30.1**	29.4	2.4
Allocated costs	**(23.5)**	(23.4)	0.4
Operating profit	**6.6**	6.0	10.0

	H1 2018	H1 2017
Contribution margin	**46.6%**	49.2%
Operating margin	**10.2%**	10.0%

The financial performance of the Investment Management Services division is largely driven by the value and mix of FuMA, the revenue margin earned on these assets and the operating costs associated with managing them.

FuMA increased from £20.3 billion at 31 March 2017 to £20.5 billion during the period. The biggest increase was in Discretionary funds which grew by £0.6 billion (5.8%) as a result of new client inflows (£0.4 billion) and from upgrades out of the Advisory Managed service (£0.2 billion). The division also transferred £0.05 billion of assets primarily from the Execution-only book to the Charles Stanley Direct platform as Investment Management Services focuses increasingly on discretionary services.

Revenue for the division grew by 8% compared to prior year. The growth was primarily in fee income which increased by £6.5 million. This was driven by a combination of higher FuMA, new fee structures and more clients electing for a clean, fee-only charge in preference to fees plus commission. For the same reason, commission income reduced by £1.1 million.

The division's direct expenditure base increased by £4.1 million or 13.4% on prior year. The key contributors to this increase were higher variable compensation (£2.0 million) as a result of revenue growth, the accounting charge for the investment managers' share options granted in June 2017 (£0.8 million), increased spend on marketing (£0.4 million), and higher project-related costs (£0.5 million). The costs allocated from Support Functions remained stable compared to the prior period.

The Investment Management Services division continues to be restructured to ensure underlying processes are streamlined and each team is best placed to better serve clients and grow new business. Business development activity is focused both internally, through cross-selling with the other divisions, and externally by enhancing intermediary sales and investing in marketing events and prospects.

The regional network of offices continues to perform well and consolidation of offices is being carried out in certain locations where appropriate. We are currently preparing for the Reading and Oxford teams to move into one building and similarly for Wimborne, Isle of Wight and Southampton to consolidate into a new, larger office in Southampton.

Asset Management

The Asset Management division provides specialist asset management services through a range of funds, active and passive model portfolios, and an Inheritance Tax Portfolio Service. It also provides fiduciary advisory services to smaller defined benefit pension funds.

	H1 2018 £m	H1 2017 £m	Change %
Revenue	**3.9**	3.1	25.8
Direct costs	**(2.2)**	(1.5)	46.7
Contribution	**1.7**	1.6	6.3
Allocated costs	**(1.2)**	(1.2)	–
Operating profit	**0.5**	0.4	25.0

Contribution margin	**43.6%**	51.6%
Operating margin	**12.8%**	12.9%

The division's total FuM increased by 6.4% to £1.3 billion. This helped to drive an increase in revenue of £0.8 million compared to the first half of the prior financial year.

A major initiative by the division during the period was the launch of a range of risk-rated multi-asset OEICs to provide a solution for our smaller clients. The funds, which are branded as the Personal Portfolio Service, were soft-launched in April 2017 and currently have £34.1 million invested by clients who have transferred across. The launch of this service contributed to the year-on-year increase in the division's direct costs.

In the first instance the operation of the Personal Portfolio Service is a loss leader because the costs of the underlying OEICs are currently being subsidised to keep them at an acceptable level for investors. Once the OEICs reach critical mass, estimated to be approximately £100 million, they are expected to become profitable for the Group. A print and digital marketing campaign is planned for these funds during the second half of the financial year to attract further inflows.

The division's fiduciary management business continues to win new business and has a strong pipeline. Similarly, active and passive model portfolios are both growing, with further growth to come from a new arrangement with a major national firm of IFAs and a marketing campaign focused on the IFA industry.

Financial Planning

The Financial Planning division provides financial planning and advice. The comparative figures shown below have been restated to exclude EBS Management PLC's results which were previously reported as part of this division's results.

	H1 2018 £m	H1 2017 £m	Change %
Revenue	**2.9**	2.4	20.8
Direct costs	**(3.1)**	(2.5)	24.0
Contribution	**(0.2)**	(0.1)	100.0
Allocated costs	**(1.0)**	(1.9)	(47.4)
Operating loss	**(1.2)**	(2.0)	(40.0)

Contribution margin	**(6.9%)**	(4.2%)
Operating margin	**(41.4%)**	(83.3%)

Over the past twelve months, the Financial Planning division has been reorganised with additional high-calibre individuals recruited. This has helped increase revenue but has also led to an increase in direct costs including redundancy payments and recruitment costs.

In conjunction with hiring new planners, marketing activity has been stepped up, both externally and within Charles Stanley, to increase awareness of the services provided. This will take time to gain momentum but the early signs are encouraging.

During the past six months the division has undergone a major project to replace its operating system with Intelliflo. This system, once fully operational, is expected to support better the division's increased level of business and result in improved efficiencies.

For the longer term the provision of financial planning advice alongside investment management services will be a key component to delivering value to customers and growth for the Group. To deliver this the division intends to recruit more financial planners so long as candidates meet strict quality criteria. Such recruitment may act as a short-term drag on profitability but is intended to accelerate growth and the quality of the division's earnings over the medium to longer term. The division is currently engaged in conversations with a number of candidates.

Charles Stanley Direct

Charles Stanley Direct provides direct-to-client online and telephone-based dealing services within general investment accounts and tax-efficient wrappers.

	H1 2018 £m	H1 2017 £m	Change %
Revenue	**2.6**	2.1	23.8
Direct costs	**(1.8)**	(1.2)	50.0
Contribution	**0.8**	0.9	(11.1)
Allocated costs	**(1.5)**	(1.6)	(6.3)
Operating loss	**(0.7)**	(0.7)	–

Contribution margin	**30.8%**	42.9%
Operating margin	**(26.9%)**	(33.3%)

Charles Stanley Direct's assets under administration grew by 8.7% to £2.5 billion during the period. This growth has been achieved both as a result of the division continuing to win new clients (£0.2 billion) and through encouraging smaller Execution-only clients of the Investment Management Services division, who can benefit from Charles Stanley Direct's lower charging structure, to transfer across (£0.05 billion).

The division is also supporting the recent launch of the Charles Stanley Multi Asset OEIC Fund range and the Monthly High Income Fund by offering these direct to clients online.

In recent months, the principal focus of Charles Stanley Direct has been the launch of new iOS and Android mobile applications. Development continues apace with a release schedule throughout 2018 aimed at repositioning the app from being a retention feature for existing clients to an acquisition tool for the next generation. Near-term upgrades will introduce account opening, full registration, deposit-taking and trading.

Support Functions

The costs incurred by the Group's Support Functions are either charged directly to the four main operating divisions, for example market data costs, or recharged as an allocated cost. Ongoing costs for all Support Functions reduced marginally by 1.5% to £26.8m compared to H1 2017. General savings achieved from the introduction of operational efficiencies across the back office functions during the period were largely offset by an increased spend on compliance-related projects and higher regulatory fees.

Adjusting items

The Board considers the Core Business profit before tax and earnings per share to be a better reflection of underlying business performance than the statutory figures reported in the financial statements. To calculate the Core Business results the Board has excluded certain adjusting items totalling a net credit of £1.5 million. An explanation of these adjusting items, together with a reconciliation of profits, is provided below:

	H1 2018 £m	H1 2017 £m
Reported profit before tax	**6.9**	4.5
Gain on disposal of EBS Management PLC	**(0.7)**	–
Gain on part-sale of shares held in Euroclear PLC	**(1.9)**	–
Accelerated depreciation of leasehold improvements	**0.6**	–
Amortisation of client relationships	**0.5**	0.7
London office rationalisation		
1. Net gain on surrender of long-term lease	**–**	(3.2)
2. Overlapping rent and occupancy costs	**–**	1.9
3. Dilapidations[1]	**–**	–
Impairment of intangibles	**–**	0.7
Gain on part-sale of shares held in Runpath Group Limited	**–**	(0.4)
Net credit from adjusting items	**(1.5)**	(0.3)
Profit from held for sale activities	**–**	–
Core Business profit before tax	**5.4**	4.2

[1]The H1 2017 Interim report and accounts included an adjustment of £0.9 million which has been restated in line with the accounting treatment and disclosure contained within the Annual report and accounts 2017.

Gain on disposal of EBS Management PLC: (£0.7 million credit)
On 31 May 2017, the Group completed the disposal of EBS Management PLC to Embark Group Limited for initial cash consideration of £2.0 million and deferred consideration of up to £2.0 million payable on the first and second anniversary of the completion date. A profit on disposal of £0.7 million was recognised.

Gain on part-sale of shares held in Euroclear PLC: (£1.9 million credit)
In April 2017, the Group participated in a share buyback tender offer by Euroclear PLC. This resulted in the sale of approximately 60% of the Group's holding in Euroclear PLC, giving rise to a profit on disposal of £1.9 million.

Accelerated depreciation of leasehold improvements: (£0.6 million expense)
Following the recognition of leasehold dilapidations in respect of the Group's London headquarters in the year ended 31 March 2017, the Group undertook a review of its branch network and obligations for dilapidations arising there from. Consequently, a provision of £0.9 million for leasehold dilapidations in respect of the Group's branch network was recognised in the statement of financial position, with a corresponding amount shown as an addition to leasehold improvements. The charge of £0.6 million recognised in H1 2018 represents the accelerated depreciation of these leasehold improvements for the expired portion of the various branch leases and is therefore shown as an adjusting item.

Amortisation of client relationships: (£0.5 million expense)
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 is excluded from the Core Business profit on the basis that it is a significant non-cash item.

Taxation

The tax charge for the period was £1.3 million (H1 2017: £1.3 million) representing an effective tax rate of 19.6% (H1 2017: 29.0%). Excluding the adjusting items, the effective tax rate is around 26%. The prior year effective tax rate was significantly higher due to the disposal of fixed assets not allowable for tax purposes following the London office relocation. A detailed reconciliation between the standard and effective rate of UK corporation tax is provided in note 9 of the Interim financial statements.

Regulatory capital resources

Charles Stanley & Co. Limited, the Group's main operating subsidiary, is an IFPRU 125k Limited Licence Firm regulated by the UK's Financial Conduct Authority. In view of this, the Group is classified as a regulated group and 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 2017, the Group had regulatory capital resources of £65.0 million (H1 2017: £53.4 million).

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 Group's ICAAP was last reviewed and approved by the Board in November 2017.

Earnings per share

The Group's reported basic earnings per share for the first half was 10.87 pence (H1 2017: 6.30 pence). The Core Business earnings per share increased to 7.75 pence from 7.06 pence in the prior year.

Dividends

The Board has declared an interim dividend of 2.5 pence per share (September 2016: 1.5 pence per share) which will be paid on 19 January 2018 to shareholders on the register on 15 December 2017.

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 Disclosure Guidance and Transparency Rules (DTR) 4.2.7R. This includes 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. The principal risks and uncertainties facing the Group for the remaining six months of the financial year are substantially the same as those described in the Annual report and accounts for the year ended 31 March 2017

c) The Interim management report includes a fair review of information required by DTR 4.2.8R. No related party transactions took place during the period to 30 September 2017 that had a material effect on the financial position or performance of the Group.

By order of the Board

Julie Ung
Company Secretary
21 November 2017

Independent review report to Charles Stanley Group PLC

Six months ended 30 September 2017

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 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 2017 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 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 FCA.

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 2017

Condensed consolidated income statement
Six months ended 30 September 2017

	Notes	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 Restated £000	Audited Year ended 31 March 2017 £000
Revenue	3	**74,580**	68,835	141,630
Administrative expenses	3	**(70,686)**	(68,041)	(136,122)
Impairment of intangible assets	3	**–**	(650)	(650)
Other income	3	**184**	155	186
Operating profit		**4,078**	299	5,044
Gain on surrender of lease		**–**	5,550	5,550
Loss on disposal of fixed assets		**(7)**	(2,190)	(2,199)
Gain on sale of business	5	**707**	42	148
Gain on sale of corporate investments		**1,930**	422	423
Impairment of corporate loans		**–**	–	(500)
Finance income		**171**	418	397
Finance costs		**(27)**	(44)	(64)
Net finance and other non-operating income		**2,774**	4,198	3,755
Profit before tax		**6,852**	4,497	8,799
Tax expense	9	**(1,343)**	(1,306)	(2,539)
Profit for the period attributable to owners of the Parent Company		**5,509**	3,191	6,260
Earnings per share				
Basic	6	**10.87p**	6.30p	12.35p
Diluted	6	**10.73p**	6.29p	12.34p

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

The notes on pages 25 to 47 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

Six months ended 30 September 2017

	Notes	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 Restated £000	Audited Year ended 31 March 2017 £000
Profit for the period		**5,509**	3,191	6,260
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Remeasurement of the defined benefit scheme obligation	8	**1,160**	(5,221)	(1,093)
Related tax		**(186)**	958	81
		974	(4,263)	(1,012)
Items that are or may be reclassified to profit or loss				
Available-for-sale financial assets – unrealised gains and losses	12	**562**	387	737
Available-for-sale financial assets – realised gains and losses reclassified to profit or loss	12	**(2,345)**	160	170
Related tax		**359**	(199)	(195)
		(1,424)	348	712
Other comprehensive income for the period, net of tax		**(450)**	(3,915)	(300)
Total comprehensive income for the period attributable to owners of the Parent Company		**5,059**	(724)	5,960

The notes on pages 25 to 47 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of financial position

As at 30 September 2017

Assets	Notes	Unaudited 30 September 2017 £000	Unaudited 30 September 2016 Restated £000	Audited 31 March 2017 £000
Intangible assets	10	**20,206**	23,896	21,220
Property, plant and equipment	11	**10,079**	9,974	9,976
Net deferred tax asset		**1,764**	2,866	1,878
Available-for-sale financial assets	12	**5,833**	7,698	5,626
Trade and other receivables		**922**	500	–
Non-current assets		**38,804**	44,934	38,700
Trade and other receivables		**108,888**	164,328	144,673
Financial assets at fair value through profit or loss		**53**	50	73
Available-for-sale financial assets	12	**864**	–	2,450
Assets held for sale		**–**	–	8,965
Cash and cash equivalents		**56,554**	54,903	52,101
Current assets		**166,359**	219,281	208,262
Total assets		**205,163**	264,215	246,962
Equity				
Share capital	13	**12,674**	12,671	12,672
Share premium	13	**4,440**	4,423	4,429
Own shares		**(95)**	–	–
Revaluation reserve		**1,954**	3,014	3,378
Merger relief reserve		**15,167**	15,167	15,167
Retained earnings		**58,656**	47,624	53,424
Equity attributable to owners of the Parent Company		**92,796**	82,899	89,070
Non-controlling interests		**24**	24	24
Total equity		**92,820**	82,923	89,094
Liabilities				
Employee benefits	8	**8,827**	15,237	10,528
Provisions	15	**1,699**	940	1,108
Non-current liabilities		**10,526**	16,177	11,636
Trade and other payables		**98,176**	159,955	141,509
Current tax liabilities		**663**	1,018	994
Provisions	15	**2,978**	4,142	2,162
Liabilities held for sale		**–**	–	1,567
Current liabilities		**101,817**	165,115	146,232
Total liabilities		**112,343**	181,292	157,868
Total equity and liabilities		**205,163**	264,215	246,962

Approved by the Board of Charles Stanley Group PLC (company number 48796) on 21 November 2017 and signed on its behalf by:

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

The notes on pages 25 to 47 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

Six months ended 30 September 2017

	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 25 to 47 are an integral part of these condensed consolidated financial statements.

	Share capital £000	Share premium £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
1 April 2016	12,669	4,402	2,666	15,167	50,461	85,365	24	85,389
Profit for the period (restated)	–	–	–	–	3,191	3,191	–	3,191
Other comprehensive income:								
Revaluation of available-for-sale financial assets:								
– unrealised gains and losses	–	–	387	–	–	387	–	387
– realised gains and losses transferred to profit or loss	–	–	160	–	–	160	–	160
Deferred tax on available-for-sale financial assets	–	–	(199)	–	–	(199)	–	(199)
Remeasurement of defined benefit scheme liability:								
– actuarial loss in the period	–	–	–	–	(5,221)	(5,221)	–	(5,221)
– deferred tax movement on scheme liability	–	–	–	–	958	958	–	958
Total other comprehensive income for the period (restated)	–	–	348	–	(4,263)	(3,915)	–	(3,915)
Total comprehensive income for the period	–	–	348	–	(1,072)	(724)	–	(724)
Dividends paid	–	–	–	–	(1,774)	(1,774)		(1,774)
Share-based payments:								
– value of employee services	–	–	–	–	9	9	–	9
– issue of shares	2	21	–	–	–	23	–	23
30 September 2016 (unaudited) (restated)	12,671	4,423	3,014	15,167	47,624	82,899	24	82,923

The notes on pages 25 to 47 are an integral part of these condensed consolidated financial statements.

	Share capital £000	Share premium £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
1 October 2016 (restated)	12,671	4,423	3,014	15,167	47,624	82,899	24	82,923
Profit for the period (restated)	–	–	–	–	3,069	3,069	–	3,069
Other comprehensive income:								
Revaluation of available-for-sale financial assets:								
– unrealised gains and losses	–	–	350	–	–	350	–	350
– realised gains and losses transferred to profit or loss	–	–	10	–	–	10	–	10
Deferred tax on available-for-sale financial assets	–	–	4	–	–	4	–	4
Remeasurement of defined benefit scheme liability:								
– actuarial gain in the period	–	–	–	–	4,128	4,128	–	4,128
– deferred tax movement on scheme liability	–	–	–	–	(978)	(978)	–	(978)
– current tax relief	–	–	–	–	101	101	–	101
Total other comprehensive income for the period	–	–	364	–	3,251	3,615	–	3,615
Total comprehensive income for the period (restated)	–	–	364	–	6,320	6,684	–	6,684
Dividends paid	–	–	–	–	(760)	(760)		(760)
Share-based payments:								
– value of employee services	–	–	–	–	240	240	–	240
– issue of shares	1	6	–	–	–	7	–	7
31 March 2017 (audited)	12,672	4,429	3,378	15,167	53,424	89,070	24	89,094

The notes on pages 25 to 47 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows

Six months ended 30 September 2017

	Notes	**Unaudited Six months ended 30 September 2017 £000**	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Cash flows from operating activities				
Cash generated from operating activities	17	**2,694**	4,063	10,688
Interest received		**171**	154	195
Interest paid		**(27)**	(44)	(63)
Tax paid		**(1,387)**	(234)	(1,367)
Net cash from operating activities		**1,451**	3,939	9,453
Cash flows from investing activities				
Proceeds from surrender of lease		**–**	5,550	5,550
Acquisition of intangible assets		**(355)**	(674)	(1,089)
Purchase of property, plant and equipment		**(622)**	(1,686)	(2,562)
Purchase of available-for-sale financial assets		**(1,008)**	(1,540)	(1,842)
Proceeds from sale of available-for-sale financial assets		**2,094**	1,315	1,642
Net cash (outflow)/inflow from disposal of business		**(1,256)**	1,180	1,180
Dividends received		**184**	155	186
Net cash (used in)/generated from investing activities		**(963)**	4,300	3,065
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**13**	–	30
Purchase of ordinary shares for employee share schemes		**(95)**	23	–
Dividends paid		**(2,281)**	(1,774)	(2,534)
Net cash used in financing activities		**(2,363)**	(1,751)	(2,504)
Net (decrease)/increase in cash and cash equivalents		**(1,875)**	6,488	10,014
Cash and cash equivalents at start of period		**58,429**	48,415	48,415
Cash and cash equivalents at end of period		**56,554**	54,903	58,429
Cash and cash equivalents shown in current assets		**56,554**	54,903	52,101
Cash classified as assets held for sale		**–**	–	6,328
Cash and cash equivalents at end of period		**56,554**	54,903	58,429

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 25 to 47 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, UK, EC2N 3AS.

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 2017, which were prepared under IFRSs as adopted by the EU and 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

The financial statements for the six months ended 30 September 2016 have been restated to reclassify a leasehold dilapidations expense of £0.9 million recognised during that period.

The restatement resulted in an increase of £0.9 million in both the carrying value of property, plant and equipment and the profit after tax in the financial statements for the six months ended 30 September 2016. There was no tax impact resulting from the restatement. The retained earnings at this date have therefore been restated from £46.7 million to £47.6 million. The earnings per share and diluted earnings per share reported in the prior year were both 4.44 pence. Following the restatement, these have increased to 6.30 pence and 6.29 pence respectively. This reclassification was reflected in the financial statements for the year ended 31 March 2017, therefore no restatement has been made to comparatives for that year.

Certain other comparative figures have been amended to reflect presentational changes in the current period.

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 2017 to 31 March 2019 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 2017. The Group has not adopted any new accounting standards, amendments to standards or new interpretations during the period.

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 April 2018. The following new standards are not applicable to these financial statements but are expected to have an impact when they become effective. The Group plans to apply these standards in the reporting period in which they become effective.

2.5.1 IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and measurement. It includes new guidance on the classification, measurement and impairment of financial instruments. IFRS 9 is effective for annual periods commencing on or after 1 January 2018. The Group has not adopted this standard early.

The Group has conducted a preliminary assessment of the impact of adopting IFRS 9 based on its financial instruments at 30 September 2017.

The primary impact on the financial statements is expected to be the change in classification of financial assets. The IAS 39 categories of available-for-sale, loans and receivables and held to maturity no longer exist. Financial assets will fall into one of three categories under IFRS 9: amortised cost, fair value through profit or loss, or fair value through other comprehensive income. The Group is well advanced in its categorisation of financial assets under the new standard.

The Group has not identified any material differences in the measurement of financial assets under IFRS 9. The classification and measurement of financial liabilities remains unchanged from IAS 39, therefore no impact is anticipated on the Group's financial liabilities on adoption of the new standard.

IFRS 9 introduces a new expected credit loss impairment model to replace the incurred loss model in IAS 39. Based on both past experience and an assessment of the Group's credit risk exposures relating to its existing financial instruments, the new impairment model is not expected to have a material impact on the financial statements.

2.5.2 IFRS 15 Revenue from Contracts with Customers

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. IFRS 15 is effective for periods commencing on or after 1 January 2018. The Group has not adopted this standard early.

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. The Group has performed an initial review of its existing revenue streams and costs associated with obtaining contracts. Based on this review, the adoption of IFRS 15 is not expected to have a material impact on the financial statements.

2.5.3 IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases. It eliminates the classification of leases as either operating leases or finance leases. Any leases with more than 12 months' term are to be recognised as an asset in the statement of financial position with the related future lease obligations shown as a liability. IFRS 16 is effective for annual periods commencing on or after 1 January 2019. The Group does not intend to adopt this standard early.

The Group has yet to carry out a full review of the impact of IFRS 16. However, based on an initial high-level assessment of the standard, the 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. Operating lease expenses currently recognised directly in the income statement will be replaced by depreciation and interest charges, which for individual leases will result in higher interest charges in early years of the lease compared to later years. These changes are expected to be material to the financial statements of the Group, although the amount of the impact has not yet been quantified.

2.6 Use of judgements, estimates and assumptions

In preparing the condensed consolidated financial statements the Directors have made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. There have been no material changes to the judgements, estimates and assumptions used in preparing the Group's Annual report and accounts for the year ended 31 March 2017.

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 Board, which 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 2017						
Investment management fees	38,059	2,182	615	–	–	40,856
Administration fees	5,371	1,252	2,850	1,902	–	11,375
Total fees	43,430	3,434	3,465	1,902	–	52,231
Commission	21,152	460	16	721	–	22,349
Total revenue	64,582	3,894	3,481	2,623	–	74,580
Administrative expenses	(35,838)	(2,127)	(3,588)	(1,806)	(27,327)	(70,686)
Other income	184	–	–	–	–	184
Operating contribution	28,928	1,767	(107)	817	(27,327)	4,078
Allocated costs	(23,510)	(1,273)	(1,081)	(1,460)	27,324	–
Operating profit/(loss)	5,418	494	(1,188)	(643)	(3)	4,078
Segment assets	193,698	487	3,298	7,386	294	205,163
Segment liabilities	109,424	–	1,395	1,524	–	112,343

Note
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 £000	Asset Management £000	Financial Planning £000	Charles Stanley Direct £000	Support Functions £000	Total £000
Six months ended 30 September 2016 (restated)						
Investment management fees	31,132	1,716	295	–	–	33,143
Administration fees	6,399	1,079	3,453	1,701	–	12,632
Total fees	37,531	2,795	3,748	1,701	–	45,775
Commission	22,280	325	15	440	–	23,060
Total revenue	59,811	3,120	3,763	2,141	–	68,835
Administrative expenses	(31,618)	(2,762)	(2,422)	(1,263)	(29,976)	(68,041)
Impairment of intangible assets	–	–	–	–	(650)	(650)
Other income	155	–	–	–	–	155
Operating contribution	28,348	358	1,341	878	(30,626)	299
Allocated costs	(23,411)	(1,598)	(1,788)	(1,526)	28,323	–
Operating profit/(loss)	4,937	(1,240)	(447)	(648)	(2,303)	299
Segment assets	248,220	197	7,116	8,599	83	264,215
Segment liabilities	180,097	(7)	1,187	15	–	181,292

	Investment Management Services £000	Asset Management £000	Financial Planning £000	Charles Stanley Direct £000	Support Functions £000	Total £000
Year ended 31 March 2017						
Investment management fees	65,004	3,645	760	–	–	69,409
Administration fees	12,388	2,276	7,183	3,067	–	24,914
Total fees	77,392	5,921	7,943	3,067	–	94,323
Commission	45,303	702	25	1,277	–	47,307
Total revenue	122,695	6,623	7,968	4,344	–	141,630
Administrative expenses	(65,028)	(3,632)	(7,365)	(3,072)	(57,025)	(136,122)
Impairment of intangible assets	–	–	–	–	(650)	(650)
Other income	186	–	–	–	–	186
Operating contribution	57,853	2,991	603	1,272	(57,675)	5,044
Allocated costs	(48,699)	(2,500)	(3,358)	(3,118)	57,675	–
Operating profit/(loss)	9,154	491	(2,755)	(1,846)	–	5,044
Segment assets	227,429	487	9,627	9,122	297	246,962
Segment liabilities	149,675	–	5,842	2,351	–	157,868

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. However, trading volumes tend to increase during the fourth quarter of the financial year, in line with the end of the tax year.

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:

	Unaudited Six months ended 30 September 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 period. Deferred consideration of £2.0 million is 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.

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 2017 pence	Unaudited Six months ended 30 September 2016 Restated pence	Audited Year ended 31 March 2017 pence
Basic earnings per share	**10.87**	6.30	12.35
Diluted earnings per share	**10.73**	6.29	12.34

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 2017 £000	Unaudited Six months ended 30 September 2016 Restated £000	Audited Year ended 31 March 2017 £000
Earnings used in the calculation of basic earnings per share and diluted earnings per share	**5,509**	3,191	6,260

Number of shares	Unaudited Six months ended 30 September 2017 000	Unaudited Six months ended 30 September 2016 000	Audited Year ended 31 March 2017 000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**50,680**	50,678	50,683
Effect of potentially dilutive share options	**663**	29	41
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**51,343**	50,707	50,724

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 Performance Share Plan and a new Investment Managers Share Plan.

7.1 Performance Share Plan (equity-settled)
The Performance Share Plan is only open to Executive Directors and senior managers. 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.

250,000 options were granted under the scheme on 22 July 2017. 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 £3.65, being the share price at that date.

The performance conditions relating to 279,040 options granted during the year ended 31 March 2015 were not met and therefore these options lapsed during the period.

7.2 Investment Managers Share Plan (equity-settled)
The Investment Managers Share Plan is a one-off scheme whereby share options were awarded to investment managers employed by the Group. 2,415,725 options were granted on 15 June 2017, with 966,290 options allocated to Pool A and 1,449,435 allocated to Pool B of the plan.

Pool A options vest after three years, upon publication of the Annual report and accounts for the year ending 31 March 2020, subject to the option holder still being in the Group's employment. There are no attached performance conditions.

Pool B Awards will only vest if the pre-tax profit margin of the employed investment management teams collectively is 15% or more in any of the three years ending 31 March 2020, 2021 and 2022. If the pre-tax margin condition is not achieved by year ending 31 March 2022, the options will lapse.

The inputs used in the measurement of fair value for options granted on 15 June 2017 were as follows:

	Unaudited Six months ended 30 September 2017
Share price at grant date	£3.60
Exercise price	£0.25
Expected volatility	29.49%
Expected life	3 years
Expected dividend yield	1.67%
Risk-free interest rate	0.20%
Fair value at grant date	£3.17

During the period the Group recognised total share-based payment expenses of £1.0 million (30 September 2016: £0.01 million and 31 March 2017: £0.2 million).

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 2014 in accordance with the scheme funding requirements of the Pensions Act 2004. The next full actuarial valuation as at 13 May 2017 is currently being undertaken. This is due to be completed in early 2018 and will be reflected in the financial statements for the year ending 31 March 2018.

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 2014, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 September 2017. The valuation methodology adopted for the current period disclosures is the same as that used in the prior year.

Amounts included in the condensed consolidated statement of financial position

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Six months ended 31 March 2017 £000
Fair value of scheme assets	**19,974**	28,798	21,667
Present valuation of defined benefit obligation	**(28,801)**	(44,035)	(32,195)
Deficit in scheme	**(8,827)**	(15,237)	(10,528)
Liability recognised in condensed consolidated statement of financial position	**(8,827)**	(15,237)	(10,528)

Defined benefit costs recognised in the condensed consolidated income statement

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Past service cost and gain from settlement	**(485)**	–	(493)
Net interest cost	**128**	178	345
Total amount recognised in condensed consolidated income statement	**(357)**	178	(148)

8. Employee benefits (continued)

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

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Return on scheme assets	**335**	2,280	2,883
Experience gains/(losses) arising on the scheme liabilities	**51**	–	(180)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	**278**	2,495	1,770
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	**496**	(9,996)	(5,566)
Total amount recognised in condensed consolidated statement of comprehensive income	**1,160**	(5,221)	(1,093)

Assumptions

	Unaudited Six months ended 30 September 2017 %	Unaudited Six months ended 30 September 2016 %	Audited Year ended 31 March 2017 %
Inflation – Consumer Prices Index (CPI)	**2.40**	2.40	2.40
Rate of discount	**2.70**	2.60	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	2.40

The mortality assumptions adopted at 30 September 2017 are 100% (30 September 2016 and 31 March 2017: 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 2017	Unaudited Six months ended 30 September 2016	Audited Year ended 31 March 2017
Male retiring in current year	**21.9**	21.9	22.0
Female retiring in current year	**23.7**	23.9	24.0
Male retiring in twenty years	**23.0**	23.2	23.3
Female retiring in twenty years	**25.0**	25.4	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 4.3%
Rate of inflation	Increase of 0.25% p.a.	Increase by 0.4%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.6%

The sensitivities shown are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth. The average duration of the defined benefit obligation at 30 September 2017 was 17 years.

9. Income taxes

Tax recognised in the condensed consolidated income statement

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Current taxation			
Current period expense	**1,091**	1,369	2,283
Adjustment in respect of prior periods	**–**	–	306
	1,091	1,369	2,589
Deferred taxation			
Expense/(credit) for the period	**252**	(63)	(50)
	252	(63)	(50)
Total tax expense	**1,343**	1,306	2,539

In addition to amounts charged to the condensed consolidated income statement, deferred tax of £0.4 million relating to the revaluation of available-for-sale financial assets has been credited directly to equity (30 September 2016 and 31 March 2017: £0.2 million charge).

Current tax of £0.04 million has been credited directly to equity (30 September 2016: £nil and 31 March 2017: £0.1 million) and deferred tax of £0.2 million has been charged directly to equity (30 September 2016: £1.0 million credit and 31 March 2017: £0.02 million) in respect of the defined benefit scheme.

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 2017 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 higher than the standard rate of corporation tax in the UK of 19% (2016: 20%). The differences are as follows:

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 Restated £000	Audited Year ended 31 March 2017 £000
Profit before tax from continuing operations	**6,852**	4,497	8,799
Profit multiplied by rate of corporation tax in the UK of 19% (2016: 20%)	**1,302**	899	1,760
Tax effects of:			
Income not subject to tax	**(397)**	(31)	(37)
Expenses not allowed for tax	**20**	38	40
Share-based payments	**(29)**	(47)	31
Adjustments in respect of prior periods	**–**	–	306
Intangible asset amortisation and impairments	**4**	13	8
Fixed asset differences	**576**	334	468
Disposal of business	**(134)**	–	(63)
Change in tax rate	**–**	86	38
Other adjustments	**1**	14	(12)
	41	407	779
Total tax expense for the period	**1,343**	1,306	2,539

10. Intangible assets

Cost	Goodwill £000	Customer relationships £000	Internally generated software £000	Total £000
At 1 October 2016	21,507	23,409	6,746	51,662
Additions	–	16	399	415
Transfer to held for sale	(1,294)	–	–	(1,294)
At 31 March 2017	**20,213**	**23,425**	**7,145**	**50,783**
Additions	**–**	**200**	**155**	**355**
At 30 September 2017	**20,213**	**23,625**	**7,300**	**51,138**
Amortisation				
At 1 October 2016	6,161	17,827	3,778	27,766
Charge for the period	–	862	935	1,797
At 31 March 2017	**6,161**	**18,689**	**4,713**	**29,563**
Charge for the period	**–**	**534**	**835**	**1,369**
At 30 September 2017	**6,161**	**19,223**	**5,548**	**30,932**
Net book value				
At 30 September 2017 (unaudited)	**14,052**	**4,402**	**1,752**	**20,206**
At 31 March 2017 (audited)	14,052	4,736	2,432	21,220
At 30 September 2016 (unaudited)	15,346	5,582	2,968	23,896

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 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Investment Management Services	**8,805**	8,805	8,805
Financial Planning	–	1,294	–
Charles Stanley Direct	**5,247**	5,247	5,247
	14,052	15,346	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 costs to sell is calculated largely based on a percentage of FuMA. Where this approach is not appropriate, a turnover multiple is used.

The rates used in the fair value less costs to sell calculations are those implied by recent transactions in the market or, where appropriate, based on publicly available information for similar quoted businesses. When calculating the fair value less costs to sell, key assumptions are stress-tested to determine whether the calculations are sensitive to reasonable potential changes in these assumptions.

At 30 September 2017, fair value less costs to sell was deemed to be higher than carrying value for each CGU. Therefore, no value in use calculations have been prepared.

10.1.1 Investment Management Services

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 2017. The fair value was determined based on a percentage of FuMA. The recoverable amount was determined to be higher than the carrying amount of the CGU and therefore the goodwill carrying value is adequately supported.

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 2017. 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 2016 (restated)	5,013	5,482	17,268	27,763
Additions	–	402	534	936
Disposals	–	(4)	(45)	(49)
At 31 March 2017	**5,013**	**5,880**	**17,757**	**28,650**
Additions	**–**	**1,070**	**483**	**1,553**
Disposals	**–**	**(74)**	**(21)**	**(95)**
At 30 September 2017	**5,013**	**6,876**	**18,219**	**30,108**
Depreciation				
At 1 October 2016	445	2,071	15,273	17,789
Charge for the period	65	215	644	924
Disposals	–	(5)	(34)	(39)
At 31 March 2017	**510**	**2,281**	**15,883**	**18,674**
Charge for the period	**68**	**916**	**459**	**1,443**
Disposals	**–**	**(67)**	**(21)**	**(88)**
At 30 September 2017	**578**	**3,130**	**16,321**	**20,029**
Net book value				
At 30 September 2017 (unaudited)	**4,435**	**3,746**	**1,898**	**10,079**
At 31 March 2017 (audited)	4,503	3,599	1,874	9,976
At 30 September 2016 (unaudited) (restated)	4,568	3,411	1,995	9,974

Freehold premises are carried at revalued amount. The most recent valuations of freehold premises were carried out in March 2014 by independent chartered surveyors. If freehold premises had been carried under the cost model, its carrying value would have been £4.6 million (30 September 2016: £4.7 million and 31 March 2017: £4.6 million).

The cost and accumulated depreciation of property, plant and equipment in the above table includes £18.4 million (30 September 2016: £9.7 million and 31 March 2017: £13.2 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 £0.9 million in respect of dilapidations obligations arising under lease agreements for the Group's various branches. Depreciation totalling £0.6 million was recognised in respect of these additions, in line with the expired portion of the associated lease agreements.

12. Available-for-sale financial assets

Fair value	Listed investments £000	Unlisted investments £000	Total £000
At 1 October 2016	3,467	4,231	7,698
Additions	302	–	302
Disposals	(284)	–	(284)
Revaluation in the period	61	299	360
31 March 2017	**3,546**	**4,530**	**8,076**
Additions	**1,008**	**–**	**1,008**
Disposals	**(472)**	**(132)**	**(604)**
Realised gains transferred to income statement	**(27)**	**(2,318)**	**(2,345)**
Revaluation in the period	**27**	**535**	**562**
30 September 2017	**4,082**	**2,615**	**6,697**

Available-for-sale financial assets are split between current and non-current assets as shown below:

Current	**Unaudited Six months ended 30 September 2017 £000**	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Unlisted investments	**864**	–	2,450
	864	–	2,450
Non-current			
Listed investments	**4,082**	3,467	3,546
Unlisted investments	**1,751**	4,231	2,080
	5,833	7,698	5,626

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

Listed investments include a £2.0 million (30 September 2016 and 31 March 2017: £2.0 million) holding in gilts which is pledged to a clearing house.

Unlisted investments include the Group's holding of 2,358 shares in Euroclear PLC. As no immediate observable market data is available for this shareholding, it has been valued at €774 per share based on the Group's successful tender of 3,672 shares in Euroclear PLC's buyback auction in June 2017. The valuation has been translated into its GBP equivalent at the balance sheet date.

Unlisted investments also includes an investment in Runpath Group Limited. In September 2017 the Group signed a sale and purchase agreement for the disposal of its shareholding in Runpath for net proceeds of £0.86 million. The transaction was completed on 18 October 2017, with the full consideration being received in cash on completion. As such, this investment has been revalued to the amount realised after the reporting date and presented within current assets at 30 September 2017.

13. 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 2016	50,684	12,671	4,423	17,094
Exercise of share options	5	1	6	7
31 March 2017	**50,689**	**12,672**	**4,429**	**17,101**
Exercise of share options	**7**	**2**	**11**	**13**
30 September 2017	**50,696**	**12,674**	**4,440**	**17,114**

At 30 September 2017, the Group held 25,452 own shares (30 September 2016 and 31 March 2017: nil).

14. Dividends

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

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Final dividend of 3.5 pence per share paid 5 August 2016	–	1,774	1,774
Interim dividend of 1.5 pence per share paid 20 January 2017	–	–	760
Final dividend of 4.5 pence per share paid 31 July 2017	**2,281**	–	–
	2,281	1,774	2,534

An interim dividend of 2.5 pence per share was declared by the Board on 21 November 2017. This will be payable on 19 January 2018 to registered shareholders at 15 December 2017.

15. Provisions

Non-current	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
At start of period	**1,108**	–	–
Provisions made during the period	**591**	940	1,108
At end of period	**1,699**	940	1,108

Current	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
At start of period	**2,162**	4,367	4,367
Provisions made during the period	**1,109**	17	237
Provisions used during the period	**(250)**	(242)	(2,442)
Unused provisions transferred to income statement	**(43)**	–	–
At end of period	**2,978**	4,142	2,162

The Group held provisions as at 30 September 2017 in respect of certain legal claims and leasehold property dilapidations.

16. Fair values and risk management

16.1 Fair value of financial instruments

16.1.1 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:

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

16. 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 2016					
Financial assets measured at fair value – available-for-sale investments	–	–	7,698	–	7,698
Financial assets at fair value through profit and loss – listed investments	50	–	–	–	50
Total	50	–	7,698	–	7,748
Financial assets not measured at fair value					
Trade and other receivables	–	164,828	–	–	164,828
Cash and cash equivalents	–	54,903	–	–	54,903
Total	–	219,731	–	–	219,731
Financial liabilities not measured at fair value					
Trade and other payables	–	–	–	159,955	159,955
Total	–	–	–	159,955	159,955

Fair value	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
At 30 September 2016				
Financial assets measured at fair value – available-for-sale investments	3,467	–	4,231	7,698
Financial assets at fair value through profit and loss – listed investments	50	–	–	50
Total	3,517	–	4,231	7,748

16. 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 2017					
Financial assets measured at fair value – available-for-sale investments	–	–	8,076	–	8,076
Financial assets at fair value through profit and loss – listed investments	73	–	–	–	73
Total	73	–	8,076	–	8,149
Financial assets not measured at fair value					
Trade and other receivables	–	144,673	–	–	144,673
Cash and cash equivalents	–	52,101	–	–	52,101
Total	–	196,774	–	–	196,774
Financial liabilities not measured at fair value					
Trade and other payables	–	–	–	141,509	141,509
Total	–	–	–	141,509	141,509

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	3,546	–	4,530	8,076
Financial assets at fair value through profit and loss – listed investments	73	–	–	73
Total	3,619	–	4,530	8,149

16.1.2 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).

16. 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	Fair value is determined using recent prices 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 2017 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:

	Equity securities available-for-sale £000
At 1 October 2016	4,231
Total unrealised gains and losses for the period included in statement of comprehensive income	299
At 31 March 2017	**4,530**
Disposals	**(132)**
Total realised gains for the period transferred to income statement	**(2,318)**
Total unrealised gains and losses for the period included in statement of comprehensive income	**535**
At 30 September 2017	**2,615**

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.

16.2 Equity securities – available-for-sale

The Level 3 balance relates to holdings in unlisted investments. At 30 September 2017 these unlisted investments had a fair value of £2.6 million (30 September 2016: £4.2 million and 31 March 2017: £4.5 million). Included within this balance is the Group's holding of 2,358 shares (30 September 2016 and 31 March 2017: 6,030 shares) in Euroclear PLC which had a fair value of £1.6 million (30 September 2016: £3.7 million and 31 March 2017: £4.0 million). Fair value was determined using a valuation technique that required significant unobservable inputs.

17. Reconciliation of net profit to cash generated from operations

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 Restated £000	Audited Year ended 31 March 2017 £000
Profit before tax	**6,852**	4,497	8,799
Adjustments for:			
Depreciation	**1,443**	1,188	2,112
Amortisation of intangible assets	**1,369**	1,528	3,325
Impairment of intangible assets	–	400	650
Impairment of corporate loans	–	–	500
Gain on surrender of long-term lease	–	(5,550)	(5,550)
Share-based payments – value of employee services	**1,030**	9	249
Retirement benefit scheme	**(541)**	(74)	(655)
Dividend income	**(184)**	(155)	(186)
Interest income	**(171)**	(154)	(195)
Interest expense	**27**	44	63
(Profit)/loss on disposal of available-for-sale financial assets	**(1,957)**	42	–
Loss on disposal of property, plant and equipment	**7**	2,190	2,199
Gain on disposal of business	**(707)**	(42)	(148)
Changes in working capital:			
Decrease/(increase) in financial assets at fair value through profit or loss	**20**	22	(1)
Decrease/(increase) in receivables	**37,716**	(17,700)	467
(Decrease)/increase in payables	**(42,210)**	17,818	(941)
Net cash inflow from operations	**2,694**	4,063	10,688

18. 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 2017.

19. 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 2017 presented full details of the contingent liabilities that the Group was exposed to at 31 March 2017. During the six months ended 30 September 2017, the Group has not become engaged or involved in, or otherwise subject to, any litigation which has resulted in liabilities crystallising.

20. Commitments

At 30 September 2017, capital expenditure authorised and contracted for, but not included in the financial statements, amounted to £0.1 million (30 September 2016: £0.4 million and 31 March 2017: £nil).

21. Subsequent events

An interim dividend of 2.5 pence per share was declared by the Parent Company on 21 November 2017.

The Group sold its full shareholding in Runpath Group Limited on 18 October 2017. This investment was included within current available-for-sale investments at 30 September 2017. There were no other material subsequent events.

22. Related party transactions

Related party transactions are disclosed in the Group's Annual report and accounts for the year ended 31 March 2017. No transactions took place during the period to 30 September 2017 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 2017 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. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the 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
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
IFA	Independent Financial Adviser
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standard
OEIC	Open-ended investment company
S2PxA	Standard table used by actuaries for mortality assumptions
SMCR	Senior Managers and Certification Regime

Directors

Executive

Paul Abberley (Chief Executive Officer)

Ben Money-Coutts (Chief Financial Officer)

Gary Teper

Non-executive

Sir David Howard (Chairman)

Marcia Campbell (appointed on 16 October 2017)

Andrew Didham

Hugh Grootenhuis (appointed on 7 September 2017)

Bridget Guerin

David Pusinelli (resigned on 27 July 2017)

Financial calendar

22 November 2017	Interim results announced
14 December 2017	Ex-dividend date for interim dividend
15 December 2017	Record date for interim dividend
19 January 2018	Payment date of interim dividend

Company information

Company Secretary

Julie Ung

Registered office

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London EC2N 3AS

Company registration number

48796 (England and Wales)

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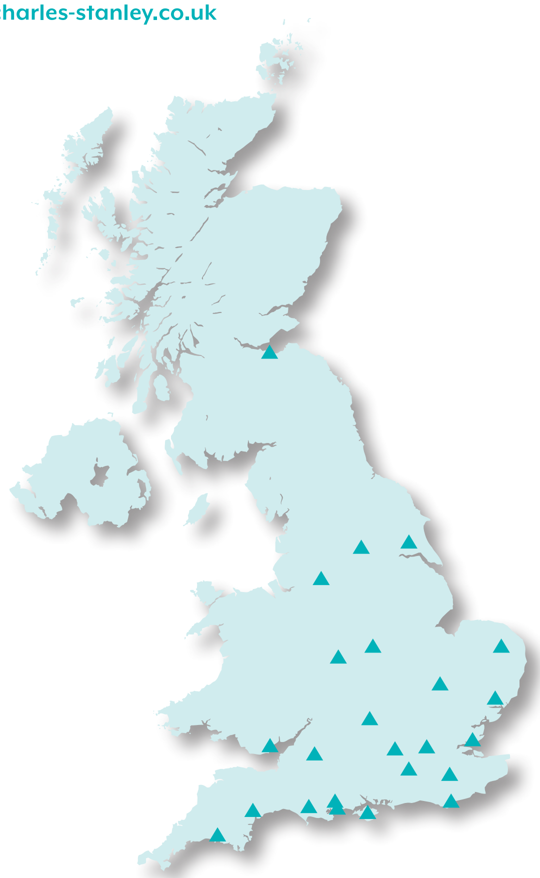
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Where we are

We operate in 24 UK locations.

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



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