Interim report and accounts

Six months ended 30 September 2020

CHARLES STANLEY

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

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

Who we are

Charles Stanley provides holistic wealth management services to private clients, charities, trusts and institutions. Its origins trace back to 1792 and it is one of the oldest firms on the London Stock Exchange. The Company has a national presence, with 26 locations and 850 professionals. Its wealth management services are provided direct to clients and to intermediaries.

Our values

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

Our purpose

Our purpose is to build on our long history, traditional values and strong reputation to help our clients prosper by meeting their goals through the highest standards of holistic wealth and investment management services. We are passionate about building long-term relationships with both our clients and staff and in contributing to our local communities.

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At a glance

Group highlights

Recovery of FuMA

Funds have increased 12.9% to £22.8 billion compared to £20.2 billion at FY 2020

Growth in Financial Planning

15.4% increase in Financial Planning revenue to £4.5 million (H1 2020: £3.9 million)

Interim dividend

Maintained interim dividend of 3.0 pence per share (H1 2020: 3.0 pence per share)

Strong financial position

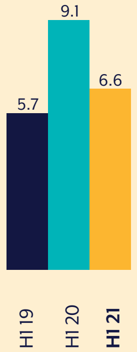
Group regulatory capital resources at £92.8 million, 174% of the requirement

Delivering transformation

Continued progress with transformation programme launched a year ago to support profitable growth and an integrated business model

Financial highlights

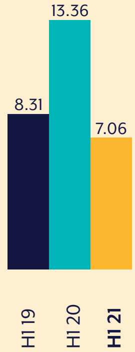
Underlying profit before tax (£m)[1, 4]



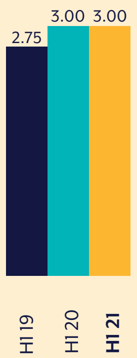
Underlying pre-tax profit margin (%)[2, 4]

Reported profit before tax (£m)

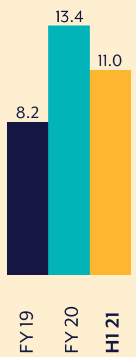
Reported basic earnings per share (p)



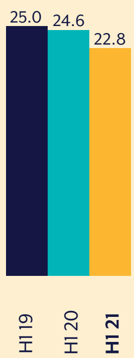
Dividend per share (p)



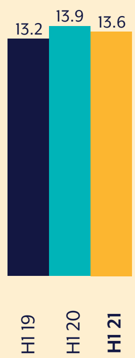
Return on capital employed (%)[3]



FuMA (£bn)



Discretionary funds (£bn)



Divisional revenue

Investment Management Services

£72.9m

(H1 2020: £77.0m)

Charles Stanley Direct

£4.5m

(H1 2020: £4.5m)

Financial Planning

£4.5m

(H1 2020: £3.9m)

Group revenue

£81.9m

(H1 2020: £85.4m)

1. The underlying figures represent the Group results excluding adjusting items, which are listed out on pages 10 and 11.
2. This represents the underlying profit as defined in note 1 above and excluding the charge in respect of non-cash share options awarded to certain investment management teams under revised remuneration arrangements settled in 2017, expressed as a percentage of underlying revenues (see page 06).
3. Return on capital employed represents reported operating profit for FY 2020 and FY 2019, and a rolling 12-month operating profit for H1 2021, divided by capital employed (total assets less current liabilities as at the reporting period).
4. The figures for the six months ended 30 September 2019 have been restated to reflect the impact of non-cash share options credit of £0.7 million on Investment Management Services, which is accounted for in adjusting items (see pages 10 and 11).

Interim management report

Paul Abberley
Chief Executive Officer

The Group has delivered a resilient performance despite difficult market conditions.

First half review

We started the new financial year as the full effects of the COVID-19 pandemic were taking effect and the UK and other countries globally were in national lockdowns. As we reported in May, the Group reacted rapidly and effectively to this unique challenge, adapting quickly to working from home while maintaining full, uninterrupted client service.

While the Group's financial results were impacted by the crisis, overall the business has performed resiliently, with both revenues and profits at encouraging levels. Total revenues were 4.1% lower at £81.9 million (H1 2020: £85.4 million) and underlying profit before tax decreased by £2.5 million or 27.5% to £6.6 million (H1 2020: £9.1 million), with underlying basic earnings per share at 9.94 pence (H1 2020: 15.04 pence). Underlying profit before tax margins contracted to 8.1% (H1 2020: 11.2%). Reported profit before tax was £4.8 million (H1 2020: £8.1 million).

Revenues and FuMA

Revenue margins increased to 74.3bps (H1 2020: 69.9bps). This helped to limit the impact of lower average Funds under Management and Administration (FuMA) caused by market turmoil. Average FuMA for the first half was £22.1 billion, 9.4% lower than in the same period last year (H1 2020: £24.4 billion).

FuMA at the end of the first half showed a significant recovery compared to the position at the financial year end on 31 March 2020, increasing by 12.9% to £22.8 billion.

The stronger relative performance of overall revenue, which only reduced by 4.1% to £81.9 million, compared to average FuMA was helped by a number of factors. These included an improvement in the FuMA mix, with discretionary assets being 59.5% of average FuMA compared to 55.4% for this period last year, strong revenue growth of 15.4% by Financial Planning and increased trading volumes, which compensated for lower average bargain sizes. This was particularly marked for Charles Stanley Direct whose commission income was 71.4% higher than the prior period.

74.3bps

Overall revenue margins are up on the prior period (H1 2020: 69.9bps)

Expenditure
Underlying expenditure continues to be well controlled. Overall it decreased by 1.2% to £75.2 million (H1 2020: £76.1 million) in the period. A decrease of £4.3 million in staff costs contributed to the total decrease of £0.9 million.

Underlying non-staff related costs rose £3.4 million. The principal reason for this was the 66.7% increase in the Financial Services Compensation Scheme (FSCS) Levy to £3.5 million (H1 2020: £2.1 million). This regulatory levy is outside the control of the Company and has now tripled in two years. The other principal increase has been £1.5 million of IT costs. We outsourced our IT infrastructure maintenance during the first half and this increase has largely represented the cost of that. We have also incurred some additional expense due to COVID-19. However, we expect to see the full realisation of staff cost savings in the second half of the year.

Business transformation

Given the turbulence in equity markets and the working from home environment, increasing FuMA and revenues has been challenging. The lockdown environment also inevitably impacted the timing of some of our restructuring plans.

We have been seeing a trend of greater levels of withdrawals from existing clients and a consolidation of IFA companies leading to an increase in outflows from certain services. Nevertheless, there have been encouraging signs from the growth of revenue margins and a 22.6% increase in FuMA in model portfolios during the period. We continue to make good progress in improving our profile and coverage with national firms and independent networks as well as in the professionals' market. This is an area where we expect further growth and have been effective at building brand awareness across distribution channels and are seeing encouraging signs of improved engagement.

For more information on the business outlook please turn to page 05

For more information on our client services please go to charles-stanley.co.uk/about-us

Ben Money-Coutts
Chief Financial Officer

The business transformation programme continues and we are largely concentrating on the consolidation of initiatives to improve productivity and operational efficiency commenced in the prior financial year. We incurred £0.6 million of exceptional costs during the first half of the financial year, taking total costs to date to £4.1 million. So far this expenditure has generated savings of £1.2 million which will rise to £2.5 million on a fully annualised basis by the end of this financial year.

The operating model restructuring announced previously had focused on three elements: IT, Middle Office and Front Office. The largest aspect, the enhancement of IT processes within the Group, has progressed well. A smooth transition of services and, in some instances, staff to the outsource partner took place in June 2020. This was achieved both on time and within budget despite the very real operational difficulties of lockdown both in the UK and India. The project means that the Group is better equipped to face the internal demands for agile infrastructure support and the external challenges of ever-increasing cyber security threats. We are also reorganising our data centres but this project has incurred a six-month delay because of external supplier difficulties in putting in data lines, which this aspect is dependent on. However, we expect that this will be resolved shortly.

The second element, improving operational efficiencies, is an ongoing process and we continue to identify areas for potential enhancement. This standardisation seeks to build on internal economies of scale and will be a continued area of management focus in the second half of the year. We have inevitably encountered some operational delays arising from the impact of COVID-19 and some changes are now likely to take place in the next financial year rather than the current one.

The final element, the project to improve Front Office profitability within Investment Management Services, is now largely embedded. The focus on top-line revenue growth and improving profitability remains ongoing. We have also strengthened management oversight of Investment Management Services to further enhance the strategic vision of the regional network.

We expect further exceptional costs of £2.6 million across the current and next financial years. Nonetheless, we remain on track to deliver overall annualised benefits of £4.5 million during FY 2022 and into FY 2023.

3.0p

Interim dividend maintained at 3.0 pence per share

Dividend

The Board has declared an interim dividend of 3.0 pence per share (H1 2020: 3.0 pence per share), which will be paid on 15 January 2021 to shareholders on the register on 11 December 2020.

Outlook

After the precipitous decline in economic activity between March and May, recent economic data have confirmed that the third calendar quarter saw a bounce in global economic activity, with strong pent-up demand in the traded goods sector boosting manufacturing, and the rise in the savings rate and government measures to support laid off and furloughed workers boosting consumption. However, the impressive bounce in economic activity has been only enough for the global economy to recover roughly two thirds of output lost in the first half of the calendar year.

With another wave of the pandemic upon us, the UK and Europe will experience a negative quarter of growth and US output will cool markedly, even allowing for relatively less severe restrictions on free movement. While Asia and the emerging world remain relative bright spots in the context of global growth, the global economy could now take longer to return to pre-pandemic levels of economic output. However, recent positive news on the vaccine front does mitigate much of the downside risk to next year's growth outlook, but at the time of writing, the full extent of its effectiveness and speed of rollout are far from clear.

Equity market valuations remain elevated and there are obvious economic headwinds from the pandemic; however, we remain in a world of financial repression, where policy makers are now actively intervening to support financial markets in order to prevent a repeat of what happened in February and March.

Against this background the low interest rate environment, augmented by central bank asset purchases, should help ensure moderate investment returns in the months ahead.

Although the Group is exposed to these global market sentiments and, domestically, to the impacts of both Brexit and COVID-19, we believe that the Group is well positioned to cope with uncertainty. The Group has a strong balance sheet, no debt and a comfortable level of regulatory capital. This has and will continue to allow us to provide an exemplary level of service to clients, and to make further progress with plans to improve productivity and operational efficiency.

Paul Abberley
Chief Executive Officer

Ben Money-Coutts
Chief Financial Officer
18 November 2020

For more information on the Group's performance please turn to page 06

For more information on our client services please go to charles-stanley.co.uk/about-us

Group results and performance

The following tables show the Group's financial performance for the six months ended 30 September 2020 and for the prior period. These reconcile the underlying results, which the Board considers the best reflection of the Group's performance, to the statutory reported results. The difference comprises adjusting items, which are stripped out of the underlying results so as not to distort the underlying performance; these items are explained on pages 10 and 11.

	Underlying performance £m	Adjusting items £m	Reported performance £m
Six months ended 30 September 2020			
Revenue	**81.9**	**–**	**81.9**
Expenditure	**(75.2)**	**(1.9)**	**(77.1)**
Net finance and other non-operating (costs)/income	**(0.1)**	**0.1**	**–**
Profit/(loss) before tax	**6.6**	**(1.8)**	**4.8**
Tax (expense)/credit	**(1.5)**	**0.4**	**(1.1)**
Profit/(loss) after tax	**5.1**	**(1.4)**	**3.7**
Profit before tax margin[1] (%)	**8.1**		**5.9**
Basic earnings per share (p)	**9.94**		**7.06**
Six months ended 30 September 2019 (restated)			
Revenue	85.4	–	85.4
Expenditure[2]	(76.1)	(1.0)	(77.1)
Net finance and other non-operating costs	(0.2)	–	(0.2)
Profit/(loss) before tax	9.1	(1.0)	8.1
Tax (expense)/credit	(1.5)	0.2	(1.3)
Profit/(loss) after tax	7.6	(0.8)	6.8
Profit before tax margin[1] (%)	11.2		9.5
Basic earnings per share (p)	15.04		13.36

1. The underlying pre-tax margin is based on the underlying profit before tax of £6.6 million (H1 2020: £9.1 million) adjusted for non-cash share-based option arrangements awarded to certain investment management teams under revised remuneration arrangements settled in 2017. The impact in H1 2021 is £nil (H1 2020: £0.5 million charge).
2. The figures for the six months ended 30 September 2019 have been restated to reflect the impact of a non-cash share options credit of £0.7 million on Investment Management Services, which is accounted for in adjusting items (see pages 10 and 11).

Funds under Management and Administration

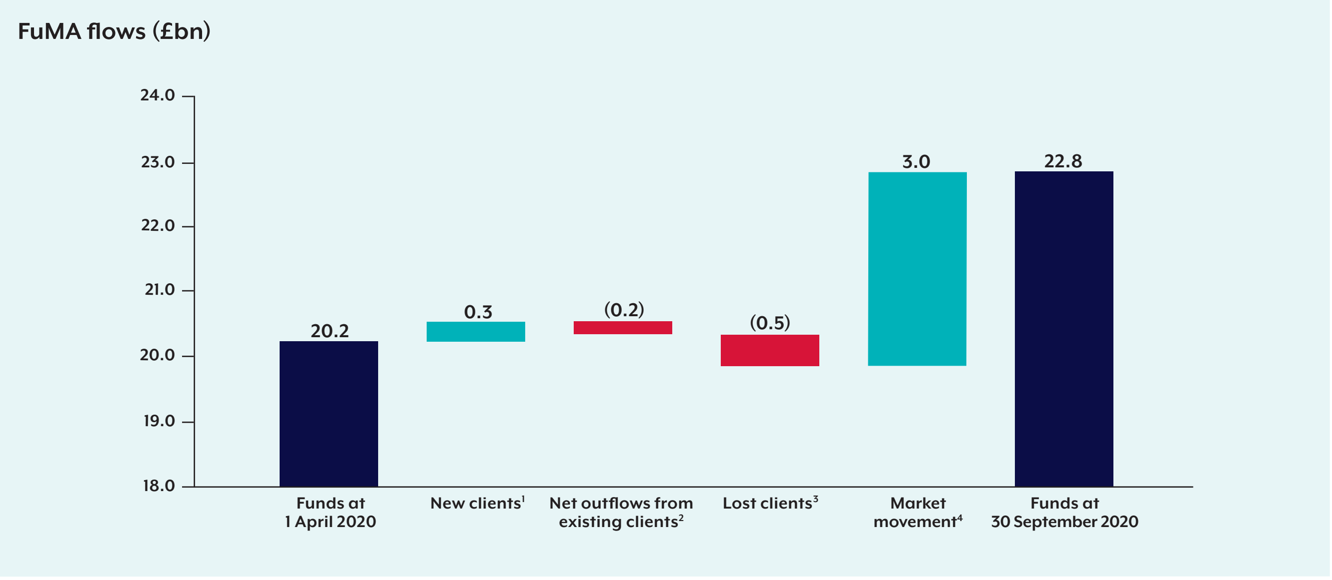
The Group's revenue is substantially driven by the level of its FuMA. These stood at £22.8 billion at 30 September 2020, representing a 12.9% increase from £20.2 billion at 31 March 2020.

	30 September 2020 £bn	31 March 2020 £bn	Change %
Discretionary funds	**13.6**	12.0	13.3
Advisory Managed funds	**1.2**	1.2	–
Total managed funds	**14.8**	13.2	12.1
Advisory Dealing funds	**1.1**	1.0	10.0
Execution-only funds	**6.9**	6.0	15.0
Total administered funds	**8.0**	7.0	14.3
Total Funds under Management and Administration	**22.8**	20.2	12.9
MSCI WMA Private Investor Balanced Index	**1,568**	1,423	10.2

Growth in FuMA since 31 March 2020 has been entirely attributable to investment performance which outstripped the benchmark MSCI WMA Private Investor Balanced Index by 2.7%. Offsetting this growth has been net outflows of £0.4 billion.

The mix of FuMA has remained broadly in line with 31 March 2020, with Discretionary funds representing the largest proportion at 59.6% (31 March 2020: 59.4%). Having fallen 25.7% in last year's market sell-off between December and March, administered funds achieved the highest level of growth in the period, up 14.3%. This pattern reflects the fact that administered accounts typically have a higher equity component than managed accounts.

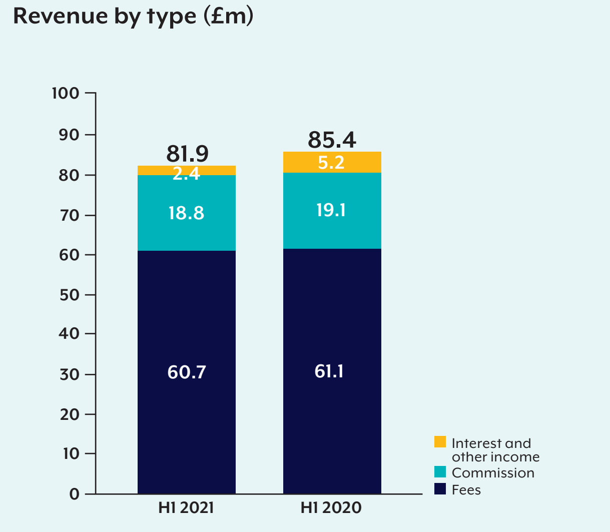
The composition of the overall movement in FuMA for the period is shown in the following chart:

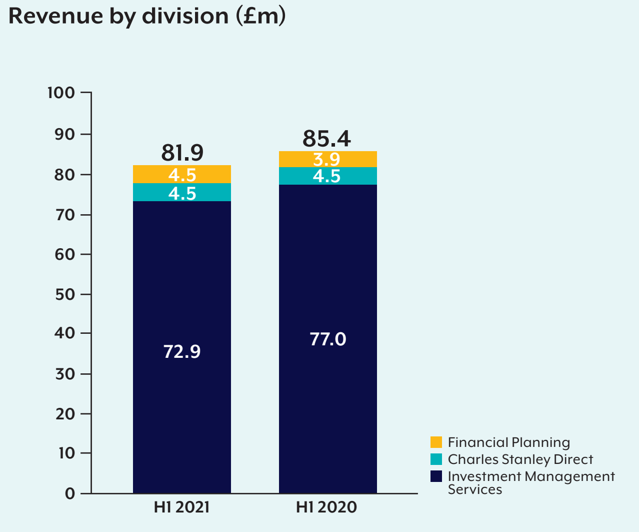


1. New clients represent FuMA of new client accounts established during the period.
2. Net outflows from existing clients include fees paid out of clients' accounts and income withdrawn.
3. Lost clients represent all client accounts closed during the period.
4. Market movement represents all other movements.

Revenue

Although FuMA increased over the period, average levels were 9.4% lower than the same period last year due to the decline in market levels since that time. Consequently revenues fell, but not by the same extent because we were able to increase our overall revenue margin from 69.9bps to 74.3bps. Thus revenue reduced by 4.1% to £81.9 million compared to £85.4 million in H1 2020. This decrease was largely attributable to lower market-based fees and a fall in interest income because of lower central bank base rates. Reduced market-based fees in Investment Management Services were partially offset by increased fees in Financial Planning, up 15.4% on the prior period. Charles Stanley Direct revenue was flat on the prior period due to markedly higher commission income, up 71.4%, offsetting anticipated lower interest income.

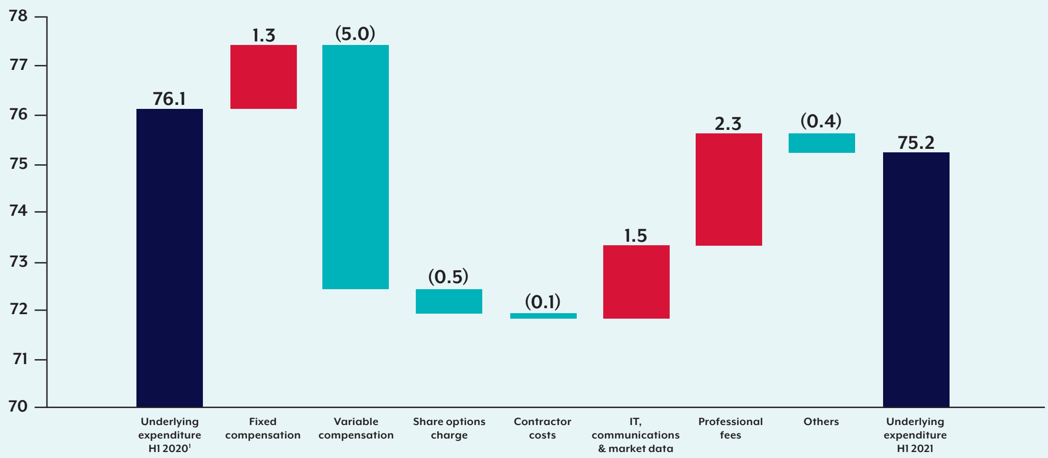




Underlying expenditure

Underlying expenditure decreased by £0.9 million (1.2%) on the prior year to £75.2 million. The chart below shows the key contributors to the movement.

Underlying expenditure (£m)



1. The figures for the six months ended 30 September 2019 have been restated to reflect the impact of a non-cash share options credit of £0.7 million on Investment Management Services, which is accounted for in adjusting items (see pages 10 and 11).

Staff costs continue to represent the majority of the Group's expenditure, however lower levels of revenue resulted in a reduction in variable compensation of £5.0 million. Conversely, fixed compensation increased by £1.3 million due to the effect of annual pay rises and the recruitment of financial planners.

Non-staff costs increased due to a significant rise in the FSCS levy to £3.5 million (H1 2020: £2.1 million) which is outside our control. Costs associated with IT, communications and market data were £1.5 million higher in the first half as we implemented the outsourcing of our IT infrastructure maintenance in June. This increase will be offset by reduced employment costs from the second half onward. Other non-staff costs reduced.

Underlying pre-tax profit

The underlying pre-tax profit fell from £9.1 million to £6.6 million, a decrease of 27.5%. The underlying pre-tax profit margin decreased to 8.1% (H1 2020: 11.2%) adjusting for the non-cash share-based option arrangements and other adjusting items. Both Investment Management Services and Charles Stanley Direct continued to maintain a healthy profit despite the fall in revenues. Financial Planning reported a 15.4% increase in revenue. As expected, Financial Planning incurred losses due to hiring additional financial planners and increased allocated costs. We remain confident that, as the division's revenues grow, it will move into profit.

	Investment Management Services £m	Charles Stanley Direct £m	Financial Planning £m	Underlying performance £m
Six months ended 30 September 2020				
Revenue	**72.9**	**4.5**	**4.5**	**81.9**
Direct fixed staff costs	**(10.5)**	**(0.5)**	**(3.6)**	**(14.6)**
Direct variable staff costs	**(20.5)**	–	**(0.6)**	**(21.1)**
Other direct operating expenses	**(7.7)**	**(1.4)**	**(0.9)**	**(10.0)**
Allocated costs	**(25.5)**	**(2.2)**	**(1.8)**	**(29.5)**
Operating profit/(loss)	**8.7**	**0.4**	**(2.4)**	**6.7**
Net finance and other non-operating costs	**(0.1)**	–	–	**(0.1)**
Underlying profit/(loss) before tax	**8.6**	**0.4**	**(2.4)**	**6.6**
Six months ended 30 September 2019 (restated)				
Revenue	77.0	4.5	3.9	85.4
Direct fixed staff costs	(10.7)	(0.5)	(3.1)	(14.3)
Direct variable staff costs	(23.2)	–	(0.7)	(23.9)
Other direct operating expenses	(6.7)	(1.4)	(0.9)	(9.0)
Allocated costs[1]	(25.4)	(1.9)	(1.6)	(28.9)
Operating profit/(loss)[1]	11.0	0.7	(2.4)	9.3
Net finance and other non-operating costs	(0.2)	–	–	(0.2)
Underlying profit/(loss) before tax[1]	10.8	0.7	(2.4)	9.1

1. The figures for the six months ended 30 September 2019 have been restated to reflect the impact of a non-cash share options credit of £0.7 million on Investment Management Services which is accounted for in adjusting items (see below).

Adjusting items

To calculate the underlying performance the Board has excluded certain adjusting items. A reconciliation between underlying profit before tax and reported profit before tax is provided below:

	H1 2021 £m	H1 2020 (restated) £m
Underlying profit before tax	**6.6**	9.1
Restructuring costs	**(0.6)**	(1.2)
Amortisation of client relationships	**(0.6)**	(0.5)
Impairment of client relationships	**(0.7)**	–
Fair value adjustment of contingent consideration	**0.1**	–
Investment Management Services non-cash share options	–	0.7
Net charge from adjusting items	**(1.8)**	(1.0)
Reported profit before tax	**4.8**	8.1

Restructuring costs (H1 2021: £0.6 million charge)
As part of the Group's stated objectives, the Group continues to undertake a number of initiatives to improve productivity and operational efficiency. A number of key programmes are being implemented which have given rise to exceptional charges. One-off costs incurred to date on these projects have been removed from underlying results and are being reported separately on the consolidated income statement. Total restructuring costs for H1 2021 amounted to £0.6 million. Most costs associated with the programmes were incurred in FY 2020 (£3.5 million), however due to COVID-19, the outsource handover continued into H1 2021. We remain on course to deliver annualised benefits from the transformation projects of £4.5 million per annum during FY 2022 and into FY 2023.

Amortisation of client relationships (H1 2021: £0.6 million charge)
Payments made for the introduction of client relationships that are deemed to be intangible assets are capitalised and amortised over their useful life which has been assessed to be 10 years. This amortisation charge has been excluded from the underlying profit since it is a significant non-cash item that investors and analysts typically add back when considering underlying profitability and cash generation.

Impairment of client relationships (H1 2021: £0.7 million charge)
An impairment charge has been made for client relationships associated with the Myddleton Croft cash generating unit (CGU), reducing the carrying value to £1.1 million at 30 September 2020. The reason for the impairment is the reduction of this CGU's FuMA since acquisition.

Fair value adjustment of contingent consideration (H1 2021: £0.1 million credit)
Contingent consideration comprises amounts payable for the acquisition of Myddleton Croft Limited. The fair value is determined based on the future forecasts and multiples set out in the Sales and Purchase Agreement. This is revised each reporting period with changes in the fair value recognised in the consolidated income statement.

Investment Management Services non-cash share options in the prior year (H1 2020: £0.7 million credit)
The H1 2020 adjusting items have been restated to reflect the impact of a credit in the share option scheme charges. The Group had been accruing a charge in anticipation of the options vesting, however given the performance-related conditions attached to the scheme, it is unlikely the options will vest. This was first treated as an adjusting item in the FY 2020 annual report and is restated in this report.

Taxation
The corporation tax charge for the period was £1.1 million (H1 2020: £1.3 million) representing an effective tax rate of 22.9% (H1 2020: 16.2%). A detailed reconciliation between the standard and effective rate of corporation tax is provided in note 10.

Earnings per share
The Group's reported basic earnings per share for the period were 7.06 pence (H1 2020: 13.36 pence). The underlying basic earnings per share decreased 33.9% to 9.94 pence (H1 2020: 15.04 pence).

Dividends
The Board has declared an interim dividend of 3.0 pence per share (H1 2020: 3.0 pence per share) which will be paid on 15 January 2021 to shareholders on the register at 11 December 2020.

Financial position
The Group maintained its already strong financial position with total net assets at 30 September 2020 of £115.4 million (31 March 2020: £116.5 million). Cash balances also remain high at £92.1 million (31 March 2020: £88.5 million).

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

The Group monitors a range of capital and liquidity statistics on a daily, weekly and monthly basis.
At 30 September 2020 the Group had regulatory capital resources of £92.8 million (H1 2020: £81.1 million and FY 2020: £94.1 million). Our capital solvency ratio has reduced to 174% (H1 2020: 206% and FY 2020: 189%), due to an increase in the FCA's individual capital guidance. Nevertheless, it remains well in excess of the requirement and the Board's internal risk appetite.

As required under FCA rules, the Group maintains an Internal Capital Adequacy Assessment Process (ICAAP), which includes performing a range of stress tests to determine the appropriate level of regulatory capital and liquidity that the Group needs to hold. The last review of the ICAAP conducted and signed off by the Board was in September 2020. This review resulted in updates to the operational risks, stress testing and reverse stress testing in light of the COVID-19 pandemic. Regulatory capital forecasts are performed monthly and take into account expected dividends, intangible asset movements, as well as budgeted and forecast trading results. The Group's Pillar III disclosures are published annually on the Group's website (charles-stanley.co.uk) and provide further details about the Group's regulatory capital resources and requirements.

Directors' responsibilities

We confirm that to the best of our knowledge:

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

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

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

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

By order of the Board

Julie Ung
Company Secretary
18 November 2020

Independent review report to Charles Stanley Group PLC

Six months ended 30 September 2020

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 2020 which comprises 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 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA).

Scope of review

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

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

Directors' responsibilities

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

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

Our responsibility

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

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

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Thomas Brown
For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
18 November 2020

Condensed consolidated income statement
Six months ended 30 September 2020

	Notes	**Unaudited Six months ended 30 September 2020 £000**	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Revenue	4	**81,936**	85,399	173,014
Administrative expenses	4	**(75,853)**	(75,993)	(151,413)
Restructuring costs	6	**(613)**	(1,203)	(3,472)
Impairment of intangible assets	11	**(700)**	–	(349)
Other income	4	**16**	26	115
Operating profit		**4,786**	8,229	17,895
Loss on disposal of property, plant and equipment		**(31)**	–	(18)
Fair value adjustment of contingent consideration		**79**	–	–
Finance income		**383**	382	429
Finance costs		**(420)**	(517)	(984)
Net finance and other non-operating income/(costs)		**11**	(135)	(573)
Profit before tax		**4,797**	8,094	17,322
Tax expense	10	**(1,143)**	(1,313)	(3,072)
Profit for the period attributable to owners of the Parent Company		**3,654**	6,781	14,250
Earnings per share				
Basic	7	**7.06p**	13.36p	28.03p
Diluted	7	**7.00p**	13.12p	27.51p

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

The notes on pages 21 to 41 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

Six months ended 30 September 2020

	Notes	Unaudited Six months ended 30 September 2020 £000	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Profit for the period		**3,654**	6,781	14,250
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Remeasurement of the defined benefit scheme obligation	9	**(1,256)**	160	1,379
Related tax		**239**	(27)	(121)
Fair value through other comprehensive income financial assets – unrealised gains and losses		**(1,043)**	979	1,896
Related tax		**198**	(20)	(382)
		(1,862)	1,092	2,772
Other comprehensive income for the period, net of tax		**(1,862)**	1,092	2,772
Total comprehensive income for the period attributable to owners of the Parent Company		**1,792**	7,873	17,022

The notes on pages 21 to 41 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of financial position
As at 30 September 2020

Assets	Notes	Unaudited 30 September 2020 £000	Unaudited 30 September 2019 £000	Audited 31 March 2020 £000
Intangible assets	11	**18,989**	20,165	20,013
Property, plant and equipment	12	**16,986**	19,879	18,175
Net deferred tax asset		**1,231**	2,021	1,182
Financial assets at fair value through other comprehensive income	16	**3,439**	3,565	4,482
Financial assets at amortised cost	16	**–**	507	507
Non-current assets		**40,645**	46,137	44,359
Trade and other receivables	16	**197,267**	158,824	203,838
Financial assets at fair value through profit or loss	16	**1,763**	1,749	1,492
Financial assets at amortised cost	16	**–**	9,994	4,997
Cash and cash equivalents	16	**92,143**	67,912	88,477
Current tax assets		**29**	–	71
Current assets		**291,202**	238,479	298,875
Total assets		**331,847**	284,616	343,234
Equity				
Share capital	13	**13,028**	12,723	12,784
Share premium	13	**5,196**	4,660	5,170
Own shares		**(724)**	(364)	(334)
Revaluation reserve		**2,658**	2,948	3,503
Merger relief reserve		**15,167**	15,167	15,167
Retained earnings		**80,049**	74,983	80,194
Equity attributable to owners of the Parent Company		**115,374**	110,117	116,484
Non-controlling interests		**24**	24	24
Total equity		**115,398**	110,141	116,508
Liabilities				
Employee benefits	9	**6,122**	6,493	5,080
Non-current trade and other payables	16	**331**	847	404
Lease liabilities	16	**7,839**	13,724	9,718
Provisions	15	**1,995**	2,015	1,983
Non-current liabilities		**16,287**	23,079	17,185
Trade and other payables	16	**196,061**	150,454	205,465
Current tax liabilities		**–**	470	–
Current lease liabilities	16	**3,318**	–	2,825
Provisions	15	**783**	472	1,251
Current liabilities		**200,162**	151,396	209,541
Total liabilities		**216,449**	174,475	226,726
Total equity and liabilities		**331,847**	284,616	343,234

Approved by the Board of Charles Stanley Group PLC (company number 48796) on 18 November 2020 and signed on its behalf by:

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

The notes on pages 21 to 41 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

Six months ended 30 September 2020

	Share capital £000	Share premium £000	Own shares £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
31 March 2020	12,784	5,170	(334)	3,503	15,167	80,194	116,484	24	116,508
Profit for the period	–	–	–	–	–	3,654	3,654	–	3,654
Other comprehensive income:									
Financial assets at fair value through other comprehensive income:									
– unrealised gains and losses	–	–	–	(1,043)	–	–	(1,043)	–	(1,043)
– related tax	–	–	–	198	–	–	198	–	198
Remeasurement of defined benefit scheme liability:									
– actuarial loss in the period	–	–	–	–	–	(1,256)	(1,256)	–	(1,256)
– deferred tax movement on scheme liability	–	–	–	–	–	239	239	–	239
Total other comprehensive income for the period	–	–	–	(845)	–	(1,017)	(1,862)	–	(1,862)
Total comprehensive income for the period	–	–	–	(845)	–	2,637	1,792	–	1,792
Dividends paid	–	–	–	–	–	(3,125)	(3,125)	–	(3,125)
Own shares acquired	–	–	(447)	–	–	–	(447)	–	(447)
Shares transferred to employees	–	–	57	–	–	(57)	–	–	–
Share-based payments:									
– value of employee services	–	–	–	–	–	420	420	–	420
– issue of shares	244	26	–	–	–	–	270	–	270
– related tax	–	–	–	–	–	(20)	(20)	–	(20)
30 September 2020 (unaudited)	13,028	5,196	(724)	2,658	15,167	80,049	115,374	24	115,398

The notes on pages 21 to 41 are an integral part of these condensed consolidated financial statements.

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

The notes on pages 21 to 41 are an integral part of these condensed consolidated financial statements.

	Share capital £000	Share premium £000	Own shares £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
1 October 2019	12,723	4,660	(364)	2,948	15,167	74,983	110,117	24	110,141
Profit for the period	–	–	–	–	–	7,469	7,469	–	7,469
Other comprehensive income:									
Financial assets at fair value through other comprehensive income:									
– unrealised gains and losses	–	–	–	917	–	–	917	–	917
– related deferred tax	–	–	–	(362)	–	–	(362)	–	(362)
Remeasurement of defined benefit scheme liability:									
– actuarial gain in the period	–	–	–	–	–	1,219	1,219	–	1,219
– deferred tax movement scheme liability	–	–	–	–	–	(94)	(94)	–	(94)
Total other comprehensive income for the period	–	–	–	555	–	1,125	1,680	–	1,680
Total comprehensive income for the period	–	–	–	555	–	8,594	9,149	–	9,149
Dividends paid	–	–	–	–	–	(1,527)	(1,527)		(1,527)
Unclaimed dividends	–	–	–	–	–	12	12	–	12
Own shares acquired	–	–	(16)	–	–	–	(16)	–	(16)
Shares transferred to employees	–	–	46	–	–	(46)	–	–	–
Share-based payments:									
– value of employee services	–	–	–	–	–	(1,842)	(1,842)	–	(1,842)
– related deferred tax	–	–	–	–	–	20	20	–	20
– issue of shares	61	510	–	–	–	–	571	–	571
31 March 2020 (audited)	12,784	5,170	(334)	3,503	15,167	80,194	116,484	24	116,508

The notes on pages 21 to 41 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows
Six months ended 30 September 2020

	Notes	**Unaudited Six months ended 30 September 2020 £000**	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Cash flows from operating activities				
Cash generated from operating activities	17	**5,268**	4,756	25,849
Interest received		**149**	288	539
Interest paid		**(10)**	(41)	(60)
Tax paid		**(734)**	(1,878)	(3,801)
Net cash generated from operating activities		**4,673**	3,125	22,527
Cash flows from investing activities				
Acquisition of subsidiary		**–**	–	(1,785)
Acquisition of intangible assets		**(402)**	(1,446)	(676)
Purchase of property, plant and equipment		**(967)**	(1,226)	(1,570)
Purchase of financial assets		**(216)**	(20,712)	(40,904)
Proceeds from sale of property, plant and equipment		**34**	–	50
Proceeds from sale of financial assets		**5,680**	21,802	47,081
Dividends received		**16**	26	115
Net cash generated from/(used in) investing activities		**4,145**	(1,556)	2,311
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**270**	66	637
Purchase of own shares		**(447)**	(197)	(213)
Payment of lease liabilities		**(1,850)**	(1,690)	(3,422)
Dividends paid		**(3,125)**	(3,047)	(4,574)
Net cash used in financing activities		**(5,152)**	(4,868)	(7,572)
Net increase/(decrease) in cash and cash equivalents		**3,666**	(3,299)	17,266
Cash and cash equivalents at start of period		**88,477**	71,211	71,211
Cash and cash equivalents at end of period		**92,143**	67,912	88,477

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

The notes on pages 21 to 41 are an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

1. General information

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

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

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all the information and disclosures required for a complete set of International Financial Reporting Standard (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 2020, which were prepared under IFRS as adopted by the EU and the Companies Act 2006.

The financial information contained in this half-yearly financial report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The figures and financial information for the year ended 31 March 2020 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2.2 Functional and presentation currency

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

2.3 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 2020 to 31 March 2022 and applied stress tests for adverse scenarios which were determined as part of the Group's ICAAP and in light of the current COVID-19 pandemic. Additional idiosyncratic liquidity stress tests were overlaid. The assumptions upon which the scenarios were modelled were based on management's own judgements, taking account of external research and including severe but plausible scenarios which take account of further drops in FuMA. The Directors also considered what management actions could be taken in such circumstances, including reducing variable and semi-variable expenditure and dividend payments. 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.

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

2.4 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 2020, except for the mandatory standards and amendments that had an effective date on the start of the six-month period.

There were no new mandatory standards or amendments to existing standards effective in the six-month reporting period to 30 September 2020.

A number of new standards and amendments to standards and interpretations have been issued, effective for periods beginning on or after 1 April 2021. These are yet to be endorsed by the EU and are not applicable to these financial statements. They are not expected to have a material impact when they become effective.

3. Use of judgements and estimates

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

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

3.1 Major sources of estimation and uncertainty in applying the Group's accounting policies
The following key estimates have been made by the Directors in applying the Group's accounting policies:

3.1.1 Goodwill and intangible assets

For the purposes of impairment testing, the Parent Company and the Group assess Goodwill and Client relationships based on the recoverable amount of the CGUs making up the relevant intangible asset. The recoverable amount is calculated based on assumptions which are set out in more detail in note 11. Sensitivity analysis is also set out in note 11. No impairment to the carrying value of Goodwill was required in the period. An impairment charge of £0.7 million was recognised in respect of a Client relationship CGU in the period.

3.1.2 Retirement benefit obligations

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

The valuation performed as at 30 September 2020 resulted in an increase in the actuarial deficit of £1.0 million which has been reflected in these financial statements.

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

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

Unlisted financial assets include an investment in Euroclear Holding SA (a company incorporated in Belgium). In previous accounting periods the Directors had estimated the fair value of this investment based on the price/earnings ratio of comparable quoted companies, discounted to reflect the illiquidity of Euroclear shares. This method was chosen due to a lack of readily available information on the fair value of the shares.

During the reporting period, Euroclear began to communicate data on share transactions to existing shareholders, therefore providing relevant market information. Accordingly, the average price per share of the most recent trading activity has been used to determine the fair value of the investment. No new information has become available that would require a change in the valuation of any further unlisted investments.

3.1.4 Share-based payments

The Group participates in a number of equity-settled share-based payment arrangements with its employees, as detailed in note 8. When such awards are made, the fair value at grant date serves as the basis for calculating the staff costs.

The vesting conditions attached to the awards are subject to specific non-market performance conditions. The expense in respect of each arrangement is recognised over the vesting period, based on an estimate of the number of awards expected to vest. The estimate of awards expected to vest is revised at each reporting date and the cumulative charge is updated. Details of the estimates applied can be found in note 8.

3.2 Key accounting judgements in applying the Group's accounting policies
The Directors do not consider there are any key accounting judgements impacting the financial statements.

4. Operating segments

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

	Investment Management Services £000	Charles Stanley Direct £000	Financial Planning £000	Support Functions[3] £000	Total £000
Six months ended 30 September 2020					
Investment management fees	**45,078**	**–**	**1,040**	**–**	**46,118**
Administration fees	**10,153**	**3,330**	**3,461**	**–**	**16,944**
Total fees	**55,231**	**3,330**	**4,501**	**–**	**63,062**
Commission	**17,669**	**1,198**	**7**	**–**	**18,874**
Total revenue	**72,900**	**4,528**	**4,508**	**–**	**81,936**
Administrative expenses[1]	**(38,727)**	**(1,930)**	**(5,246)**	**(31,263)**	**(77,166)**
Other income	**16**	**–**	**–**	**–**	**16**
Operating contribution	**34,189**	**2,598**	**(738)**	**(31,263)**	**4,786**
Allocated costs	**(27,299)**	**(2,163)**	**(1,801)**	**31,263**	**–**
Operating profit/(loss)[2]	**6,890**	**435**	**(2,539)**	**–**	**4,786**
Segment assets	**325,761**	**5,613**	**179**	**294**	**331,847**
Segment liabilities	**215,740**	**–**	**709**	**–**	**216,449**

Notes
1. Administrative expenses include £0.6 million of restructuring costs, £0.6 million of amortisation of client relationships and £0.7 million of impairment to client relationships.
2. The operating profit/(loss) as per the above table is different to that presented in the divisional analysis included within the Interim management report as the table above includes adjusting items which are excluded from the underlying analysis.
3. Support Functions' costs are allocated to the respective divisions based on proportions agreed by the Directors, which reflect utilisation.

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

Notes
1. Administrative expenses include £1.2 million of restructuring costs, £0.5 million of amortisation of client relationships and a £0.7 million credit for non-cash share options.
2. The operating profit/(loss) as per the above table is different to that presented in the divisional analysis included within the Interim management report as the table above includes adjusting items which are excluded from the underlying analysis.
3. Support Functions' costs are allocated to the respective divisions based on proportions agreed by the Directors, which reflect utilisation.

4. Operating segments (continued)

	Investment Management Services £000	Charles Stanley Direct £000	Financial Planning £000	Support Functions[3] £000	Total £000
Year ended 31 March 2020					
Investment management fees	92,853	–	2,006	–	94,859
Administration fees	23,922	7,763	6,683	–	38,368
Total fees	116,775	7,763	8,689	–	133,227
Commission	38,093	1,687	7	–	39,787
Total revenue	154,868	9,450	8,696	–	173,014
Administrative expenses[1]	(82,463)	(4,056)	(10,599)	(58,116)	(155,234)
Other income	115	–	–	–	115
Operating contribution	72,520	5,394	(1,903)	(58,116)	17,895
Allocated costs	(51,053)	(3,861)	(3,202)	58,116	–
Operating profit/(loss)[2]	21,467	1,533	(5,105)	–	17,895
Segment assets	337,183	5,556	201	294	343,234
Segment liabilities	225,390	–	1,336	–	226,726

Notes

1. Administrative expenses include £3.5 million of restructuring costs, £3.0 million of Investment Management Services non-cash share credit, £1.2 million of amortisation of client relationships and £0.3 million of impairments to intangible assets.
2. The operating profit/(loss) as per the above table is different to that presented in the divisional analysis included within the Annual report and accounts, as the table above includes adjusting items which are excluded from the underlying analysis.
3. Support Functions' costs are allocated to the respective divisions based on proportions agreed by the Directors, which reflect utilisation.

5. Seasonality and cyclicality of interim operations

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

6. Restructuring costs

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

	Unaudited Six months ended 30 September 2020 £000	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Redundancy costs	**–**	722	1,613
External consultants – contract staff	**487**	463	991
IT and communications	**80**	–	667
Legal and professional fees	**46**	18	201
	613	1,203	3,472

7. 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 2020 pence**	Unaudited Six months ended 30 September 2019 pence	Audited Year ended 31 March 2020 pence
Basic earnings per share	**7.06**	13.36	28.03
Diluted earnings per share	**7.00**	13.12	27.51

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

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

Earnings	**Unaudited Six months ended 30 September 2020 £000**	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Earnings used in the calculation of basic earnings per share and diluted earnings per share	**3,654**	6,781	14,250

Number of shares	**Unaudited Six months ended 30 September 2020 000**	Unaudited Six months ended 30 September 2019 000	Audited Year ended 31 March 2020 000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**51,777**	50,774	50,837
Effect of potentially dilutive share options	**456**	896	971
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**52,233**	51,670	51,808

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

8. Share-based payment arrangements

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

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

50,192 options were granted under the scheme on 10 June 2020. As these awards are over nil-cost options with an entitlement to dividends during the vesting period, the grant date fair value was deemed to be £2.78, being the share price at that date. A further 70,223 options were granted under the scheme on 9 July 2020, with a fair value of £2.56, being the share price at that date.

No brought forward options lapsed and 32,893 were exercised.

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

550,000 options were granted under the scheme on 9 July 2020. As these awards are over nil-cost options with an entitlement to dividends during the vesting period, the grant date fair value was deemed to be £2.56, being the share price at that date.

The performance conditions relating to 259,784 options granted during the years ended 31 March 2016 and 31 March 2017 were partially met and therefore 43,010 of these options vested and the remaining 216,774 lapsed during the period.

8.3 Investment Managers Share Plan (equity-settled)
The Investment Managers Share Plan is a one-off share scheme which granted 2,415,725 options to investment managers on 15 June 2017. During the period 935,365 options were exercised, which vested upon publication of the Annual report and accounts for the year ended 31 March 2020.

The remaining options will only vest if the pre-tax profit margin of the employed investment management teams collectively is 15% or more in any of the two years ending 31 March 2021 and 2022. The current expectation is that this condition will not be met therefore no accumulated expense has been recognised.

9. Employee benefits

9.1 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.

9.2 Defined benefit scheme

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

A full actuarial valuation was carried out as at 13 May 2017 in accordance with the scheme funding requirements of the Pensions Act 2004. The next full actuarial valuation dated 13 May 2020 is due to be finalised at the end of the 2020 calendar year.

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

For the purposes of IAS 19, the actuarial valuation as at 13 May 2017, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 September 2020. The valuation methodology adopted for the current period disclosures is the same as that used in the prior period.

Amounts included in the condensed consolidated statement of financial position

	Unaudited Six months ended 30 September 2020 £000	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Fair value of scheme assets	**24,833**	23,710	22,162
Present valuation of defined benefit obligation	**(30,955)**	(30,203)	(27,242)
Deficit in scheme and liability recognised in condensed consolidated statement of financial position	**(6,122)**	(6,493)	(5,080)

Defined benefit costs recognised in the condensed consolidated income statement

	Unaudited Six months ended 30 September 2020 £000	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Net interest cost	**59**	77	151
Total amount recognised in condensed consolidated income statement	**59**	77	151

The Group has reviewed the implications of the guidance provided by IFRIC 14 and has concluded that it is not necessary to make any adjustments to the IAS 19 figures in respect of an asset ceiling or Minimum Funding Requirements. The asset ceiling is not applicable as the scheme is in deficit. It was assessed that no Minimum Funding Requirement for contributions was needed as at 30 September 2020.

No members have been paid transfer values in full settlement of their liabilities under the scheme in any of the periods presented. There have been no other scheme amendments, curtailments or settlements in any of the periods presented.

9. Employee benefits (continued)

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

	Unaudited Six months ended 30 September 2020 £000	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Return on scheme assets	**2,739**	2,435	646
Experience gains arising on the scheme liabilities	–	–	96
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	–	–	329
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	**(3,995)**	(2,275)	308
Total amount recognised in condensed consolidated statement of comprehensive income	**(1,256)**	160	1,379

Significant actuarial assumptions

	Unaudited Six months ended 30 September 2020 %	Unaudited Six months ended 30 September 2019 %	Audited Year ended 31 March 2020 %
Inflation – Consumer Prices Index (CPI)	**2.50**	2.20	2.20
Rate of discount	**1.70**	1.80	2.40
Allowance for pension in payment increases of CPI (or 5% p.a. if less than CPI, minimum 3% p.a.)	**3.40**	3.00	3.30
Allowance for revaluation of deferred pensions of CPI (or 5% p.a. if less than CPI)	**2.50**	2.20	2.20

The mortality assumptions adopted at 30 September 2020 are 100% (30 September 2019 and 31 March 2020: 100%) of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2019 converging to 1.00% p.a. These imply the following life expectancies at age 65:

	Unaudited Six months ended 30 September 2020	Unaudited Six months ended 30 September 2019	Audited Year ended 31 March 2020
Male retiring in current year	**21.6**	21.8	21.6
Female retiring in current year	**23.5**	23.7	23.5
Male retiring in 20 years	**22.6**	22.9	22.6
Female retiring in 20 years	**24.7**	25.0	24.7

9. 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 2.2%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4.0%

The sensitivities shown are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at 30 September 2020 was 18 years.

10. Income taxes

Tax recognised in the condensed consolidated income statement

	Unaudited Six months ended 30 September 2020 £000	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Current taxation			
Expense for the period	**621**	1,408	2,790
Adjustment in respect of prior periods	**197**	(45)	(45)
	818	1,363	2,745
Deferred taxation			
Expense/(credit) for the period	**339**	(37)	340
Adjustment in respect of prior periods	**(14)**	(13)	(13)
	325	(50)	327
Total tax expense	**1,143**	1,313	3,072

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget, it was announced that the UK corporation tax rate will remain at the current level of 19% and not reduce to 17% from 1 April 2020. Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind.

10. Income taxes (continued)

The tax expense for the period is higher than the standard rate of corporation tax in the UK of 19% (30 September 2019 and 31 March 2020: 19%). The differences are as follows:

	Unaudited Six months ended 30 September 2020 £000	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Profit before tax	**4,797**	8,094	17,322
Profit multiplied by rate of corporation tax in the UK	**911**	1,538	3,291
Tax effects of:			
Income not subject to tax	**(3)**	(42)	(22)
Expenses not allowed for tax	**92**	41	40
Tax rate change	**–**	3	–
Share-based payments	**(12)**	(2)	(123)
Adjustments in respect of prior periods	**183**	(58)	(58)
Intangible asset amortisation and impairments	**10**	–	175
Fixed asset differences	**–**	52	88
Other adjustments	**(38)**	(219)	(319)
	232	(225)	(219)
Total tax expense for the period	**1,143**	1,313	3,072

11. Intangible assets

Cost	Goodwill £000	Client relationships £000	Internally generated software £000	Total £000
At 1 October 2019	20,213	27,451	7,546	55,210
Additions	–	938	15	953
At 31 March 2020	**20,213**	**28,389**	**7,561**	**56,163**
Additions	**–**	**329**	**–**	**329**
Disposals	**–**	**–**	**(3,331)**	**(3,331)**
At 30 September 2020	**20,213**	**28,718**	**4,230**	**53,161**
Amortisation and impairment				
At 1 October 2019	6,161	21,496	7,388	35,045
Impairment charge during the period	349	–	–	349
Amortisation charge for the period	–	657	99	756
At 31 March 2020	**6,510**	**22,153**	**7,487**	**36,150**
Impairment charge during the period	**–**	**700**	**–**	**700**
Amortisation charge for the period	**–**	**625**	**28**	**653**
Disposals	**–**	**–**	**(3,331)**	**(3,331)**
At 30 September 2020	**6,510**	**23,478**	**4,184**	**34,172**
Net book value				
At 30 September 2020 (unaudited)	**13,703**	**5,240**	**46**	**18,989**
At 31 March 2020 (audited)	13,703	6,236	74	20,013
At 30 September 2019 (unaudited)	14,052	5,955	158	20,165

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 2020 £000	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Investment Management Services	**8,456**	8,805	8,456
Charles Stanley Direct	**5,247**	5,247	5,247
	13,703	14,052	13,703

11. Intangible assets (continued)

11.1 Goodwill

The recoverable amount of Goodwill allocated to a 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 based on a percentage of FuMA, which is determined by the consideration paid as a percentage of FuMA in recent transactions in the market. At 30 September 2020 this was determined to be 2.01%. The inputs into fair value less costs to sell calculations are considered to be level 3 in the fair value hierarchy. The valuation techniques for calculating the recoverable amount are consistent with those used in prior years.

No value in use calculations have been prepared for other CGUs on the basis that the fair value less costs to sell was greater than the carrying amount. No other assets or liabilities related to the Group are allocated to CGUs in the assessment of the fair value of each CGU.

11.1.1 Investment Management Services

The Goodwill attributed to this division is represented by four CGUs, comprising acquired investment management teams in different locations across the UK. The largest CGUs are Edinburgh and Robson Cotterell, representing 51% and 27% respectively of the carrying value of the Goodwill held by the division.

The recoverable amount was assessed using fair value less costs to sell for the period ended 30 September 2020, based on a percentage of FuMA (2.01%), being the lower end of management's estimations. The Eastbourne CGU had the lowest headroom of £1.1 million, between the carrying value and the recoverable amount. FuMA associated with this CGU would need to fall by over 30% under the current method before an impairment would be recognised.

11.1.2 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 2020. Fair value less costs to sell was determined based on a price paid per billion of FuMA in recent market transactions. The range observed was £2.5 million to £10.3 million paid per £1.0 billion of assets. The recoverable amount was determined to be higher than the carrying amount of the CGU and therefore the Goodwill carrying value is adequately supported.

11.2 Client relationships

Client relationships relate to payments made to investment managers and third parties for the introduction of client relationships. Client relationships also arise on business combinations. The fair value was determined based on a percentage of FuMA of investment managers who have received payments. The fair value of those acquired in business combinations is based on the discounted cash flow model.

As an amortising asset, an impairment assessment is required only when an impairment trigger has been identified. The assessment is carried out by comparing the carrying value of each relationship and the remaining consideration that the Group expects to receive for services which are derived from the client relationships. The recoverable amount is calculated based on fair value less costs to sell using FuMA multiples derived from recent market transactions. Where necessary a value in use calculation is carried out to support the assessment.

An impairment charge of £0.7 million has been recognised in the period to 30 September 2020 relating to the Myddleton Croft CGU, reducing the carrying value to £1.1 million. The reason for the impairment is due to a reduction in the CGU's FuMA, resulting in the carrying value exceeding the recoverable amount. Except for the above, the recoverable amount of all other CGUs was determined to be higher than the carrying amounts and therefore the carrying value is adequately supported.

11.3 Internally generated software

Internally generated software is software designed, developed and commercialised by the Group. During the period, fully depreciated assets relating to internally generated software were written off as part of a review of the intangible asset register. These are illustrated as disposals of cost and disposals of amortisation equally of £3.3 million, resulting in no effect on the net book value.

11. Intangible assets (continued)

11.4 Sensitivity

To quantify the impact of COVID-19, additional sensitivity was applied to FuMA at 30 September 2020 levels. While markets have seen some recovery after the year end, the additional sensitivity was applied to gain comfort over the impact of volatile markets on the fair value less costs to sell of each CGU.

In respect of Goodwill associated with Investment Management Services, when assessing the carrying value as a percentage of FuMA at 2.01%, the value of FuMA for the CGUs would have to fall by more than 30% before the carrying value would exceed the recoverable amount. For Client relationship intangibles, there are a significant number of relationships associated with the overall balance with a wide range of carrying values. The additional sensitivity analysis concluded that sufficient headroom existed between carrying values and the threshold for impairment to the relevant CGUs for Client relationships.

In respect of Goodwill associated with Charles Stanley Direct, we applied sensitivity analysis to the asset values from recent market transactions which were used to determine the fair value of the CGU. A range of scenarios were modelled, with the impact of a 20% reduction in the price paid per £1.0 billion of assets applied against the average price paid of £6.4 million in recent market transactions. The carrying value of the CGU was adequately supported.

12. Property, plant and equipment

Cost	Freehold premises £000	Fixtures and fittings £000	Property right-of-use assets £000	Office equipment and motor vehicles £000	Total £000
At 1 October 2019	3,488	7,605	12,693	19,496	43,282
Additions	–	48	104	233	385
Disposals	–	(68)	–	(12)	(80)
At 31 March 2020	**3,488**	**7,585**	**12,797**	**19,717**	**43,587**
Additions	**–**	**–**	**54**	**913**	**967**
Disposals	**–**	**(4)**	**–**	**(10,564)**	**(10,568)**
At 30 September 2020	**3,488**	**7,581**	**12,851**	**10,066**	**33,986**
Depreciation					
At 1 October 2019	233	4,174	1,186	17,810	23,403
Charge for the period	27	345	1,230	472	2,074
Disposals	–	(55)	–	(10)	(65)
At 31 March 2020	**260**	**4,464**	**2,416**	**18,272**	**25,412**
Charge for the period	**27**	**345**	**1,271**	**510**	**2,153**
Disposals	**–**	**–**	**(31)**	**(10,534)**	**(10,565)**
At 30 September 2020	**287**	**4,809**	**3,656**	**8,248**	**17,000**
Net book value					
At 30 September 2020 (unaudited)	**3,201**	**2,772**	**9,195**	**1,818**	**16,986**
At 31 March 2020 (audited)	3,228	3,121	10,381	1,445	18,175
At 30 September 2019 (unaudited)	3,255	3,431	11,507	1,686	19,879

12. Property, plant and equipment (continued)

Freehold premises are carried at fair value. The most recent valuations of freehold premises were carried out in February 2018 by independent chartered surveyors. If freehold premises had been carried under the cost model, their carrying value would have been £3.5 million (30 September 2019: £3.5 million and 31 March 2020: £3.5 million). The cost and accumulated depreciation of property, plant and equipment on the prior page includes £10.6 million (30 September 2019: £20.9 million and 31 March 2020: £21.7 million) in respect of fully depreciated assets which are still in use. During the period, fully depreciated assets relating to office equipment were written off as part of a review of the fixed asset register. These are illustrated as disposals of cost and disposals of depreciation equally of £10.5 million, resulting in no effect on the net book value.

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 2019	50,890	12,723	4,660	17,383
Exercise of share options	248	61	510	571
31 March 2020	**51,138**	**12,784**	**5,170**	**17,954**
Exercise of share options	**972**	**244**	**26**	**270**
30 September 2020	**52,110**	**13,028**	**5,196**	**18,224**

At 30 September 2020, the Group held 268,864 (30 September 2019: 118,904 and 31 March 2020: 110,746) own shares which are held in an employee benefit trust.

14. Dividends

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

	Unaudited Six months ended 30 September 2020 £000	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Final dividend for 2019 of 6.0p per share paid 17 July 2019	–	3,047	3,047
Interim dividend for 2020 of 3.0p per share paid 17 January 2020	–	–	1,527
Final dividend for 2020 of 6.0p per share paid 16 July 2020	**3,125**	–	–
	3,125	3,047	4,574

An interim dividend of 3.0 pence per share was declared by the Board on 18 November 2020. This will be payable on 15 January 2021 to registered shareholders at 11 December 2020.

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

15. Provisions

Current	Unaudited Six months ended 30 September 2020 £000	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
At start of period	**1,251**	1,841	1,841
Provisions made during the period	**–**	–	762
Provisions used during the period	**(431)**	(1,331)	(1.352)
Net provisions reclassified (to)/from non-current	**(12)**	–	40
Unused provisions transferred to income statement	**(25)**	(38)	(40)
At end of period	**783**	472	1,251

Non-current	Unaudited Six months ended 30 September 2020 £000	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
At start of period	**1,983**	1,961	1,961
Provisions made during the period	**–**	54	62
Net provisions reclassified from/(to) current	**12**	–	(40)
At end of period	**1,995**	2,015	1,983

The Group held provisions as at 30 September 2020 in respect of redundancy costs, 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 tables show the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Carrying value at 30 September 2020	Fair value through profit or loss £000	Fair value through OCI £000	Amortised cost £000	Other financial liabilities £000	Total £000
Financial assets measured at fair value					
Unlisted investments	–	3,439	–	–	3,439
Listed investments	1,763	–	–	–	1,763
Total	1,763	3,439	–	–	5,202
Financial liabilities measured at fair value					
Non-current trade and other payables	–	–	–	331	331
Total	–	–	–	331	331
Financial assets not measured at fair value					
Trade and other receivables	–	–	197,267	–	197,267
Cash and cash equivalents	–	–	92,143	–	92,143
Total	–	–	289,410	–	289,410
Financial liabilities not measured at fair value					
Trade and other payables	–	–	–	196,061	196,061
Current lease liabilities	–	–	–	3,318	3,318
Non-current lease liabilities	–	–	–	7,839	7,839
Total	–	–	–	207,218	207,218

Financial assets and liabilities measured at fair value	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 30 September 2020				
Unlisted investments	–	–	3,439	3,439
Listed investments	1,639	124	–	1,763
Non-current trade and other payables	–	–	(331)	(331)
Total	1,639	124	3,108	4,871

16. Fair values and risk management (continued)

Carrying value at 30 September 2019	Fair value through profit or loss £000	Fair value through OCI £000	Amortised cost £000	Other financial liabilities £000	Total £000
Financial assets measured at fair value					
Unlisted investments	–	3,565	–	–	3,565
Listed investments	1,749	–	–	–	1,749
Total	1,749	3,565	–	–	5,314
Financial liabilities measured at fair value					
Non-current trade and other payables	–	–	–	847	847
Total	–	–	–	847	847
Financial assets not measured at fair value					
Trade and other receivables	–	–	158,824	–	158,824
Sovereign debt securities[1]	–	–	10,501	–	10,501
Cash and cash equivalents	–	–	67,912	–	67,912
Total	–	–	237,237	–	237,237
Financial liabilities not measured at fair value					
Trade and other payables	–	–	–	150,454	150,454
Lease liabilities	–	–	–	13,724	13,724
Total	–	–	–	164,178	164,178

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

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

16. Fair values and risk management (continued)

Carrying value at 31 March 2020	Fair value through profit or loss £000	Fair value through OCI £000	Amortised cost £000	Other financial liabilities £000	Total £000
Financial assets measured at fair value					
Unlisted investments	–	4,482	–	–	4,482
Listed investments	1,492	–	–	–	1,492
Total	1,492	4,482	–	–	5,974
Financial liabilities measured at fair value					
Current trade and other payables	–	–	–	348	348
Non-current trade and other payables	–	–	–	404	404
Total	–	–	–	752	752
Financial assets not measured at fair value					
Trade and other receivables	–	–	203,838	–	203,838
Sovereign debt securities	–	–	5,504	–	5,504
Cash and cash equivalents	–	–	88,477	–	88,477
Total	–	–	297,819	–	297,819
Financial liabilities not measured at fair value					
Trade and other payables	–	–	–	205,465	205,465
Current lease liabilities	–	–	–	2,825	2,825
Non-current lease liabilities	–	–	–	9,718	9,718
Total	–	–	–	218,008	218,008

Financial assets and liabilities measured at fair value	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2020				
Unlisted investments	–	–	4,482	4,482
Listed investments	1,368	124	–	1,492
Current trade and other payables	–	–	(348)	(348)
Non-current trade and other payables	–	–	(404)	(404)
Total	1.368	124	3,730	5,222

16. Fair values and risk management (continued)

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).

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

Financial instrument	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value
Equity Securities: Euroclear Holding SA	Fair value is determined by referring to the average price paid per share in recent market transactions of Euroclear Holding SA	Transactions occurring in the period are not based on observable market data at the balance sheet date and are disclosed only to existing shareholders. Accordingly they are treated as Level 3	Increasing or decreasing the average price paid per share by 10% would result in a £0.3 million increase or decrease in the fair value of the Group's shareholding

There were no transfers between any of the levels of the fair value hierarchy during the six months ended 30 September 2020 or in any of the periods presented.

ii) Level 3 fair values

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

	Unlisted equity securities £000
At 1 October 2019	3,565
Total unrealised gains and losses for the period included in the condensed consolidated statement of comprehensive income	917
At 31 March 2020	**4,482**
Total unrealised gains and losses for the period included in the condensed consolidated statement of comprehensive income	**(1,043)**
At 30 September 2020	**3,439**

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

16. Fair values and risk management (continued)

16.2 Unlisted equity securities

The Level 3 balance relates to holdings in unlisted investments. At 30 September 2020, these unlisted investments had a fair value of £3.4 million (30 September 2019: £3.6 million and 31 March 2020: £4.5 million). Included within this balance is the Group's holding of 2,358 shares (30 September 2019 and 31 March 2020: 2,358 shares) in Euroclear Holding SA, which had a fair value of £3.3 million (30 September 2019: £3.5 million and 31 March 2020: £4.4 million). Fair value was determined using a valuation technique that required significant unobservable inputs.

16.3 Contingent consideration

The Level 3 balance comprises an amount payable as part of the acquisition of Myddleton Croft Limited. The fair value is determined based on the future income forecasts and multiples set out in the signed terms of the Sales and Purchase Agreement.

17. Reconciliation of net profit to cash generated from operations

	Unaudited Six months ended 30 September 2020 £000	Unaudited Six months ended 30 September 2019 £000	Audited Year ended 31 March 2020 £000
Profit before tax	**4,797**	8,094	17,322
Adjustments for:			
Depreciation	**2,153**	2,043	4,117
Amortisation and impairment of intangible assets	**1,353**	763	1,869
Share-based payments – value of employee services	**420**	97	(1,783)
Retirement benefit scheme	**59**	77	151
Dividend income	**(16)**	(26)	(115)
Interest income	**(149)**	(288)	(539)
Interest expense	**420**	517	984
Profit/(loss) on disposal of financial assets	**7**	(22)	(88)
Gain on disposal of property, plant and equipment	**(31)**	–	(18)
Changes in working capital:			
Unrealised (gains)/losses on financial assets at fair value through profit or loss	**(238)**	(72)	154
Decrease/(increase) in receivables	**6,571**	32,486	(12,440)
(Decrease)/increase in payables	**(10,078)**	(38,913)	16,235
Net cash inflow from operations	**5,268**	4,756	25,849

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 2020.

19. Contingent liabilities

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

20. Commitments

At 30 September 2020, capital expenditure authorised and contracted for, but not included, in the financial statements amounted to £nil (30 September 2019: £nil and 31 March 2020: £0.2 million).

21. Subsequent events

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

22. Related party transactions

Related party transactions are disclosed in the Group's Annual report and accounts for the year ended 31 March 2020. No transactions took place during the period to 30 September 2020 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 2020 has been prepared to provide information to shareholders to assess the current position and future potential of Charles Stanley Group PLC. It contains certain forward-looking statements with respect to the Group's financial condition, operations and business opportunities. These forward-looking statements involve risks and uncertainties that could cause the actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which the Group operates to differ materially from the impression created by the forward-looking statements. Any forward-looking statement is made in good faith based on information available to the Directors at the time of their approval of this report. Past performance cannot be relied on as a guide to future performance.

Glossary

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

Directors

Executive

Paul Abberley (Chief Executive Officer)

Ben Money-Coutts (Chief Financial Officer)

Non-Executive

Sir David Howard (Chairman)

Marcia Campbell

Andrew Didham

Hugh Grootenhuis

Bridget Guerin (resigned 30 September 2020)

Anna Troup (appointed 1 October 2020)

Financial calendar

19 November 2020	Interim results announced
10 December 2020	Ex-dividend date for interim dividend
11 December 2020	Record date for interim dividend
15 January 2021	Payment date of interim dividend

Company information

Company Secretary

Julie Ung

Registered office

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Company registration number

48796 (England and Wales)

Group website

charles-stanley.co.uk

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External auditor

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Peel Hunt LLP
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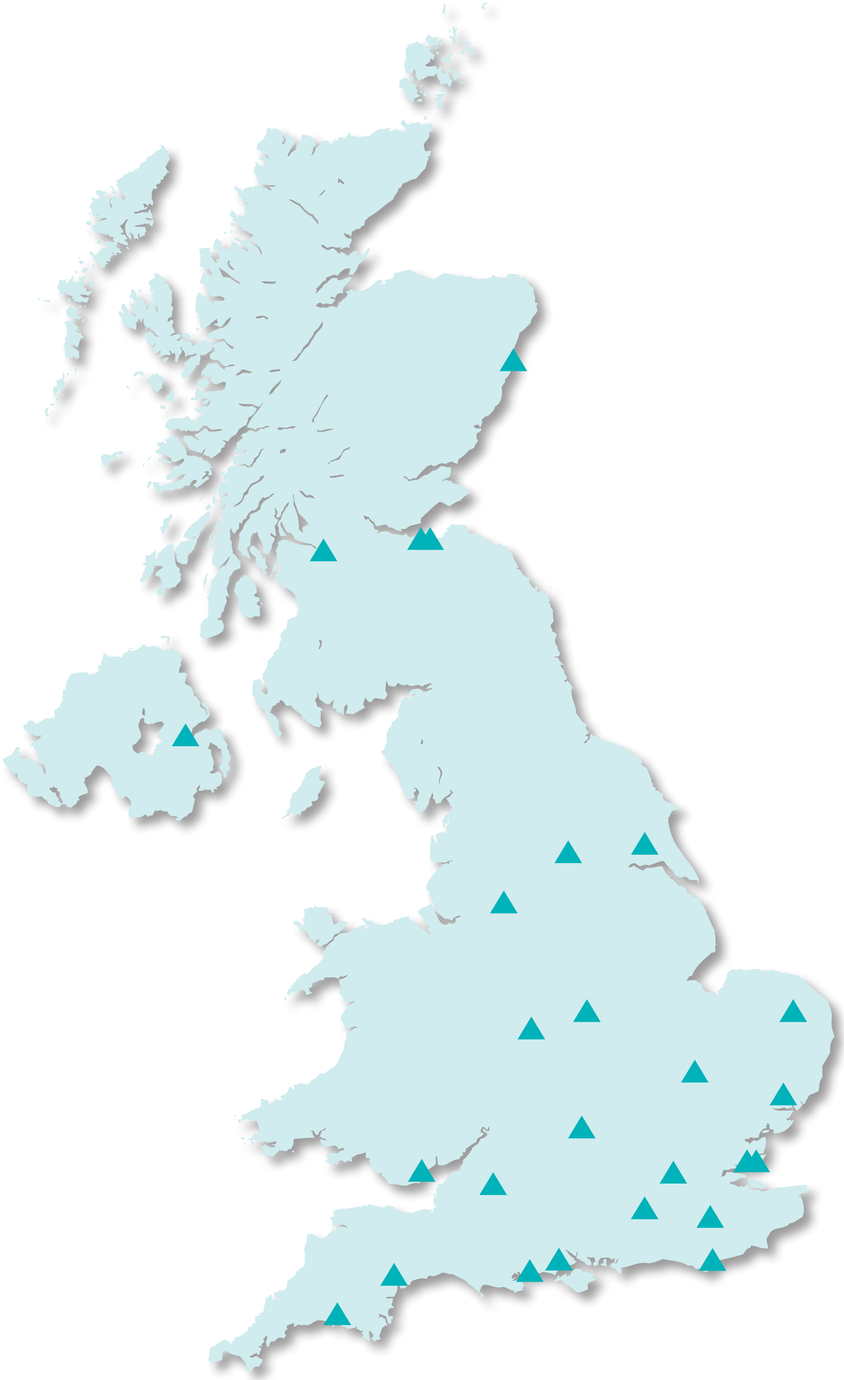
120 London Wall
London EC2Y 5ET

Where we are

We operate in 26 UK locations.

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



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