**19 November 2020**
**CAY.L**

**Charles Stanley Group PLC**
("Charles Stanley" or "the Company" or "the Group")

**Interim results for the six months ended 30 September 2020**

**Resilient performance**

**Key points**

**Summary**

- Group delivered a resilient performance in the face of exceptional conditions with the global COVID-19 pandemic. It is in a strong position to deal with ongoing uncertainty and remains focused on business improvement and growth.

**Financial:**

- Revenue decreased by 4.1% to £81.9 million (H1 2020: £85.4 million), reflecting the impact of COVID-19 on funds under management and administration (FuMA) and lower interest rates
- Revenue margin increased to 74.3 bps (H1 2020: 69.9 bps)
- FuMA averaged £22.1 billion, 9.4% lower than in H1 2020
    - by the end of H1 2021, FuMA was up 12.9% to £22.8bn, in line with market recovery
    - higher-value managed funds comprised 59.6% of FuMA (FY 2020: 59.4%)
- Underlying[1] profit before tax reduced by 27.5% to £6.6 million (H1 2020: £9.1 million), reflecting lower revenues and higher FSCS Levy costs / Reported profit before tax of £4.8 million (H1 2020: £8.1 million)
- Underlying[1] profit margin[2] decreased to 8.1% (H1 2020: 11.2%)
- Underlying[1] EPS of 9.94p (H1 2020: 15.04p) / Reported EPS of 7.06p (H1 2020: 13.36p)
- Restructuring costs of £0.6m (H1 2020: £1.2m)
- Balance sheet remains strong:
    - cash balances up 4.1% to £92.1 million (FY 2020: £88.5 million)
    - net assets of £115.4 million (FY 2020: £116.5 million)
    - regulatory capital solvency ratio of 174% (H1 2020: 206% and FY 2020: 189%), well above risk appetite
- Maintained interim dividend at 3.0 pence per share (H1 2020: 3.0 pence per share)

1. Underlying profit before tax and earnings per share represent the Group reported results excluding adjusting items.
2. This underlying pre-tax margin is based on the underlying profit before tax 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 revenues.

**Operational:**

- Continued progress with the transformation programme launched a year ago to support profitable growth and an integrated business model
  - focus is on IT, front and middle offices
  - some delays caused by lockdown
  - £1.2 million of realised cost savings achieved to date and expecting annualised savings of £2.5 million for FY 2021
  - on track for expected annualised savings of £4.5 million during FY 2022 and into FY 2023
- Investment Management Services generated revenues of £72.9 million (H1 2020: £77.0 million)
- Charles Stanley Direct, the online execution-only service, maintained revenues at £4.5 million (H1 2020: £4.5 million)
- Financial Planning increased revenue by 15.4% to £4.5 million (H1 2020: £3.9 million)
- Continued improvement of coverage with national independent networks as well as the professionals' market

**Outlook:**

- The Group is well-positioned to navigate the ongoing economic uncertainties underpinned by a strong balance sheet, no debt and robust level of regulatory capital
- The Board is positive about long-term prospects and remains focused on improvements and growth initiatives

**Paul Abberley, Chief Executive Officer, commented:**

*"These are resilient results in the face of the exceptionally difficult trading conditions caused by the COVID-19 pandemic, with revenue and profits at encouraging levels. Charles Stanley reacted rapidly and effectively to the unique challenges. We maintained our normal high level of service to clients while ensuring staff safety.*

*Although the effects of the pandemic will be with us for some time, Charles Stanley remains well-positioned. We have a strong balance sheet, with no debt and good cash flows. This will allow us to continue to provide clients with an excellent service and to make further progress with our strategic objectives."*

**For further information, please contact:**

| **Charles Stanley** | **Canaccord Genuity** | **Peel Hunt** | **KTZ Communications** |
|---|---|---|---|
| Siobhan Griffiths | Emma Gabriel | Andrew Buchanan | Katie Tzouliadis |
| Via KTZ Communications | 020 7523 8309 | 020 3597 8680 | Dan Mahoney |
| | | | 020 3178 6378 |

Charles Stanley Group PLC LEI: 213800LBSEGKE5MCYC90

**Notes to editors:**

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.

**Interim management report**
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 9.94p (H1 2020: 15.04p). 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 74.3 bps (H1 2020: 69.9 bps). 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.

**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 seeing encouraging signs of improved engagement.

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.

**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.

**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.

| | 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 | (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 |

Notes

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.

**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.

**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. 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 & 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 | Charles Stanley Direct | Financial Planning | Underlying performance |
|---|---|---|---|---|
| | £m | £m | £m | £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) | 11.0 | 0.7 | (2.4) | 9.3 |
| Net finance and other non-operating income | (0.2) | – | – | (0.2) |
| Underlying profit/(loss) before tax | 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.

**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 | H1 2020 (restated) |
|---|---|---|
| | £m | £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 of the Interim financial statements.

**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 UK Financial Conduct Authority (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.

**Condensed consolidated income statement**
**Six months ended 30 September 2020**

| | Notes | Unaudited H1 2021 £000 | Unaudited H1 2020 £000 | Audited FY 2020 £000 |
|---|---|---|---|---|
| Revenue | 4 | 81,936 | 85,399 | 173,014 |
| Administrative expenses | 4 | (75,853) | (75,993) | (151,413) |
| Restructuring costs | 5 | (613) | (1,203) | (3,472) |
| Impairment of intangible assets | 9 | (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 | 8 | (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 | 6 | 7.06p | 13.36p | 28.03p |
| Diluted | 6 | 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.

**Condensed consolidated statement of comprehensive income**
**Six months ended 30 September 2020**

| | Unaudited H1 2021 £000 | Unaudited H1 2020 £000 | Audited FY 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 | (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 |

**Condensed consolidated statement of financial position**
**As at 30 September 2020**

| | Notes | Unaudited H1 2021 £000 | Unaudited H1 2020 £000 | Audited FY 2020 £000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Intangible assets | 9 | 18,989 | 20,165 | 20,013 |
| Property, plant and equipment | | 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 | | 3,439 | 3,565 | 4,482 |
| Financial assets at amortised cost | | – | 507 | 507 |
| Non-current assets | | 40,645 | 46,137 | 44,359 |
| Trade and other receivables | | 197,267 | 158,824 | 203,838 |
| Financial assets at fair value through profit or loss | | 1,763 | 1,749 | 1,492 |
| Financial assets at amortised cost | | – | 9,994 | 4,997 |
| Cash and cash equivalents | | 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 | | 13,028 | 12,723 | 12,784 |
| Share premium | | 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 | | 6,122 | 6,493 | 5,080 |
| Non-current trade and other payables | | 331 | 847 | 404 |
| Lease liabilities | | 7,839 | 13,724 | 9,718 |
| Provisions | | 1,995 | 2,015 | 1,983 |
| Non-current liabilities | | 16,287 | 23,079 | 17,185 |
| Trade and other payables | | 196,061 | 150,454 | 205,465 |
| Current tax liabilities | | – | 470 | – |
| Current lease liabilities | | 3,318 | – | 2,825 |
| Provisions | | 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 |

The financial statements were approved and authorised for issue by the Board of Charles Stanley Group PLC (company number 48796) on 18 November 2020.

**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 gain 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 |

**Condensed consolidated statement of changes in equity (continued)**
**Six months ended 30 September 2019**

| | Share capital £000 | Share premium £000 | Own shares £000 | Re-valuation reserve £000 | Merger relief reserve £000 | Retained earnings £000 | Total £000 | Non-controlling interests £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|---|---|
| 31 March 2019 | 12,692 | 4,625 | (201) | 1,989 | 15,167 | 72,134 | 106,406 | 24 | 106,430 |
| Adjustment on initial application of IFRS 16 | – | – | – | – | – | (1,043) | (1,043) | – | (1,043) |
| Profit for the period | – | – | – | – | – | 6,781 | 6,781 | – | 6,781 |
| Other comprehensive income: | | | | | | | | | |
| Financial assets at fair value through other comprehensive income: | | | | | | | | | |
| – unrealised gains and losses | – | – | – | 979 | – | – | 979 | – | 979 |
| – related tax | – | – | – | (20) | – | – | (20) | – | (20) |
| Remeasurement of defined benefit scheme liability: | | | | | | | | | |
| – actuarial gain in the period | – | – | – | – | – | 160 | 160 | – | 160 |
| – deferred tax movement on scheme liability | – | – | – | – | – | (27) | (27) | – | (27) |
| Total other comprehensive income for the period | – | – | – | 959 | – | 133 | 1,092 | – | 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 |

**Condensed consolidated statement of changes in equity (continued)**
**Six months ended 31 March 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 |
|---|---|---|---|---|---|---|---|---|---|
| 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 tax | – | – | – | (362) | – | – | (362) | – | (362) |
| Remeasurement of defined benefit scheme liability: | | | | | | | | | |
| – actuarial gain in the period | – | – | – | – | – | 1,219 | 1,219 | – | 1,219 |
| – related tax | – | – | – | – | – | (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 |

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

| | Notes | Unaudited H1 2021 £000 | Unaudited H1 2020 £000 | Audited FY 2020 £000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash generated from operating activities | 11 | 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 disposal 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.

## 1. General information

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34), as adopted by the European Union, and with the Disclosure and Transparency Rules (DTR) of the UK Financial Conduct Authority. The information in this Interim financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The condensed set of financial statements included in this Interim financial report for the period ended 30 September 2020 should be read in conjunction with Charles Stanley Group PLC's Annual report and accounts for the year ended 31 March 2020. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditor reported on those accounts. Their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Interim report and accounts for the six months ended 30 September 2020 will be available in December from the registered office of the Company at 55 Bishopsgate, London, EC2N 3AS. It will also be available on the Company's website www.charles-stanley.co.uk

## 2. 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 9.

**3.1 Major sources of estimation and uncertainty in applying the Group's accounting policies (continued)**

3.1.1 Goodwill and intangible assets (continued)

Sensitivity analysis is also set out in note 9. 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 of the 2021 Interim report and accounts. 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 of the 2021 Interim report and accounts.

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.

| Six months ended 30 September 2020 | Investment Management Services £000 | Charles Stanley Direct £000 | Financial Planning £000 | Support Functions[3] £000 | Total £000 |
|---|---|---|---|---|---|
| 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.

## 4. Operating segments (continued)

| Six months ended 30 September 2019 | Investment Management Services £000 | Charles Stanley Direct £000 | Financial Planning £000 | Support Functions[3] £000 | Total £000 |
|---|---|---|---|---|---|
| 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)

| Year ended 31 March 2020 | Investment Management Services £000 | Charles Stanley Direct £000 | Financial Planning £000 | Support Functions[3] £000 | Total £000 |
|---|---|---|---|---|---|
| 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 table above is different to that presented in the divisional analysis within the Annual report and accounts as the table above includes adjusting items which are excluded from the underlying performance analysis.
3. Support Functions' costs are allocated to the respective divisions based on proportions agreed by the Directors, which reflect utilisation.

**5. 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 H1 2021 £000 | Unaudited H1 2020 £000 | Audited FY 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 |

**6. Earnings per share**

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

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

| | Unaudited H1 2021 pence | Unaudited H1 2020 pence | Audited FY2020 pence |
|---|---|---|---|
| **Earnings per share** | | | |
| 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:

| | Unaudited H1 2021 £000 | Unaudited H1 2020 £000 | Audited FY2020 £000 |
|---|---|---|---|
| **Earnings** | | | |
| Earnings used in the calculation of basic and diluted earnings per share | 3,654 | 6,781 | 14,250 |

| **Number of shares** | Unaudited H1 2021 000 | Unaudited H1 2020 000 | Audited FY2020 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.

### 7. Employee benefits

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

**Amounts included in the condensed consolidated statement of financial position**

| | Unaudited H1 2021 | Unaudited H1 2020 | Audited FY 2020 |
|---|---|---|---|
| Fair value of scheme assets | 24,833 | 23,710 | 22,162 |
| Present value of defined benefit obligation | (30,955) | (30,203) | (27,242) |
| Deficit in scheme and liability in the condensed consolidated statement of financial position | (6,122) | (6,493) | (5,080) |

**Significant actuarial assumptions**

| | Unaudited H1 2021 | Unaudited H1 2020 | Audited FY 2020 |
|---|---|---|---|
| | % | % | % |
| Inflation – Consumer Price Index (CPI) | 2.50 | 2.20 | 2.20 |
| Rate of discount | 1.70 | 1.80 | 2.40 |
| Allowance for pension 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% (2019: 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 H1 2021 | Unaudited H1 2020 | Audited FY 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 |

**8. Income taxes**

**Tax recognised in the condensed consolidated income statement**

| | Unaudited H1 2021 £000 | Unaudited H1 2020 £000 | Audited FY 2020 £000 |
|---|---|---|---|
| **Current taxation** | | | |
| Current period expense | 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.

## 9. 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 for 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 for the period | – | 700 | – | 700 |
| 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 H1 2021 £000 | Unaudited H1 2020 £000 | Audited FY 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 |

**9. Intangible assets (continued)**

**9.1 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.

9.1.1 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.

9.1.2 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.

**9.2 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.

**9. Intangible assets (continued)**

**9.2 Client relationships (continued)**

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.

9.3 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.

9.4 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.

**10. Dividends**

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

| | **Unaudited H1 2021 £000** | **Unaudited H1 2020 £000** | **Audited FY 2020 £000** |
|---|---|---|---|
| Final dividend paid for 2019: 6.0p per share | - | 3,047 | 3,047 |
| Interim dividend paid for 2020: 3.0p per share | - | - | 1,527 |
| Final dividend paid for 2020: 6.0p per share | 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 as 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.

## 11. Reconciliation of net profit to cash generated from operations

| | Unaudited H1 2021 £000 | Unaudited H1 2020 £000 | Audited FY 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 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 |

## 12. Subsequent events

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

## 13. 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.