21 November 2019

Charles Stanley Group PLC

Correction of the condensed consolidated statement of cash flows as included within the preliminary results of Charles Stanley Group PLC for the six months ended 30 September 2019

Charles Stanley Group PLC announces a correction of the condensed consolidated statement of cash flows within the preliminary results released on Thursday 21 November 2019.

The correction is related to the omission of the "payment of lease liabilities" line in the condensed consolidated statement of cash flows.

All other numbers and text remain unchanged. The full preliminary results is shown below.

Charles Stanley Group PLC LEI: 213800LBSEGKE5MCYC90

For further information, please contact:

Charles Stanley	**Canaccord Genuity**	**Peel Hunt**	**KTZ Communications**
Siobhan Griffiths	David Tyrrell	Guy Wiehahn	Katie Tzouliadis
Via KTZ Communications	020 7523 4677	020 7418 8893	Dan Mahoney
			020 3178 6378

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 27 locations and 850 professionals. Its wealth management services are provided direct to clients and to intermediaries.

21 November 2019

CHARLES STANLEY

Charles Stanley Group PLC

Interim results for the six months ended 30 September 2019

Charles Stanley Group PLC ('the Group') or ('Charles Stanley') today announces its interim results for the six months ended 30 September 2019.

Financial highlights:

- Funds under Management and Administration ("FuMA") increased by 2.1% to £24.6 billion, with discretionary funds up by 6.1% to £13.9 billion (H1 2019: £13.1 billion)
- Revenue growth in all three divisions contributed to 9.9% increase to £85.4 million (H1 2019: £77.7 million)
- Revenue margin up to 69.9bps (H1 2019: 62.7 bps) – benefiting from comprehensive repricing project completed in March 2019 and shift towards higher margin services
- Expenditure remained well controlled at £75.4 million, up 4.1% - mainly reflecting variable staff remuneration (H1 2019: £72.4 million)
- Restructuring costs of £1.2 million (H1 2019: £nil) – expected to yield £0.8 million in annualised savings. These costs are part of management's Transformation Programme, which is a three-year project expected to cost c.£9.5 million in total and yield annualised benefits of c.£4.5 million
- Underlying[1] profit before tax increased 71.9% to £9.8 million (H1 2019: £5.7 million)
- Underlying[1] profit margin[2] improved to 11.2% (H1 2019: 9.3%)
- Reported profit before tax of £8.1 million (H1 2019: £5.1 million)
- Regulatory capital resources are strong at £81.1 million (H1 2019: £75.5 million and FY 2019: £82.9 million)

[1] Underlying profit before tax and earnings per share excludes exceptional restructuring costs and the amortisation of client lists.

[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 underlying revenues.

Operational highlights:

- Transformation initiatives are focused on improving sales and operational efficiencies, and remain on track
- Overall sales strategy and targets have been refocused
- Operating model is in the process of restructuring to drive efficiencies;
  - established single Middle Office function in Investment Management Services in early Q2, which will provide more efficient and effective support to business units
  - IT infrastructure is being reorganised
  - Front Office productivity is being improved across the Group's investment management teams
- Acquisition of Myddleton Croft Limited in August 2019 has enhanced Group's presence in Yorkshire and the North East

Outlook:

- Management expects further progress with initiatives in H2 and is confident that its strategy will support a sustainable improvement in underlying profitability

Paul Abberley, Chief Executive Officer, commented:
"This is an encouraging set of results. The increase in profits demonstrates that the hard work of recent years is now bearing fruit. The comprehensive repricing project, completed last March, and our continued shift towards higher margin services have been the key drivers of profit growth.

"The business transformation programme that is underway is focused on improving the Group's distribution capability and streamlining operational processes. In the short term, it will temper profitability given the costs, but will establish a stronger platform for long-term, sustainable growth.

"We are confident of further progress in the second half."

Charles Stanley Group PLC LEI: 213800LBSEGKE5MCYC90

For further information, please contact:

Charles Stanley	**Canaccord Genuity**	**Peel Hunt**	**KTZ Communications**
Siobhan Griffiths	David Tyrrell	Guy Wiehahn	Katie Tzouliadis
Via KTZ Communications	020 7523 4677	020 7418 8893	Dan Mahoney
			020 3178 6378

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 27 locations and 850 professionals. Its wealth management services are provided direct to clients and to intermediaries.

Financial highlights:

	H1 2020	H1 2019
Underlying profit before tax (£m)	9.8	5.7
Reported profit before tax (£m)	8.1	5.1
Underlying earnings per share (p)	16.13	9.27
Reported basic earnings per share (p)	13.36	8.31
Dividend per share (p)	3.0	2.75

Business highlights:

	H1 2020	H1 2019
FuMA[1] (£bn)	24.6	25.0
Discretionary funds (£bn)	13.9	13.2
Underlying revenue (£m)	85.4	77.7
Total net assets (£m)	110.1	102.8
Cash[3] balances (£m)	77.9	81.2

Underlying revenue by division:

	H1 2020	H1 2019
Investment Management Services[2] (£m)	77.0	70.7
Charles Stanley Direct (£m)	4.5	3.5
Financial Planning (£m)	3.9	3.5

Financial calendar:

Results announcement	21 November 2019
Ex-dividend date for interim dividend	12 December 2019
Record date for interim dividend	13 December 2019
Interim dividend payment date	17 January 2020

[1]Funds under Management and Administration

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

[3]Cash includes both cash and cash equivalents of £67.9 million and Treasury bills reported as financial assets at amortised cost of £10.0 million

Interim management report

First half review

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

Revenues

Total funds under management and administration ("FuMA") have increased 2.1% since our year end to £24.6 billion. The mix has continued to shift toward discretionary assets and this, combined with the completion of our repricing project plus growing revenues from the Financial Planning division, has led to a meaningful improvement in the revenue margin achieved of 69.8bps (H1 2019: 62.7bps). Consequently revenues have risen 9.9% to £85.4 million (H1 2019: £77.7 million).

Expenditure

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

Business transformation

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

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

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

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

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

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

Dividend

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

Outlook

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

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

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

Paul Abberley
Chief Executive Officer

Ben Money-Coutts
Chief Financial Officer

20 November 2019

Group results and performance

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

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

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

Funds under Management and Administration

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

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

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

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

Underlying revenue

Revenue from the underlying performance grew by 9.9% to £85.4 million. This increase was largely attributable to the completion of our repricing programme at the end of the previous financial year, and the continuing growth of both the higher margin discretionary service and advisory fees from the Financial Planning division, which were up 11.4%. Combined, these factors gave rise to the revenue margin improving from 62.7 bps a year ago to 69.8 bps.

Underlying expenditure

Underlying expenditure increased by £3.0 million (4.1%) on prior year to £75.4 million. Staff costs represent the majority of the Group's expenditure and in turn accounted for the majority of the increase year-on-year. Overall, employment costs rose £2.5 million, of which £1.4 million was attributable to an increase of fixed staff expenditure due mainly to the recruitment of additional financial planners to grow that division. Variable compensation increased by £2.2 million as a result of higher profits and contractor costs rose £0.6 million. These increases were offset by a one-off reduction of £1.7 million in the non-cash charge for the share option scheme for investment managers. The 60% contingent element of this award is now expected to vest in FY 2022 rather than in FY 2020, so the cost is being spread over five years rather than three years as previously. Non-staff costs increased by £0.5 million due to a doubling of the FSCS levy to £2.1 million (H1 2019: £1.0 million). Other non-staff costs reduced.

Underlying pre-tax profit

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

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

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

Adjusting items

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

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

Amortisation of client relationships: (£0.5 million)

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

Restructuring costs: (£1.2 million)

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

Taxation

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

Earnings per share

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

Dividends

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

Financial position

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

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

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

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

Condensed consolidated income statement
Six months ended 30 September 2019

	Notes	Unaudited H1 2020 £000	Unaudited H1 2019 £000	Audited FY 2019 £000
Revenue	4	85,399	77,699	155,158
Administrative expenses	4	(75,993)	(73,042)	(145,767)
Restructuring costs	4	(1,203)	–	–
Other income	4	26	78	101
Operating profit		8,229	4,735	9,492
Gain on disposal of property, plant and equipment		–	–	293
Gain on sale of business		–	–	119
Reversal of impairment of corporate loans		–	–	500
Finance income		382	382	702
Finance costs		(517)	(23)	(76)
Net finance and other non-operating (cost)/income		(135)	359	1,538
Profit before tax		8,094	5,094	11,030
Tax expense	9	(1,313)	(874)	(2,026)
Profit for the period attributable to owners of the Parent Company		6,781	4,220	9,004

Earnings per share				
Basic	7	13.36p	8.31p	17.74p
Diluted	7	13.12p	8.15p	17.41p

Condensed consolidated statement of comprehensive income
Six months ended 30 September 2019

	Unaudited H1 2020 £000	Unaudited H1 2019 £000	Audited FY 2019 £000
Profit for the period	6,781	4,220	9,004
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of the defined benefit scheme obligation	160	1,152	(515)
Related tax	(27)	(195)	39
Fair value through other comprehensive income financial assets – unrealised gains and losses	979	35	898
Related tax	(20)	–	(153)
	1,092	992	269
Items that are or may be reclassified to profit or loss			
Gain on revaluation of freehold properties transferred to profit or loss	–	–	(219)
Related tax	–	–	24
	–	–	(195)
Other comprehensive income for the period, net of tax	1,092	992	74
Total comprehensive income for the period attributable to owners of the Parent Company	7,873	5,212	9,078

Condensed consolidated statement of financial position
As at 30 September 2019

	Notes	Unaudited H1 2020 £000	Unaudited H1 2019 £000	Audited FY 2019 £000
Assets				
Intangible assets	10	20,165	18,997	18,339
Property, plant and equipment		19,879	9,093	8,706
Net deferred tax asset		2,021	2,280	2,134
Financial assets at fair value through other comprehensive income		3,565	1,723	2,586
Financial assets at amortised cost		507	1,010	1,010
Non-current assets		46,137	33,103	32,775
Trade and other receivables		158,824	145,346	191,301
Financial assets at fair value through profit or loss		1,749	2,292	2,234
Financial assets at amortised cost		9,994	–	9,994
Cash and cash equivalents		67,912	66,985	71,211
Current assets		238,479	214,623	274,740
Total assets		284,616	247,726	307,515
Equity				
Share capital		12,723	12,691	12,692
Share premium		4,660	4,617	4,625
Own shares		(364)	(78)	(201)
Revaluation reserve		2,948	1,474	1,989
Merger relief reserve		15,167	15,167	15,167
Retained earnings		74,983	68,912	72,134
Equity attributable to owners of the Parent Company		110,117	102,783	106,406
Non-controlling interests		24	24	24
Total equity		110,141	102,807	106,430
Liabilities				
Employee benefits		6,493	5,156	6,841
Non-current trade and other payables		847	–	–
Lease liabilities		13,724	–	–
Provisions		2,015	1,915	1,961
Non-current liabilities		23,079	7,071	8,802
Trade and other payables		150,454	134,007	189,496
Current tax liabilities		470	1,298	946
Provisions		472	2,543	1,841
Current liabilities		151,396	137,848	192,283
Total liabilities		174,475	144,919	201,085
Total equity and liabilities		284,616	247,726	307,515

The financial statements were approved and authorised for issue by the Board of Charles Stanley Group PLC (company number 48796) on 20 November 2019.

Condensed consolidated statement of changes in equity
Six months ended 30 September 2019

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

Condensed consolidated statement of changes in equity
Six months ended 30 September 2018

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

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

Condensed consolidated statement of cash flows
Six months ended 30 September 2019

	Notes	Unaudited H1 2020 £000	Unaudited H1 2019 £000	Audited FY 2019 £000
Cash flows from operating activities				
Cash generated from operating activities	12	4,756	4,316	21,444
Interest received		288	260	608
Interest paid		(41)	(23)	(76)
Tax paid		(1,878)	(1,226)	(2,525)
Net cash generated from operating activities		3,125	3,327	19,451
Cash flows from investing activities				
Acquisition of intangible assets		(1,446)	(150)	(376)
Purchase of property, plant and equipment		(1,226)	(221)	(882)
Purchase of financial assets		(20,712)	(1,500)	(21,888)
Proceeds from disposal of property, plant and equipment		-	-	400
Proceeds from sale of financial assets		21,802	2,545	12,890
Net cash outflow from disposal of business		-	-	119
Dividends received		26	78	101
Net cash (used in)/generated from investing activities		(1,556)	752	(9,636)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		66	58	67
Purchase of own shares for employee share schemes		(197)	-	(123)
Payment of lease liabilities		(1,690)	-	-
Dividends paid		(3,047)	(2,791)	(4,187)
Net cash used in financing activities		(4,868)	(2,733)	(4,243)
Net increase in cash and cash equivalents		(3,299)	1,346	5,572
Cash and cash equivalents at start of period		71,211	65,639	65,639
Cash and cash equivalents at end of period		67,912	66,985	71,211

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 2019 should be read in conjunction with Charles Stanley Group PLC's Annual report and accounts for the year ended 31 March 2019. 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 month ended 30 September 2019 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. Application of new and revised IFRSs and changes in accounting policy

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

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 April 2020. These new standards are not applicable to these financial statements and they are not expected to have a material impact when they become effective. The Group plans to apply these standards and amendments in the reporting period in which they become effective.

2.1 Changes in accounting policies - IFRS 16 Leases

In the current period the Group has applied IFRS 16 Leases for the first time. The date of initial application of IFRS 16 for the Group was 1 April 2019. IFRS 16 replaced IAS 17 Leases and introduces a single, on-balance sheet accounting model for lessees and eliminates the classification of leases as either operating or finance leases.

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

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

2.1.1 Approach to transition

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

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

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

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

2.1.2 Financial impact

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

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

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

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

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

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

	£000
Depreciation	1,186
Interest expense	613

3. Use of judgements and estimates

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

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

3.1 Major sources of estimation and uncertainty in applying the Group's accounting policies

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

3.1.1 Goodwill and intangible assets

For the purposes of impairment testing, the Company and the Group assess goodwill and client relationships based on the recoverable amount of individual units making up the relevant intangible asset, in accordance with the accounting policy set out in note 2 of the 2019 Annual report and accounts. The recoverable amount is calculated based on assumptions which are set out in more detail in note 10. It was concluded that no impairments to the carrying value of goodwill or intangible assets are required.

3.1.2 Retirement benefit obligations

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

The valuation performed as at 30 September 2019 resulted in a decrease in the actuarial deficit of £0.3 million which has been reflected in these financial statements.

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

Unlisted available-for-sale financial assets include an investment in Euroclear Holdings SA. The Directors have estimated the fair value of this investment based on the price earnings ratio of comparable quoted companies, discounted to reflect the liquidity of Euroclear Holdings SA shares.

3.1.4 Share-based payments

The Group participates in a number of equity-settled share-based payment arrangements with its employees. When such awards are made, the fair value at grant date serves as the basis for calculating the staff costs. The vesting conditions attached to the awards are subject to specific non-market performance conditions. The expense in respect of each arrangement is recognised over the vesting period, based on an estimate of the number of awards expected to vest. The estimate of awards expected to vest is revised at each reporting date and the cumulative charge is updated.

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

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

4. Operating segments

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

Six months ended 30 September 2019	Investment Management Services £000	Charles Stanley Direct £000	Financial Planning £000	Support Functions £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

[1] Administrative expenses include £1.2 million of restructuring costs and £0.5 million of amortisation of client relationships.

[2] The operating profit/(loss) per the above table is different to that presented in the divisional analysis within the Interim management report as the table above includes adjusting items which are excluded from the underlying analysis.

4. Operating segments (continued)

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

[1] The operating profit/(loss) per the above table is different to that presented in the divisional analysis within the Interim management report as the table above includes adjusting items which are excluded from the underlying analysis.

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

4. Operating segments

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

[1] The operating profit/(loss) per the above table is different to that presented in the divisional analysis within the Interim management report as the table above includes adjusting items which are excluded from the underlying analysis.

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

5. Restructuring costs

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

	Unaudited H1 2020 £000	Unaudited H1 2019 £000	Audited FY 2019 £000
Redundancy costs	722	-	-
External consultants – professional fees	18	-	-
External consultants – contract staff	463	-	-
	1,203		

6. Acquisition of subsidiary

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

	£000
Property, plant and equipment	41
Trade and other receivables	97
Cash and cash equivalents	194
Trade and other payables	(139)
Total identifiable net assets acquired	193
Customer relationships	2,080
Deferred tax liability on customer relationships	(295)
Total consideration	1,978
Satisfied by:	
Cash	1,131
Contingent consideration	847
	1,978

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

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.

	Unaudited H1 2020 pence	Unaudited H1 2019 pence	Audited FY2019 pence
Basic earnings per share			
Basic earnings per share	13.36	8.31	17.74
Diluted earnings per share	13.12	8.15	17.41

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

	Unaudited H1 2020 £000	Unaudited H1 2019 £000	Audited FY2019 £000
Earnings			
Earnings used in the calculation of basic and diluted earnings per share	6,781	4,220	9,004

	Unaudited H1 2020 £000	Unaudited H1 2019 £000	Audited FY2019 £000
Number of shares			
Weighted average number of ordinary shares used in the calculation of basic earnings per share	50,774	50,753	50,745
Effect of potentially dilutive share options	896	1,057	985
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	51,670	51,810	51,730

8. Employee benefits

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

Amounts included in the condensed consolidated statement of financial position

	Unaudited H1 2020	Unaudited H1 2019	Audited FY 2019
Fair value of scheme assets	23,710	20,327	21,039
Present value of defined benefit obligation	(30,203)	(25,483)	(27,880)
Deficit in scheme and Liability in the condensed consolidated statement of financial position	(6,493)	(5,156)	(6,841)

Significant actuarial assumptions

	Unaudited H1 2020 %	Unaudited H1 2019 %	Audited FY 2019 %
Inflation – Consumer Price Index (CPI)	2.20	2.40	2.40
Rate of discount	1.80	2.80	2.30
Allowance for pension payment increases of CPI (or 5% p.a. if less than CPI, minimum 3% p.a.)	3.00	3.00	3.00
Allowance for revaluation if deferred pensions of CPI (or 5% p.a. if less than CPI)	2.20	2.40	2.40

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

	Unaudited H1 2020 %	Unaudited H1 2019 %	Audited FY 2019 %
Male retiring in current year	21.8	21.8	21.8
Female retiring in current year	23.7	23.7	23.7
Male retiring in twenty years	22.9	22.8	22.9
Female retiring in twenty years	25.0	24.9	25.0

9. Income taxes

Tax recognised in the condensed consolidated income statement

	Unaudited H1 2020 £000	Unaudited H1 2019 £000	Audited FY 2019 £000
Current taxation			
Current year expense	1,408	1,323	2,592
Adjustment in respect of prior years	(45)	(2)	(335)
	1,363	1,321	2,257
Deferred taxation			
Credit for the year	(37)	(426)	(193)
Adjustment in respect of prior years	(13)	(21)	(38)
	(50)	(447)	(231)
Total tax expense	1,313	874	2,026

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

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

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

10. Intangible assets

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

None of the intangible assets have been pledged as security.

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

	Unaudited H1 2020 £000	Unaudited H1 2019 £000	Audited FY 2019 £000
Investment Management Services	8,805	8,805	8,805
Charles Stanley Direct	5,247	5,247	5,247
	14,052	14,052	14,052

10.1 Goodwill

The recoverable amount of goodwill allocated to a CGU[1] is determined initially by calculating the CGU's fair value less costs to sell. If this is lower than the carrying amount or is not determinable, a value in use calculation is also prepared.

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

10. Intangible assets (continued)

10.1 Goodwill (continued)

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

[1]Cash Generating Unit

10.1.1 Investment Management Services

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

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

10.1.2 Charles Stanley Direct

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

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

10.2 Customer relationships

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

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

10.3 Internally generated software

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

11. Dividends

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

	Unaudited H1 2020	Unaudited H1 2019 £000	Audited FY 2019 £000
Final dividend paid for 2018: 5.5p per share	-	2,791	2,791
Interim dividend paid for 2019: 2.75p per share	-	-	1,396
Final dividend paid for 2019: 6.0p per share	3,047	-	-
	3,047	2,791	4,187

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

12. Reconciliation of net profit to cash generated from operations

	Unaudited H1 2020 £000	Unaudited H1 2019 £000	Audited FY 2019 £000
Profit before tax	8,094	5,094	11,030
Adjustments for:			
Depreciation	2,043	808	1,630
Amortisation of intangible assets	763	1,143	2,027
Share-based payments – charge for employee services	97	1,888	3,128
Retirement benefit scheme	77	(152)	(160)
Dividend income	(26)	(78)	(101)
Interest income	(288)	(260)	(608)
Interest expense	517	23	76
Profit on disposal of financial assets	(22)	(41)	(55)
Gain on disposal of property, plant and equipment	-	-	(293)
Changes in working capital:			
Unrealised gains on financial assets at fair value through profit or loss	(72)	(82)	39
Decrease/(Increase) in receivables	32,486	33,623	(12,451)
(Decrease)/Increase in payables	(38,913)	(37,650)	17,182
Net cash inflow from operations	4,756	4,316	21,444

13. Subsequent events

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

14. Forward-looking statements

This announcement has been prepared to provide information to shareholders to assess the current position and future potential of Charles Stanley Group. It contains certain forward-looking statements with respect to the Group's financial condition, operations, and business opportunities. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements. Any forward-looking statement is made in good faith based on information available to the Directors as of the date of the statement. Past performance cannot be relied on as a guide to future performance.