



Interim statement

for the six months ended 31 October 2016



**Smith &
Williamson**

Accountancy • Investment Management • Tax



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Financial highlights

Operating income



Adjusted operating profit¹



Adjusted basic earnings per share¹



Pence per share

Dividend to shareholders



Pence per share

Funds under management and advice



1 Adjusted operating profit and adjusted basic earnings per share (note 4) exclude exceptional items (note 9), the additional levies in respect of the Financial Services Compensation Scheme (FSCS) and amortisation of intangible assets – client relationships.

2 Change from 30 April 2016. All other changes from 31 October 2015.

Interim management report



Andrew Sykes

Chairman



David Cobb

Co-chief executive



Kevin Stopps

Co-chief executive

Group performance

Group operating income for the six months ended 31 October 2016 was £117.5 million, an increase of 10% over the comparative period in the prior year (2015: £106.5 million). Adjusted operating profit for the six months ended 31 October 2016, calculated on the basis set out under Highlights on page 1, was £17.7 million, an increase of 22% over the comparative period in the prior year (2015: £14.5 million) which has driven a 19% increase in adjusted basic earnings per share to 24.2p per share.

The growth in the group's operating income and operating profit is underpinned by growth in both the investment management and banking division, which has benefited from the higher market levels during the period, and in the tax and business services division, notwithstanding uncertainty over the outlook for the UK economy and a volatile geopolitical backdrop.

Over the coming months, markets will remain exposed to potential surprises arising from the UK's negotiations to leave the EU, the forthcoming elections in France and Germany, and possibly significant policy changes in the USA following the election of President Trump. Notwithstanding these uncertainties, we remain committed to our plans for extensive investment in our IT infrastructure, and to support growth initiatives across the business including infill acquisition opportunities if they arise.

Divisional performance summary

Investment management and banking division

The investment management and banking division's performance is, as ever, directly affected by stock market levels, investor sentiment and activity levels. Although markets have been volatile, the six month period has seen higher stock market levels overall than the comparative period in the prior year.

Relative to the comparative period in the prior year, fee and commission income has increased by 12%. This revenue growth has driven a 21% increase in adjusted profit for the period compared to the prior year.

Funds under management and advice have increased 11% to £17.8 billion at 31 October 2016 over the six month period, in line with the 11% increase in the FTSE WMA Stock Market Balanced Index over the same period.

Tax and business services division

The tax and business services division has enjoyed continued growth during the period with operating income increasing by 9% to £52.2 million (2015: £47.7 million).

Our transactional business lines have performed particularly well during the period, with substantial revenue growth recorded in forensics (49%), corporate finance (29%) and risk and recovery services (40%).

Overall, the growth in revenue compared to the prior year period has given rise to an adjusted operating profit of £2.4 million (2015: £1.0 million) compared to the comparative period in the prior year.

Financial resources and regulatory capital

At 31 October 2016, the group had net assets, excluding intangible assets, of £129.2 million (30 April 2016: £124.7 million), represented by cash and cash equivalents.

The part of the group subject to supervision by the PRA and the FCA operates in accordance with the Individual Capital Guidance provided by the PRA. This regulated sub group is referred to internally as the Prudential Consolidated Group (PCG).

Capital adequacy is monitored daily and the use of regulatory capital is reviewed on a monthly basis. The PCG's regulatory capital consists entirely of common equity tier 1 capital. At 31 October 2016, the PCG group's common equity tier 1 capital ratio was 23.0% (2015: 24.2%) and its leverage ratio was 16.7% (2015: 19.0%).

In addition to stress tests undertaken as part of the Internal Capital Adequacy Assessment Process, the effect of dividend to shareholders and investment requirements are considered in the light of regulatory capital adequacy. Appropriate buffers are maintained against adverse business conditions.

Risk and regulation

Risk management

We consider that the principal risks and uncertainties that may affect the group over the second half of the financial year are as described in detail in the strategic report on pages 20 to 21 of our 2016 annual report and financial statements.

The group continues to review and develop its risk management framework which is described in detail on page 19 of our 2016 annual report and accounts. In March 2016, the PRA's Senior Managers Regime (SMR) came into effect. We welcome the increased robustness of the new regime in defining the responsibilities of risk takers and certifying them annually. Our MiFID 2 project work continues to ensure that the group is in full compliance when the new rules go live in due course.

Board changes

Grant Hotson succeeded Jeremy Boadle as group finance director on 22 August 2016. Jeremy formally retired from the board on 30 September 2016.

Jeremy has been a member of the board since the group's incorporation in 2002, as group finance director for the past 6 years and managing director of the tax and business services division prior to that. During his tenure the group has weathered financial crises, turmoil in global markets, increased competition and an expansion in regulatory scrutiny of culture and conduct within financial services. Jeremy has been instrumental in developing and maintaining the strong, ethical and client-focused culture that underpins our proposition.

On behalf of the board, we would like to thank Jeremy for his significant contribution to the group's success and wish him well for his retirement.

Grant joins us bringing with him 19 years of financial services sector experience having most recently been chief financial officer and member of the executive team at Ignis Asset Management Limited. Grant's experience and breadth of knowledge will be of great value to the board, and we very much look forward to working with him.

As we noted in the 2016 annual report and financial statements, John Harley was appointed to the board as an independent non-executive director on 8 June 2016. Following regulatory approval, he has now been appointed chairman of the audit and risk oversight committee and is a member of both the remuneration and nomination committees.

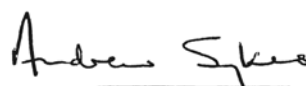
John succeeds Peter Hazell, who has been chairman of the audit and risk oversight committee since he joined the board in 2004, as well as serving as senior independent director since 2013. Peter retired from the board at the end of November 2016, and we would like to take this opportunity to express the board's thanks for his wise counsel and thoughtful stewardship over the last 12 years.

Shareholder information

Dividend

The board has decided to pay an interim dividend of 10.0 pence per ordinary share on 17 March 2017 to shareholders on the register at the close of business on 15 February 2017. In the absence of any material deterioration in the market environment, the board expects to pay total dividends for the year to April 2017 equal to or above the level paid in the prior year.

On behalf of the board, we would like to thank all of our colleagues for their continued hard work and commitment to the business during the period. This has ensured that the highest professional and technical standards have been maintained at all levels. We should also like to thank our clients and professional friends for their continued support which has been vital to the success of our business.



Andrew Sykes
Chairman



David Cobb
Co-chief executive



Kevin Stopps
Co-chief executive

Consolidated interim income statement

for the six months ended 31 October 2016

	Note	Unaudited Six months ended 31 October 2016 £'000	Unaudited Six months ended 31 October 2015 £'000	Audited Year ended 30 April 2016 before exceptional items £'000	Audited Year ended 30 April 2016 after exceptional items (note 9) £'000	Audited Year ended 30 April 2016 after exceptional items £'000
Interest and similar income		2,694	2,765	5,537	-	5,537
Interest expense and similar charges		(248)	(114)	(313)	-	(313)
Net interest income		2,446	2,651	5,224	-	5,224
Fee and commission income		131,752	114,620	243,482	-	243,482
Fee and commission expense		(18,551)	(12,471)	(28,768)	-	(28,768)
Net fee and commission income		113,201	102,149	214,714	-	214,714
Net trading income		1,358	912	1,681	-	1,681
Share of results of associates		349	180	104	-	104
Other operating income		107	601	777	-	777
Operating income		117,461	106,493	222,500	-	222,500
Staff costs		(74,269)	(69,455)	(140,289)	(7,096)	(147,385)
Additional levies for Financial Services Compensation Scheme		11	105	268	-	268
Amortisation of intangible assets - client relationships		(692)	(1,101)	(2,201)	-	(2,201)
Other operating expenses		(25,542)	(22,525)	(46,233)	-	(46,233)
Operating expenses		(100,492)	(92,976)	(188,455)	(7,096)	(195,551)
Operating profit		16,969	13,517	34,045	(7,096)	26,949
Dividend income		554	122	123	-	123
Profit before tax		17,523	13,639	34,168	(7,096)	27,072
Taxation	3	(4,691)	(3,394)	(8,121)	3,728	(4,393)
Profit for the period/year		12,832	10,245	26,047	(3,368)	22,679
Attributable to:						
Equity holders of the parent company		11,817	9,708	25,281	(3,368)	21,913
Non-controlling interests		1,015	537	766	-	766
		12,832	10,245	26,047	(3,368)	22,679
Earnings per share for the period/ year attributable to equity holders of the parent company						
Basic	4	23.1p	18.7p			42.4p
Diluted	4	23.0p	18.5p			42.0p

Consolidated interim statement of comprehensive income

for the six months ended 31 October 2016

	Unaudited Six months ended 31 October 2016 £'000	Unaudited Six months ended 31 October 2015 £'000	Audited Year ended 30 April 2016 £'000
Profit for the period/year	12,832	10,245	22,679
Items that will not be reclassified to profit or loss			
Net remeasurement of defined benefit assets:			
- Actual return less expected return on scheme assets	3,037	(1,387)	(1,960)
- Experience gains and losses arising on scheme liabilities	(89)	314	473
- Change in assumptions underlying the present value of scheme liabilities	(3,908)	2,271	530
- Effect of asset ceiling	924	(1,171)	1,012
Remeasurement gain/(loss) on retirement annuities	67	(40)	(82)
Tax effect of the above adjustments	(11)	(2)	(24)
	<u>20</u>	<u>(15)</u>	<u>(51)</u>
Items that may be reclassified subsequently to profit or loss			
Net gains on revaluation of available-for-sale assets	886	85	571
Gain transferred to income statement on disposal of available-for-sale assets	-	(407)	(406)
Tax effect of the above adjustments	(58)	12	19
	<u>828</u>	<u>(310)</u>	<u>184</u>
Exchange (loss)/gain on translation of foreign subsidiaries	(136)	6	(76)
Gain/(loss) on associate currency translation movement	533	(181)	122
Other comprehensive income/(loss) for the period/year, net of tax	<u>1,245</u>	<u>(500)</u>	<u>179</u>
Total comprehensive income for the period/year	<u>14,077</u>	<u>9,745</u>	<u>22,858</u>
Attributable to:			
Equity holders of the parent company	13,062	9,208	22,092
Non-controlling interests	1,015	537	766
	<u>14,077</u>	<u>9,745</u>	<u>22,858</u>

Consolidated interim balance sheet

at 31 October 2016

	Note	Unaudited at 31 October 2016 £'000	Unaudited at 31 October 2015 £'000	Audited at 30 April 2016 £'000
Assets				
Non-current assets				
Intangible assets		111,788	111,860	111,481
Property, plant and equipment		3,546	5,068	3,985
Interests in associates		3,987	3,024	3,184
Investment securities - available-for-sale		297	-	281
Deferred tax assets		127	241	263
		<u>119,745</u>	<u>120,193</u>	<u>119,194</u>
Current assets				
Cash and balances with central banks	6	278,772	209,502	283,125
Loans and advances to banks	6	14,591	24,340	18,165
Settlement balances - assets		53,799	48,523	65,827
Loans and advances to customers		41,777	36,835	40,662
Prepayments, accrued income and other receivables		54,783	50,269	53,744
Investment securities - held-to-maturity		144,930	115,000	106,500
Investment securities - available-for-sale		8,253	6,884	7,368
		<u>596,905</u>	<u>491,353</u>	<u>575,391</u>
Total assets		<u>716,650</u>	<u>611,546</u>	<u>694,585</u>
Liabilities				
Non-current liabilities				
Retirement benefits		1,034	1,041	1,076
Accruals, deferred income, provisions and other payables		335	276	319
		<u>1,369</u>	<u>1,317</u>	<u>1,395</u>
Current liabilities				
Other borrowed funds	6	18,315	5,999	16,473
Settlement balances - liabilities		53,853	47,462	65,255
Due to customers		319,412	256,908	288,838
Accruals, deferred income, provisions and other payables		77,541	68,381	81,774
Current tax liabilities		5,215	5,815	4,678
		<u>474,336</u>	<u>384,565</u>	<u>457,018</u>
Total liabilities		<u>475,705</u>	<u>385,882</u>	<u>458,413</u>
Net assets		<u>240,945</u>	<u>225,664</u>	<u>236,172</u>
Equity				
Equity attributable to owners of the parent				
Share capital	7	5,557	5,557	5,557
Share premium	7	25,150	25,150	25,150
Own shares		(23,871)	(20,594)	(21,607)
Other reserves		119,511	118,189	118,683
Retained earnings		105,005	88,884	98,476
		<u>231,352</u>	<u>217,186</u>	<u>226,259</u>
Non-controlling interests	8	9,593	8,478	9,913
Total equity		<u>240,945</u>	<u>225,664</u>	<u>236,172</u>

Consolidated interim cash flow statement

for the six months ended 31 October 2016

	Unaudited Six months ended 31 October 2016 £'000	Unaudited Six months ended 31 October 2015 £'000	Audited Year ended 30 April 2016 £'000
Cash flows from operating activities			
Profit before tax	17,523	13,639	27,072
Non-cash movements			
Depreciation of property, plant and equipment	700	836	1,520
Amortisation of intangible assets	769	1,151	2,308
Defined benefit pension costs and other retirement costs	170	231	464
Increase in provisions	-	422	149
Share of profit before tax in associate and profit on dilution	(346)	(181)	(104)
Share based payment charges	4,503	3,709	7,341
Profit on disposal of property, plant and equipment	-	-	(246)
Profit on disposal of investment securities - available-for-sale	-	(535)	(540)
Other non-cash movement	(77)	(13)	(75)
Operating cash flows before movements in operating assets and liabilities	<u>23,242</u>	<u>19,259</u>	<u>37,889</u>
Changes in operating assets and liabilities			
(Increase)/decrease in loans and advances to customers	(1,115)	2,713	(1,114)
Decrease in net settlement balances	626	824	1,313
Increase in prepayments, accrued income and other receivables	(1,039)	(1,210)	(4,685)
Increase/(decrease) in amounts due to customers	30,574	(15,898)	16,032
(Decrease)/increase in accruals, deferred income, provisions and other payables	(4,217)	(11,228)	2,481
Net purchase of investment securities - held-to-maturity	(38,430)	(17,250)	(8,750)
Cash generated from/(used in) operations	<u>9,641</u>	<u>(22,790)</u>	<u>43,166</u>
Defined benefit contribution and annuities paid	(285)	(275)	(550)
Tax paid	(4,126)	(3,037)	(5,250)
Net cash generated from/(used in) operating activities	<u>5,230</u>	<u>(26,102)</u>	<u>37,366</u>
Cash flow from investing activities			
Purchase of property, equipment and intangible assets	(1,305)	(1,048)	(3,044)
Proceeds from sale of property, plant and equipment	-	-	1,894
Purchase of investment securities - available-for-sale	-	-	(275)
Proceeds from sale of investment securities - available-for-sale	-	580	584
Dividends received from associate	76	105	173
Net cash used in investing activities	<u>(1,229)</u>	<u>(363)</u>	<u>(668)</u>
Cash flows from financing activities			
Issue of A ordinary shares	7	93	93
Investment in shares in Employee Benefit Trust (EBT)	(2,673)	(8,021)	(10,652)
Proceeds from sale of shares in EBT	121	7,250	7,872
Acquisition of interest in a subsidiary	(536)	(117)	(608)
Share buyback	-	(5,025)	(5,025)
Distributions to shareholders	(10,739)	(12,767)	(18,161)
Capital contributed by non-controlling interests	57	752	2,457
Net cash used in financing activities	<u>(13,770)</u>	<u>(17,835)</u>	<u>(24,024)</u>
Net (decrease)/increase in cash and cash equivalents	(9,769)	(44,300)	12,674
Cash and cash equivalents at beginning of the period/year	284,817	272,143	272,143
Cash and cash equivalents at the end of the period/year	<u>6</u> <u>275,048</u>	<u>227,843</u>	<u>284,817</u>
Group's net own cash at the end of the period/year	<u>6</u> <u>140,852</u>	<u>122,387</u>	<u>142,452</u>

Consolidated interim statement of changes in equity

for the six months ended 31 October 2016

	Share capital £'000	Share premium £'000	Own shares £'000	Other reserves			Total other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
				Merger reserve £'000	Capital redemption reserve £'000	Available-for-sale reserve £'000					
Equity at 30 April 2015	<u>5,639</u>	<u>25,060</u>	<u>(19,823)</u>	<u>97,991</u>	<u>14,461</u>	<u>5,962</u>	<u>118,414</u>	<u>93,137</u>	<u>222,427</u>	<u>7,793</u>	<u>230,220</u>
Profit for the six months ended 31 October 2015	-	-	-	-	-	-	-	9,708	9,708	537	10,245
Other comprehensive loss for the period, net of tax	-	-	-	-	-	(310)	(310)	(190)	(500)	-	(500)
Total comprehensive (loss)/income	-	-	-	-	-	(310)	(310)	9,518	9,208	537	9,745
Distributions to shareholders	-	-	-	-	-	-	-	(12,230)	(12,230)	(537)	(12,767)
Issue of A ordinary shares	3	90	-	-	-	-	-	-	93	-	93
Own shares bought	-	-	(8,021)	-	-	-	-	-	(8,021)	-	(8,021)
Own shares sold	-	-	7,250	-	-	-	-	-	7,250	-	7,250
Share based payments	-	-	-	-	-	-	-	3,709	3,709	-	3,709
Share buyback	(85)	-	-	-	85	-	85	(5,025)	(5,025)	-	(5,025)
Deferred tax on equity items	-	-	-	-	-	-	-	(175)	(175)	-	(175)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(50)	(50)	(67)	(117)
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	-	752	752
Equity at 31 October 2015	<u>5,557</u>	<u>25,150</u>	<u>(20,594)</u>	<u>97,991</u>	<u>14,546</u>	<u>5,652</u>	<u>118,189</u>	<u>88,884</u>	<u>217,186</u>	<u>8,478</u>	<u>225,664</u>
Profit for the six months ended 30 April 2016	-	-	-	-	-	-	-	12,205	12,205	229	12,434
Other comprehensive income for the period, net of tax	-	-	-	-	-	494	494	185	679	-	679
Total comprehensive income	-	-	-	-	-	494	494	12,390	12,884	229	13,113
Distributions to shareholders	-	-	-	-	-	-	-	(5,165)	(5,165)	(229)	(5,394)
Own shares bought	-	-	(2,631)	-	-	-	-	-	(2,631)	-	(2,631)
Own shares sold	-	-	1,618	-	-	-	-	-	1,618	-	1,618
EBT loss on sale of shares	-	-	-	-	-	-	-	(996)	(996)	-	(996)
Share based payments	-	-	-	-	-	-	-	3,632	3,632	-	3,632
Deferred tax on equity items	-	-	-	-	-	-	-	(48)	(48)	-	(48)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(221)	(221)	(270)	(491)
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	-	1,705	1,705
Equity at 30 April 2016	<u>5,557</u>	<u>25,150</u>	<u>(21,607)</u>	<u>97,991</u>	<u>14,546</u>	<u>6,146</u>	<u>118,683</u>	<u>98,476</u>	<u>226,259</u>	<u>9,913</u>	<u>236,172</u>

Consolidated interim statement of changes in equity

for the six months ended 31 October 2016

	Share capital £'000	Share premium £'000	Own shares £'000	Other reserves			Total other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
				Merger reserve £'000	Capital redemption reserve £'000	Available-for-sale reserve £'000					
Equity at 30 April 2016	5,557	25,150	(21,607)	97,991	14,546	6,146	118,683	98,476	226,259	9,913	236,172
Profit for the six months ended 31 October 2016	-	-	-	-	-	-	-	11,817	11,817	1,015	12,832
Other comprehensive income for the period, net of tax	-	-	-	-	-	828	828	417	1,245	-	1,245
Total comprehensive income	-	-	-	-	-	828	828	12,234	13,062	1,015	14,077
Distributions to shareholders	-	-	-	-	-	-	-	(9,724)	(9,724)	(1,015)	(10,739)
Own shares bought	-	-	(2,673)	-	-	-	-	-	(2,673)	-	(2,673)
Own shares sold	-	-	409	-	-	-	-	-	409	-	409
EBT loss on sale of shares	-	-	-	-	-	-	-	(288)	(288)	-	(288)
Share based payments	-	-	-	-	-	-	-	4,503	4,503	-	4,503
Deferred tax on equity items	-	-	-	-	-	-	-	(37)	(37)	-	(37)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(159)	(159)	(377)	(536)
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	-	57	57
Equity at 31 October 2016	5,557	25,150	(23,871)	97,991	14,546	6,974	119,511	105,005	231,352	9,593	240,945

Notes to the consolidated interim financial statements

for the six months ended 31 October 2016

1. Principal accounting policies

Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the directors expect to be adopted by the EU and be applicable at 30 April 2017.

The accounting policies applied are consistent with those of the annual report and financial statements for the year ended 30 April 2016.

The directors anticipate that the future adoption of standards and interpretations which are not mandatory for the year ending 30 April 2016 will not have a material effect on the group's financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Non-statutory financial statements

The group's annual report and financial statements for the year ended 30 April 2016 were prepared in accordance with IFRS as adopted by the EU. The interim consolidated financial statements for the six months ended 31 October 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the annual report and financial statements, and should be read in conjunction with the group's annual report and financial statements at 30 April 2016.

The annual report and financial statements for the year ending 30 April 2016 have been delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under Section 498 of the Companies Act 2006 nor did it include references to any matters to which the auditor drew attention by way of emphasis.

The interim consolidated financial statements for the six months ended 31 October 2016 and 31 October 2015 are unaudited. The group's financial performance does not suffer materially from seasonal fluctuations. There have been no significant changes in estimates reported in prior periods which have a material impact on the current period.

The consolidated interim financial statements were approved by the board of directors on 26 January 2017.

Notes to the consolidated interim financial statements

for the six months ended 31 October 2016

2. Segmental information

For management purposes, the group is organised into three operating divisions: investment management and banking, tax and business services and other. The group's operations are predominantly in one geographical segment, the UK and Ireland.

Six months ended 31 October 2016 (unaudited)	Investment management and banking £'000	Tax and business services £'000	Other £'000	Total £'000
Segment results				
Net interest income	2,427	-	19	2,446
Net fee and commission income	60,855	52,142	204	113,201
Other income	1,358	61	395	1,814
Operating income	<u>64,640</u>	<u>52,203</u>	<u>618</u>	<u>117,461</u>
Operating expenses before additional FSCS levies and amortisation of intangible assets - client relationships	(48,979)	(49,766)	(1,066)	(99,811)
Adjusted operating profit (see page 1)	<u>15,661</u>	<u>2,437</u>	<u>(448)</u>	<u>17,650</u>
Additional FSCS levies	11	-	-	11
Amortisation of intangible assets - client relationships	(621)	(71)	-	(692)
Operating profit before tax	<u>15,051</u>	<u>2,366</u>	<u>(448)</u>	<u>16,969</u>
Dividend income				554
Taxation				(4,691)
Profit for the period				<u>12,832</u>
Segment assets	<u>525,745</u>	<u>167,131</u>	<u>19,660</u>	<u>712,536</u>
Interests in associates				3,987
Unallocated corporate assets				127
Consolidated total assets				<u>716,650</u>

Notes to the consolidated interim financial statements

for the six months ended 31 October 2016

	Investment management and banking £'000	Tax and business services £'000	Other £'000	Total £'000
Six months ended 31 October 2015 (unaudited)				
Segment results				
Net interest income	2,452	-	199	2,651
Net fee and commission income	54,400	47,607	142	102,149
Other income	912	66	715	1,693
Operating income	57,764	47,673	1,056	106,493
Operating expenses before additional FSCS levies and amortisation of intangible assets - client relationships	(44,864)	(46,704)	(412)	(91,980)
Adjusted operating profit (see page 1)	12,900	969	644	14,513
Additional FSCS levies	105	-	-	105
Amortisation of intangible assets - client relationships	(1,030)	(71)	-	(1,101)
Operating profit before tax	11,975	898	644	13,517
Dividend income				122
Taxation				(3,394)
Profit for the period				10,245
Segment assets	462,525	137,911	7,845	608,281
Interests in associates				3,024
Unallocated corporate assets				241
Consolidated total assets				611,546
	Investment management and banking £'000	Tax and business services £'000	Other £'000	Total £'000
Year ended 30 April 2016 (audited)				
Segment results				
Net interest income	4,897	-	327	5,224
Net fee and commission income	109,366	104,986	362	214,714
Other income	1,681	242	639	2,562
Operating income	115,944	105,228	1,328	222,500
Operating expenses before additional FSCS levies, amortisation of intangible assets - client relationships and exceptional items	(89,526)	(96,428)	(568)	(186,522)
Adjusted operating profit (see page 1)	26,418	8,800	760	35,978
Additional FSCS levies	268	-	-	268
Amortisation of intangible assets - client relationships	(2,060)	(141)	-	(2,201)
Operating profit before tax and exceptional items	24,626	8,659	760	34,045
Exceptional items	(7,096)	-	-	(7,096)
Operating profit before tax	17,530	8,659	760	26,949
Dividend income				123
Taxation				(4,393)
Profit for the year				22,679
Segment assets	516,781	157,840	16,517	691,138
Interests in associates				3,184
Unallocated corporate assets				263
Consolidated total assets				694,585

Notes to the consolidated interim financial statements

for the six months ended 31 October 2016

3. Taxation

The current tax expense for the six months ended 31 October 2016 has been calculated based on the estimated annual effective tax rate. The effective tax rate for the period was 26.8% (31 October 2015: 24.9%; 30 April 2016: 16.2%).

The income tax charge for the period/year comprises:

	Unaudited Six months ended 31 October 2016 £'000	Unaudited Six months ended 31 October 2015 £'000	Audited Year ended 30 April 2016 £'000
Current tax	4,663	3,165	4,239
Deferred tax	28	229	154
	<u>4,691</u>	<u>3,394</u>	<u>4,393</u>

4. Earnings per share

	Unaudited Six months ended 31 October 2016 £'000	Unaudited Six months ended 31 October 2015 £'000	Audited Year ended 30 April 2016 £'000
Earnings attributable to equity holders of the parent company for unadjusted basic and diluted earnings per share	11,817	9,708	21,913
Additional FSCS levies net of tax	(9)	(84)	(214)
Amortisation on intangible assets - client relationships net of tax	554	881	1,761
Exceptional items (note 9)	-	-	3,368
Earnings attributable to equity holders of the parent company for adjusted basic and diluted earnings per share	<u>12,362</u>	<u>10,505</u>	<u>26,828</u>
	Number '000	Number '000	Number '000
Weighted average number of A ordinary shares in issue during the period/year	34,473	35,229	35,073
Weighted average number of D ordinary shares in issue during the period/year	16,641	16,641	16,641
Number of shares for unadjusted and adjusted basic earnings per share	<u>51,114</u>	<u>51,870</u>	<u>51,714</u>
Number of dilutive A ordinary shares under share awards	365	510	501
Number of shares for unadjusted and adjusted diluted earnings per share	<u>51,479</u>	<u>52,380</u>	<u>52,215</u>
Basic earnings per share			
- unadjusted	23.1p	18.7p	42.4p
- adjusted	24.2p	20.3p	51.9p
Diluted earnings per share			
- unadjusted	23.0p	18.5p	42.0p
- adjusted	24.0p	20.1p	51.4p

The number of shares used in the unadjusted basic earnings per share calculation is the weighted average number of A and D ordinary shares in issue, less the weighted average number of shares owned by the EBT. The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares. The company's potentially dilutive ordinary shares arise from share awards. For share awards, a calculation is performed to determine the number of shares that could have been acquired at fair value, based upon the monetary value of the subscription rights attached to outstanding share awards.

Notes to the consolidated interim financial statements

for the six months ended 31 October 2016

5. Distributions to shareholders

An interim dividend of 10.0 pence per ordinary share will be paid on 17 March 2017 to shareholders on the register at the close of business on 15 February 2017.

A final dividend for the year ended 30 April 2016 of 19.0 pence per ordinary share was paid to shareholders on 7 October 2016.

6. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with an original maturity of three months or less:

	Unaudited at 31 October 2016 £'000	Unaudited at 31 October 2015 £'000	Audited at 30 April 2016 £'000
Cash on hand and at bank	133,462	103,534	132,407
Balances with central banks	145,310	105,968	150,718
	<u>278,772</u>	<u>209,502</u>	<u>283,125</u>
Loans and advances to banks	14,591	24,340	18,165
Bank overdrafts	(18,315)	(5,999)	(16,473)
	<u>275,048</u>	<u>227,843</u>	<u>284,817</u>

Included in cash and cash equivalents is £140.9 million (31 October 2015: £122.4 million; 30 April 2016: £142.5 million) of the group's own net cash.

7. Share capital and share premium

The following movements in issued ordinary share capital and share premium occurred during the period:

	A ordinary shares '000	D ordinary shares '000	Total number of shares '000	Share capital £'000	Share premium £'000	Total £'000
At 1 May 2015	39,753	16,641	56,394	5,639	25,060	30,699
Issue of A ordinary shares	32	-	32	3	90	93
Share buyback	(857)	-	(857)	(85)	-	(85)
At 31 October 2015	<u>38,928</u>	<u>16,641</u>	<u>55,569</u>	<u>5,557</u>	<u>25,150</u>	<u>30,707</u>
Issue of A ordinary shares	-	-	-	-	-	-
At 30 April 2016	<u>38,928</u>	<u>16,641</u>	<u>55,569</u>	<u>5,557</u>	<u>25,150</u>	<u>30,707</u>
Issue of A ordinary shares	-	-	-	-	-	-
At 31 October 2016	<u>38,928</u>	<u>16,641</u>	<u>55,569</u>	<u>5,557</u>	<u>25,150</u>	<u>30,707</u>

Notes to the consolidated interim financial statements

for the six months ended 31 October 2016

8. Non-controlling interests

During the period, Smith & Williamson LLP issued 700,412 share units and Smith & Williamson Investment Management LLP issued 448,234 share units to individual members of the relevant limited liability partnership. The units issued have been reflected as an increase of £0.1 million in the non-controlling interests reserve.

9. Exceptional items

There are no exceptional items in the current period. The exceptional charge in the prior year represents the PAYE and NIC cost of the HMRC cases relating to client relationship intangibles and the amortisation thereof, as detailed below.

As previously disclosed, the group is subject to three enquiries by HMRC with regard to the treatment of share based payments, PAYE and NIC determinations on the treatment of client relationship payments made between 2008 and 2010 and the continuing amortisation of the related intangible fixed assets.

On 11 December 2015, we received a judgement from the Upper Tribunal in respect of the PAYE and NIC treatment of payments for client relationships, which found in favour of HMRC. This follows HMRC's appeal against the decision of the First Tribunal that found in our favour.

Subsequently, on 9 June 2016 we received notification that our request to lodge a written appeal to the Court of Appeal has been declined, although a date for an oral hearing has now been scheduled for February 2017.

Notwithstanding our view that the treatment applied historically to these payments is correct, following the Court of Appeal's decision to decline a written appeal, our probability of success has reduced and we consider it appropriate to provide for the resulting costs in full. We have previously disclosed an expectation that the PAYE element of the payment would be recoverable from those who were the beneficiaries of the client relationship payments and that we expected to collect these in full.

As a result of updated legal advice, the probability of recovery is no longer certain and consequently no asset relating to the potential recovery of the PAYE has been recognised.

Overall, the pre-tax costs, being the cost of PAYE and national insurance recognised as an exceptional expense in the prior year are £7,096,000, of which £5,931,000 are allowable deductions for tax purposes. The exceptional expense resulted in a reduction in the corporation tax charge of £1,160,000 for the year ended 30 April 2016.

HMRC have previously indicated that should the PAYE and NI case be successful at the Upper Tribunal, the linked enquiry into the amortisation of the client relationship intangible assets would be withdrawn. Therefore we consider that the provisions for corporation tax made to date in respect of the amortisation of the client relationship intangible assets case should be released. This release results in a reduction in the corporation tax charge of £2,568,000 in the year ended 30 April 2016.

Overall, the net effect of the above transactions arising from the two linked HMRC cases was a reduction in prior year profit after tax of £3,368,000.

10. Events after the balance sheet date

There have been no material post balance sheet events other than outlined in note 9.

11. Interim statement

The interim statement has been sent to shareholders. Further copies are available from the company's registered office at 25 Moorgate, London, EC2R 6AY.

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D M Cobb
P L Fernandes
G T Hotson
K P Stopps

Non-executive directors

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E G Chambers
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J Harley
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