Interim statement for the six months ended 31 October 2019

Breadth & Depth

Quality & Service

Trust & Relationships

People & Culture

Smith & Williamson

Accountancy • Investment Management • Tax

Highlights

Operating income

£148.7m +10.3%

Interim 31 October 2018: £134.8m
Annual 30 April 2019: £278.1m

Adjusted operating profit[1]

£27.5m +26.1%

Interim 31 October 2018: £21.8m
Annual 30 April 2019: £48.4m

Profit after tax

£18.1m -7.2%

Interim 31 October 2018: £19.5m
Annual 30 April 2019: £40.3m

Adjusted basic earnings per share[1]

37.9p +23.1%

Interim 31 October 2018: 30.8p
Annual 30 April 2019: 71.4p

Returns to shareholders per share

0.0p -100.0%

Interim 31 October 2018: 10.0p
Annual 30 April 2019: 36.0p

Funds under management and advice

£22.2bn +3.7%[2]

Interim 31 October 2018: £20.1bn
Annual 30 April 2019: £21.4bn

1. Adjusted operating profit and adjusted basic earnings per share exclude merger-related costs, exceptional item and amortisation of intangible assets - client relationships.
2. All changes reported are compared to 31 October 2018 with the exception of funds under management and advice for which the change is from 30 April 2019.

Contents

Strong revenue growth across our business

Andrew Sykes
CHAIRMAN

David Cobb
CO-CHIEF EXECUTIVE

Kevin Stopps
CO-CHIEF EXECUTIVE

The first six months of the financial year have been characterised by continuing steady progress, accentuated by further investment and strong revenue growth across our business.

Most significantly, however, we were delighted to sign our merger agreement with Tilney Group on 19 September 2019 and we are making steady progress towards completion following shareholder approval on 13 November 2019.

We believe that the merger offers significant benefits for our clients, shareholders and staff. The combination of Tilney and Smith & Williamson will create the UK's leading integrated wealth management and professional services group, offering an unrivalled breadth of services focused on private clients, businesses and charities. We are looking forward to working with our new colleagues at Tilney to build on the combined strengths of our two organisations.

Meanwhile, the global geopolitical backdrop has remained volatile. Trade tensions continue between the US and China, potentially significant political change looms in the UK and there are signs of a slowdown in global growth.

Notwithstanding this background, however, it is reassuring to note that market conditions have remained largely stable.

Group performance

Group operating income for the six months ended 31 October 2019 has grown 10.3% to £148.7 million (2018: £134.8 million), driven by increased financial services revenues on higher average market levels and trading volumes and strong growth across professional services transactional business lines.

Adjusted operating profit, calculated on the basis set out in the highlights on page 1 of this report, was £27.5 million, an increase of 26.1% over the comparative period in the prior year (2018: £21.8 million), leading to a 23.1% increase in adjusted basic earnings per share to 37.9p (2018: 30.8p).

Profit after tax was 7.2% lower than the equivalent period of the prior year. This is attributable to merger-related costs of £3.0 million in the current year and exceptional income of £3.5 million, which arose in the prior year (see note 11).

Total project costs, which mainly include costs of implementing the Core Wealth programme, were £12.0 million (2018: £9.2 million), of which £10.0 million (2018: £6.3 million) was capitalised and £2.0 million (2018: £2.9 million) was expensed during the period.

Segmental performance

Operating income for the financial services segment increased by 8.9% to £88.5 million (2018: £81.3 million). Our business benefitted from a combination of favourable market conditions and net organic growth in funds under management of 1.7%. Operating expenses increased by 6.3% to £64.2 million (2018: £60.4 million) due to variable compensation costs and the increased cost of regulation, resulting in an increase of 16.3% in adjusted operating profits to £24.3 million (2018: £20.9 million).

Funds under management and advice have increased by 3.7% to £22.2 billion (30 April 2019: £21.4 billion). This compares to the 1.5% rise in the MSCI PIMFA Balanced Index over the same period.

Operating income in the professional services segment grew by 14.1% to £54.2 million (2018: £47.5 million). We have seen growth across all business lines with the exception of our private client tax services business, which has been impacted by a number of partner retirements as well as economic and political uncertainty in the market. As a result of this growth, after an increase in operating expenses of 8.0% to £51.2 million (2018: £47.4 million), adjusted operating profits increased to £3.1 million (2018: £0.1 million).

Within our fund administration business, operating income grew by 3.8% to £5.5 million (2018: £5.3 million), driven by an 8.6% increase in funds under administration to £15.1 billion (30 April 2019: £13.9 billion), while operating expenses remained flat at £4.4 million. This growth has resulted in increased adjusted operating profits of £1.1 million (2018: £0.9 million).

Merger with Tilney Group

As shareholders will be aware, we expect to complete our merger with Tilney in the first quarter of 2020. The combined Group will:

- Create a unique and differentiated client proposition, covering professional services, financial planning and investment management;
- Share a fundamental commitment to client-centric values;
- Benefit from an expanded office network across 36 towns and cities in the UK, Ireland and the Channel Islands;
- Deliver investment services that can cater to the full range of clients' investment needs, including execution-only investing, investment advisory services, centrally-managed and bespoke discretionary investment management;
- Provide clients with continuity in the relationship with their investment manager, financial planner or professional services team; and
- Through increased scale, enable enhanced investment in technology for the benefit of its clients.

Smith & Williamson shareholders will receive consideration valued at £625 million, to be satisfied through a combination of cash consideration and shares in the enlarged Group, and the company will be distributing up to £67.5 million by way of special dividend to eligible shareholders. As a result, the Board has decided not to recommend the payment of an interim dividend.

Business transformation

In addition to announcing our plans to merge with Tilney, the first six months of this financial year have seen a period of significant change and continuing investment in our business.

We took the decision in August 2019 to relinquish the firm's banking license and move to a client money model. This project was completed successfully on 18 November 2019 with regulatory approval effective from 12 December 2019. Throughout the project, the Board has been wholly focused on ensuring that our clients continue to receive the same excellent service to which they are accustomed.

We have continued to make progress during the period on our programme of major IT and technology investments. The timetable for completion of these works has been adjusted following our decision to relinquish the banking licence and in recognition of the forthcoming merger and we are currently undertaking a careful review of the best fit between our systems and those which are currently used by Tilney.

The Group has continued to place a strong emphasis on building brand awareness in our target markets. Recent initiatives, including two headline marketing campaigns, have borne fruit with a continued rise in awareness of our brand and appreciation of the breadth of services which we offer.

Risk and regulation

We consider that the key risks described in our annual report and accounts (www.smithandwilliamson.com/annualreport2019) remain relevant as at 31 October 2019. We continue to embed risk management into the business to ensure we are able to manage potential issues as effectively as possible. After completion of the merger and relinquishing of the firm's banking licence, the key risks will be reassessed, although our expectation is that they will remain broadly consistent with the Group's current assessment, given the similarities between the Smith & Williamson and Tilney businesses.

Following completion of the merger, Tilney Smith & Williamson's lead regulator will be the FCA. We made full preparations for the roll-out of the regulator's Senior Manager and Certification Regime to the whole of the investment management industry, including an extensive programme of professional training for our colleagues now operating under the new environment.

Board changes

In October 2019, we were pleased to announce the appointment of Carla Stent as a Non-Executive Director. Carla has deep and varied experience as an executive and non-executive across the financial services sector and other industries, and now chairs the Group Audit and Risk Oversight Committee.

Conclusion

We are looking forward with great enthusiasm to the completion of our merger with Tilney. On behalf of the Board, we would like to thank all of our dedicated colleagues for their professionalism, loyalty and very hard work through a particularly intense and challenging period. We would also like to thank our much-valued clients and professional networks for their continued support as we enter an exciting new chapter in our history.

Andrew Sykes
CHAIRMAN

David Cobb
CO-CHIEF EXECUTIVE

Kevin Stopps
CO-CHIEF EXECUTIVE

12 December 2019

Consolidated interim income statement

for the six months ended 31 October 2019

	Note	Unaudited Six months ended 31 October 2019 £'000	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Interest and similar income		**6,465**	4,853	11,200
Interest expense and similar charges		**(2,647)**	(1,527)	(3,874)
Net interest income		**3,818**	3,326	7,326
Fee and commission income		**182,228**	161,743	333,298
Fee and commission expense		**(40,464)**	(33,206)	(68,346)
Net fee and commission income		**141,764**	128,537	264,952
Net trading income		**2,810**	2,221	4,644
Share of results of associates		**221**	476	634
Other operating income		**117**	287	565
Operating income		**148,730**	134,847	278,121
Staff costs		**(86,409)**	(79,465)	(160,454)
Merger-related costs		**(2,983)**	-	-
Exceptional item	11	**-**	3,505	3,505
Amortisation of intangible assets - client relationships		**(448)**	(422)	(958)
Other operating expenses		**(34,801)**	(33,553)	(69,286)
Operating expenses		**(124,641)**	(109,935)	(227,193)
Operating profit		**24,089**	24,912	50,928
Dividend income		**1**	186	186
Profit before tax		**24,090**	25,098	51,114
Taxation	4	**(6,008)**	(5,563)	(10,803)
Profit for the period/year		**18,082**	19,535	40,311
Attributable to:				
Equity holders of the parent company		**16,132**	18,124	38,375
Non-controlling interests		**1,950**	1,411	1,936
		18,082	19,535	40,311
Earnings per share for the period/year attributable to equity holders of the parent company				
• Unadjusted basic[1]	5	**31.4p**	**35.7p**	**75.4p**
• Unadjusted diluted	5	**31.1p**	**35.3p**	**74.6p**

1. Adjusted basic earnings per share, a key performance indicator for the Group, is calculated in note 5.

Consolidated interim statement of comprehensive income

for the six months ended 31 October 2019

	Unaudited Six months ended 31 October 2019 £'000	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Profit for the period/year	**18,082**	19,535	40,311
Items that will not be reclassified to profit or loss			
Net remeasurement of defined benefit assets:			
• Actual return less expected return on scheme assets	**460**	(353)	379
• Experience gains and losses arising on scheme liabilities	**314**	490	1,206
• Change in assumptions underlying the present value of scheme liabilities	**422**	(69)	(1,064)
• Effect of asset ceiling	**(1,217)**	(84)	(410)
Actuarial gain/(loss) on retirement annuities	**30**	(54)	(100)
Net gains on revaluation of equity investment securities designated at FVOCI	**2,835**	1,227	1,152
Tax effect of the above adjustments	**(406)**	4	(5)
	2,438	1,161	1,158
Exchange (loss)/gain on translation of foreign subsidiaries	**(4)**	(1)	124
Gain on associate currency translation movement	**18**	106	84
Other comprehensive income for the period/year, net of tax	**2,452**	1,266	1,366
Total comprehensive income for the period/year	**20,534**	20,801	41,677
Attributable to:			
Equity holders of the parent company	**18,584**	19,390	39,741
Non-controlling interests	**1,950**	1,411	1,936
	20,534	20,801	41,677

Consolidated interim balance sheet

as at 31 October 2019

	Note	Unaudited as at 31 October 2019 £'000	Unaudited as at 31 October 2018 £'000	Audited as at 30 April 2019 £'000
Assets				
Non-current assets				
Intangible assets		**144,232**	125,052	131,779
Property, plant and equipment		**4,119**	5,395	4,779
Right-of-use assets[1]	7	**21,492**	-	-
Interests in associates		**4,438**	3,865	4,005
Prepayments, accrued income and other receivables		**2,874**	972	2,128
Equity investment securities designated at FVOCI		**-**	301	310
Deferred tax assets		**38**	641	606
		177,193	136,226	143,607
Current assets				
Cash and balances with central banks	8	**1,286,722**	989,561	1,106,938
Loans and advances to banks[2]		**74,237**	89,641	99,658
Settlement balances - assets		**124,959**	78,490	130,048
Loans and advances to customers		**37,183**	38,837	51,010
Prepayments, accrued income and other receivables		**74,858**	70,707	70,617
Debt investment securities measured at amortised cost[2]		**-**	238,461	227,899
Equity investment securities designated at FVOCI		**10,148**	7,842	7,734
		1,608,107	1,513,539	1,693,904
Total assets		**1,785,300**	1,649,765	1,837,511
Liabilities				
Non-current liabilities				
Retirement benefits		**640**	770	732
Accruals, deferred income, provisions and other payables		**1,549**	339	349
Lease liabilities[1]		**18,020**	-	-
		20,209	1,109	1,081
Current liabilities				
Other borrowed funds	8	**15,091**	21,799	21,939
Settlement balances - liabilities		**125,349**	77,611	129,280
Due to customers		**1,195,542**	1,167,229	1,267,276
Accruals, deferred income, provisions and other payables		**91,310**	88,502	99,311
Lease liabilities[1]		**6,210**	-	-
Current tax liabilities		**2,892**	6,604	6,355
		1,436,394	1,361,745	1,524,161
Total liabilities		**1,456,603**	1,362,854	1,525,242
Net assets		**328,697**	286,911	312,269
Equity				
Equity attributable to owners of the parent				
Share capital	9	**5,588**	5,562	5,562
Share premium	9	**27,685**	25,524	25,524
Own shares		**(21,159)**	(29,703)	(26,289)
Other reserves		**120,980**	119,228	119,205
Retained earnings		**181,915**	156,797	174,357
		315,009	277,408	298,359
Non-controlling interests	10	**13,688**	9,503	13,910
Total equity		**328,697**	286,911	312,269

1. The Group adopted the accounting standard IFRS 16 on 1 May 2019. The impact on adoption is described in note 2.
2. Positions either sold or matured in preparation for the move to a client money model. Proceeds were held as cash and cash equivalents. For further details refer to note 12.

Consolidated interim cash flow statement

for the six months ended 31 October 2019

	Note	Unaudited Six months ended 31 October 2019 £'000	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Cash flows from operating activities				
Profit before tax		**24,090**	25,098	51,114
Non-cash movements				
Depreciation of right-of-use assets	7	**2,738**	-	-
Depreciation of property, plant and equipment		**847**	808	1,683
Amortisation of intangible assets		**803**	774	1,700
Defined benefit pension costs and other retirement costs		**(18)**	(12)	117
Increase in provisions		**670**	368	471
Share of profit before tax in associate and profit on dilution		**(221)**	(476)	(634)
Change in expected credit losses on adoption of new accounting standards		**-**	(569)	(569)
Share based payment charges		**3,583**	3,252	6,854
Loss on disposal of property, plant and equipment		**-**	628	628
Finance income on net investment in sub-lease		**(16)**	-	-
Finance costs on lease liabilities		**395**	-	-
Other non-cash movement		**3**	-	81
Operating cash flows before movements in operating assets and liabilities		**32,874**	29,871	61,445
Changes in operating assets and liabilities				
Decrease/(increase) in loans and advances to customers and banks		**38,211**	146	(36,411)
Decrease/(increase) in net settlement balances		**1,158**	(587)	(476)
Increase in prepayments, accrued income and other receivables		**(4,001)**	(2,247)	(2,335)
(Decrease)/increase in amounts due to customers		**(71,734)**	17,485	117,532
Decrease in accruals, deferred income, provisions and other payables		**(6,188)**	(12,042)	(1,439)
Net redemption/(purchase) of debt investment securities measured at amortised cost		**222,899**	(50,918)	(35,356)
Cash generated from/(used in) operations		**213,219**	(18,292)	102,960
Defined benefit contribution and annuities paid		**(69)**	(68)	(136)
Tax paid		**(9,290)**	(5,211)	(10,677)
Net cash generated from/(used in) operating activities		**203,860**	(23,571)	92,147
Cash flow from investing activities				
Purchase of property, equipment and intangible assets		**(13,440)**	(10,955)	(17,012)
Purchase of equity investment securities designated at FVOCI		**(1)**	-	-
Proceeds from sale of equity investment securities designated at FVOCI		**728**	-	766
Proceeds from net investment in sub-lease		**119**	-	-
Dividends received from associate		**69**	93	93
Increase in holdings of associate		**(267)**	-	(58)
Net cash used in investing activities		**(12,792)**	(10,862)	(16,211)
Cash flows from financing activities				
Issue of D ordinary shares		**2,187**	-	-
Investment in shares in Employee Benefit Trust (EBT)		**(521)**	(2,773)	(4,996)
Proceeds from sale of shares in EBT		**6,828**	932	4,715
Payment of lease liabilities		**(3,317)**	-	-
Acquisition of interest held by non-controlling interests		**(388)**	(696)	(1,484)
Acquisition of interest in a subsidiary		**-**	-	(1,611)
Distributions to shareholders		**(15,262)**	(14,608)	(20,253)
Capital contributed by non-controlling interests		**-**	62	4,047
Net cash used in financing activities		**(10,473)**	(17,083)	(19,582)
Net increase/(decrease) in cash and cash equivalents		**180,595**	(51,516)	56,354
Cash and cash equivalents at beginning of the period/year		**1,165,273**	1,108,919	1,108,919
Cash and cash equivalents at the end of the period/year	8	**1,345,868**	1,057,403	1,165,273
Group's own net cash at the end of the period/year	8	**184,056**	167,337	195,189

Consolidated interim statement of changes in equity

for the six months ended 31 October 2019

				Other reserves							
	Share capital £'000	Share premium £'000	Own shares £'000	Merger reserve £'000	Capital redemption reserve £'000	FVOCI reserve £'000	Total other reserves £'000	Retained earnings[1] £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Equity at 30 April 2019 (audited)	**5,562**	**25,524**	**(26,289)**	**97,991**	**14,546**	**6,668**	**119,205**	**174,357**	**298,359**	**13,910**	**312,269**
Profit for the six months ended 31 October 2019	-	-	-	-	-	-	-	16,132	16,132	1,950	18,082
Other comprehensive income for the period, net of tax	-	-	-	-	-	2,429	2,429	23	2,452	-	2,452
Total comprehensive income	-	-	-	-	-	2,429	2,429	16,155	18,584	1,950	20,534
Distributions to shareholders	-	-	-	-	-	-	-	(13,312)	(13,312)	(1,950)	(15,262)
Issue of D ordinary shares	26	2,161	-	-	-	-	-	-	2,187	-	2,187
Own shares bought	-	-	(521)	-	-	-	-	-	(521)	-	(521)
Own shares sold	-	-	5,635	-	-	-	-	-	5,635	-	5,635
EBT gain on sale of shares	-	-	-	-	-	-	-	1,193	1,193	-	1,193
Gain transferred to retained earnings on disposal of equity investments designated at FVOCI	-	-	-	-	-	(654)	(654)	654	-	-	-
Share based payments	-	-	-	-	-	-	-	3,583	3,583	-	3,583
Deferred tax on equity items	-	-	-	-	-	-	-	17	17	-	17
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(279)	(279)	(109)	(388)
Exchange of non-controlling interests for company's shares	-	-	16	-	-	-	-	(453)	(437)	(113)	(550)
Equity at 31 October 2019 (unaudited)	**5,588**	**27,685**	**(21,159)**	**97,991**	**14,546**	**8,443**	**120,980**	**181,915**	**315,009**	**13,688**	**328,697**

1. Retained earnings include the share option, actuarial and translation foreign currency reserves and movements thereon.

				Other reserves							
	Share capital £'000	Share premium £'000	Own shares £'000	Merger reserve £'000	Capital redemption reserve £'000	FVOCI reserve £'000	Total other reserves £'000	Retained earnings[1] £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Equity at 31 October 2018 (unaudited)	5,562	25,524	(29,703)	97,991	14,546	6,691	119,228	156,797	277,408	9,503	286,911
Profit for the six months ended 30 April 2019	-	-	-	-	-	-	-	20,251	20,251	525	20,776
Other comprehensive (loss)/income for the period, net of tax	-	-	-	-	-	(67)	(67)	167	100	-	100
Total comprehensive (loss)/income	-	-	-	-	-	(67)	(67)	20,418	20,351	525	20,876
Distributions to shareholders	-	-	-	-	-	-	-	(5,120)	(5,120)	(525)	(5,645)
Own shares bought	-	-	(2,223)	-	-	-	-	-	(2,223)	-	(2,223)
Own shares sold	-	-	4,016	-	-	-	-	-	4,016	-	4,016
EBT loss on sale of shares	-	-	-	-	-	-	-	(233)	(233)	-	(233)
Own shares sold as part of business combination	-	-	511	-	-	-	-	203	714	-	714
Loss transferred to retained earnings on disposal of equity investments designated at FVOCI	-	-	-	-	-	44	44	(44)	-	-	-
Share based payments	-	-	-	-	-	-	-	3,602	3,602	-	3,602
Deferred tax on equity items	-	-	-	-	-	-	-	(54)	(54)	-	(54)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(475)	(475)	(313)	(788)
Exchange of non-controlling interests for company shares	-	-	1,110	-	-	-	-	(737)	373	(393)	(20)
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	-	5,113	5,113
Equity at 30 April 2019 (audited)	5,562	25,524	(26,289)	97,991	14,546	6,668	119,205	174,357	298,359	13,910	312,269

1. Retained earnings include the share option, actuarial and translation foreign currency reserves and movements thereon.

Consolidated interim statement of changes in equity (continued)

for the six months ended 31 October 2019

				Other reserves							
	Share capital £'000	Share premium £'000	Own shares £'000	Merger reserve £'000	Capital redemption reserve £'000	FVOCI reserve £'000	Total other reserves £'000	Retained earnings[1] £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Equity at 1 May 2018 (audited)	5,557	25,150	(27,654)	97,991	14,546	7,111	119,648	147,222	269,923	9,680	279,603
Profit for the six months ended 31 October 2018	-	-	-	-	-	-	-	18,124	18,124	1,411	19,535
Other comprehensive income for the period, net of tax	-	-	-	-	-	1,222	1,222	44	1,266	-	1,266
Total comprehensive income	-	-	-	-	-	1,222	1,222	18,168	19,390	1,411	20,801
Distributions to shareholders	-	-	-	-	-	-	-	(13,197)	(13,197)	(1,411)	(14,608)
Issue of A ordinary shares	5	374	-	-	-	-	-	-	379	-	379
Own shares bought	-	-	(2,773)	-	-	-	-	-	(2,773)	-	(2,773)
Own shares sold	-	-	724	-	-	-	-	-	724	-	724
EBT gain on sale of shares	-	-	-	-	-	-	-	208	208	-	208
Gain transferred to retained earnings on disposal of equity investments designated at FVOCI	-	-	-	-	-	(1,642)	(1,642)	1,642	-	-	-
Share based payments	-	-	-	-	-	-	-	3,252	3,252	-	3,252
Deferred tax on equity items	-	-	-	-	-	-	-	(41)	(41)	-	(41)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(457)	(457)	(239)	(696)
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	-	62	62
Equity at 31 October 2018 (unaudited)	5,562	25,524	(29,703)	97,991	14,546	6,691	119,228	156,797	277,408	9,503	286,911

1. Retained earnings include the share option, actuarial and translation foreign currency reserves and movements thereon.

Notes to the consolidated interim financial statements

for the six months ended 31 October 2019

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 2020.

The accounting policies applied are consistent with those of the annual report and financial statements for the year ended 30 April 2019, except as disclosed in note 2.

The impact of future adoption of standards and interpretations which are not mandatory for the year ending 30 April 2020 on the Group's financial statements is described below.

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 2019 were prepared in accordance with IFRS as adopted by the EU. The interim consolidated financial statements for the six months ended 31 October 2019 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 2019.

The annual report and financial statements for the year ending 30 April 2019 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 2019 and 31 October 2018 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 12 December 2019.

New and amended standards adopted by the Group

The Group has applied IFRS 16 Leases for the first time for their annual reporting period commencing 1 May 2019. The impact of the adoption of this standard and the new accounting policies are disclosed in note 2.

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following amendments to standards, applicable to the Group, which have not been applied in these financial statements, were in issue but not yet mandatorily effective for the Group.

- Amendments to IFRS 3 Business combinations;
- Amendments to IAS 1 and IAS 8: Definition of material; and
- Amendments to references to the Conceptual Framework in IFRS Standards.

The amendments, which are effective for financial years commencing on or after 1 January 2020, are not expected to have a material impact on the Group's financial statements. The first annual report published in accordance with these amendments will be the 30 April 2021 report.

Notes to the consolidated interim financial statements (continued)

for the six months ended 31 October 2019

2. Changes in accounting policies

IFRS 16 Leases

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 May 2019, where they are different to those applied in prior periods.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to the opening balance sheet. Comparatives have not been restated.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases. Instead, any leases with more than 12 months' term are recognised as an asset with the related future lease obligations shown as a liability.

The Group, as lessee, initially recognises a right-of-use asset and a corresponding lease liability at commencement date based on the discounted payments required under the lease, taking into account the lease term (determined as the non-cancellable period for which the Group has the right to use an asset, including optional periods when an entity is reasonably certain to exercise the option to extend). Initial direct costs and restoration costs are included in the asset cost.

For leases previously classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 May 2019. The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments on the Group's balance sheet at the date of transition.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically assessed for impairment and adjusted for certain remeasurements of the lease liability.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases with a term of less than 12 months and leases of low-value assets. These exemptions allow the Group to apply similar accounting as an operating lease under IAS 17.

Accounting requirements for lessors are largely unchanged from IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for instances in which it acts as an intermediate lessor. As an intermediate lessor, the Group accounts for its interests in the head lease and a sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Impact on the consolidated financial statements

	Audited as at 30 April 2019 £'000	Adjustments £'000	Adjusted as at 1 May 2019 £'000
Assets			
Right-of-use assets (note 7)	-	24,322	24,322
Prepayments, accrued income and other receivables	72,745	1,090	73,835
Total assets	**1,837,511**	**25,412**	**1,862,923**
Liabilities			
Accruals, deferred income, provisions and other payables	99,660	(1,832)	97,828
Lease liabilities	-	27,244	27,244
Total liabilities	**1,525,242**	**25,412**	**1,550,654**
Net assets	**312,269**	**-**	**312,269**

On transition to IFRS 16, the Group recognised right-of-use assets of £24.3 million (see note 7) and lease liabilities of £27.2 million. As at 1 May 2019, in accordance with transition provisions of IFRS 16, the initial right-of-use assets balance of £27.2 million was adjusted by £1.8 million of accrued lease payments on the Group's balance sheet. In addition, £1.1 million was derecognised and transferred to net investment in subleases where the Group acts as an intermediate lessor. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 30 April 2019. The weighted average rate applied is 3.04%.

During the six months ended 31 October 2019, the Group recognised depreciation of right-of-use assets of £2.7 million, interest expense on lease liabilities of £0.4 million and finance income on net investment in sublease of £0.02 million. During the six months ended 31 October 2018, the Group recognised operating lease expenses of £3.1 million in accordance with IAS 17.

The Group is required to identify the difference between the present value of its operating lease obligations disclosed at 30 April 2019 under IAS 17, discounted by using the Group's incremental borrowing rate, and its lease liabilities recognised at the date of initial application to IFRS 16. This reconciliation has been presented below:

	£'000
Operating lease obligations at 30 April 2019 disclosed in the Group's consolidated financial statements	**29,707**
Discounted using the incremental borrowing rate at 1 May 2019	(2,279)
Finance lease liabilities recognised as at 30 April 2019	27,428
Recognition exemption for:	
• Short-term leases	(64)
• Leases of low-value assets	(120)
Lease liabilities recognised at 1 May 2019	**27,244**
Of which are:	
• Current lease liabilities	6,078
• Non-current lease liabilities	21,166
	27,244

3. Segmental information

For management purposes, the Group is organised into four operating segments: financial services, professional services, fund administration and other. The Group's operations are predominantly in one geographical segment, the UK and Ireland.

Six months ended 31 October 2019 (unaudited)	Financial services £'000	Professional services £'000	Fund administration £'000	Other £'000	Total £'000
Segment results					
Net interest income	3,610	-	-	208	3,818
Net fee and commission income	82,057	54,128	5,501	78	141,764
Other income	2,810	117	-	221	3,148
Operating income	88,477	54,245	5,501	507	148,730
Operating expenses before amortisation of intangible assets – client relationships and merger-related costs	(64,167)	(51,175)	(4,388)	(1,480)	(121,210)
Adjusted operating profit (see page 1)	24,310	3,070	1,113	(973)	27,520
Amortisation of intangible assets – client relationships	(357)	(91)	-	-	(448)
Operating profit before tax and merger-related costs	23,953	2,979	1,113	(973)	27,072
Merger-related costs	-	-	-	(2,983)	(2,983)
Operating profit before tax	23,953	2,979	1,113	(3,956)	24,089
Dividend income					1
Taxation					(6,008)
Profit for the period					18,082
Segment assets as at 31 October 2019	1,459,739	148,239	96,729	76,117	1,780,824
Interests in associates					4,438
Unallocated corporate assets					38
Consolidated total assets					1,785,300

Notes to the consolidated interim financial statements (continued)

for the six months ended 31 October 2019

3. Segmental information (continued)

Six months ended 31 October 2018 (unaudited)	Financial services £'000	Professional services £'000	Fund administration £'000	Other £'000	Total £'000
Segment results					
Net interest income	3,244	-	-	82	3,326
Net fee and commission income	75,829	47,209	5,255	244	128,537
Other income	2,221	287	-	476	2,984
Operating income	81,294	47,496	5,255	802	134,847
Operating expenses before amortisation of intangible assets - client relationships and exceptional item	(60,375)	(47,417)	(4,367)	(859)	(113,018)
Adjusted operating profit (see page 1)	20,919	79	888	(57)	21,829
Amortisation of intangible assets - client relationships	(360)	(62)	-	-	(422)
Operating profit before tax and exceptional item	20,559	17	888	(57)	21,407
Exceptional item (note 11)	3,505	-	-	-	3,505
Operating profit before tax	24,064	17	888	(57)	24,912
Dividend income					186
Taxation					(5,563)
Profit for the period					19,535
Segment assets as at 31 October 2018	1,435,961	133,824	43,041	32,433	1,645,259
Interests in associates					3,865
Unallocated corporate assets					641
Consolidated total assets					1,649,765

Year ended 30 April 2019 (audited)	Financial services £'000	Professional services £'000	Fund administration £'000	Other £'000	Total £'000
Segment results					
Net interest income	6,965	-	-	361	7,326
Net fee and commission income	150,001	104,169	10,517	265	264,952
Other income	4,644	498	-	701	5,843
Operating income	161,610	104,667	10,517	1,327	278,121
Operating expenses before amortisation of intangible assets - client relationships and exceptional item	(121,746)	(96,819)	(8,813)	(2,362)	(229,740)
Adjusted operating profit (see page 1)	39,864	7,848	1,704	(1,035)	48,381
Amortisation of intangible assets - client relationships	(718)	(240)	-	-	(958)
Operating profit before tax and exceptional item	39,146	7,608	1,704	(1,035)	47,423
Exceptional item (note 11)	3,505	-	-	-	3,505
Operating profit before tax	42,651	7,608	1,704	(1,035)	50,928
Dividend income					186
Taxation					(10,803)
Profit for the year					40,311
Segment assets as at 30 April 2019	1,579,472	150,794	71,509	31,125	1,832,900
Interests in associates					4,005
Unallocated corporate assets					606
Consolidated total assets					1,837,511

4. Taxation

The current tax expense for the six months ended 31 October 2019 has been calculated based on the estimated annual effective tax rate. The effective tax rate for the period was 24.9% (31 October 2018: 22.2%; 30 April 2019: 21.1%).

The income tax charge for the period/year comprises.

	Unaudited Six months ended 31 October 2019 £'000	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Current tax	**5,827**	5,516	10,786
Deferred tax	**181**	47	17
	6,008	5,563	10,803

5. Earnings per share

	Unaudited Six months ended 31 October 2019 £'000	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Earnings attributable to equity holders of the parent company for unadjusted basic and diluted earnings per share	**16,132**	18,124	38,375
Amortisation of intangible assets – client relationships, net of tax	**364**	342	776
Merger-related costs, net of tax	**2,983**	-	-
Exceptional item (note 11), net of tax	**-**	(2,840)	(2,840)
Earnings attributable to equity holders of the parent company for adjusted basic and diluted earnings per share	**19,479**	15,626	36,311

	Number '000	Number '000	Number '000
Weighted average number of A ordinary shares in issue during the period/year	**34,766**	34,126	34,226
Weighted average number of D ordinary shares in issue during the period/year	**16,684**	16,641	16,641
Number of shares for unadjusted and adjusted basic earnings per share	**51,450**	50,767	50,867
Number of dilutive A ordinary shares under share awards	**464**	551	597
Number of shares for unadjusted and adjusted diluted earnings per share	**51,914**	51,318	51,464
Basic earnings per share			
• Unadjusted	**31.4p**	35.7p	75.4p
• Adjusted	**37.9p**	30.8p	71.4p
Diluted earnings per share			
• Unadjusted	**31.1p**	35.3p	74.6p
• Adjusted	**37.5p**	30.4p	70.6p

The number of shares used in the unadjusted basic earnings per share (EPS) 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 EPS 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.

Effective September 2018, share units held in Smith & Williamson Investment Management LLP and Smith & Williamson LLP may be exchanged for company shares on a one-for-one basis at any time. As such, following a recalibration of LLP share units so that the value of a share unit tracks the company's share price (see note 10), options in place to swap up LLP share units are considered fairly priced and therefore not included in the calculation of diluted earnings per share. In the event that all issued LLP share units were exchanged for company shares at the beginning of the period, adjusted basic earnings per share would be 36.9 pence and, with the inclusion of unvested LLP shares units, adjusted diluted earnings per share would be 35.2 pence.

Notes to the consolidated interim financial statements (continued)

for the six months ended 31 October 2019

6. Distributions to shareholders

A final dividend for the year ended 30 April 2019 of 26.0 pence per A and D ordinary share was paid to shareholders on 27 September 2019.

7. Right-of-use assets

	Property £'000
Cost	
At 31 October 2018 and 1 May 2019	-
Adjusted for adoption of new accounting standards (note 2)	24,322
Other movement	**(97)**
At 31 October 2019	**24,225**
Accumulated depreciation	
At 31 October 2018 and 1 May 2019	-
Charge for the period	**2,738**
Other movement	**(5)**
At 31 October 2019	**2,733**
Carrying amount	
At 31 October 2019	**21,492**
At 30 April 2019	-
At 31 October 2018	-

8. Cash and cash equivalents

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

	Unaudited Six months ended 31 October 2019 £'000	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Cash and balances with central banks	**1,286,722**	989,561	1,106,938
Loans and advances to banks	**74,237**	89,641	75,274
Debt investment securities measured at amortised cost	**-**	-	5,000
Bank overdrafts	**(15,091)**	(21,799)	(21,939)
	1,345,868	1,057,403	1,165,273

Balances with central banks are interest-bearing and repayable on demand.

Included in cash and cash equivalents is £184.1 million (31 October 2018: £167.3 million; 30 April 2019: £195.2 million) of the Group's own net cash.

9. Share capital and share premium

A and D ordinary shares have a par value of 10 pence per share. All issued shares are fully paid. The following movements in issued share capital occurred during the year:

Number '000	A ordinary shares issued	A ordinary shares to be issued	Total A ordinary shares	Total D ordinary shares	Total number of shares
At 1 May 2018	38,931	-	38,931	16,641	55,572
Issue of A ordinary shares	-	47	47	-	47
At 31 October 2018	38,931	47	38,978	16,641	55,619
Issue of A ordinary shares	2	-	2	-	2
At 30 April 2019	**38,933**	**47**	**38,980**	**16,641**	**55,621**
Conversion of A ordinary shares to D ordinary shares	**(916)**	**-**	**(916)**	**916**	**-**
Issue of D ordinary shares	**-**	**-**	**-**	**259**	**259**
At 31 October 2019	**38,017**	**47**	**38,064**	**17,816**	**55,880**

	Share capital			Share premium			
£'000	Issued	To be issued	Total	Issued	To be issued	Total	Total
At 1 May 2018	5,557	-	5,557	25,150	-	25,150	30,707
Issue of A ordinary shares	-	5	5	-	374	374	379
At 31 October 2018	5,557	5	5,562	25,150	374	25,524	31,086
Issue of A ordinary shares	-	-	-	-	-	-	-
At 30 April 2019	**5,557**	**5**	**5,562**	**25,150**	**374**	**25,524**	**31,086**
Issue of D ordinary shares	**26**	**-**	**26**	**2,161**	**-**	**2,161**	**2,187**
At 31 October 2019	**5,583**	**5**	**5,588**	**27,311**	**374**	**27,685**	**33,273**

On 1 October 2018, Smith & Williamson Freaney Limited acquired 100% interest in LHM Casey McGrath Limited, an accounting firm based in Dublin. As part of the deferred equity consideration, the EBT transferred 88,068 A ordinary shares at £8.06 per share to a nominee company for £0.7 million and the company allocated an additional 46,900 A ordinary shares at £8.06 per share for £0.4 million, to be issued after the third anniversary of completion date.

During the period, AGF Management Limited exercised rights pursuant to the company's articles of association to subscribe for 1,175,105 additional D ordinary shares in order to maintain its shareholding at 30% of the diluted share capital of the company. To satisfy these rights, the EBT sold 916,262 A ordinary shares at £7.45 per share for £6.8 million (immediately converted to D ordinary shares) and the company issued 258,843 D ordinary shares at £8.45 per share for £2.2 million.

Notes to the consolidated interim financial statements (continued)

for the six months ended 31 October 2019

10. Non-controlling interests

Smith & Williamson LLP and Smith & Williamson Management LLP issue share units to their individual members. Individual members may also sell shares to the Group during specified share trading windows or upon ceasing membership. The following movements occurred during the period:

	Smith & Williamson Investment Management LLP			Smith & Williamson LLP			Total
	Number	£'000	% interest	Number	£'000	% interest	£'000
At 1 May 2018	4,137,656	7,093	7.0%	5,286,172	2,587	8.7%	9,680
Issued during the period	91,011	-		23,439	-		-
Sold during the period	(67,973)	(159)		(54,115)	(22)		(181)
Balance before recalibration	4,160,694	6,934	7.0%	5,255,496	2,565	8.6%	9,499
Recalibration	(1,241,245)	-		(4,244,624)	-		-
Issued during the period	1,136,061	48		194,592	14		62
Sold during the period	(18,601)	(58)		-	-		(58)
At 31 October 2018	4,036,909	6,924	9.4%	1,205,464	2,579	10.1%	9,503
Issued during the period	257,592	1,692		455,762	3,421		5,113
Sold during the period	(81,147)	(233)		(18,947)	(80)		(313)
Exchange of share units for company shares	(173,321)	(360)		(14,948)	(33)		(393)
At 30 April 2019	4,040,033	8,023	9.40%	1,627,331	5,887	13.10%	13,910
Issued during the period	**1,103,830**	**-**		**197,840**	**-**		**-**
Sold during the period	**(5,896)**	**(18)**		**(34,858)**	**(91)**		**(109)**
Exchange of share units for company shares	**(266,136)**	**(105)**		**(69,757)**	**(8)**		**(113)**
At 31 October 2019	**4,871,831**	**7,900**	**11.0%**	**1,720,556**	**5,788**	**13.7%**	**13,688**

In September 2018, the Group recalibrated the LLP share units to align the interests of LLP members with the company's shareholders such that the value of LLP share units move in line with the price of the company's shares and ensures rights attached to such interests are, so far as possible, the same. This was implemented by changing the number of share units pro rata so that each individual LLP share unit in both LLPs has the same price as one ordinary share. LLP share units may also be exchanged for company shares on a one-for-one basis at any time.

11. Exceptional item

As disclosed in the annual report and financial statements for the year ended 30 April 2019, the Group was subject to HMRC enquiries concerning PAYE and NIC determinations on the treatment of client relationship payments and the amortisation of intangible fixed assets. Both matters have now been concluded and, as a result, a provision of £3.5 million was released to the income statement as an exceptional item during the six months ended 31 October 2018.

12. Post balance sheet events

During the six months ended 31 October 2019, the Group applied for a variation of permission from the Prudential Regulatory Authority (PRA) to cease to be regulated as a deposit taking institution. This was approved by the PRA effective from 12 December 2019. To satisfy the variation of permission, all deposits held on-balance sheet were transferred to off-balance sheet client money accounts. In addition to ceasing to be a deposit taking institution, the Group is in the process of transferring its client loan facilities to a private bank.

There have been no other material post balance sheet events.

13. Interim statement

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

Company information

Non-executive chairman
A F Sykes

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

Non-executive directors
E G Chambers
A C Fisher
B C Goldring
K Jones
C Stent

Independent auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Bankers
Royal Bank of Scotland
Group plc
250 Bishopsgate
London EC2M 4AA

Corporate lawyers
Macfarlanes LLP
20 Cursitor Street
London EC4A 1LT

Registrar
Link Asset Services
6th Floor
65 Gresham Street
London EC2V 7NQ

Company secretary and registered office
D A Saunders
25 Moorgate
London EC2R 6AY
Company No. 4533948
smithandwilliamson.com

Our offices

London
25 Moorgate
London EC2R 6AY
t: 020 7131 4000
f: 020 7131 4001

Belfast
The Linenhall
32-38 Linenhall Street
Belfast BT2 8BG
t: 028 9072 3000
f: 028 9072 3001

Birmingham
3rd Floor
9 Colmore Row
Birmingham B3 2BJ
t: 0121 710 5200
f: 0121 710 5201

Bristol
Portwall Place
Portwall Lane
Bristol BS1 6NA
t: 0117 376 2000
f: 0117 376 2001

Cheltenham
Festival House
Jessop Avenue
Cheltenham GL50 3SH
t: 01242 506050
f: 01242 506051

Dublin
Paramount Court
Corrig Road
Sandyford Business Park
Dublin 18, D18 R9C7
Republic of Ireland
t: +353 1 614 2500
f: +353 1 614 2501

Dublin
12 Herbert Street
Dublin 2, D02 X240
Republic of Ireland
t: +353 1 500 6500
f: +353 1 500 6501

Glasgow
206 St Vincent Street
Glasgow G2 5SG
t: 0141 222 1100
f: 0141 222 1101

Guildford
Onslow House
Onslow Street
Guildford
Surrey GU1 4TL
t: 01483 407 100
f: 01483 407 101

Jersey
3rd Floor
Weighbridge House
Liberation Square
St. Helier
Jersey JE2 3NA
t: 01534 716 850
f: 01534 716 851

Salisbury
Old Library Chambers
21 Chipper Lane
Salisbury
Wiltshire SP1 1BG
t: 01722 431 000
f: 01722 431 001

Southampton
4th Floor
Cumberland House
15-17 Cumberland Place
Southampton SO15 2BG
t: 023 8082 7600
f: 023 8082 7601

Associate offices

People's Republic of China
Nexia China Pte Ltd - Nexia TS (Shanghai) Co Ltd
Room A, 20 Floor
Heng Ji Building
No. 99 East Huai Road
Huang Pu District,
Shanghai 200021
t: +8621 6047 8716
f: +8621 6047 8712

Singapore
Nexia TS Pte Ltd
100 Beach Road
Shaw Tower
#30-00, Singapore 189702
t: +65 6534 5700
f: +65 6534 5766

Malta
IPM (Malta) Limited
(in liquidation)
1, Block C, Skyway Offices
179 Marina Street
Pieta, PTA 9042 Malta
t: +356 21 222 777
f: +356 21 221 692

To download a copy visit:

smithandwilliamson.com/interimstatement2019

A member of Nexia International

Smith & Williamson is a member of Nexia International,
a worldwide network of independent accounting and consulting firms.