27 May 2021
CAY.L

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

Final results for the year ended 31 March 2021

Resilient Results and Encouraging Outlook

Key Points

Summary

- Resilient performance and good progress made in delivering strategy despite pandemic challenges

Financial:

- Record level of Funds under Management and Administration ("FuMA") up 26.7% at year end to £25.6bn (2020: £20.2bn)
- Revenue stable at £171.2m (2020: £173.0m) despite a 68.8% reduction in interest income and lower average FuMA at £23.2bn (2020: £24.2bn), which reflected stock market disruption
- Revenue margin improved to 74bps (2020: 72bps)
- Record revenues for Financial Planning of £10.0m (2020: £8.7m), up 14.9%
- Underlying[1] profit before tax of £17.2m (2020: £19.3m)/ Reported profit before tax of £13.4m (2020: £17.3m)
- Underlying[1] profit margin[2] of 10.0% (2020: 11.7%)
- Underlying[1] EPS of 26.44p per share (2020: 31.41 pence per share)/ Reported EPS of 20.16 pence per share (2020: 28.03 pence per share)
- Balance sheet strengthened - cash balances up 12.7% to £105.4m at year end (2020: £93.5m)
    - net assets up 5.8% to £123.3m at year end (2020: £116.5m)
    - regulatory capital solvency ratio of 185% (2020: 189%) with capital resources of £100.6m (2020: £94.1m)
- Final dividend of 9.0p per share proposed, increasing the total dividend by 33.3% to 12.0p per share (2020: 9.0p per share)

1 *Underlying profit before tax and earnings per share excludes exceptional restructuring costs, non-cash share options 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 revenues.*

Operational:

- Effective transition to home working with high customer service levels maintained
    - client satisfaction score of 89% across all divisions
    - 'Best Customer Service' award from Boring Money 2021 for Charles Stanley Direct
- Ongoing transformation and restructuring programme has delivered further operational gains
    - IT infrastructure outsourcing completed, with digital strategy in place to enhance client proposition
- Partnership with MSCI to assign ESG scores to portfolios
- New Central Financial Services division to be established in new financial year to address client needs for simplified advice as opposed to full service discretionary management
    - division will incorporate model portfolio services, foundation financial planning and execution-only services

Outlook:

- Trading conditions are expected to remain positive
- The Group remains well-positioned to continue delivering its growth and efficiency initiatives, supported by a strong balance sheet, with no debt and good cash flows

Paul Abberley, Chief Executive Officer, commented:

"Revenues and profits were inevitably impacted by market conditions but the results highlight the resilience of the business. This is a strong performance given the prevailing economic circumstances.

Our transformation and restructuring programme has resulted in continued operational efficiencies and productivity so we are coming out of the pandemic strategically and operationally stronger.

As we move through the new financial year, we will be continuing with our growth and efficiency initiatives. In particular the creation of a new division, Central Financial Services, to address client needs not currently met in the marketplace is important.

We look forward to the coming year, confident of further strategic and operational progress, and expect stock market sentiment to remain positive."

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Notes to editors:

Charles Stanley provides holistic wealth management services to private clients, charities, trusts and institutions. Its origins trace back to 1792 and it is one of the oldest firms on the London Stock Exchange. The Company has a national presence, with 26 locations and over 800 professionals. Its wealth management services are provided direct to clients and to intermediaries.

Financial highlights:

	2021	2020
Underlying profit before tax (£m)	17.2	19.3
Reported profit before tax (£m)	13.4	17.3
Underlying earnings per share (p)	26.44	31.41
Reported basic earnings per share (p)	20.16	28.03
Dividend per share (p)	12.0	9.0

Business highlights:

	2021	2020
FuMA[1] (£bn)	25.6	20.2
Discretionary funds (£bn)	15.2	12.0
Revenue (£m)	171.2	173.0
Total net assets (£m)	123.3	116.5
Cash balances (£m)	105.4	93.5

Revenue by division:

	2021	2020
Investment Management Services (£m)	151.6	154.8
Financial Planning (£m)	10.0	8.7
Charles Stanley Direct (£m)	9.6	9.5

Financial calendar:

Results announcement	27 May 2021
Ex-dividend date for final dividend	10 June 2021
Final dividend record date	11 June 2021
Deadline for elections under DRIP[2]	18 June 2021
Annual General Meeting	12 July 2021
Final dividend payment date	19 July 2021

[1]Funds under Management and Administration.
[2]Dividend Reinvestment Plan.

Chairman's statement

Despite an unprecedented external environment, Charles Stanley has delivered a resilient set of results. We made good progress in delivering our strategy whilst maintaining and improving upon delivery of our high touch, personal service to clients.

The past year has been dominated by the COVID-19 pandemic, which resulted in unprecedented emergency measures by governments. I am proud of the Group's exemplary response to this critical situation. Our IT department in particular has ensured the firm's operations have been unaffected as we moved to ensure staff safety while maintaining the smooth running of all our services for clients. We are pleased not to have needed to furlough any staff or use Government funding schemes during the year.

It is difficult to predict the full long-term impact of the COVID-19 pandemic on the UK economy and investment markets. However, the past year has demonstrated both the resilience of our business model - our people, systems and clients - and the Group's capacity to innovate and change.

Financial results

Funds under Management and Administration (FuMA) increased by 26.7% to £25.6 billion as at 31 March 2021 (2020: £20.2 billion). This represents an increase to the level seen before the COVID-19 pandemic which affected global markets during the last quarter of the prior financial year. The Group's average FuMA for the year was marginally lower at £23.2 billion (2020: £24.2 billion).

Reflecting lower average FuMA, Group revenues for the year ended 31 March 2021 declined by 1.0% to £171.2 million (2020: £173.0 million). Fee and commission income increased by 0.8% for Investment Management Services, but overall revenues for the division declined by 2.1% to £151.6 million (2020: £154.8 million) due to lower interest income. Financial Planning delivered a strong improvement with revenues up 14.9% to £10.0 million (2020: £8.7 million); and Charles Stanley Direct increased its revenues by 1.1% to £9.6 million (2020: £9.5 million) thanks to trading commissions up 60%, more than offsetting lower interest income.

Reported profit before tax decreased by 22.5% to £13.4 million (2020: £17.3 million), whereas underlying profit before tax decreased by 10.9% to £17.2 million (2020: £19.3 million).

The Group's cash balances remained strong, ending the year 12.7% higher at £105.4 million (2020: £93.5 million). Likewise, our regulatory capital solvency ratio is robust at 185%.

Governance

Adherence to regulatory standards and the management of conduct risk have remained our priorities. This helps to ensure excellent client outcomes and to demonstrate transparency and value to our clients. Our strong Governance structure has enabled us to invest the significant resources needed to meet the complexities of the evolving regulatory agenda, such as those relating to ESG, Stewardship, Product Governance and the incoming prudential regime for investment firms.

Risk

Our 'three lines of defence' model, which enables us to continuously manage risk and improve systems and controls across the firm, has served us well over the last tumultuous year. Working alongside this, we continued to identify the risks facing the Group, and to manage them to ensure we maintained sufficient capital. We worked to strengthen our operational resilience in the face of disruption and continued to prioritise cyber security in response to an increase in financial crime during lockdown.

Culture
In a year dominated by the global health emergency, the wellbeing of our staff has been a top priority. I am pleased to report that the year's staff engagement survey showed an improvement in our staff engagement score, which rose to an upper quartile score of 79% from 75%. The number of women in senior roles also increased again to 37.1% from 36.6%. This is a significant change from the figure of 28% when we signed the HM Treasury Women in Finance Charter in 2017.

In alignment with our values, we rose to the challenges presented by COVID-19 by building on our work in the communities in which we operate. We established the CS Community, which provided practical support for vulnerable clients and maintained and created connections during a period of significant disruption.

Board changes
Having joined the Board in 2012, Bridget Guerin stepped down as Non-Executive Director on 30 September 2020 and she left with our thanks and best wishes for the future. We were delighted to welcome Anna Troup, who joined as Non-Executive Director on 1 October 2020.

Dividend
The Board is pleased to recommend a final dividend of 9.0 pence per share (2020: 6.0 pence per share). Together with the interim dividend of 3.0 pence per share, this takes the total dividend for the year to 12.0 pence per share, an increase of 33.3% on the prior year (2020: 9.0 pence per share).

Outlook
With Brexit behind us, the vaccine rollout providing glimmers of light at the end of the pandemic tunnel and strong pro-cyclical policy support over the next 12-18 months envisaged, we may see the strongest global growth since the 1980s. Market sentiment is improving as the prospects for corporate earnings remain positive and central bank policy accommodation is likely to continue until there is clear evidence of a self-sustaining recovery.

The future direction of our marketplace is positive, with some people using lockdown to get into a better financial position by paying down debt and saving and investing. While recognising the considerable external risks that remain, we are cautiously optimistic that demand for wealth management services will continue to be buoyant, creating positive long-term prospects for growth.

Charles Stanley's transformation programme is well underway and we are in a good position to drive greater efficiencies and to develop new methods of engaging with and supporting existing and new clients, as the need for advice continues. The creation of the new Central Financial Services division is another step forward with this goal.

The Group continues to generate good cash flows, carries no debt, has a healthy balance sheet and a high level of regulatory capital resources.

Finally, on behalf of the Board, I would like to extend our thanks to all our staff for their contribution to these excellent results, particularly in the face of exceptionally difficult conditions.

Sir David Howard
Chairman
26 May 2021

Chief Executive Officer's report

I am encouraged by our progress and resilient performance amidst global disruption, and would like to pay tribute to the adaptability and focus of my colleagues who have risen to the many challenges presented over the last year. This dedication, together with our continued strategic momentum, leaves us very well positioned for the year ahead.

We entered the crisis with significant momentum which enabled us to continue to deliver the initiatives we had planned over the period and to continue to innovate across the firm. By acting with speed and flexibility we were able to continue serving our clients effectively and have emerged a stronger and more resilient business. Indeed, one of the unexpected consequences of the pandemic has been finding new ways to serve our clients more efficiently.

Financial performance

Revenues and profits were inevitably impacted by market conditions, but the results highlight the resilience of the business and were ahead of market expectations. Underlying profit before tax decreased by 10.9% year on year to £17.2 million (2020: £19.3 million) and underlying earnings per share (EPS) by 15.8% to 26.44 pence (2020: 31.41 pence).

On a reported basis, profit before tax was £13.4 million (2020: £17.3 million) and earnings per share was 20.16 pence (2020: 28.03 pence).

We remain focused on translating the high standard of qualitative delivery across the business into strong financial results within the current financial year.

Strategy implementation

We have made encouraging progress during a testing year. Our transformation and restructuring programme has resulted in continued operational efficiencies and improved productivity so we are coming out of the pandemic strategically and operationally stronger.

While we are known for our high quality personal service, we also recognise the opportunity to serve that client segment for whom cost, technology and known outcomes take priority. Additionally, we felt it important to help provide a simplified advice offering to those clients seeking a service between full Discretionary investment management and Execution-Only. To address this growing sector of the market, we have created a new division called Central Financial Services which includes both existing and new offerings for which the central value proposition is outcome focused.

We have completed the outsourcing of our ICT infrastructure and prioritised further investment in technology. A digital strategy has been developed to provide a framework for our broad range of digital initiatives, both in progress and planned. These are creating efficiencies and boosting functionality, from improving our client experience to helping us move to a hybrid working model and upgrading systems for our client-facing professionals.

We are pleased to report that we have improved on our metrics to be the UK's leading wealth manager with increased levels of client satisfaction, higher staff engagement scores, and continued delivery of top quartile shareholder returns.

We successfully adapted to a dramatically different working environment and no employees were furloughed or made redundant as a result of COVID-19. We are planning our roadmap and model for a gradual return to the workplace, while recognising that patterns of traditional work and interactions with clients may not fundamentally change in the near future. We intend to retain and embed many of the positive learnings that emerged during our navigation of the pandemic.

Delivering exceptionally high levels of bespoke client service through our Investment Management and Financial Planning teams remains our central focus. Complementing these, Central Financial Services brings a suite of centrally-managed products and services under one umbrella.

As part of our strategy to centralise systems and processes, we launched a comprehensive, centrally-led learning and development programme, aligned with the delivery of our corporate strategy and objectives.

We have always considered non-financial factors in our investment decision-making and we have enhanced this by partnering with MSCI, allowing us to assign an ESG score to our portfolios. Use of our competitively priced Model Portfolio Service continues to rise and we have added ESG ratings, underpinning our commitment to advisers who are seeking greater value for money, while responding to changing client needs.

We have maintained our unrelenting scrutiny on costs and efficiencies, and looking ahead, we remain focused on our financial resilience and high levels of liquidity. We look forward to the coming year with confidence, as we emerge through the pandemic stronger and well placed to help our clients navigate the uncertainties ahead.

Paul Abberley
Chief Executive Officer
26 May 2021

Chief Financial Officer's review of the year

Charles Stanley delivered a resilient performance, exemplifying the strength of the business model and quality of client service. Fee and commission revenues were ahead of the prior year despite lower average FuMA, while underlying profit declined marginally due to lower interest income.

Overview of financial year 2021 results

The Group's reported revenues for the year remained stable at £171.2 million (2020: £173.0 million), despite lower average FuMA. Fee income rose 3.2% and commission income by 1.5%, substantially offsetting a 68.8% reduction in interest income due to lower base rates.

Underlying expenditure was little changed at £153.7 million (2020: £153.2 million). Rising costs associated with IT and professional fees were offset by lower variable compensation. Total net finance costs of £0.8 million have been recognised, primarily due to finance lease costs.

Underlying profits decreased by 10.9% to £17.2 million (2020: £19.3 million) and the underlying pre-tax profit margin from 11.7% to 10.0%.

Exceptional expenditure, accounted for as adjusting items, amounted to £3.8 million (2020: £2.0 million). Impairments were recognised in respect of freehold property (£0.6 million) and intangible client relationships (£0.7 million). As with prior years, the ongoing amortisation of client relationships was treated as an adjusting item, accounting for £1.3 million (2020: £1.2 million), while expenditure related to the transformation projects was £1.3 million (2020: £3.5 million).

Reported profit before tax (PBT) for the financial year was £13.4 million (2020: £17.3 million). The reported profit margin was 7.8% (2020: 10.0%).

Despite lower levels of profit, the Group's balance sheet has continued to strengthen. At year end, the Group had net assets of £123.3 million (2020: £116.5 million), cash of £105.4 million (2020: £93.5 million including Treasury Bills) and regulatory capital resources at 185% of the requirement.

Funds under Management and Administration

The Group's revenue is substantially driven by the level of its FuMA. Average FuMA for the year was 4.1% lower than the prior year at £23.2 billion (2020: £24.2 billion), reflecting the stressed market conditions during the COVID-19 pandemic. A gradual recovery in markets from the level of FuMA at the beginning of the financial year was accelerated by positive news surrounding vaccines in the second half. This led to Group FuMA increasing year on year by 26.7% and finishing at a record level of £25.6 billion at 31 March 2021 (2020: £20.2 billion).

FuMA movement

	2021	**2020**	**Change**
	£bn	**£bn**	**%**
As at 31 March			
Discretionary funds	15.2	12.0	26.7
Advisory Managed funds	1.3	1.2	8.3
Total managed funds	16.5	13.2	25.0
Advisory Dealing funds	1.2	1.0	20.0
Execution-only funds	7.9	6.0	31.7
Total administered funds	9.1	7.0	30.0
Total Funds under Management and Administration	25.6	20.2	26.7
MSCI PIMFA Private Investor Balanced Index	1,704	1,423	19.7

Group results and performance

The following tables show the Group's financial performance for the year ended 31 March 2021 and for the prior year, reconciling the underlying performance to the statutory reported results. The Board primarily considers underlying measures when assessing the performance of the Group.

	Underlying Performance £m	Adjusting items £m	Reported performance £m
31 March 2021			
Revenue	171.2	–	171.2
Expenses	(153.7)	(3.3)	(157.0)
Operating profit/(loss)	17.5	(3.3)	14.2
Net finance and other non-operating costs	(0.3)	(0.5)	(0.8)
Profit/(loss) before tax	17.2	(3.8)	13.4
Tax (expense)/credit	(3.5)	0.6	(2.9)
Profit/(loss) after tax	13.7	(3.2)	10.5
Basic earnings per share (p)	26.44	–	20.16
Pre-tax profit margin[1] (%)	10.0	–	7.8
31 March 2020			
Revenue	173.0	–	173.0
Expenses	(153.2)	(2.0)	(155.2)
Other income	0.1	–	0.1
Operating profit/(loss)	19.9	(2.0)	17.9
Net finance and other non-operating costs	(0.6)	–	(0.6)
Profit/(loss) before tax	19.3	(2.0)	17.3
Tax (expense)/credit	(3.4)	0.3	(3.1)
Profit/(loss) after tax	15.9	(1.7)	14.2
Basic earnings per share (p)	31.41	–	28.03
Pre-tax profit margin[1] (%)	11.7	–	10.0

1. In the prior year, the underlying pre-tax profit margin was adjusted for non-cash share-based option arrangements awarded to certain investment management teams under revised remuneration arrangements settled in 2017. This is based on the underlying profit before tax of £17.2 million (2020: £19.3 million) adjusted for a charge of nil (2020: £1.0million).

Revenue

Revenues fell marginally by 1.0% in the year to £171.2 million (2020: £173.0 million). Increases in fee income, particularly related to administration fees and financial planning fees, combined with exceptional commission income, contributed to the resilient performance. Given that average FuMA during the year was 4.1% lower and that interest income fell by 68.8%, this represents a strong result.

Revenue excluding interest and other income was £167.4 million for the year, up £4.5 million (2.8%) from £162.9 million in the prior year. The change in the composition of the Group's revenues is shown in the table below. Fee income now accounts for 74.2% of Group revenues and grew by 3.2% over the year to £127.1 million. Commission income grew by 1.3% to £40.3 million and represents 23.5% of Group revenues.

	2021 £m	**2020 £m**
Fees	127.1	123.1
Commission	40.3	39.8
Interest and other income	3.8	10.1
Total	171.2	173.0

Underlying expenditure

Underlying expenditure was flat overall, increasing by a modest £0.5 million (0.3%) on the prior year to £153.7 million (2020: £153.2 million). Staff-related costs fell by £3.9 million due to a reduction in variable compensation (£4.2 million lower), share-based payments (£1.0 million lower), contractor costs (£0.2 million lower) and an increase in fixed compensation (£1.5 million higher). Non-staff costs increased by £4.4 million, principally due to rising IT costs (£4.7 million higher) and a £1.1 million increase in the Financial Services Compensation Scheme (FSCS) Levy. Other non-staff costs fell by £1.4 million.

Underlying pre-tax profit

Underlying profit before tax decreased to £17.2 million (2020: £19.3 million) largely as a result of the lower revenues associated with interest income.

Adjusting items

The Board considers underlying profit before tax and earnings per share when assessing the performance of the Group. To calculate the underlying results, the Board has excluded certain adjusting items totalling a net charge of £3.8 million (2020: £2.0 million). An explanation of these adjusting items, together with a reconciliation of profits, is provided below:

	2021 £m	**2020 £m**
Underlying profit before tax	17.2	19.3
Restructuring costs	(1.3)	(3.5)
Amortisation of client relationships[1]	(1.3)	(1.2)
Impairment of client relationships	(0.7)	–
Fair value adjustment of contingent consideration	0.1	–
Impairment of freehold property	(0.6)	–
Net other one-off gains in the prior year	–	2.7
Net charge from adjusting items	(3.8)	(2.0)
Reported profit before tax	**13.4**	**17.3**

[1]These adjusting items are included within administrative expenses in the consolidated income statement.

	2021 £m	2020 £m
Reported operating profit	14.2	17.9
Depreciation	4.3	4.1
Amortisation	1.3	1.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**19.8**	**23.5**

Restructuring costs (£1.3 million charge)
As part of the Group's stated objectives, the Group continues to undertake a number of initiatives to improve productivity and operational efficiency. As previously announced, these are focused on three elements: IT, front office and middle office. Costs to date on these projects have been removed from underlying results and are reported separately on the consolidated income statement as exceptional charges.

Total restructuring costs for FY 2021 amounted to £1.3 million, taking the total incurred on the projects over the past two years to £4.8 million. The majority of costs to date were provided for in the prior year, particularly in relation to the outsourcing of our IT infrastructure. A successful transition of services was carried out in June 2020, though some additional costs were incurred in the current year. These have arisen because the COVID-19 pandemic has delayed the completion of the planned migration of data centres, which in turn has led to higher than planned double running costs. Savings generated from the restructuring were £1.2 million and annualised are £2.5 million.

Our project to embed continuous improvement in front office performance is largely complete. However, the third aspect, to drive operational efficiency through standardisation of process, remains a work in progress. This is the most complex project, being a joint endeavour between the front and middle offices, which in the first instance involved the creation of a centralised middle office, defining operable standard practices, developing systems and providing training to support its uptake and generating comprehensive management information to track progress and drive further improvement. The majority of this foundation work, which required investment, has now been completed. The next stage is to drive cost savings. We expect further exceptional costs of £1.6 million for the remainder of the programme. We remain on track to deliver overall annualised benefits of £4.5 million although the full fruits may not be seen until FY 2024.

Amortisation of client relationships (£1.3 million charge)
Payments made for the introduction of client relationships that are deemed to be intangible assets are capitalised and amortised over their useful life, which has been assessed to be 10 years. This amortisation charge has been excluded from the underlying profit since it is a significant non-cash item.

Impairment of client relationships (£0.7 million charge)
An impairment charge has been made for client relationships associated with the Myddleton Croft Limited cash generating unit (CGU). The impairment was recognised due to a reduction in the CGU's FuMA since acquisition.

Fair value adjustment for contingent consideration (£0.1 million credit)
Contingent consideration comprises amounts payable for the acquisition of Myddleton Croft Limited, which was completed in FY 2020. The fair value is determined based on future forecasts and multiples set out in the Sale and Purchase Agreement. This is revised each reporting period, with changes in the fair value recognised in the consolidated income statement.

Impairment of freehold property (£0.6 million charge)
The Group carried out an independent valuation of its freehold property in line with the accounting policy to assess the fair value of assets held under the revaluation model periodically. Impairment charges were recognised in the consolidated income statement in respect of two properties, whereby the carrying value of the property exceeded the fair value.

Net other one-off gains in prior year (£2.7 million credit)
The net gain of £2.7 million recognised as an adjusting item in the prior financial year consisted of a credit recognised in respect of Investment Management Services non-cash share options that were deemed unlikely to vest (£3.0 million credit) and an impairment to goodwill (£0.3 million charge).

Current divisional structure reviews
The tables below show the underlying results broken into the Group's three main historic operating divisions: Investment Management Services, Charles Stanley Direct and Financial Planning. This represents the operating divisions reported to the Board throughout the current and prior financial year.

	Investment Management Services	Financial Planning	Charles Stanley Direct	Underlying performance
	£m	£m	£m	£m
31 March 2021				
Revenue	151.6	10.0	9.6	171.2
Expenditure	(131.1)	(14.1)	(8.5)	(153.7)
Operating profit/(loss)	20.5	(4.1)	1.1	17.5
Net finance and other non-operating costs	(0.3)	–	–	(0.3)
Profit/(loss) before tax	20.2	(4.1)	1.1	17.2

	Investment Management Services	Financial Planning	Charles Stanley Direct	Underlying performance
	£m	£m	£m	£m
31 March 2020				
Revenue	154.8	8.7	9.5	173.0
Expenditure	(131.5)	(13.8)	(7.9)	(153.2)
Other income	0.1	–	–	0.1
Operating profit/(loss)	23.4	(5.1)	1.6	19.9
Net finance and other non-operating costs	(0.6)	–	–	(0.6)
Profit/(loss) before tax	22.8	(5.1)	1.6	19.3

Investment Management Services

Trading review

The financial performance of the Investment Management Services division is determined by the value and mix of FuMA, the revenue margin earned on these assets and the operating costs associated with managing them, comprising both fixed and variable costs.

	2021 £bn	**2020 £bn**
Average FuMA	19.6	20.7

	2021 £m	**2020 £m**
Revenue	151.6	154.8
Direct costs:		
Fixed staff costs	(20.6)	(20.9)
Variable staff costs	(44.8)	(48.2)
IMs share option charge	–	(1.0)
Other direct operating expenses	(14.9)	(12.4)
Other income	–	0.1
Contribution	71.3	72.4
Allocated costs	(50.8)	(49.0)
Operating profit	20.5	23.4

KPIs:	**2021**	**2020**
Average discretionary funds per Certification Staff	£77.0m	£61.3m
Discretionary funds as a percentage of total FuMA	70.7%	69.8%
Discretionary average client account portfolio size	£372k	£294k
Discretionary revenue margin	87bps	87bps
Total revenue margin	77bps	75bps
Staff costs to revenue ratio[1]	43.1%	44.6%
Other costs to revenue ratio	43.3%	39.6%
Operating margin[1]	13.5%	15.8%

[1] Excluding the effect of charges for the investment managers' share options. As per the Direct costs analysis, the charge for the current year was nil (2020: £1.0 million), therefore impacting FY 2020 but not FY 2021.

Reflecting market conditions during the year, the division's average FuMA decreased by 5.3% to £19.6 billion (2020: £20.7 billion). Despite this reduction, overall revenues for the year only reduced by 2.1%, as fee and commission income grew by 1.0% to £149.2 million (2020: £147.7 million), helping mitigate a £4.8 million reduction of interest income. Revenue margins remained comparable to the prior year. In comparison to average FuMA, the division's total FuMA of £21.5 billion at 31 March 2021 was up 25.0% compared to the prior year, leaving it well placed for the new financial year.

The division's total costs decreased marginally by 0.3% to £131.1 million, with lower staff costs compensating for higher other operating costs.

As a result of lower revenues, the division's overall operating margin decreased to 13.5% (2020: 15.8%).

Discretionary funds continue to represent a high and growing proportion of the division's FuMA, accounting for 70.7% (2020: 69.8%). The number of certification staff within the division was stable and therefore growth in the average size of Discretionary client accounts and the average Discretionary funds is encouraging for improving operational efficiency of the division.

Financial Planning

Trading review

The Group has continued to invest in its Financial Planning division as a core component of its wealth management offering to clients. This has led to revenues (excluding investment management fees, which are credited to the Investment Management Services division) growing by 14.9%. A reduction in total direct costs, coupled with rising revenue, has led to an improved contribution. After the absorption of a larger share of central overheads, a lower reported operating loss of £4.1 million (2020: £5.1 million) was achieved.

	2021 £m	**2020 £m**
Revenue	10.0	8.7
Direct costs:		
Fixed staff costs	(7.2)	(6.7)
Variable staff costs	(1.4)	(1.7)
Other direct operating expenses	(1.8)	(2.2)
Contribution	(0.4)	(1.9)
Allocated costs	(3.7)	(3.2)
Operating loss	(4.1)	(5.1)

KPIs:	**2021**	**2020**
Average number of financial planners	29	27
Revenue per financial planner[1]	£338k	£330k
Operating margin	(41.0%)	(58.6%)

[1] This calculation is based on annualised revenues divided by average number of financial planners in the year.

Financial Planning's loss has been anticipated as a near-term consequence of investment in the recruitment of financial planners, as illustrated by rising fixed staff costs. Once full productivity is achieved, the Group should benefit from greater asset inflows, greater share of wallet and enhanced client retention as the service satisfies a fundamental client demand. In turn, this should lead to the division generating profits.

Despite the operating loss position, there have been improvements in the cross-selling between Financial Planning and Investment Management Services. FuMA held in Investment Management Services, introduced by Financial Planning, grew by 42.9% in FY 2021 from £0.7 billion to £1.0 billion. These funds have contributed £5.4 million of revenues for the Investment Management Services division.

Charles Stanley Direct

Trading review

As an online platform, Charles Stanley Direct's financial performance is highly operationally geared both to the value of Assets under Administration (AuA) on the platform and to interest rates. Owing to the reduction in central bank base rates, interest income fell by 71.4% from £2.1 million to £0.6 million. Despite this, overall revenues increased by £0.1 million to £9.6 million as a result of significantly higher commission income of 58.8%, arising from a 62% increase in equity trading activity.

	2021	**2020**
	£m	**£m**
Revenue	9.6	9.5
Direct costs:		
Fixed staff costs	(0.9)	(0.9)
Variable staff costs	–	(0.2)
Other direct operating expenses	(3.2)	(2.9)
Contribution	5.5	5.5
Allocated costs	(4.4)	(3.9)
Operating profit	1.1	1.6

KPIs:	**2021**	**2020**
AuA	£3.8bn	£2.7bn
AuA growth	40.7%	(10.0%)
Average AuA	£3.3bn	£3.1bn
Revenue margin	29bps	30bps
Operating margin	11.5%	16.8%

Average AuA increased by 6.5% to £3.3 billion (2020: £3.1 billion). At 31 March 2021 the division's assets had grown by 40.7% compared to 31 March 2020. The FTSE All Share index increased by 23.3% over the same period.

While Charles Stanley Direct's overall contribution to group profits remained flat at £5.5 million, an increase in allocated costs resulted in lower operating profit of £1.1 million (2020: £1.6 million).

AuA are largely dominated by client holdings in ISAs and Investment Accounts, which jointly account for 78.6% (2020: 73.9%) of funds held by the division.

New divisional structure reviews
As set out in the Strategic report, immediately following the financial year end the Group carried out a reorganisation of its front office divisions to reflect a new operating structure. The tables below show the underlying results broken into the Group's three new operating divisions as restructured: Investment Management Services, Financial Planning Services and Central Financial Services.

These divisions will represent the main operating divisions and operating segments of the Group for reporting periods beginning on and after 1 April 2021. The following tables are shown to illustrate how the results would appear under the new model if it had been in place last year:

	Investment Management Services[1]	Financial Planning Services[2]	Central Financial Services[3]	Underlying performance
	£m	£m	£m	£m
31 March 2021				
Revenue	138.6	10.0	22.6	171.2
Expenditure	(122.1)	(14.1)	(17.5)	(153.7)
Operating profit/(loss)	16.5	(4.1)	5.1	17.5
Net finance and other non-operating (costs)/income	(0.4)	–	0.1	(0.3)
Profit/(loss) before tax	16.1	(4.1)	5.2	17.2

	Investment Management Services[1]	Financial Planning Services[2]	Central Financial Services[3]	Underlying performance
	£m	£m	£m	£m
31 March 2020				
Revenue	141.9	8.7	22.4	173.0
Expenditure	(121.1)	(13.8)	(18.3)	(153.2)
Other income	0.1	–	–	0.1
Operating profit/(loss)	20.9	(5.1)	4.1	19.9
Net finance and other non-operating costs	(0.6)	–	–	(0.6)
Profit/(loss) before tax	20.3	(5.1)	4.1	19.3

[1] Investment Management Services division excludes performance of Asset Management services and other miscellaneous services, which have transferred to the Central Financial Services division. The results of the new Investment Management Services division therefore differ from the historic Investment Management Services division.
[2] Financial Planning Services division is unchanged from the previous structure and therefore the results are the same as the current divisional analysis.
[3] Central Financial Services division comprises Charles Stanley Direct, the Telephone Execution-only service and Asset Management operations previously rolled up into Investment Management Services, and the newly-launched Foundation Planning service.

Support Functions
The costs incurred by the Group's Support Functions are either charged directly to the three main operating divisions, or recharged as an allocated cost. Support Functions' costs were £56.0 million (2020: £52.6 million), reflecting an increase of 6.5% on the prior year. The main drivers of the increase were rising IT costs associated with continuing digitalisation of the business and the outsourcing of the IT support function.

Taxation
The corporation tax charge for the year was £2.9 million (2020: £3.1 million), representing an effective tax rate of 21.6% (2020: 17.9%). A detailed reconciliation between the standard and effective rate of corporation tax is provided in note 12 of the consolidated financial statements.

Earnings per share
The Group's reported basic earnings per share for the year was 20.16 pence (2020: 28.03 pence). The underlying basic earnings per share decreased from 31.41 pence to 26.13 pence.

Financial position
The Group maintained its strong financial position with total net assets at 31 March 2021 of £123.3 million (2020: £116.5 million). Cash and cash equivalents amounted to £105.4 million (2020: £93.5 million, including £5.0 million of Treasury Bills).

The Group operates a defined benefit pension scheme, which was closed to new members in 1998 and also closed to further accruals for the remaining 25 active members at 31 March 2016. The most recent actuarial assessment of the Group's defined benefit scheme's liabilities showed a reduced deficit at 31 March 2021 of £3.2 million (2020: £5.1 million). The decrease in the scheme's deficit is attributable to changes in actuarial assumptions, investment performance and contributions made by the Group to the scheme.

Regulatory capital resources
Charles Stanley & Co. Limited (CSC), 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 subject to the same regime. At 31 March 2021, the Group had regulatory capital resources of £100.6 million (2020: £94.1 million) and its regulatory capital solvency ratio stood at 185% (2020: 189%).

	2021 £m	**2020 £m**
Ordinary share capital[1]	12.3	12.5
Share premium	5.2	5.2
Retained earnings (net of dividends)	85.9	77.1
Other reserves	15.2	15.2
Regulatory adjustments[2]	(18.0)	(15.9)
Total regulatory capital resources	100.6	94.1

[1] This represents ordinary share capital less own shares acquired by the Employee Benefit Trust (EBT), which are treated as a deduction from equity. The ordinary share capital for regulatory capital purposes has reduced in FY 2021 compared to FY 2020 as a result of additional share purchases made by the EBT.

[2] Regulatory adjustments include deductions for intangible assets, revaluation reserves and certain deferred tax assets.

The Group monitors a range of capital and liquidity statistics on a daily, weekly and monthly basis.

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 full review of the ICAAP conducted and signed off by the Board was in September 2020. 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) which provides further details about the Group's regulatory capital resources and requirements.

Financial outlook

There is some light at the end of the pandemic tunnel although the situation varies tremendously on a country by country basis. Within the UK restrictions have begun to be lifted. With a backdrop of strongly pro-cyclical policy support, over the next 12-18 months we may well see the strongest global growth for decades. Against this background investors are naturally worried that a cyclical rise in inflation could become more sustained and the recent rise in government borrowing costs could begin to unsettle equity markets more broadly. However, we consider that the prospects for corporate earnings, with a generally benign central bank framework, may lead to an improvement in market values over the next year.

Since the financial year end, markets have increased marginally leading to a 3.9% rise in FuMA to £26.6 billion as at 30 April 2021. There has been little market volatility leading to marginally lower commission income compared with the same period last year. We do not expect to see any significant change in interest rates and, accordingly, do not expect any recovery in this revenue stream for the next financial year.

We are also navigating through any return to office working and this will, to a large extent, be decided by government advice and requirements. We have demonstrated that remote working leads to innovative client service and we expect this trend to continue alongside more traditional forms of engagement. We do not expect to see a full return to the office environment, nor will staff be expected to remain at home. It is rather more likely that a hybrid model will evolve, and this will be to the benefit of both clients and staff. While remote working has engendered greater flexibility for the Group, there is a risk that long-term collaboration is not as effective without face-to-face meetings. We are also actively exploring opportunities to rationalise our real estate where and when it is practicable to do so, although the fruits may not be seen within the next financial year owing to the timing of when leases fall for renewal.

It is, therefore, with a degree of cautious optimism that we approach the current year. Absent a major resurgence of COVID-19 and further lockdown, markets appear well supported. We have a strategy for developing top-line growth supported by the launch of the Central Financial Services division and accompanying Group digital roadmap. The IT reorganisation is expected to be completed by the autumn and attention is being given to driving efficiencies from the standardisation programme. While continued investment is required across the Group and inflationary cost pressures are mounting, we can look forward to the long-term future with confidence.

Dividends

The Board's objective is to maintain a progressive dividend policy and 2x cover over the cycle. Last year and in light of the prevailing market outlook, the Board constrained the total dividend to 9p per share, which was 3.1x covered by reported earnings. Trading for the past year has been much better than initially anticipated and the Group's resources have continued to strengthen. Furthermore, the current outlook is stable. Accordingly, the Board proposes a final dividend of 9.0 pence per share (2020: 6.0 pence per share). Considering the interim dividend of 3.0 pence per share, this results in a total dividend for the year of 12.0 pence per share (2020: 9.0 pence per share). The proposed total dividend is 1.68 times covered by basic reported earnings and 2.20 times covered by basic underlying earnings. The recommended final dividend is subject to shareholders' approval, which will be sought at the Company's Annual General Meeting (AGM) on 12 July 2021.

Risk management and principal risks
The Group's risk management framework is designed to enable Senior Management and the Board to draw assurance that risks are being appropriately identified and managed in line with our risk appetite.

We deploy a 'three lines of defence' risk governance model, whereby the business is responsible for risk taking within the parameters of our risk appetite and accountable for managing risks in line with our risk policies. The control functions led by the Chief Risk Officer and Head of Compliance provide objective challenge and guidance on risk matters, with Group Internal Audit providing independent assurance on the effectiveness of business risk management and the overall operation of the risk framework.

The core elements of our risk framework are set out below.

Governance and Responsibility framework
The Board is committed to high standards of corporate governance, which it considers are critical to business integrity and to maintaining shareholders' confidence that Charles Stanley is a well-managed and responsible Company. In order to ensure the highest standards of corporate governance are observed, the Company operates within a Governance Framework as set out in the Governance introduction of the Annual Report and Accounts.

The Board is ultimately accountable for risk management and regularly considers the most significant risks and emerging threats to the group's strategy and objectives. In addition, the Group's risk and audit committees exercise further oversight of and challenge to existing risk management and internal control. The Board delegates day-to-day responsibility for managing risk across the business to the Chief Executive Officer and the Executive committees.

Risk culture
The Board is responsible for setting a strong risk culture with a clear and consistent tone from the top and, through our Senior Management team, encouraging appropriate behaviours and collaboration on managing risks across the business. Risk management is accepted as being part of everyone's day-to-day responsibilities and is linked to performance.

Risk management framework and appetite
Charles Stanley's approach to risk management is documented in the Group Risk Policy and the Risk Appetite Statements (RAS), which are challenged and approved by the Board on an annual basis. The RAS takes into consideration the Group's strategic objectives and business plans. It underpins the implementation of robust risk monitoring and reporting.

Risk identification and assessment
Review Process
Charles Stanley operates a risk identification and assessment process under which all our businesses regularly consider changes in the profile of existing emerging risks. The assessment process evaluates the risks that are inherent in our business processes and products and as well as those presented from changes in the environments in which we operate.

Scenario planning and stress testing
Charles Stanley undertakes regular scenario analysis of emerging and uncertain future events to assess possible outcomes and to develop proactive management responses in order to strengthen its operational and financial resilience.

Stress tests include consideration of severe but plausible events or changes in economic circumstances that could impact the viability of the firm and defining proportionate management responses to avoid or reduce the impact or occurrence of the underlying risks.

Internal Capital Adequacy and Liquidity Assessment
The Board and Senior Management are actively involved in a continuous risk assessment process as part of our risk management framework, supported by the ICAAP and Liquidity Management Framework, which assesses the risks to which Charles Stanley is exposed and an evaluation of the sufficiency of resources to sustain the business strategy over the horizon of the Group plan.

Risk management information
Charles Stanley's risk management information framework is structured to report and support the review of ongoing and emerging risks and assess actual risk positions relative to the risk limits and targets that we set.

Risk oversight
The Group's Chief Risk Officer and his team, who are independent of the business line, support the Board and its Risk Committee in articulating acceptable risk taking and ensuring the effective operation of our risk and capital framework. This includes ongoing assessment of the Group's capital requirements to confirm that they meet regulatory solvency requirements.

The Group Chief Risk Officer also provides objective challenge and guidance on a range of risk matters to business managers, including the risks implicit in product developments, business transactions and new products or services, and strategies for managing risks in line with the Group's overall risk appetite.

Responding to COVID-19
Given our agile operating model, strong capital and liquidity position, the Group has continued to provide a high level of service to our clients, while ensuring the wellbeing and safety of our staff during the global pandemic.

With the hope of a successful vaccination campaign and a gradual return to some form of normality in the UK, the business is reviewing the future working arrangements for our staff with a view to maximising business opportunities while retaining a robust process and control oversight.

Emerging risks
Emerging risks, including legislative and regulatory change, which have the potential to impact the Group and delivery of our strategic objectives, are monitored through our watch list. During the year, the Executive Committee continued to recognise and respond to a number of emerging risks and threats to the financial services sector and to our business.

While the threat of prolonged economic uncertainty appears to have receded with the roll-out of the COVID-19 vaccine and the Brexit trade deal agreed with the EU, the Group's view is that we can reasonably expect current market conditions and uncertainties to remain throughout 2021.

The Board and Executive Committee members also recognise that actions will be required to implement the new prudential regime for investment firms in 2022 which will introduce new requirements and may require some adjustments to our business model and remuneration model. We will also need to better understand longer-term climate change risks, both physical and transitional, along with sustainability risks associated with our strategy, business model and operations.

Whilst evolving risks currently remain stable they continue to include cyber threats, changing regulatory expectations and further scenarios potentially arising from geopolitical developments, along with continuing tensions and uncertainty around global trade.

<table>
<tr><th colspan="3">Principal risks</th></tr>
<tr><td colspan="3">Business Model and Strategy
The risk that the business model and strategy do not respond in an optimal manner to changing market conditions such that sustainable growth, market share or profitability are adversely impacted.</td></tr>
<tr><td>Oversight</td><td>Key mitigants and controls</td><td>Example of Metrics</td></tr>
<tr><td>Board</td><td>• Stress testing and reverse stress testing are undertaken as part of the ICAAP to assess their impacts on the business model and strategy
• The Board considers emerging and top risks to the business as part of the Group’s strategic plans</td><td>• Strategic KPIs
• Revenues and budgets</td></tr>
<tr><td>Trend</td><td>• Apart from the creation of the new Central Financial Services division, no material changes have been made to the business model and strategy</td><td></td></tr>
<tr><td colspan="3">Financial strength
The risk that the Group fails to maintain sufficient financial strength in order to support business objectives, meet regulatory capital requirements and provide shareholders with an acceptable return.</td></tr>
<tr><td>Oversight</td><td>Key mitigants and controls</td><td>Example of Metrics</td></tr>
<tr><td>Board</td><td>• To achieve our financial goals, a series of risk appetite limits have been set which are monitored by the Board on a regular basis</td><td>• Operating margin
• Regulatory capital
• Target dividend cover</td></tr>
<tr><td>Trend</td><td>• While the Group’s financial results were impacted by the COVID-19 crisis, the business has performed resiliently with both revenue and profits at encouraging levels. The Group has maintained a strong financial position</td><td></td></tr>
<tr><td colspan="3">Liquidity
The risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can only secure such resources at excessive cost.</td></tr>
<tr><td>Oversight</td><td>Key mitigants and controls</td><td>Example of Metrics</td></tr>
<tr><td>Treasury Committee</td><td>• The Group ensures that all legal entities have sufficient funds to meet their liabilities as they fall due
• Liquidity risk framework and stress testing
• Contingency funding plans</td><td>• Amount of cash on call
• Daily cash flow monitoring</td></tr>
<tr><td>Trend</td><td>• The Group’s available liquid resources have continued to improve and were £67.4 million at 31 March 2021 with no borrowings</td><td></td></tr>
</table>

Market The risk of losses arising as a result of exposure to market movements, including foreign exchange and interest rates.		
Oversight	Key mitigants and controls	Example of Metrics
Treasury Committee	• Charles Stanley does not hold any proprietary positions other than a limited investment portfolio in its own name for the purpose of operating a model portfolio • The majority of the Group's cash is kept in GBP across a number of banks • Limited foreign currency is held only to facilitate settlement and dealing activity on behalf of clients and to make payments to foreign suppliers.	• Foreign current exposures • Interest rate modelling
Trend	• Group's market exposure risk is limited and remains constant	
Credit and counterparty The risk that clients or counterparties fail to fulfil their contractual obligations.		
Oversight	Key mitigants and controls	Example of Metrics
Treasury Committee/ Market Exposure Committee (MEC)	• Charles Stanley does not offer any formal lines of credit to clients, therefore its exposure to credit risk resides in the failure of its clients and counterparties to fulfil their contractual obligations • Assets will only be placed and maintained with authorised institutions • Trading counterparties reviewed annually and given defined exposure limits which are monitored by the MEC • Breaches of any counterparty trading limits without approval must be escalated immediately to the MEC	• Banking counterparties diversification • Trading counterparties exposure limits • Aggregated defined exposure limit • Daily trading volume
Trend	• Strong internal controls mitigate the exposure to failing counterparties, therefore the risk remains constant despite the heightened levels of market activity in recent month	
Pension Obligation The risk that the cost of the Group's defined benefit pension scheme ("the scheme") increases, or its valuation affects dividends, reserves and capital. This would materialise when the pension obligations exceed the assets set aside to cover them.		
Oversight	Key mitigants and controls	Example of Metrics
Board	• The scheme is closed to new members and ceased accruing for existing members at 31 March 2016. It is reviewed regularly for viability and to remain within an agreed deficit level • The Group works closely with the trustees of the scheme to reduce the deficit and, where possible, match investments with future liabilities	• Defined benefit scheme deficit • Funding level
Trend	• The trend is down due to contributions made by the company, Cash Equivalent Transfer Values (CETVs) and investment performance. Over recent years, the deficit has been gradually reducing as the agreed upon deficit reduction programme and flight path have been followed	

<table>
<tr><td colspan="3">Operational Resilience and IT infrastructure
The risk that a material failure of business processes or IT infrastructure may result in unanticipated financial loss, harm to clients or reputational damage.</td></tr>
<tr><td>Oversight</td><td>Key mitigants and controls</td><td>Example of Metrics</td></tr>
<tr><td>Board Risk Committee/ Enterprise Risk Committee</td><td>• Operational resilience framework in place to maintain the continuity of important business services
• Proactive identification, mitigation and oversight of non-financial risks
• Constructed framework of internal controls to minimise the risk of unanticipated financial loss or potential harm
• Insurance cover is in place and reviewed on an annual basis to ensure that there is an appropriate amount of cover to manage the impact of operational losses</td><td>• Dealing losses
• Operational losses
• BCP tests
• Penetration testing
• ICT service availability
• 50+ risk indicators across all operational risks</td></tr>
<tr><td>Trend</td><td>• The Group's Operational and IT infrastructure has been extremely resilient throughout the current pandemic. However, the potential risk of operational disruption from the planned data centre migration and changes to the working practices mean that the risk remains stable</td><td></td></tr>
<tr><td colspan="3">IT Security and Cyber Security
The risk that Charles Stanley's system infrastructure is breached by external counterparties with or without malicious intention. Possible breaches could involve data theft, ransomware or a shutdown of systems.</td></tr>
<tr><td>Oversight</td><td>Key mitigants and controls</td><td>Example of Metrics</td></tr>
<tr><td>Board Risk Committee/ Enterprise Risk Committee</td><td>• A set framework to prevent and detect unauthorised access attempts to the Group's business systems
• Develop systems which are resilient to current and emerging threats and maintains a rolling programme of activity which is informed by the day-to-day experience, threat intelligence and any emerging vulnerabilities identified</td><td>• Phishing tests
• Anti-virus and system patching
• 50+ risk indicators across all operational risks</td></tr>
<tr><td>Trend</td><td>• Rise of external threats and attempted attacks across the industry</td><td></td></tr>
<tr><td colspan="3">People and Conduct
The risk that clients or the wider market, as opposed to the Group, suffer detriment as a result of the Group's services, products or activities.</td></tr>
<tr><td>Oversight</td><td>Key mitigants and controls</td><td>Example of Metrics</td></tr>
<tr><td>Board Risk Committee/ Conduct & Culture Committee</td><td>• Conduct & Culture Committee was instituted to provide enhanced oversight
• All clients are risk-profiled to ensure that we clearly define, agree and manage our clients' portfolios in accordance with these risk profiles, investment objectives and capacity for loss
• Careful monitoring of investment decision-making against the risk profile ensures that we achieve appropriate and suitable outcomes for our clients</td><td>• 18 conduct outcomes and 43 underlying risk measures</td></tr>
</table>

	• Comprehensive programme of staff training	
Trend	• Risk remains constant as we continue to embed the Group's core values and the new Senior Manager & Certification Regime (SMCR)	
Legal and Regulatory The risk that clients or the wider market, as opposed to the Group, suffer detriment as a result of the Group's services, products or activities.		
Oversight	Key mitigants and controls	Example of Metrics
Board Risk Committee/ Enterprise Risk Committee	• The risk is monitored and managed by emphasis on compliance with all aspects of relevant regulation, including those of the FCA • Charles Stanley monitors changes in the regulatory and legal agenda and has formal projects for major changes to ensure their successful implementation • The Group runs programmes to ensure all policies, operating procedures and processes are compliant with any new significant regulatory change requirements	• Timeliness of regulatory returns • Breach and complaints logs and monitoring • Compensation payouts • Litigation cases
Trend	• The ongoing regulatory change environment including the introduction of the new Investment Firm Prudential Regime (IFPR) means that this risk remains constant.	

Assessment of the Group's prospects and Viability statement

The Board aims to maintain and build a sustainable wealth management business over the long term. The Board monitors a three-year strategic plan that provides a robust planning tool against which strategic decisions are made. This plan was discussed at the Board's strategy meeting in February 2021, and approved on 24 April 2021.

The Group has demonstrated strong capital and liquidity resilience throughout the pandemic and remains well positioned. We have a strong balance sheet, with no debt and good cash flows. However, the effects of the pandemic will be with us for some time and uncertainties will continue as the government continues to relax social distancing and the enforced closures of certain business and social facilities, as the support measures of the government and Bank of England start to reduce, and as new variants of COVID-19 may continue to emerge.

The Directors have assessed the viability of the Group for a period greater than the 12 months required by the going concern statement. The Directors performed the assessment by reference to the three-year plan to 31 March 2024. Three-years is considered appropriate as it represents the period covered by the detailed business plan, prepared annually on a rolling three-year basis.

The Board has reviewed detailed papers prepared by Management that consider the Group's expected future profitability, dividend policy, capital position and liquidity, both as they are expected to be and under more severely stressed conditions. The stressed scenarios reviewed include both a prolonged three year downturn in capital markets and, separately, a resurgence of the COVID-19 pandemic. Unrelated idiosyncratic liquidity stress tests have been overlaid as well. The Directors also considered what Management actions could be taken in such circumstances, including reducing discretionary expenditure where practicable to do so. It was determined that the Group has sufficient liquidity to cover all anticipated payments during that period.

The base case scenario for these stress tests were built on FuMA levels as at 31 March 2021 and included single digit net organic growth, no market growth and rising general overheads. The first stress scenario anticipated a severe fall in market levels with only a gradual recovery in years two and three, impacting significantly on revenue from market-based fees as well as commission and administrative income. Interest income was also modelled to be negligible. Before any management actions are taken the Group would retain adequate liquidity and solvency throughout and post-management actions the Group would be expected to return to profitability in the second year and retain liquidity, solvency and a regulatory capital surplus in excess of the current requirement throughout the three year period modelled. A second stress scenario was carried out modelling a less severe initial fall in markets, followed by a modest recovery then curtailed by a second dip. Post-management actions, the Group's capital surplus, liquidity and solvency would be maintained.

The assumptions upon which the scenarios were modelled are based on Management's own judgements, taking account of external research, including a more pessimistic view than taken by the 'Rates Down' guidance provided by the Bank of England. The Board has also reviewed the management actions that could be taken in these scenarios.

The Board has taken account of reports from Management concerning the operational resilience of the business which have been updated to reflect the switch to remote home working in compliance with government advice. The Board is satisfied that the business can successfully operate in these conditions as it has demonstrated since mandatory social distancing measures came into force in March 2020. The majority of our staff are now working from home, and our material outsourced suppliers continue to provide their services – and we believe can continue to do so for an indefinite period.

Finally, the Board has reviewed a reverse stress test analysis to consider the length and depth that a recession would have to reach to cause the Group to cease to be viable.

For the purpose of assessing the Group's viability, the Directors have performed a robust assessment of the Group's emerging principal risks where the impact of possible adverse developments could be of such speed and severity to present a shock to the Group's financial position. The risks considered are detailed in the Principal risks and uncertainties section on pages 21 to 24. The Directors have also considered:

- the quantity and quality of capital resources available to support the delivery of the Group's objectives including consideration of the effects of a changing regulatory landscape together with the effect of the Group's capital contingency plan to restore the capital position in scenarios of capital headwinds

- the changes within the business executed in the last three years, including the significant business restructuring, and the planned changes over the coming 12 months

- the annual information risk assessment together with the technology roadmap for improvements in the technology environment.

Based on the work performed and actions already taken by Management to respond to the COVID-19 pandemic, the Directors believe that the Group has adequate resources to continue in operational existence for the period of at least 12 months from the date of signing these accounts and therefore operate as a going concern.

Furthermore, the Directors have a reasonable expectation that the Group will be able to continue in operation as a viable entity and meet its liabilities as they fall due over a period of at least three years.

Consolidated income statement
Year ended 31 March 2021

	Notes	2021 £000	2020 £000
Revenue	4	171,150	173,014
Administrative expenses	4	(154,948)	(151,413)
Restructuring costs	5	(1,336)	(3,472)
Impairment of intangible assets	9	(700)	(349)
Other income	4	29	115
Operating profit		14,195	17,895
Loss on disposal of property, plant and equipment		(31)	(18)
Impairment of freehold property		(645)	–
Fair value adjustment of contingent consideration		121	–
Finance income		520	429
Finance costs		(799)	(984)
Net finance and other non-operating income		(834)	(573)
Profit before tax		13,361	17,322
Tax expense	8	(2,888)	(3,072)
Profit for the period attributable to owners of the Parent Company		10,473	14,250

Earnings per share			
Basic	6	20.16p	28.03p
Diluted	6	19.97p	27.51p

The results for each year relate to continuing activities. There were no discontinued operations in either the current year or the prior year.

Consolidated statement of comprehensive income
Year ended 31 March 2021

	2021 £000	2020 £000
Profit for the period	10,473	14,250
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Remeasurement of the defined benefit scheme obligation	1,449	1,379
Related tax	(275)	(121)
Fair value through other comprehensive income financial assets – unrealised gains and losses	1	1,896
Fair value through other comprehensive income financial assets – realised loss	(925)	–
Related tax - deferred	815	(382)
Related tax - current	(625)	–
Other comprehensive income for the period, net of tax	440	2,772
Total comprehensive income for the period attributable to owners of the Parent Company	10,913	17,022

Consolidated statement of financial position
As at 31 March 2021

	Notes	2021	2020
Assets		**£000**	**£000**
Intangible assets	9	18,475	20,013
Property, plant and equipment		14,526	18,175
Net deferred tax asset		1,314	1,182
Financial assets at fair value through other comprehensive income		102	4,482
Financial assets at amortised cost		–	507
Non-current assets		34,417	44,359
Trade and other receivables		230,662	203,838
Financial assets at fair value through profit or loss		1,904	1,492
Financial assets at amortised cost		–	4,997
Cash and cash equivalents		105,387	88,477
Current tax assets		126	71
Current assets		338,079	298,875
Total assets		372,496	343,234
Equity			
Share capital		13,029	12,784
Share premium		5,207	5,170
Own shares		(724)	(334)
Revaluation reserve		39	3,503
Merger relief reserve		15,167	15,167
Retained earnings		90,591	80,194
Equity attributable to owners of the Parent Company		123,309	116,484
Non-controlling interests		24	24
Total equity		123,333	116,508
Liabilities			
Employee benefits		3,198	5,080
Non-current trade and other payables		–	404
Non-current lease liabilities	10	6,599	9,718
Non-current provisions		2,011	1,983
Non-current liabilities		11,808	17,185
Trade and other payables		233,652	205,465
Current lease liabilities	10	3,087	2,825
Current provisions		616	1,251
Current liabilities		237,355	209,541
Total liabilities		249,163	226,726
Total equity and liabilities		372,496	343,234

The financial statements were approved and authorised for issue by the Board of Charles Stanley Group PLC (company number 48796) on 26 May 2021.

Consolidated statement of changes in equity
Year ended 31 March 2021

	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 April 2020	12,784	5,170	(334)	3,503	15,167	80,194	116,484	24	116,508
Profit for the year	–	–	–	–	–	10,473	10,473	–	10,473
Other comprehensive income:									
Financial assets at fair value through other comprehensive income:									
– unrealised gains and losses	–	–	–	1	–	–	1	–	1
– realised gains and losses	–	–	–	(925)	–	–	(925)	–	(925)
– related deferred tax	–	–	–	815	–	–	815	–	815
– related current tax	–	–	–	(625)	–	–	(625)	–	(625)
Remeasurement of defined benefit scheme liability:									
– actuarial gain in the year	–	–	–	–	–	1,449	1,449	–	1,449
– related deferred tax	–	–	–	–	–	(275)	(275)	–	(275)
Total other comprehensive income for the year	–	–	–	(734)	–	1,174	440	–	440
Total comprehensive income for the year	–	–	–	(734)	–	11,647	10,913	–	10,913
Dividends paid	–	–	–	–	–	(4,688)	(4,688)	–	(4,688)
Transfer between reserves	–	–	–	(2,730)	–	2,730	–	–	–
Unclaimed dividends	–	–	–	–	–	13	13	–	13
Shares transfer to employees	–	–	57	–	–	(57)	–	–	–
Own shares acquired	–	–	(447)	–	–	–	(447)	–	(447)
Share-based payments:									
– value of employee services	–	–	–	–	–	760	760	–	760
– issue of shares	245	37	–	–	–	–	282	–	282
– related deferred tax	–	–	–	–	–	(8)	(8)	–	(8)
31 March 2021	13,029	5,207	(724)	39	15,167	90,591	123,309	24	123,333

Consolidated statement of changes in equity
Year ended 31 March 2020

	Share capital £000	Share premium £000	Own shares £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
1 April 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 year	–	–	–	–	–	14,250	14,250	–	14,250
Other comprehensive income:									
Financial assets at fair value through other comprehensive income:									
– unrealised gains and losses	–	–	–	1,896	–	–	1,896	–	1,896
– related deferred tax	–	–	–	(382)	–	–	(382)	–	(382)
Remeasurement of defined benefit scheme liability:									
– actuarial gain in the year	–	–	–	–	–	1,379	1,379	–	1,379
– related deferred tax	–	–	–	–	–	(121)	(121)	–	(121)
Total other comprehensive income for the year	–	–	–	1,514	–	1,258	2,772	–	2,772
Total comprehensive income for the year	–	–	–	1,514	–	15,508	17,022	–	17,022
Dividends paid	–	–	–	–	–	(4,574)	(4,574)	–	(4,574)
Unclaimed dividends	–	–	–	–	–	12	12	–	12
Shares transfer to employees	–	–	80	–	–	(80)	–	–	–
Own shares acquired	–	–	(213)	–	–	–	(213)	–	(213)
Share-based payments:									
– value of employee services	–	–	–	–	–	(1,783)	(1,783)	–	(1,783)
– issue of shares	92	545	–	–	–	–	637	–	637
– related deferred tax	–	–	–	–	–	20	20	–	20
31 March 2020	12,784	5,170	(334)	3,503	15,167	80,194	116,484	24	116,508

Consolidated statement of cash flows
Year ended 31 March 2021

	Notes	2021 £000	2020 £000
Cash flows from operating activities			
Cash generated from operating activities	12	21,597	25,849
Interest received		139	539
Interest paid		–	(60)
Tax paid		(3,260)	(3,801)
Net cash generated from operating activities		18,476	22,527
Cash flows from investing activities			
Acquisition of subsidiary		–	(1,785)
Acquisition of intangible assets		(617)	(676)
Purchase of property, plant and equipment		(1,582)	(1,570)
Purchase of financial assets		(976)	(40,904)
Proceeds from disposal of property, plant and equipment		381	50
Proceeds from sale of financial assets		9,903	47,081
Dividends received		29	115
Net cash generated from investing activities		7,138	2,311
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		282	637
Purchase of own shares		(447)	(213)
Interest paid		(799)	(924)
Payment of lease liabilities		(3,052)	(2,498)
Dividends paid		(4,688)	(4,574)
Net cash used in financing activities		(8,704)	(7,572)
Net increase in cash and cash equivalents		16,910	17,266
Cash and cash equivalents at start of year		88,477	71,211
Cash and cash equivalents at end of year		105,387	88,477

The results for each year relate to continuing activities. There were no discontinued operations in either the current year or the prior year.

1. General information

As required by section 435 of the Companies Act 2006, the Board confirms that the financial information contained in this preliminary announcement does not constitute the Group's financial statements for the year ended 31 March 2021.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2021 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

While the financial information has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) this preliminary announcement does not contain sufficient information to comply with IFRS.

The accounting policies used are consistent with those set out in note 2 to the 2020 Annual Report and Accounts which have been delivered to the Registrar of Companies.

The critical accounting judgements and key sources of estimation uncertainty are set out below.

The 2021 Annual Report and Accounts will be posted to shareholders during June 2021. Copies will be available 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. Basis of preparation and significant accounting policies

2. 1 Changes in accounting policies

The accounting policies adopted in the preparation of the Group's Annual report and accounts are as set out above. They are consistent with those followed in the preparation of the Group's Annual report and accounts for the year ended 31 March 2020, except for the mandatory standards and amendments that had an effective date as of 1 April 2020.

2. 2 Changes in accounting standards

During the year, none of the new mandatory standards nor amendments to existing IFRS standards had a material impact on the reported financial position or performance of the Group.

Following the UK's exit from the EU on 1 January 2021, the Group is required to report under UK-adopted IFRS as adopted and endorsed by The UK Endorsement Board (UKEB). The Group will report under UK-adopted IFRS from 1 April 2021. We do not anticipate any material changes.

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 April 2021. 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.

3. Use of judgements and estimates

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

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

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

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

3.1.1 Goodwill and intangible assets

For the purposes of impairment testing, the Parent Company and the Group assess goodwill and client relationships based on the recoverable amount of individual units making up the relevant intangible asset. The recoverable amount is calculated based on assumptions which are set out in more detail in note 9. There are no significant estimation uncertainties which could otherwise lead to a material adjustment in future periods.

An impairment of £0.7 million was recognised in the period in respect of a client relationship CGU. No further impairments occurred for other CGUs for intangible assets or goodwill in the period.

3.1.2 Retirement benefit obligations

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

The valuation performed as at 31 March 2021 resulted in a decrease in the actuarial deficit to £3.2 million which has been reflected in these financial statements. The decrease in the deficit was caused by investment performance, changes in the actuarial assumptions and contributions made to the scheme during the year.

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

3.1.3 Share-based payments

The Group participates in a number of equity-settled share-based payment arrangements with its employees, as detailed in note 10 of the Annual Report and Accounts. When such awards are made, the fair value at grant date serves as the basis for calculating the staff costs.

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

3.1.4 Revaluation of freehold properties

The Group periodically revalues its freehold properties in accordance with its accounting policy. The Group obtained professional valuations from independent chartered surveyors during the year. The methodology and appraisal basis for valuing the properties is not considered to be a significant estimation uncertainty, which could otherwise lead to a material adjustment in future periods.

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

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

4. Operating segments

The Group has three operating divisions, representing the underlying performance, 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.

Year ended 31 March 2021	Investment Management Services £000	Financial Planning £000	Charles Stanley Direct £000	Support Functions[3] £000	Total £000
Investment management fees	93,670	2,146	-	-	95,816
Administration fees	20,215	7,876	6,862	-	34,953
Total fees	113,885	10,022	6,862	-	130,769
Commission	37,670	10	2,701	-	40,381
Total revenue	151,555	10,032	9,563	-	171,150
Administrative expenses[1,4]	(80,613)	(10,735)	(4,080)	(61,556)	(156,984)
Other income	29	-	-	-	29
Operating contribution	70,971	(703)	5,483	(61,556)	14,195
Allocated costs	(53,467)	(3,725)	(4,364)	61,556	-
Operating profit/(loss)[2]	17,504	(4,428)	1,119	-	14,195
Segment assets	366,337	202	5,663	294	372,496
Segment liabilities	247,733	1,430	-	-	249,163

Notes
1 . Administrative expenses include £1.3 million of restructuring costs, £1.3 million of amortisation of client relationships and £0.7 million of impairments to intangible assets.
2. The operating profit/(loss) as per the table above is different to that presented in the divisional analysis within the Review of the year as the table above includes adjusting items which are excluded from the underlying performance analysis.
3. Support function costs are allocated to the respective divisions based on proportions agreed by the Directors, which reflect utilisation.
4. Impairments to intangible assets of £0.7 million (2020: £0.3 million) are allocated to the Investment Management Services segment.

Immediately following the financial year end, the Group carried out a reorganisation of its front office divisions to reflect a new operating structure. For reporting periods on or after 1 April 2021, three new divisions (Investment Management Services, Financial Planning Services and Central Financial Services) will represent the main operating divisions and the reportable operating segments of the Group.

4. Operating segments (continued)

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

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

5. Restructuring costs

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

	2021 £000	2020 £000
Redundancy costs	56	1,613
External consultants – contract staff	840	991
IT and communications	339	667
Legal and professional fees	101	201
	1,336	3,472

6. Earnings per share

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

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

	2021 pence per share	2020 pence per share
Earnings per share		
Basic earnings per share	20.16	28.03
Diluted earnings per share	19.97	27.51

The Directors consider both reported and underlying earnings per share of the Group. Underlying earnings per share is presented in the Review of the year. This measure is also followed by the analyst community as a benchmark of the Group's underlying performance.

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

	2021 £000	2020 £000
Earnings		
Earnings used in the calculation of basic earnings per share and diluted earnings per share	10,473	14,250

	2021 000	2020 000
Number of shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	51,943	50,837
Effect of potentially dilutive share options	495	971
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	52,438	51,808

All amounts related to continuing operations. There were no discontinued operations in the current year or in the prior year.

7. Employee benefits

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

Amounts included in the consolidated statement of financial position

	2021 £000	2020 £000
Fair value of scheme assets	21,357	22,162
Present value of defined benefit obligation	(23,693)	(27,242)
Impact of asset ceiling	(862)	–
Deficit in scheme and Liability in the consolidated statement of financial position	(3,198)	(5,080)

Significant actuarial assumptions

	2021 %	2020 %
Inflation – Consumer Price Index (CPI)	2.80	2.20
Discount rate	2.10	2.40
Allowance for pension payment increases of CPI (or 5% p.a. if less than CPI, minimum 3% p.a.)	3.50	3.30
Allowance for revaluation if deferred pensions of CPI (or 2.5% p.a. if less than CPI)	2.50	2.20
Allowance for commutation of pension for cash at retirement	50.00	–

The mortality assumptions adopted at 31 March 2021 are 95% (2020: 100%) of the standard tables 'S3PMA / S3PFA_M', Year of Birth, no age rating for males and females, projected using figures from the Continuous Mortality Investigation (CMI) 2020 converging to 1.25% p.a. While COVID-19 has had an impact on mortality in 2020, the impact on future mortality trends is currently unknown. These imply the following life expectancies at age 65:

	2021	2020
Male retiring in current year	22.5	21.6
Female retiring in current year	24.2	23.5
Male retiring in twenty years	23.8	22.6
Female retiring in twenty years	25.7	24.7

8. Income taxes

Tax recognised in the consolidated income statement

	2021 £000	2020 £000
Current taxation		
Expense for the year	2,291	2,790
Expense/(credit) in respect of prior years	197	(45)
	2,488	2,745
Deferred taxation		
Expense for the year	423	340
Credit in respect of prior years	(23)	(13)
	400	327
Total tax expense	2,888	3,072

Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind. A deferred tax rate of 19% has been applied, being the latest substantively enacted corporation tax rate as at 31 March 2021.

In the Spring Budget 2021, the government announced that the UK corporation tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge. If this rate had been substantively enacted at 31 March 2021, the deferred tax asset would have increased by £0.4 million.

9. Intangible assets

Cost	Goodwill £000	Client relationships £000	Internally generated software £000	Total £000
At 1 April 2019	20,213	24,937	7,471	52,621
Additions	–	3,452	90	3,542
At 31 March 2020	20,213	28,389	7,561	56,163
Additions	–	503	–	503
Disposals	–	–	(7,278)	(7,278)
At 31 March 2021	20,213	28,892	283	49,388
Amortisation and impairment				
At 1 April 2019	6,161	20,958	7,163	34,282
Impairment charge during the year	349	–	–	349
Amortisation charge for the year	–	1,195	324	1,519
At 31 March 2020	6,510	22,153	7,487	36,150
Impairment charge during the year	–	700	–	700
Amortisation charge for the year	–	1,291	50	1,341
Disposals	–	–	(7,278)	(7,278)
At 31 March 2021	6,510	24,144	259	30,913
Net book value				
At 31 March 2021	13,703	4,748	24	18,475
At 31 March 2020	13,703	6,236	74	20,013

None of the intangible assets have been pledged as security.

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

Goodwill	2021 £000	2020 £000
Investment Management Services	8,456	8,456
Charles Stanley Direct	5,247	5,247
	13,703	13,703

9.1 Goodwill

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

Fair value less costs to sell is calculated largely based on a percentage of FuMA, which is determined by the consideration paid as a percentage of FuMA in recent transactions in the market. At 31 March 2021 this was determined to be 2.26%. The percentage has increased compared to the prior year as additional market transactions have occurred with greater consideration paid as a percentage of FuMA. The inputs into fair value less costs to sell calculations are considered to be level 3 in the fair value hierarchy. The valuation techniques for calculating the recoverable amount are consistent with those used in prior years.

9. Intangible assets (continued)

Only directly attributable assets or liabilities related to the Group are allocated to CGUs in the assessment of the fair value of each CGU. Specifically, FuMA associated with the CGU is allocated to the assessment along with specific identifiable assets.

9.1.1 Investment Management Services

The goodwill attributed to this division is represented by five CGUs comprising acquired investment management teams in different locations across the UK. Two of the largest CGUs (Edinburgh and Robson Cotterell) represent 51% and 27% of the carrying value of the goodwill held by the division.

The recoverable amount was assessed using fair value less costs to sell for the year ended 31 March 2021, based on a percentage of FuMA (2.26%), being the lower end of Management's estimations. The Eastbourne CGU had the lowest headroom, of £1.5 million, between the carrying value and the recoverable amount. FuMA associated with this CGU would need to fall by more than 30% under the current method before an impairment would be recognised.

The recoverable amount of all CGUs was determined to be higher than the carrying amounts and therefore the goodwill carrying value is adequately supported.

9.1.2 Charles Stanley Direct

The goodwill attributed to this division is represented by two CGUs comprising acquired execution-only services. The largest CGU (CSIC) represents 93% of the carrying value.

The recoverable amount of goodwill relating to Charles Stanley Direct was assessed primarily using fair value less costs to sell for the year ended 31 March 2021, consistent with the valuation method in prior years. Fair value less costs to sell was determined based on a price paid per billion of FuMA in recent market transactions. The range observed was £2.5 million to £10.3 million paid per £1.0 billion of assets. Owing to the lack of comparable transactions in the market, in terms of product range, size of acquisition and stage of development cycle for Charles Stanley Direct, a secondary valuation was carried out to determine the value in use of the goodwill associated with the CGU. The value in use was based on the Group's latest outer year forecasts for the CGU, covering a period of five years. Cashflows across this period were anticipated to rise as a result of a 5% annual growth rate in the level of AuA attributed to the CGU. An assessment was made on a profit before tax basis and profit before overhead cost allocation from the Group. A discount rate of 9.6% was determined by calculating the weighted average cost of capital, with reference to data from peer listed companies.

Under both valuation methods, the recoverable amount was determined to be higher than the carrying amount for the CGUs and therefore the carrying value is adequately supported.

9.2 Client relationships

Client relationships relate to payments made to investment managers and third parties for the introduction of client relationships. Client relationships also arise on business combinations. The fair value was determined based on a percentage of FuMA (2.26%) of investment managers who have received payments. The fair value of those acquired in business combinations is based on the discounted cash flow model.

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

9. Intangible assets (continued)

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

9.3 Internally generated software

Internally generated software is software designed, developed and commercialised by the Group. During the period, fully depreciated assets relating to internally generated software were written off as part of a review of the intangible asset register. These are illustrated as equal and opposite disposals of cost and disposals of accumulated amortisation of £7.3 million, resulting in no effect on the net book value.

9.4 Sensitivity

Given the continuing uncertainty relating to COVID-19, additional sensitivity was applied to FuMA at 31 March 2021 levels. While markets have largely recovered since the height of the pandemic, the additional sensitivity was applied to gain comfort over the impact of volatile markets on the fair value less costs to sell of each CGU.

In respect of Goodwill associated with Investment Management Services, when assessing the carrying value as a percentage of FuMA at 2.26%, the value of FuMA for the CGUs would have to fall by more than 30% before the carrying value would exceed the recoverable amount.

For Client relationship intangibles, there are a significant number of relationships and CGUs associated with the overall balance, with a wide range of carrying values. Applying reductions of up to 30% to the fair value less costs to sell of each CGU resulted in no indications of impairment. This additional sensitivity analysis concluded that sufficient headroom existed between carrying values and the threshold for impairment to the relevant CGUs and client relationships.

In respect of Goodwill associated with Charles Stanley Direct, we applied sensitivity analysis to the asset values from recent market transactions, which were used to determine the fair value of the CGU. Various scenarios were modelled, with the impact of a 40% reduction in the price paid per £1.0 billion of assets applied against the average price paid of £7.3 million in recent market transactions. The carrying value of the CGU was adequately supported. Sensitivity was also applied to the value in use test inputs, primarily in relation to the discount rate, which was modelled between 4% and 24% to reflect stressed scenarios. In all scenarios the net present value of the value in use exceeded the carrying value.

10. Leases – the Group as a lessee

The Group has entered various leases in respect of property as a lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases typically run for a period of 5 to 10 years, with an option to renew the lease after that date. Extension and termination options are included in a number of leases to maximise operational flexibility when managing the assets of the Group. The majority of extension and termination options held are exercisable by the Group and not by the lessor. None of the properties are sub-let by the Group. Other than property, there are no further classes of assets that are leased by the Group.

10.1 Amounts recognised in the consolidated statement of financial position

	2021	**2020**
	£000	**£000**
Non-current asset		
Property right-of-use assets	7,993	10,381
	7,993	10,381
Lease liabilities		
Current	3,087	2,825
Non-current	6,599	9,718
	9,686	12,543

10.2 Lease liabilities – contractual undiscounted cash flow maturity analysis

	2021	**2020**
	£000	**£000**
Less than one year	3,688	3,545
Once to five years	6,455	9,977
More than five years	924	1,074
Total undiscounted lease liabilities at 31 March	11,067	14,596

10.3 Amounts recognised in the consolidated income statement

	2021	**2020**
	£000	**£000**
Depreciation	2,574	2,416
Interest expense	769	924
	3,343	3,340

10.4 Changes in liabilities from financing activities

	2021	**2020**
	£000	**£000**
Balance at 1 April	2,574	2,416
New leases	195	770
Interest expense	769	924
Interest paid	(769)	(924)
Payment of lease liabilities	(3,052)	(2,478)
Balance at 31 March	9,686	12,543

11. Dividends

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

	2021 £000	2020 £000
Final dividend paid for 2020: 6.0p per share (2019: 6.0p)	3,125	3,047
Interim dividend paid for 2021: 3.0p per share (2020: 3.0p)	1,563	1,527
	4,688	4,574

A final dividend of 9.0 pence per share was recommended by the Board on 26 May 2021. This will be payable on 19 July 2021 to registered shareholders as at 10 June 2021 subject to shareholder approval at the Annual General Meeting to be held on 12 July 2021.

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

12. Reconciliation of net profit to cash generated from operations

	2021 £000	2020 £000
Profit before tax	13,361	17,322
Adjustments for:		
Depreciation of property, plant and equipment	4,273	4,117
Amortisation and impairment of intangible assets	2,041	1,869
Impairment of freehold property	608	–
Share-based payments – value of employee services	760	(1,783)
Retirement benefit scheme - charge	116	151
Dividend income	(29)	(115)
Interest income	(139)	(539)
Interest expense	799	985
Profit on disposal of financial assets	(90)	(89)
Gain on disposal of property, plant and equipment	(31)	(18)
Changes in working capital:		
Unrealised (gains)/losses on financial assets at fair value through profit or loss	(288)	154
Increase in receivables	(26,824)	(12,440)
Increase in payables	27,040	16,235
Net cash inflow from operations	21,597	25,849

13. Subsequent events

There were no material adjusting events 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.