31 May 2019

Charles Stanley Group PLC

Results for the year ended 31 March 2019

Charles Stanley Group PLC ('the Group') or ('Charles Stanley') today announces its preliminary results for the year ended 31 March 2019:

Financial highlights:

- Discretionary funds up by 6.5% to £13.1 billion (2018: £12.3 billion)
- Reported revenue of £155.2 million (2018: £150.9 million), with growth in all divisions
- Core Business[1] profit before tax of £11.6 million (2018: £10.9 million)
- Core Business pre-tax profit margin[2] improved to 9.2% (2018: 8.8%)
- Reported profit before tax of £11.0 million (2018: £11.4 million)
- Reported basic earnings per share up 3% to 17.74 pence (2018: 17.23 pence)
- Total 2019 dividend increased 9.4% to 8.75 pence per share (2018: 8.0 pence per share)
- Balance sheet strengthened - Cash position[3] up 23.7% to £81.2 million (2018: £65.6 million) and regulatory capital solvency ratio increased to 214% (2018: 177%)

Post year end highlights:

- Restructure of the Group's operating model – As recently announced, the Group is undertaking a significant transformation project to simplify and standardise structures and processes to deliver an integrated business model and a seamless customer proposition
- Estimated restructuring costs of £9.5 million are expected to be incurred over a two to three year period. The restructure should yield immediate cost reductions which are expected to build up to annualised savings in excess of £4.5 million from FY 2022 onwards. The restructuring will result in a net charge to the Group's profit in the financial year ending 2020 but be positive thereafter.

Paul Abberley, Chief Executive Officer, commented:

"As demonstrated by our results, the Group continues to deliver improvements in performance. I am confident that following the completion of the recently announced operating model restructure, Charles Stanley will be well placed to accelerate the rate of progress and deliver our medium-term target of a 15% profit margin. This will be achieved through top line growth alongside cost control to improve overall productivity."

[1]The Core Business figures represent the results of the Group's four main operating divisions, excluding held for sale activities and adjusting items which are listed on page 11.

[2]This represents the Core Business profit as defined in note 1 above 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 Core Business revenues.

[3]The cash position is inclusive of treasury bills held by the Group for short term deposit purposes.

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Notes to editors:

Charles Stanley traces its origins back directly to 1792 and is one of the oldest firms on the London Stock Exchange. Charles Stanley today provides holistic wealth management services to private clients, charities and smaller institutions. These are delivered by over 350 professionals located in 25 offices throughout the UK, both direct to clients and to intermediaries. Our services include investment portfolio management and financial planning, supported by in-house administration to enhance the quality of service provided. In addition, Charles Stanley Direct provides an award winning direct to customer execution-only dealing platform for equities and funds.

Financial highlights:

	2019	2018
Profit before tax from Core Business (£m)	11.6	10.9
Reported profit/(loss) before tax (£m)	11.0	11.4
Basic earnings per share from Core Business (p)	18.70	16.06
Reported basic earnings per share (p)	17.74	17.23
Dividend per share (p)	8.75	8.0

Business highlights:

	2019	2018
FuMA[1] (£bn)	24.1	23.8
Discretionary funds (£bn)	13.1	12.3
Core Business revenue (£m)	155.2	150.4

Core Business revenue by division:

	2019	2018
Investment Management Services (£m)	132.8	131.2
Asset Management (£m)[3]	7.4	7.0
Financial Planning (£m)	7.3	6.3
Charles Stanley Direct (£m)	7.7	5.9

Financial calendar:

Results announcement	31 May 2019
Ex-dividend date for final dividend	13 June 2019
Final dividend record date	14 June 2019
Deadline for elections under DRIP[2]	26 June 2019
Annual General Meeting	10 July 2019
Final dividend payment date	17 July 2019

[1]Funds under Management and Administration.

[2]Dividend Reinvestment Plan.

Chairman's statement

FY 2019 has been another year of progress in delivering our strategy with further growth in Discretionary assets and revenues across all divisions. Charles Stanley Direct has moved into profitability and we have also grown our intermediary sales distribution and financial planning capabilities, all reflecting positive business momentum.

Financial results

The Group reported revenues for the year of £155.2 million (2018: £150.9 million) with improvements seen in all our divisions, in particular Charles Stanley Direct and Financial Planning, which continue to scale up the business and enhance their offering.

Reported profit before tax (PBT) was £11.0 million, a slight reduction on the prior year at £11.4 million as the latter included a number of one-off gains. I am pleased to note that Charles Stanley Direct, our online Execution-only platform, has reported a profit for the year of £1.0 million (2018: £0.3 million loss), marking a turnaround in the business.

Funds under Management and Administration (FuMA) at 31 March 2019 were £24.1 billion, with Discretionary funds reaching £13.1 billion, up 6.5%. This reflects the Group's continued focus on growing its higher margin Discretionary service.

The Group's cash position, including Treasury Bills, remained strong, ending the year 23.7% higher at £81.2 million.

Governance

We have continued to embed the new Charles Stanley governance structure and looked at ways of enhancing and improving the content of Boards and Committees as well as the quality of management information available. This enables us to continue to enhance our strategic control and be aligned with the regulatory requirements.

The Senior Managers and Certification Regime (SMCR) comes into force in December 2019, putting a much greater emphasis on firms to ensure adequate record keeping around Training and Competence (T&C). For Charles Stanley this means adopting a more standardised approach. We have been embedding this standardised framework within the business to ensure we are compliant by the deadline.

Risk

We introduced a new Risk Management System to support the recording and management of risk information, with the aim of helping to further embed a healthy risk culture across the Group. We enhanced systems to ensure we are vigilant against cybercrime and successfully introduced a GDPR framework in line with regulations, and we have put a team in place to govern it.

Finally as part of the FCA's Internal Capital Adequacy Assessment Process (ICAAP), we continue to identify potential risks the business faces and assess how we govern and control them. We have completed a risk analysis and continue to monitor the impact Brexit may have on our firm and clients, and believe we are well prepared for all likely scenarios. Regardless of the outcome, as a UK-based business, serving predominantly UK-based clients, we do not expect any material impact on our business.

Culture

One of the key measures of our success is staff engagement. I am delighted that the 2018 staff engagement survey continues to produce an upper quartile engagement score improving year-on-year from 73% to 76%. This is a great demonstration of a truly collective effort to drive the business forward to become the UK's leading wealth manager, and I would like to express my thanks to all our staff for their commitment and hard work.

We also achieved enhanced diversity at senior level from 28% to 30%, meeting our HM Treasury Women in Finance Charter target two and a half years early.

Board changes
During the financial year, there have been no changes to our Board. Since the year end, however, we have embarked on a major project of operational and business restructuring which has had an impact on some senior roles. As recently announced, Gary Teper, our Head of Investment Management Services, has therefore decided to resign as a director. I would like to pay tribute to Gary for his long and devoted service to the Group. He has been an admirable colleague and leaves the Group with our very best wishes.

Dividend
We have previously committed to delivering steadily increasing dividends. Based on our financial results, the Board is recommending a final dividend of 6.0 pence per share. Taken together with the interim dividend of 2.75 pence per share, this equates to a total dividend for the year of 8.75 pence per share which is an increase of 9.4% on the prior year.

Outlook
In the last quarter of 2018, we saw steep falls in equities and in risk assets more broadly. With the turn of the calendar year, we noted equities, bonds and commodities posting positive returns. The recent revised guidance by the US Federal Reserve to hold interest rates has helped ease financial conditions and mitigate the potential downside risk to the economy. Moreover, long-range inflation forecasts have come down again, so the emphasis has shifted back to a looser monetary policy which favours economic growth.

However, given the extent of the equity market rally earlier this year, we anticipate much more modest returns over the remainder of the year. The long-term prospects for equities remain positive, but equities are likely to pause for breath until evidence of better economic growth emerges.

We see opportunities that provide a favourable backdrop for our transformation programme which is designed to bring growth in revenues, profits and margins, and to provide value for shareholders.

Sir David Howard
Chairman
30 May 2019

Chief Executive Officer's report

The Group has shown positive progression in our revenues and core profit margin and we are fully focused on increasing the rate of improvement. Alongside efforts to improve the rate of top-line growth by building higher margin assets and implementing revised pricing structures, we are also sharpening our capabilities in marketing and sales.

Financial performance

The Group continues to deliver improvement in profitability. The Core Business profit before tax for the year of £11.6 million represents a 6.4% increase on the previous year. Core Business earnings per share increased by 16.4% to 18.70 pence.

On a reported basis, the Group generated a profit before tax of £11.0 million and earnings per share of 17.74 pence.

We are now fully focused on accelerating the improvement in our financial metrics to match the standard of what is being delivered qualitatively across the business.

Strategy implementation

Our transformation and restructuring programme, which commenced three years ago, has seen the heart of the business being remodelled along with the disposal of non-core activities. Having laid the foundations, we have now started to achieve operational efficiencies through a firm-wide project to put in place a standard operating model to improve functionality across the business. We have enhanced systems and processes to ensure operational, data and cyber resilience and we continue to enhance and embed the governance process, automating and standardising where possible.

We have also delivered against other key objectives which include expanding our intermediary sales network, hiring a new Head of Distribution and successfully expanded our Financial Planning capability. We continue to transform our digital offering, including enhancements to our Charles Stanley Direct app with fingerprint and face-ID log-ins which have been popular. Extended availability has led to increased traffic outside of standard business hours, 80% of this coming through the app.

We have made good progress in delivering against our strategic vision measures, specifically delivering high levels of client satisfaction and transforming the firm in terms of staff engagement.

We also recorded new asset inflows of £1.4 billion during the year, with almost two-thirds placed in discretionary mandates. While we have had success in revenue growth, the third metric in the context of our equity market rating has yet to reach full momentum in terms of earnings growth.

There has been an unexpected headwind with the decline in the profitability of our Execution-only and Advisory Dealing services within our Investment Management Services division. Clients have been less proactive in terms of actively managing their investments, as Brexit and uncertainty around global economics has created nervousness and discouraged people from investing. Consequently, falling trading activity has led to lower commissions and profitability.

Business transformation

We have turned the business around and it is now profitable, but it is taking longer than expected to reach our goal of achieving a 15% Core Business pre-tax profit margin. Going forward, we have identified a clear strategic approach to drive forward increasing the operational gearing of the business.

As a starting point we have recently announced the launch of a significant restructuring project to improve productivity and operational efficiency, as well as creating greater agility to innovate. This will involve accelerating existing projects aimed at enhancing IT, customer service and back and middle office performance, to ensure we are well positioned to deliver the next phase in our journey and that our client-centric approach is sustainable in a changing world.

The transformation programme will give rise to exceptional costs over its two to three year implementation period, estimated at £9.5 million, and annualised benefits building to in excess of £4.5 million. It is expected that there will be a net charge to the Group's profit for the financial year ending 31 March 2020 but be positive thereafter.

Paul Abberley
Chief Executive Officer
30 May 2019

The Chief Financial Officer's review of the year

Charles Stanley continued to deliver improved financial performance in the face of weaker equity markets in the second half of the financial year. Revenues and underlying profits continued to grow, although progress towards achieving our profit margin target has been hampered by slower than anticipated improvements in productivity.

Overview of 2019 full year results

The Group's reported revenues for the year were £155.2 million, representing an increase of 2.8% on those reported in the prior year. All of the revenues generated in the current year were attributable to the Group's continuing Core Business, while the comparative figure included revenue from held-for-sale divisions disposed in FY 2018. On a like-for-like basis revenues increased by 3.2%.

Reported expenditure increased by 2.5% to £145.8 million (2018: £142.2 million). This was primarily driven by staff cost increases. Staff costs continue to represent the lion's share of the Group's expenditure at 72.9% of Core Business expenditure, up from 71.6% in FY 2018. This highlights the critical need for the Group to accelerate the delivery of improvements in productivity and efficiency.

During the course of the year, the Group recognised reported net finance and other non-operating income of £1.5 million (2018: £2.5 million). The £1.0 million reduction was due to lower one-off gains than achieved in the prior year.

As a result of other non-operating income being lower, the reported profit before tax reduced to £11.0 million (2018: £11.4 million). However, the underlying profitability of the Core Business increased by 6.4% from £10.9 million to £11.6 million. The Core Business pre-tax profit margin calculated by taking the Core Business profit before tax of £11.6 million (2018: £10.9 million), adjusted for the charge of £2.7 million (2018: £2.3 million) in respect of non-cash share-based option arrangements awarded to certain investment management teams under revised remuneration arrangements settled in 2017, expressed as a percentage of Core Business revenues, increased to 9.2% (2018: 8.8%).

Funds under Management and Administration

The Group's revenue is substantially driven by the level of its FuMA. These stood at £24.1 billion at 31 March 2019, up 1.3% compared to the FuMA total as at 31 March 2018. During the same period, the market movement as measured by the MSCI WMA Private Investor Balanced index increased by 3.9%.

Whilst this represents a comparison at an individual point in time, the Group's average FuMA were static year-on-year at £24.3 billion with increases in higher margin Discretionary funds being offset by decreases in Advisory and Execution-only funds.

FuMA movement

	2019 £bn	2018 £bn	Change %
As at 31 March			
Discretionary funds	13.1	12.3	6.5
Advisory Managed funds	1.5	1.8	(16.7)
Total managed funds	14.6	14.1	3.5
Advisory Dealing funds	1.3	1.4	(7.1)
Execution-only funds	8.2	8.3	(1.2)
Total administered funds	9.5	9.7	(2.1)
Total Funds under Management and Administration	24.1	23.8	1.3
MSCI WMA Private Investor Balanced Index	1,587	1,527	3.9

Discretionary funds were up £0.8 billion or 6.5%, demonstrating the continued success of the Group's strategy to build scale in this higher margin service category. This increase is driven by inflows from new clients of £0.9 billion, £0.1 billion from upgrading existing clients from other service types and £0.3 billion investment performance offset by outflows of £0.5 billion. This represents an organic growth rate of 4.1% for the year.

Execution-only funds fell by 1.2% overall. The decrease was largely attributable to the traditional voice-brokered Execution-only services which were down £0.5 billion, whilst our online Execution-only platform, Charles Stanley Direct, continued to perform well and increased its AuA to £2.7 billion (2018: £2.3 billion). Approximately one third of the platform's inflows were from internal transfers and two thirds from new external clients. Advisory Managed and Dealing both reduced on prior year, now accounting for 11.6% of funds (2018: 13.4%). The Group expects this polarisation into Discretionary and online Execution-only services to continue.

Results and performance

The following tables show the Group's financial performance for the year ended 31 March 2019 and for the prior year. These reconcile the results of the Core Business, which the Board considers the best reflection of the Group's underlying performance, to the statutory reported results. The difference comprises the held for sale activities disposed in the prior year and various adjusting items which are stripped out of the Core Business results so as not to distort underlying performance.

	Core Business £m	Held for sale £m	Adjusting items £m	Reported performance £m
31 March 2019				
Revenue	155.2	–	–	155.2
Expenses	(144.4)	–	(1.4)	(145.8)
Other income	0.1	–	–	0.1
Operating profit/(loss)	10.9	–	(1.4)	9.5
Net finance income and other non-operating income	0.7	–	0.8	1.5
Profit/(loss) before tax	11.6	–	(0.6)	11.0
Tax (expense)/credit	(2.1)	–	0.1	(2.0)
Profit/(loss) after tax	9.5	–	(0.5)	9.0
Basic earnings per share (p)	18.70	–	–	17.74
Pre-tax profit margin[1] (%)	9.2	–	–	7.1
31 March 2018				
Revenue	150.4	0.5	–	150.9
Expenses	(140.1)	(0.5)	(1.6)	(142.2)
Other income	0.2	–	–	0.2
Operating profit/(loss)	10.5	–	(1.6)	8.9
Net finance income and other non-operating income	0.4	–	2.1	2.5
Profit before tax	10.9	–	0.5	11.4
Tax (expense)/credit	(2.8)	–	0.1	(2.7)
Profit after tax	8.1	–	0.6	8.7
Basic earnings per share (p)	16.06	–	–	17.23
Pre-tax profit margin[1] (%)	8.8	–	–	7.6

[1]The Core Business pre-tax profit margin is based on the Core Business profit before tax of £11.6 million (2018: £10.9 million) adjusted for the charge of £2.7 million (2018: £2.3 million) in respect of non-cash share-based option arrangements awarded to certain investment management teams under revised remuneration arrangements settled in 2017.

Core Business revenues

Revenues from the Core Business grew by 3.2% to £155.2 million in FY 2019. The change in composition of the Group's revenues compared to the prior year indicate the continued increase in the proportion represented by fees, now 71.0%. The mix change is driven by a 6.4% increase in fee income to £110.2 million, a 130.6% (£4.7 million) increase in interest turn and a £6.5 million fall in commission income to £36.7 million. The fall in commission income is a consequence of an overall decline in commission earning trades. This is occurring both because the Group continues to focus on discretionary services, which are generally billed on a fee-only basis, and because there is a long term decline in the traditional voice-brokered share dealing.

	2019 £m	2018 £m
Fees	110.2	103.6
Commission	36.7	43.2
Trail and interest income	8.3	3.6
Total	155.2	150.4

Core Business expenditure

Expenditure within the Core Business has increased by £4.3 million (3.1%) on prior year to £144.4 million (2018: £140.1 million).

The Group's single largest cost continued to be staff costs and these increased both as a proportion of total expenditure and in real terms. Fixed employment costs increased by £2.0 million principally due to inflationary staff pay rises awarded in the year.

The variable element increased as a result of the Group's formulaic revenue sharing arrangements, increased contractor costs as the Group had hired external expertise to assist with the restructuring programme and a full twelve month charge in respect of the share options granted part way through last year to certain investment management teams under the revised remuneration arrangements.

The Group continues to invest heavily in improving the customer experience, with a combined £1.1 million increased spend on IT & communications and market research. This has included upgrades to both back office and client-facing systems, such as the Group's website and the Charles Stanley Direct platform. Alongside this, the Group continues to increase marketing campaigns and brand awareness to enhance the new business win rate with an additional spend of £0.2 million. These were offset by savings as a result of one-off project costs in the prior year and reduction in professional fees.

Core Business pre-tax profit

The Core Business profit before tax increased from £10.9 million to £11.6 million, resulting in a small improvement in the pre-tax profit margin to 9.2% (2018: 8.8%). This is still a long way from our stated medium-term target of 15%. Despite the lack of significant progress, the Group remains confident that this target is achievable. To achieve this, the Group needs to:

i) Grow FuMA through new business wins and achieving net inflows from existing clients;

ii) Improve revenue margin by changing the mix of business conducted and growing the Financial Planning division; and

iii) Increase efficiency, measured by fixed costs as a percentage of revenue. To achieve these efficiency gains the Group has conducted a thorough review of the Group's activities with a view to restructuring our management structures, day-to-day operations and reorganising and upgrading IT systems to maximise the profitability of the business.

Adjusting items

The Board considers the Core Business profit before tax and earnings per share to be a better reflection of underlying business performance than the statutory figures reported in the consolidated financial statements. To calculate the Core Business results the Board has excluded certain adjusting items totalling a net charge of £0.6 million. An explanation of these adjusting items, together with a reconciliation of profits, is provided below:

	2019 £m	2018 £m
Reported profit before tax	11.0	11.4
Amortisation of client relationships[1]	1.1	1.1
GMP equalisation pension expense[1]	0.3	–
Reversal of impairment of CSFS loan notes	(0.5)	–
Gain on sale of freehold property	(0.3)	–
Net other one-off charges/(gains) in prior year	–	(1.6)
Net credit/(charge) from adjusting items	0.6	(0.5)
Profits from held for sale activities	–	–
Core Business profit before tax	**11.6**	**10.9**

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

Amortisation of client relationships: (£1.1 million charge)

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

GMP equalisation expense: (£0.3 million charge)

On 26 October 2018, the High Court passed a landmark ruling that defined benefit pension schemes needed to equalise Guaranteed Minimum Pensions (GMPs) for men and women. As a consequence, a £0.3 million expense has been recognised in respect of the estimated additional liabilities of the Scheme.

Reversal of impairment of CSFS loan notes: (£0.5 million credit)

In 2017 the Group impaired the full carrying value of £0.5 million loan notes issued by CS Financial Solutions Limited ('CSFS') as part of the deferred consideration arising from the sale of the business by the Group to its management on 1 April 2016. In January 2019 CSFS was sold to Broadstone and the loan notes were repaid in full. Consequently, the Group has reversed the impairment previously recognised.

Gain on sale of freehold property: (£0.3 million credit)

During the year, the Group disposed of one of its freehold properties and realised a gain on sale of £0.3 million.

Net other one-off charges/(gains) in prior year: (£1.6 million credit)

The net credit of £1.6 million recognised as an adjusting item in FY 2018 consisted of gains arising on the Group's disposal of shares held in Euroclear PLC (£1.9 million), the sale of EBS Management PLC, a Group's subsidiary, (£0.7 million), the disposal of an investment held in Runpath Group Limited (£0.5 million) and a recovery on prior year FSCS levy (£0.1 million). These were offset by an impairment of freehold property (£1.0 million) and the accelerated amortisation of leasehold improvements.

Divisional review

The table below shows the Core Business results broken into the Group's four main operating divisions: Investment Management Services, Asset Management, Financial Planning and Charles Stanley Direct.

	Investment Management Services	Asset Management	Financial Planning	Charles Stanley Direct	Core Business
	£m	£m	£m	£m	£m
31 March 2019					
Revenue	132.8	7.4	7.3	7.7	155.2
Expenditure	(119.0)	(8.0)	(10.7)	(6.7)	(144.4)
Other income	–	0.1	–	–	0.1
Operating profit/(loss)	13.8	(0.5)	(3.4)	1.0	10.9
Net finance income	0.5	0.1	0.1	–	0.7
Profit/(loss) before tax	14.3	(0.4)	(3.3)	1.0	11.6
31 March 2018					
Revenue	131.2	7.0	6.3	5.9	150.4
Expenditure	(118.0)	(6.9)	(9.0)	(6.2)	(140.1)
Other income	0.2	–	–	–	0.2
Operating profit/(loss)	13.4	0.1	(2.7)	(0.3)	10.5
Net finance income	0.4	–	–	–	0.4
Profit/(loss) before tax	13.8	0.1	(2.7)	(0.3)	10.9

Investment Management Services

Trading review

The financial performance of the Investment Management Services division is largely driven 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.

	2019 £bn	2018 £bn
FuMA	19.5	19.6

	2019 £m	2018 £m
Revenue	132.8	131.2
Direct costs:		
Fixed staff costs	(19.8)	(20.4)
Variable staff costs	(40.6)	(39.4)
IMs share option charge	(2.7)	(2.3)
Other direct operating expenses	(13.9)	(11.5)
Other income	–	0.2
Contribution	55.8	57.8
Allocated costs	(42.0)	(44.4)
Operating profit	13.8	13.4

KPIs:	2019	2018
Average discretionary funds per CF30	£52.7m	£47.9m
Discretionary funds as a percent of total FuMA	61.0%	56.9%
Discretionary average client account size	£312k	£304k
Discretionary revenue margin	85bps	85bps
Total revenue margin	67bps	64bps
Staff costs to revenue ratio[1]	45.5%	45.6%
Other costs to revenue ratio	42.1%	42.6%
Operating margin[1]	12.4%	12.0%

[1] Excluding the charge for the investment managers' share options

The division's total FuMA was slightly down compared to 31 March 2018 at £19.5 billion, primarily as a result of withdrawals by clients in the second half of the financial year in response to difficult market conditions. Underlying the change in total FuMA is an improvement in the division's asset mix as it focuses on growing the Discretionary service.

The division's total FuMA was slightly down compared to 31 March 2018 at £19.5 billion, primarily as a result of withdrawals by clients in the second half of the financial year in response to difficult market conditions. Underlying the change in total FuMA is an improvement in the division's asset mix as it focuses on growing the Discretionary service.

Revenues for the division rose by £1.6 million as a consequence of improved asset mix, increased interest turn and the benefits of the rolling repricing exercise of the managed book which was substantially completed by 31 March 2019. Repricing will deliver further benefit in the next financial year as the impact of a full year of rate increases is observed. This will be further boosted by the introduction of a small custody charge on the non-managed book which was introduced from January 2019. These positives were offset by the impact of £6.3 million decline in the division's commission income.

The division's total costs increased by 0.8% during the year to £119.0 million. The principal reasons for that were increased direct operating expenses and an additional £0.4 million in respect of a full year charge for share options granted to certain investment management teams part way through the prior year.

The above has, excluding the impact of the charge of the investment managers' share options, resulted in a pre-tax profit margin for the division of 12.4% (2018: 12.0%).

Asset Management

Trading review
The Asset Management division's performance is driven by Funds under Management (FuM) and the revenue margin earned on these assets.

	2019 £bn	2018 £bn
FuM – on platform	1.0	0.9
FuM – off platform[1]	0.4	0.4
FuM – total	1.4	1.3

[1]Off platform FuM comprises model portfolios on third party platforms and Open Ended Investment Companies (OEICs) or other clients whose assets are held by a third party custodian.

	2019 £m	2018 £m
Revenue	7.4	7.0
Direct costs:		
Fixed staff costs	(2.0)	(1.7)
Variable staff costs	(1.1)	(1.2)
Other direct operating expenses	(2.0)	(1.6)
Other income	0.1	–
Contribution	2.4	2.5
Allocated costs	(2.9)	(2.4)
Operating (loss)/profit	(0.5)	0.1

KPIs:	2019	2018
Revenue margin[2]	56bps	56bps
Operating margin	(6.8%)	1.4%

[2]Revenue margin calculated on total average funds (including both on and off platform FuM).

The division's FuM increased by 7.7% to £1.4 billion as at 31 March 2019. Model funds, fiduciary mandates and Inheritance Tax Portfolio solutions all reported modest increases in funds.

The Asset Management division's contribution fell marginally to £2.4 million and the division recorded a pre-tax loss for the year of £0.5 million, a year-on-year decrease in profitability of £0.6 million. This decline was substantially due to increased absorption of Support Functions costs by the division, with allocated costs increasing by £0.5 million.

As part of the recently announced reorganisation, the management of the Asset Management division has been combined with that of the Investment Management Services division. Accordingly, in future the Asset Management division's figures will be incorporated into those of Investment Management Services and not reported separately.

Financial Planning

Trading review
The principal driver of the Financial Planning division's performance is its revenue per financial planner.

	2019 £m	2018 £m
Revenue	7.3	6.3
Direct costs:		
Fixed staff costs	(5.1)	(3.9)
Variable staff costs	(1.4)	(1.5)
Other direct operating expenses	(1.7)	(1.5)
Contribution	(0.9)	(0.6)
Allocated costs	(2.5)	(2.1)
Operating loss	(3.4)	(2.7)

KPIs:	2019	2018
Average number of financial planners	21	18
Revenue per financial planner[1]	£340k	£344k
Operating margin	(46.6%)	(42.9%)

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

Financial Planning's revenues increased by 15.9% to £7.3 million. This growth stemmed from increased revenues of financial planners who have been with the Group for over twenty four months, the typical lead time between a financial planner being recruited and them reaching full productivity. The division continues to build scale by increasing the average number of planners. As a consequence the annualised average revenue per planner is relatively flat on the prior year at £340,000 due to planners recruited in the current and prior year not yet achieving full productivity. This is reflected in the division's higher loss for the year of £3.4 million (2018: £2.7 million) whereby recruitment and onboarding costs have outstripped the incremental revenue generated in the year.

The division's medium term target is that of achieving 10% of Investment Management Services' revenues. To attain this we are recruiting more financial planners and have also been investing in systems. Whilst the current recruitment drive is scheduled to be completed by the end of FY 2020, we do not expect the division to become profitable until FY 2022 due the lag in revenue generation outlined above. However, we believe this investment will lead to greater asset inflows, greater share of wallet and enhanced customer retention as the service satisfies a fundamental client demand. We can also see that those planners who have been with the firm over two years are profitable, so we are confident in the strategy.

Charles Stanley Direct

Trading review
Charles Stanley Direct's financial performance is driven by the value of AuA on which a platform fee is charged and by the number of commission-earning bargains undertaken by clients.

	2019 £bn	2018 £bn
AuA		
Charles Stanley Direct	2.7	2.3
Charles Stanley Investment Choices	0.3	0.4
Total	3.0	2.7

The division's AuA grew by 11.1% to £3.0 billion. The significant uplift was driven by new client take-on of £0.3 billion and internal transfers, primarily from the Investment Management Services division, of £0.1 billion, offset by net outflows of £0.1 billion.

The increase in assets was achieved through the Charles Stanley Direct online platform, which increased by 15.3% from £2.3 billion to £2.7 billion during the year. The platform now services over 53,000 accounts. Charles Stanley Investment Choices, our paper-based fund broking business, saw a slight decline in its assets over the year

	2019 £m	2018 £m
Revenue	7.7	5.9
Direct costs:		
Fixed staff costs	(1.4)	(1.3)
Variable staff costs	(0.1)	–
Other direct operating expenses	(1.8)	(2.0)
Contribution	4.4	2.6
Allocated costs	(3.4)	(2.9)
Operating profit/(loss)	1.0	(0.3)

KPIs:	2019	2018
AuA growth	11.1%	17.4%
Revenue margin	26bps	24bps
Operating margin	13.0%	(5.1%)

The division moved into profit for the year for the first time, achieving £1.0 million pre-tax. This was driven by a combination of ongoing growth in customer numbers and AuA, a repricing exercise undertaken in the year and by controlling costs.

The main focus for the division in the near term is to enhance further the platform's mobile application whilst reorganising the division's back office as part of the Group's goal to implement a single middle and back office with standardised processes.

Support Functions

The costs incurred by the Group's Support Functions are either charged directly to the four main operating divisions, such as for market data costs, or recharged as an allocated cost. Support Functions costs were £50.2 million in 2019, reflecting an increase of 2.2% on the prior year. The main driver of the increase was significant consultant costs in respect of the ongoing review of business processes. The increase was mitigated by a decrease in professional costs and one-off projects since the prior year included the implementation of MiFID II and GDPR.

Looking forward, we expect the expenditure of most Support Functions to be relatively stable save that we expect increased investment in IT systems and marketing. Both of these are seen as necessary enablers to grow the top line and to facilitate the streamlining required to improve long term productivity.

Taxation

The corporation tax charge for the year was £2.0 million (2018: £2.7 million), representing an effective tax rate of 18.2% (2018: 23.7%). The prior year effective tax rate was higher due to larger differences between depreciation charges and capital allowances.

Earnings per share

The Group's reported basic earnings per share for the year was 17.74 pence (2018: 17.23 pence). The Core Business basic earnings per share increased from 16.06 pence to 18.70 pence.

Dividends

The Board has proposed a final dividend of 6.0 pence per share (2018: 5.5 pence per share). Taking into account the interim dividend of 2.75 pence per share, this results in a total dividend for the year of 8.75 pence per share (2018: 8.0 pence per share), an increase of 9.4%. The proposed total dividend is 2.0 times covered by basic reported earnings and 2.1 times covered by basic Core Business earnings. The recommended final dividend is subject to shareholders' approval, which will be sought at the Company's Annual General Meeting on 10 July 2019.

Financial position

The Group maintained its strong financial position with total net assets at 31 March 2019 of £106.4 million (2018: £97.8 million). Cash resources including Treasury Bills amounted to £81.2 million (2018: £65.6 million).

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 shows a deficit at 31 March 2019 of £6.8 million (31 March 2018: £6.5 million). The increase in the scheme's deficit is attributable to changes in actuarial assumptions offsetting investment performance and contributions made by the Group to the scheme.

Regulatory capital resources

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

At 31 March 2019, the Group had regulatory capital resources of £82.9 million (2018: £74.0 million) and its regulatory capital solvency ratio stood at 214% (2018: 177%).

Breakdown of regulatory capital resources

	2019 £m	2018 £m
Ordinary share capital	12.5	12.6
Share premium	4.6	4.6
Retained earnings	69.1	61.1
Other reserves	15.2	15.2
Regulatory adjustments	(18.5)	(19.5)
Total regulatory capital resources	82.9	74.0

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

As required under FCA rules, the Group maintains an Internal Capital Adequacy Assessment Process (ICAAP), which includes performing a range of stress tests to determine the appropriate level of regulatory capital and liquidity that the Group needs to hold. The last review of the ICAAP conducted and signed off by the Board was in October 2018. Regulatory capital forecasts are performed monthly and take into account expected dividends and intangible asset acquisitions and disposals as well as budgeted and forecast trading results.

The Group's Pillar III disclosures are published annually on the Group's website (charles-stanley.co.uk) and provide further details about the Group's regulatory capital resources and requirements.

Financial outlook

Whilst the Group's results for FY 2019 demonstrate an improvement in profitability and other key performance measures, the Group is still some way short of its medium term target of a 15% Core Business pre-tax profit margin. In order for the Group to increase its level of profitability we have two key objectives: to improve the rate of net organic growth of FuMA and thereby revenues, and to improve the general level of productivity across the firm. To this end we are investing in distribution and seeking to simplify and standardise operating processes.

In the current financial year this is likely to have a dampening effect on the rate of progress of profits as the increased level of expenditure in these areas and continued investment in Financial Planning will counterbalance the annualized improvements in revenues we expect resultant from the completion of our repricing project at the end of FY 2019. However, both this expenditure and the recently announced organisational changes are designed to facilitate a greater restructuring of front, middle and back office functions which the Board believes is necessary to deliver the 15% profit margin target.

It is expected that the intended restructuring will take approximately two to three years to complete and give rise to exceptional restructuring costs of the order of £9.5 million over that period. We expect these restructuring initiatives to yield immediate cost savings which should build to annualised savings of £4.5m from FY 2022 onwards. The restructuring will result in a net charge to the Group's profit in FY 2020 but be positive thereafter.

Risk management and principal risks

The Group's risk management framework is designed to enable the Board to draw assurance that risks are being appropriately identified and managed in line with our risk appetite. This section sets out an assessment of the principal risks relevant to the Group's long-term performance, which is then followed with the Director's Viability statement covering the three years to 31 March 2022.

The Chief Risk Officer (CRO), under the supervision of the Risk Committee, has the principal responsibility for risk awareness, monitoring and management across all areas of the business.

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, and underpins the implementation of robust risk monitoring and reporting which continue to evolve.

The Board has carried out a robust assessment of the principal risks of the Group including those that may threaten its business model, performance, solvency and liquidity. The information the Board receives allows it to monitor and review the efficiency of the Group's Internal Control Framework in line with the FRC's guidance relating to Risk Management and Internal Control presented in the UK Corporate Governance Code 2016 covering all material controls, including financial, operational and compliance controls.

Principal risks	Key mitigants and controls
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 is adversely impacted.	The Group Chief Risk Officer participates in the setting of Group strategic plans from the beginning and has a voice from the early stage of strategy development. As part of the strategy setting process, the Board is provided with a summary outlining the risks to the business model including an analysis of internal and external pressures on the Group strategy and the potential threats to its business model. With the political uncertainty surrounding Brexit, the Group is actively engaged in reviewing its exposures, directly and indirectly, to a range of scenarios and has already made detailed plans with the aim of future-proofing the Group for any outcome. The report is presented to the Executive Committee and the Board alongside the proposed business plan to support the decision making.
Financial Strength Risk Failing to maintain financial strength in order to support business objectives, meet regulatory capital requirements, and provide shareholders with an acceptable return.	To achieve our financial goals, a series of risk appetite limits have been set around operating margin, cash balances, regulatory capital and dividend cover. These are monitored by the Board on a regular basis. The Group is exposed to interest rate movements directly through its variable rate assets and liabilities. This is tracked by reporting on exposure levels at the Treasury Committee.
Credit and Counterparty Risk The potential failure of clients or counterparties to fulfil their contractual obligations.	Charles Stanley does not offer any formal lines of credit to clients. The Group however has an exposure to counterparty failures and late payment and settlement. It therefore establishes clear risk appetite limits for client and Group cash placed and maintained with authorised institutions and for trading purposes which must be adhered to by the business. The Group's Treasury Committee is responsible for the initial assessment and ongoing monitoring of deposit-taking counterparties. The following criteria govern how the Group's credit and counterparty risk is managed: - Assets will only be placed and maintained with counterparties deemed to be financially sound - Client and Group cash held at any individual counterparty should not exceed its respective limit set by the Treasury Committee unless written approval has been provided.

Market risk

The risk of losses arising as a result of exposure to market movements, including foreign exchange and interest rates.

Charles Stanley does not hold any proprietary positions other than those arising from incidental dealing errors. The Group does however hold limited investments in its own name within model portfolios for the purpose of establishing and maintaining an auditable track record for these models. However this exposure is not seen as material and therefore reflects minimal market risks. Any market risk arising from incidental dealing errors are captured as operational losses.

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. The Treasury Committee manages the Group's account balances both in GBP and foreign currencies to our requirements and limits exposures to the Group's operational needs.

Liquidity Risk

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.

Charles Stanley's liquidity risk is overwhelmingly short term in nature and arises predominantly from the settlement of trades within its Investment Management and Execution-only broking business. The Treasury Committee operates within strict policies and procedures approved by the Board to manage the Group's liquidity risk. These include:

- The Group ensuring that all legal entities have sufficient funds to meet their liabilities as they fall due, with surplus cash transferred on a monthly basis to Charles Stanley & Co. Limited.

- Utilising financial instruments, which include borrowings, cash and liquid resources, and various items including trade debtors and trade creditors that arise directly from its operations. The credit quality of counterparties is reviewed frequently and we limit aggregate credit exposures accordingly.

The Group has, for many years, experienced a steady progression of its cash balances and liquid resources due to the predictable nature of its revenue. As a result, it has not used overdraft facilities for working capital purposes as it has not required such a facility.

Pension Risk

The risk that the cost of the Group's defined benefit pension 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.

Charles Stanley continues to support a defined benefit pension scheme ('the scheme') which is closed to new members and ceased accruing for existing members in April 2016. It is reviewed regularly for viability and to remain within an agreed deficit level.

The scheme's deficit increased to £6.8 million as at 31 March 2019 (2018: £6.5 million), due to a deterioration in financial and demographic assumptions, offset by a combination of investment performance, Group contributions and the introduction of liability driven investments. The Group is working closely with the trustees of the scheme to reduce the deficit further and, where possible, match investments with future liabilities.

Operational Resilience and IT Infrastructure Risk

A material failure of business processes or IT infrastructure may result in unanticipated financial loss or reputational damage.

Charles Stanley has constructed its framework of internal controls to minimise the risk of unanticipated financial loss or damage to its reputation. However, no system of internal control can completely eliminate the risk of error, financial loss, fraudulent actions or reputational damage. The Group records and monitors operational losses and near misses which are reviewed at the Enterprise Risk Committee, with reporting to the Joint Risk Committee and the Board where required.

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 against capital reserves.

The continuing incidence of low level technical and operational issues is driving the Group's risk exposure up. Charles Stanley's strategic change programme and its plans to continue growing the business also inherently lead to an increase to the operational risk profile of the Group, which will continue to invest in its system capabilities and business processes to ensure that it meets the expectations of its customers, complies with regulatory, legal and financial reporting requirements, and mitigates the risk of loss or reputational damage from operational risk events and external threats.

IT Security and Cyber Security Risk

The risk that Charles Stanley's system infrastructure is breached by external third parties with or without malicious intention. Possible breaches could involve data theft, ransomware or a shutdown of systems.

Charles Stanley has limited appetite for unauthorised or inappropriate access to its IT systems due to the potential disruption to its business operations, adverse customer impacts and damage to its reputation. Similarly, the Group wishes to minimise the threat to its business activities from third party actions such as denial of service attacks.

Whilst the Group continues to invest in its IT infrastructure to ensure that it remains secure and resilient, the environmental threats are also evolving rapidly which means that the risk remains heightened. Alongside setting a framework to prevent and detect unauthorised access attempts to its business systems, Charles Stanley seeks to ensure that the systems 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.

People and Conduct Risk

The risk that clients or the wider market, as opposed to the firm, suffer detriment as a result of the Group's services, products or activities.

The Group recognises that its reputation and financial success is dependent on the performance and conduct of its staff. Charles Stanley's client-centric culture is founded on the Group's core values of being Caring, Fair and Progressive. It is committed to delivering good outcomes for clients by communicating effectively and providing products and services that meet their needs throughout the customer journey. It acts with integrity in the market, and operates in line with the agreed strategy and within the risk appetite.

Eighteen Conduct Outcomes have been identified and are monitored and reported via various metrics through the Conduct dashboards. A Conduct and Culture Committee was instituted in May 2017 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. Suitability is a major focus which has quality assurance processes in place to assess suitability reviews performed by our staff. Careful monitoring of investment decision-making against the risk profile helps ensure that we achieve appropriate and suitable outcomes for our clients.

Legal & Regulatory Risk

The risk of breaching, or non-compliance with, regulations and restrictions enforced on the industry and the Group, resulting in regulatory censure and/or fines.

The Group has built a reputation as a high-quality provider of wealth management services. This has been carefully developed over many years. The risk is monitored and managed by emphasis on compliance with all aspects of relevant regulation, including those of the FCA.

The pipeline of regulatory change continues to be significant. Last year, we implemented the new regulatory requirements for MiFID II and GDPR. We are now preparing for the Senior Managers & Certification Regime, which comes into effect in December 2019.

The Group ran a programme to ensure all policies, operating procedures and processes are compliant with the new data protection requirements.

While in the longer term, although the UK exit from the European Union (EU) will potentially lead to a rewriting of some legislation, most EU legislation is being transposed into UK law.

Charles Stanley monitors changes in the regulatory and legal agenda and has formal projects for major changes to ensure their successful implementation.

Viability statement

In accordance with the revised UK Corporate Governance Code 2016, the Directors have carried out a robust assessment of the prospects of the Group's viability over the three-year period from 31 March 2019 to 31 March 2022. The assessment of the Group's viability over a three-year time period is in alignment with the Group's strategy, budgeting process and the scenarios set out in the ICAAP.

The Directors consider a three-year time horizon appropriate as it is most meaningful in planning the Group's long-term strategy. A five-year horizon would stretch forecasting inputs and assumptions beyond a realistic threshold.

In assessing the future viability of the overall business, the Directors have considered the corporate strategy and the changes within the business executed in the last two years, including the significant business restructuring and changes to reward arrangements. They have also considered the business environment of the Group and the potential threats to its business model arising from progressive technological, sectoral, demographic and regulatory changes.

The Board oversees the Group's principal risks and is accountable for the Group's risk management by:

- Overseeing the processes and procedures to monitor and mitigate the principal risks
- Reviewing high-level management information from key departments which monitor whether the Group is operating within the parameters set out in the RAS linked to the principal risks
- Deciding the appropriate actions if any of the Group's risk appetites are breached.

On a detailed level, extensive management information is analysed by the Enterprise Risk Committee which meets monthly and oversees operational risk across the Group by:

- Monitoring quantitative and qualitative management information across the Group to highlight areas of risk which require enhanced or additional controls
- Delegating to the appropriate committees any issues raised as part of the management information which require further action
- Carrying out annual 'deep dive' risk analysis for each area of the firm including reviewing and challenging departments on their Risk and Control Self-Assessment (RCSA) which are discussed by the Committee and department heads
- Reviewing the reports of the internal and external auditors concerning systems and controls, reviewing the resolution of proposed control enhancements and monitoring any remaining open issues.

The Risk Committee has oversight of the above processes, ensuring the monitoring and escalation procedures are operating effectively and completed in a timely manner (see Risk Committee report in the Governance section of the Annual report and accounts).

The Board reviews and challenges the Group's three-year strategic plan against the principal risks at least annually. Stress tests are applied to the base case projections by applying multiple shock events. These stresses have been derived from workshops attended by Senior Management, with the use of external events to substantiate the Board's comfort level that the shock events are sufficiently severe and appropriate.

The Group undertakes an ICAAP which is a detailed process owned and overseen by the Charles Stanley Group PLC (CSG) Board. This includes an assessment of:

- The Group's processes, strategies and systems
- The major sources of risks faced by the Group that may impact its ability to meet its obligations
- The results of internal stress testing of these risks
- The amounts and types of financial resources and internal capital, including own funds and liquidity resources, and whether these are adequate both as to amount and quality to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

Scenario analysis and stress testing are performed as part of the ICAAP to assess the Group's exposure to a range of extreme but plausible situations, as well as an assessment of the Group's wind-down scenarios. There is also a review of the reverse stress tests which would cause the Group's business model to become unviable.

Based on the results of the latest ICAAP, the Board believes that, by taking the projected actions to reduce expenditure and, if required, dividends, the Group's business model is resilient and holds sufficient capital to survive a range of severe but plausible scenarios.

Given the extensive controls and procedures in place, the Directors are of the opinion that it is reasonable to conclude that the Group has sufficient resources to meet its obligations and continue business operations over the assessed three-year period.

Consolidated income statement
Year ended 31 March 2019

	Notes	2019 £000	2018 £000
Revenue	4	155,158	150,860
Administrative expenses	4	(145,767)	(142,146)
Other income	4	101	278
Operating profit		9,492	8,992
Gain/(loss) on disposal of property, plant and equipment		293	(45)
Gain on sale of business		119	707
Gain on sale of corporate investments		–	2,463
Reversal of impairment of corporate loans		500	–
Impairment of freehold property		–	(995)
Finance income		702	343
Finance costs		(76)	(18)
Net finance and other non-operating income		1,538	2,455
Profit before tax		11,030	11,447
Tax expense	6	(2,026)	(2,715)
Profit for the period attributable to owners of the Parent Company		9,004	8,732

Earnings per share			
Basic	5	17.74p	17.23p
Diluted	5	17.41p	16.93p

Consolidated statement of comprehensive income
Year ended 31 March 2019

	2019 £000	2018 £000
Profit for the period	9,004	8,732
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Remeasurement of the defined benefit scheme obligation	(515)	3,863
Related tax	39	(657)
Revaluation of freehold properties	–	208
Related tax	–	(17)
Gains on revaluation of properties transferred to profit or loss	(219)	–
Related tax	24	–
Fair value through other comprehensive income financial assets – unrealised gains and losses	898	–
Related tax	(153)	–
	74	3,397
Items that are or may be reclassified to profit or loss		
Available-for-sale financial assets – unrealised gains or losses	–	494
Available-for-sale financial assets – realised gains and losses reclassified to profit or loss	–	(2,863)
Related tax	–	398
	–	(1,971)
Other comprehensive income for the period, net of tax	74	1,426
Total comprehensive income for the period attributable to owners of the Parent Company	9,078	10,158

Consolidated statement of financial position
As at 31 March 2019

	Notes	2019	2018
Assets		**£000**	**£000**
Intangible assets	7	18,339	19,293
Property, plant and equipment		8,706	9,680
Net deferred tax asset		2,134	2,075
Financial assets at fair value through other comprehensive income		2,586	–
Financial assets at amortised cost		1,010	–
Available-for-sale financial assets		–	5,819
Trade and other receivables		–	945
Non-current assets		32,775	37,812
Trade and other receivables		191,301	178,024
Financial assets at fair value through profit or loss		2,234	100
Financial assets at amortised cost		9,994	–
Cash and cash equivalents		71,211	65,639
Current assets		274,740	243,763
Total assets		307,515	281,575
Equity			
Share capital		12,692	12,686
Share premium		4,625	4,564
Own shares		(201)	(95)
Revaluation reserve		1,989	1,598
Merger relief reserve		15,167	15,167
Retained earnings		72,134	63,842
Equity attributable to owners of the Parent Company		106,406	97,762
Non-controlling interests		24	24
Total equity		106,430	97,786
Liabilities			
Employee benefits		6,841	6,460
Provisions		1,961	1,813
Non-current liabilities		8,802	8,273
Trade and other payables		189,496	171,666
Current tax liabilities		946	1,214
Provisions		1,841	2,636
Current liabilities		192,283	175,516
Total liabilities		201,085	183,789
Total equity and liabilities		307,515	281,575

Approved and authorised for issue by the Board on 30 May 2019.

Consolidated statement of changes in equity
Year ended 31 March 2019

	Share capital £000	Share premium £000	Own shares £000	Re-valuation reserve £000	Merger relief reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
1 April 2018	12,686	4,564	(95)	1,598	15,167	63,842	97,762	24	97,786
Adjustment on initial application of IFRS 15	–	–	–	–	–	579	579	–	579
Adjustment on initial application of IFRS 9	–	–	–	(159)	–	152	(7)	–	(7)
Profit for the year	–	–	–	–	–	9,004	9,004	–	9,004
Other comprehensive income:									
Financial assets at fair value through other comprehensive income:									
– unrealised gains and losses	–	–	–	898	–	–	898	–	898
– related deferred tax	–	–	–	(153)	–	–	(153)	–	(153)
Realisation of unrealised gains on freehold properties	–	–	–	(219)	–	–	(219)	–	(219)
– related tax	–	–	–	24	–	–	24	–	24
Remeasurement of defined benefit scheme liability:									
– actuarial gain in the year	–	–	–	–	–	(515)	(515)	–	(515)
– tax movement on scheme liability	–	–	–	–	–	39	39	–	39
Total other comprehensive income for the year	–	–	–	550	–	(476)	74	–	74
Total comprehensive income for the year	–	–	–	550	–	8,528	9,078	–	9,078
Dividends paid	–	–	–	–	–	(4,187)	(4,187)	–	(4,187)
Unclaimed dividends	–	–	–	–	–	109	109	–	109
Shares transfer to employees	–	–	17	–	–	(17)	–	–	–
Own shares acquired	–	–	(123)	–	–	–	(123)	–	(123)
Share-based payments:									
– value of employee services	–	–	–	–	–	3,128	3,128	–	3,128
– issue of shares	6	61	–	–	–	–	67	–	67
31 March 2019	12,692	4,625	(201)	1,989	15,167	72,134	106,406	24	106,430

Consolidated statement of changes in equity
Year ended 31 March 2018

	Share capital	Share premium	Own shares	Re-valuation reserve	Merger relief reserve	Retained earnings	Total	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
1 April 2017	12,672	4,429	–	3,378	15,167	53,424	89,070	24	89,094
Profit for the year	–	–	–	–	–	8,732	8,732	–	8,732
Other comprehensive income:									
Revaluation of available-for-sale financial assets:									
– unrealised gains and losses	–	–	–	494	–	–	494	–	494
– realised gains and losses transferred to profit or loss	–	–	–	(2,863)	–	–	(2,863)	–	(2,863)
Deferred tax on available-for-sale financial assets	–	–	–	398	–	–	398	–	398
Revalutaion of freehold property	–	–	–	208	–	–	208	–	208
Deferred tax on revalutaion of freehold property	–	–	–	(17)	–	–	(17)	–	(17)
Remeasurement of defined benefit scheme liability:									
– actuarial gain in the year	–	–	–	–	–	3,863	3,863	–	3,863
– deferred tax movement on scheme liability	–	–	–	–	–	(657)	(657)	–	(657)
Total other comprehensive income for the year	–	–	–	(1,780)	–	3,206	1,426	–	1,426
Total comprehensive income for the year	–	–	–	(1,780)	–	11,938	10,158	–	10,158
Dividends paid	–	–	–	–	–	(3,546)	(3,546)	–	(3,546)
Own shares acquired	–	–	(95)	–	–	–	(95)	–	(95)
Share-based payments:									
– value of employee services	–	–	–	–	–	2,026	2,026	–	2,026
– issue of shares	14	135	–	–	–	–	149	–	149
31 March 2018	12,686	4,564	(95)	1,598	15,167	63,842	97,762	24	97,786

Consolidated statement of cash flows
Year ended 31 March 2019

	Notes	2019 £000	2018 £000
Cash flows from operating activities			
Cash generated from operating activities	9	21,444	15,485
Interest received		608	297
Interest paid		(76)	(18)
Tax paid		(2,525)	(2,985)
Net cash generated from operating activities		19,451	12,779
Cash flows from investing activities			
Acquisition of intangible assets		(376)	(676)
Purchase of property, plant and equipment		(882)	(2,796)
Purchase of financial assets		(21,888)	(1,429)
Proceeds from disposal of property, plant and equipment		400	22
Proceeds from sale of financial assets		12,890	3,780
Net cash outflow from disposal of business		119	(1,256)
Dividends received		101	278
Net cash used in from investing activities		(9,636)	(2,077)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		67	149
Purchase of own shares		(123)	(95)
Dividends paid		(4,187)	(3,546)
Net cash used in financing activities		(4,243)	(3,492)
Net increase in cash and cash equivalents		5,572	7,210
Cash and cash equivalents at start of year		65,639	58,429
Cash and cash equivalents at end of year		71,211	65,639

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 2019.

The financial information set out in this preliminary announcement has been extracted from the Group's 2019 Annual Report and Accounts, which have been approved by the Board of Directors and agreed with KPMG LLP, the Company's auditor. The Auditor's Report was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements 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 2019 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 2019 Annual Report and Accounts will be posted to shareholders during June 2019. 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. Application of new and revised IFRSs and changes in accounting policy

The accounting policies adopted in the preparation of the Group's Annual report and accounts are consistent with those followed in the preparation of the Group's Annual report and accounts for the year ended 31 March 2018, except for the mandatory standards and amendments that had an effective date prior to 1 April 2018. Aside from the adoption of IFRS 9 Financial Instruments (see 2.2) and IFRS 15 Revenue from Contracts with Customers (see 2.1), which are described below, none of the new mandatory standards nor amendments had a material impact on the reported financial position or performance of the Group.

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 April 2019. The following new standards are not applicable to these financial statements but are expected to have an impact when they become effective, with the exception of IFRS 16 leases, the impact of which is shown below. The Group plans to apply these standards and amendments in the reporting period in which they become effective.

2. 1 Changes in accounting policies - IFRS 15 Revenue from Contracts with Customers

In the current period the Group has adopted IFRS 15 Revenue from Contracts with Customers. The Group has elected not to restate comparative information from prior periods upon adoption, instead transitional adjustments have been recognised in opening retained earnings on 1 April 2018. Accordingly, the comparative information presented does not reflect the accounting requirements of IFRS 15 but rather those of IAS 18.

IFRS 15 outlines a single comprehensive model for revenue arising from contracts with customers and supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The core principle of IFRS 15 is that an entity recognises revenue to reflect the transfer of goods or services to a customer, measured as an amount that the entity expects to be entitled to in exchange for those goods or services. In addition to the guidance on recognising revenue from contracts with customers, IFRS 15 also prescribes the treatment of costs associated with obtaining contracts where they are not within the scope of another standard.

2.1.1 Impact on revenue recognition

On application of IFRS 15 the Group has considered its three main revenue categories:

i. Investment management fees
ii. Administration fees
iii. Commission

The Group has applied the five-step model set out in IFRS 15 to its customer contracts. For each identified contract, the Group has analysed the various specific services which are provided. Where contracts with customers promise to deliver more than one of these distinct services, each individual service has a single performance obligation for which revenue is recognised independently of other services when the service is delivered. The transaction price for each service is separately set out in the contract. On this basis, there has been no material impact on the Group's revenue recognition in this period, when compared to revenue that would have been reported in the period under IAS 18. As the Group's revenue recognition policies are unchanged there has been no impact on opening reserves. No additional performance obligations have been recognised in contracts with customers and there have been no changes in timing of recognition of revenue.

2.1.2 Capitalisation of costs previously expensed

IFRS 15 also prescribes that the incremental costs of obtaining a contract with a customer shall be recognised as an asset if the entity expects to recover those costs. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. For the Group, this changes the historic treatment of payments made to investment managers for introducing customer relationships to the Group. Under IFRS 15, all these payments will be capitalised if they are expected to be recovered. Previously, these payments were capitalised if made within the first 12 months of an investment manager joining the Group and payments made after the initial 12 months were expensed immediately to the income statement. On application of IFRS 15 the Group has recognised an increase in opening retained earnings of £0.6 million, representing £0.8 million capitalised costs which had been previously expensed less £0.1 million of accumulated amortisation on the newly capitalised assets and £0.1 million in respect of deferred tax. For more details see note 7. The impact on the Income statement for the year is an additional amortisation expense of £0.08 million on assets capitalised on application of the standard.

2.2 IFRS 9 Financial Instruments

In the current period the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the:

i. Classification and measurement of financial assets and financial liabilities
ii. Impairment for financial assets
iii. General hedge accounting

The date of initial application was 1 April 2018. The Group has elected not to restate comparatives, and to recognise the impact of the new accounting requirements in opening retained earnings on the date of adoption as set out below. Accordingly the comparatives presented do not reflect the accounting requirements of IFRS 9 but rather those of IAS 39. On application of IFRS 9 the Group has recognised an increase in retained earnings, and corresponding decrease in revaluation reserve, of £0.2 million representing gains recognised in other comprehensive income in respect of financial assets now classified as fair value through profit and loss. The impact on the income statement for the period is that an additional £0.04 million of gains have been included in finance income which would have previously been recognised in other comprehensive income.

2.2.1 Classification and measurement of financial assets

The basis of classification for financial assets under IFRS 9 has changed from those of IAS 39. Under IFRS 9 financial assets are classified as amortised cost, fair value through profit or loss, or fair value through other comprehensive income which replace the IAS 39 categories of available-for-sale, loans and receivables and held to maturity. The new classification and measurement for the Group's financial assets on 1 April 2018 are set out in the table below:

	Note	IAS 39 classification	Carrying value under IAS 39 as at 31 March 2018 £000	IFRS 9 classification	Carrying value under IFRS 9 as at 1 April 2018 £000
Listed model investment portfolios	a	Available-for-sale	2,127	Fair value through profit or loss	2,127
Government gilts	b	Available-for-sale	2,004	Amortised cost	1,997
Unlisted equity investments	c	Available-for-sale	1,688	Fair value through other comprehensive income	1,688
Listed equity investments	a	Fair value through profit or loss	100	Fair value through profit or loss	100

Notes

a) The Group holds listed investments with the objective to demonstrate that the Group's investment strategies are successful. Based on the nature of the business model under which financial assets are managed, these are classified as fair value through profit or loss based on judgements required by IFRS 9. These were previously held as available-for-sale financial assets to be recognised in other comprehensive income. The revaluation reserve attributable to assets newly classified as fair value through profit or loss and fair value through other comprehensive income has been transferred to retained earnings on application of IFRS 9.

b) Government gilts are classified as amortised cost as they are debt instruments the Group holds solely to receive contractual payments of principal and interest on the principal amount outstanding.

c) The Group's unlisted equity investments are those which the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, they were designated as measured at fair value through other comprehensive income on adoption of the standard. These were previously held as available-for-sale financial assets to be recognised in other comprehensive income. Fair value gains previously recognised on government gilts have been reversed.

2.2.2 Classification and measurement of financial liabilities

The classification and measurement of financial liabilities remains unchanged from IAS 39, therefore there has been no impact on the Group's financial liabilities on adoption of the new standard.

2.2.3 Imapairment for financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

As at 1 April 2018, the Directors of the Company reviewed and assessed the Group's existing assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised.

In respect of IFRS 9, whether each significant class of the Group's financial assets is classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income, the expected credit loss model has been applied. No additional impairments have been recognised on application of IFRS 9 as no material defaults are anticipated within the next 12 months.

2.2.4 Hedge accounting

IFRS 9 incorporates new hedge accounting requirements. The Group does not carry out, and does not currently intend to carry out, any material hedging activities which would be accounted for in accordance with IFRS 9.

2.3 Standards not yet mandatorily effective - IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 April 2019. IFRS 16 replaces IAS 17 Leases.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees and eliminates the classification of leases as either operating or finance leases. The Group has elected to take advantage of exemptions for short-term leases and leases of low-value items.

2.3.1 Leases in which the Group is a lessee

The Group will recognise right of use assets and associated lease liabilities in respect of the Group's various leasehold offices in the Group's statement of financial position. The nature of expenses related to those leases will now change because the Group will recognise a straight-line depreciation expense and a front-loaded interest expense on lease liabilities.

Previously, as required under IAS 17, the Group recognised operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there were timing differences between actual lease payments and the expense recognised.

Based on the information currently available, which is subject to change until the Group presents its first full financial statements that include the date of application, the Group estimates that it will recognise right of use assets of £11.8 million and lease liabilities of £14.2 million at 1 April 2019.

2.3.2 Transition to IFRS 16

The Group plans to adopt IFRS 16 using the modified retrospective approach, with right of use assets being recognised with a carrying amount as if the standard had been applied since the commencement date. Therefore the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening retained earnings at 1 April 2019, with no restatement of comparatives.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 April 2019 which were identified as leases in accordance with IAS 17 and IFRIC 4.

3. Use of judgements and estimates

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

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

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

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

3.1.1 Goodwill and intangible assets

For the purposes of impairment testing, the Company and the Group assess goodwill and client relationships based on the recoverable amount of individual units making up the relevant intangible asset, in accordance with the accounting policy set out in note 2 of the 2019 Annual report and accounts. The recoverable amount is calculated based on assumptions which are set out in more detail in note 7.

It was concluded that no impairments to the carrying value of goodwill or intangible assets are required.

3.1.2 Retirement benefit obligations

In consultation with an independent actuary, the Parent Company and the Group make 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 2019 resulted in a decrease in the actuarial deficit of £0.3 million which has been reflected in these Financial statements.

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

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

3.2 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 four operating divisions, representing the Core Business, 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	Investment Management Services £000	Asset Management £000	Financial Planning[2] £000	Charles Stanley Direct £000	Support Functions £000	Total £000
31 March 2019						
Investment management fees	81,234	4,327	1,529	-	-	87,090
Administration fees	17,131	2,115	5,774	6,290	-	31,310
Total fees	98,365	6,442	7,303	6,290	-	118,400
Commission	34,402	939	10	1,407	-	36,758
Total revenue	132,767	7,381	7,313	7,697	-	155,158
Administrative expenses	(76,888)	(5,005)	(8,305)	(3,319)	(52,250)	(145,767)
Other income	46	51	2	2	-	101
Operating contribution	55,925	2,427	(990)	4,380	(52,250)	9,492
Allocated costs	(43,468)	(2,855)	(2,545)	(3,382)	52,250	-
Operating profit/(loss)[1]	12,457	(428)	(3,535)	998	-	9,492
Segment assets	299,435	592	1,603	5,591	294	307,515
Segment liabilities	199,899	192	994	–	–	201,085

[1] The operating profit/(loss) per the above table is different to that presented in the divisional analysis within the Review of the year as the above table includes adjusting items which are excluded from the Core Business analysis within the Review of the Year.

4. Operating segments (continued)

Year ended	Investment Management Services £000	Asset Management £000	Financial Planning[2] £000	Charles Stanley Direct £000	Support Functions £000	Total £000
31 March 2018						
Investment management fees	77,218	4,395	1,302	-	-	82,915
Administration fees	13,274	1,643	5,530	4,332	-	24,779
Total fees	90,492	6,038	6,832	4,332	-	107,694
Commission	40,738	900	25	1,503	-	43,166
Total revenue	131,230	6,938	6,857	5,835	-	150,860
Administrative expenses	(73,538)	(4,404)	(7,277)	(3,407)	(53,520)	(142,146)
Other income	233	45	-	-	-	278
Operating contribution	57,925	2,579	(420)	2,428	(53,520)	8,992
Allocated costs	(46,051)	(2,412)	(2,193)	(2,864)	53,520	-
Operating profit/(loss)[1]	11,874	167	(2,613)	(436)	-	8,992
Segment assets	269,316	487	5,123	6,355	294	281,575
Segment liabilities	180,769	262	2,623	135	–	183,789

[1]The operating profit/(loss) per the above table is different to that presented in the divisional analysis within the Review of the year as the above table includes adjusting items which are excluded from the Core Business analysis within the Review of the Year.

[2]The revenues, costs, assets and liabilities of EBS Management PLC are included within the Financial Planning division results. As at 31 March 2017, its assets and liabilities were classified as held for sale on the consolidated balance sheet. The disposal of EBS Management PLC was completed on 31 May 2017.

5. 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.

	2019 pence per share	2018 pence per share
Basic earnings per share		
Basic earnings per share	17.74	17.23
Diluted earnings per share	17.41	16.93

The Directors believe that a truer reflection of the performance of the Group's underlying business is given by the measure of Core Business earnings per share, which 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.

	2019 £000	2018 £000
Earnings		
Earnings used in the calculation of basic earnings per share	9,004	8,732

	2019 £000	2018 £000
Number of shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	50,745	50,682
Effect of potentially dilutive share options	985	881
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	51,730	51,563

6. Income taxes

Tax recognised in the income statement

	2019 £000	2018 £000
Current taxation		
Current year expense	2,592	2,703
Adjustment in respect of prior years	(335)	501
	2,257	3,204
Deferred taxation		
Credit for the year	(193)	(336)
Adjustment in respect of prior years	(38)	(153)
	(231)	(489)
Total tax expense	2,026	2,715

In addition to amounts charged to the consolidated income statement, a deferred tax charge of £0.2 million (2018: £0.4 million credit) relating to the revaluation of financial assets has been recognised directly to equity. A further credit of £nil million (2018: £0.02 million) in relation to deferred tax on revaluation of freehold property has been recognised directly to equity. A current tax charge of £0.02 (2018: £nil million) and deferred tax credit of £0.07 million (2018: £0.7 million charge) in respect of the defined benefit scheme have also been charged directly to equity.

Legislation to reduce the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted in September 2016. Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind.

7. Intangible assets

Cost	Goodwill £000	Customer relationships £000	Internally generated software £000	Total £000
At 1 April 2017	20,213	23,425	7,145	50,783
Additions	–	350	326	676
At 31 March 2018	20,213	23,775	7,471	51,459
Adjustment on application of IFRS 15	–	786	–	786
Additions	–	376	–	376
At 31 March 2019	20,213	24,937	7,471	52,621
Amortisation				
At 1 April 2017	6,161	18,689	4,713	29,563
Charge for the year	–	1,083	1,520	2,603
At 31 March 2018	6,161	19,772	6,233	32,166
Adjustment on application of IFRS 15	–	89	–	89
Charge for the year	–	1,097	930	2,027
At 31 March 2019	6,161	20,958	7,163	34,282
Net book value				
At 31 March 2019	14,052	3,979	308	18,339
At 31 March 2018	14,052	4,003	1,238	19,293

None of the intangible assets have been pledged as security.

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

Goodwill	2019 £000	2018 £000
Investment Management Services	8,805	8,805
Charles Stanley Direct	5,247	5,247
	14,052	14,052

7.1 Goodwill

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

Fair value less costs to sell is calculated largely based on a percentage of FuMA (between 1.23% and 3.26%). Where this approach is not appropriate a turnover multiple is used. The rates used in the fair value less costs to sell calculations are those implied by recent transactions in the market or, where appropriate, based on publicly available information for similar quoted businesses. 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.

[1]Cash Generating Unit

7. Intangible assets (continued)

7.1 Goodwill (continued)

At 31 March 2019, fair value less costs to sell was higher than carrying value for each CGU when applying the percentage at the lower end of the range to FuMA. Accordingly, a value in use calculation has not been prepared. Hence, no impairment charge (2018: £nil) has been recognised in the consolidated income statement.

7.1.1 Investment Management Services

The goodwill attributed to the Investment Management Services division of £8.8 million is represented by six underlying CGUs comprising acquired investment management teams in different locations across the UK. The largest CGUs are Edinburgh and Birmingham which represent 49% and 26% of the total goodwill held by the division respectively. The recoverable amount of goodwill related to Investment Management Services was assessed using fair value less costs to sell for the year ended 31 March 2019. The fair value was determined based on a percentage of FuMA. The recoverable amount was determined to be higher than the carrying amount of the CGU and therefore the goodwill carrying value is adequately supported.

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

7.1.2 Charles Stanley Direct

The recoverable amount of goodwill relating to Charles Stanley Direct was assessed using fair value less costs to sell for the year ended 31 March 2019. Fair value less costs to sell was determined based on a percentage of AuA in recent market transactions. The range obseverved was 2.67% to 4.19%. The recoverable amount was determined to be higher than the carrying amount of the CGU and therefore the goodwill carrying value is adequately supported.

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

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

7.2 Customer relationships

Customer relationships relate to payments made to investment managers and third parties for the introduction of customer relationships. The fair value was determined based on a percentage of FuMA of those who have received payments. The recoverable amount was determined to be higher than the carrying amount of each relationship and therefore the carrying value is adequately supported.

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

7.3 Internally generated software

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

8. Dividends

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

	2019 £000	2018 £000
Final dividend paid for 2018: 5.5p per share (2017: 4.5p)	2,791	2,281
Interim dividend paid for 2019: 2.75p per share (2018: 2.5p)	1,396	1,265
	4,187	3,546

A final dividend of 6.0 pence per share has been proposed by the Directors subject to shareholders' approval at the Annual General Meeting. Once approved, this will be paid on 17 July 2019 to shareholders on the Company's register at close of business on 14 June 2019.

9. Reconciliation of net profit to cash generated from operations

	2019 £000	2018 £000
Profit before tax	11,030	11,447
Adjustments for:		
Depreciation	1,630	2,256
Amortisation of intangible assets	2,027	2,603
Impairment of freehold property	-	995
Share-based payments – charge for employee services	3,128	2,026
Retirement benefit scheme	(160)	(205)
Dividend income	(101)	(278)
Interest income	(608)	(297)
Interest expense	76	18
Profit on disposal of financial assets	(55)	(2,471)
Gain/(loss) on disposal of property, plant and equipment	(293)	45
Gain on disposal of business	-	(707)
Changes in working capital:		
Unrealised gains on financial assets at fair value through profit or loss	39	(27)
Increase in receivables	(12,451)	(33,470)
Decrease in payables	17,182	33,550
Net cash inflow from operations	21,444	15,485

10. Subsequent events
There were no material adjusting events prior to the date of signing this report.

Subsequent to the reporting date, the Group has restructured its management team which has resulted in one-off costs which will be included in the income statement for the year ended 31 March 2020.

11. 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.