WALKERCRIPS
GROUP PLC

News Release

Walker Crips Group plc

In a year dominated by unexpected political events and the resilience of UK markets, our core business has performed steadily. Revenue and Discretionary and Advisory Assets under Management showed encouraging increases.

Walker Crips Group plc ("Walker Crips", the "Company" or the "Group"), the financial services group with activities covering stockbroking, investment and wealth management services, announces audited results for the year ended 31 March 2018.

Highlights

- Group Assets Under Management and Administration (AUMA) of £5.0bn (2017:£5.2bn)
- Discretionary and advisory assets under management increased by 3.1 % to a high of £3.3bn (2017: £3.2bn)
- Group annual revenues increased by 4.4 % to £30.5m (2017: £29.2m)
- Underlying operating profit, before tax and exceptional items £906,000 (2017: £1,102,000 (restated))
- Reported profit before tax increased to £924,000 (2017: £764,000 (restated))

Strategic highlights

- Turnover increased for third year in succession
- Non-broking income as a percentage of total income has increased to 64.1 % (2017: 61.8 % (restated))
- Proposed final dividend maintained at 1.29 pence per share (2017: 1.29 pence per share), bringing total dividends for the year to 1.87 pence per share (2017: 1.87 pence per share)

David Gelber, Chairman, Walker Crips, says:

"Our core business has performed steadily in 2017/18, with improvements in our key performance indicators a heartening signal that the cornerstones of the business continue to provide the financial stability we have enjoyed for decades. In the year to 31 March 2018 we reported increased revenues of £30.5m (2017: £29.2m) and at the period end, Total Assets under Management and Administration, a key metric of performance, was £5.0bn (2017: £5.2bn), above our target level of £5bn, with discretionary and advisory assets under management increasing to £3.3bn (2017: £3.2bn). Overall our operating profit before tax and exceptional items was £906,000, being 17.8 % down on £1,102,000 (restated) in 2017.

"The proportion of non-broking revenue to total income improved to 64.1 % as we continue to make the business less reliant on unpredictable transaction-based income.

"We are establishing innovative high margin alternative investment products and planning accelerated use of technology to drive the business forward with significant growth in the Group's products and services. The next phase of development is embodied in a three-pronged approach to grow our core business, expand our alternative offering and commercialise our technology.

"We are confident that implementation of this strategy will provide the springboard for the more consistently higher levels of profitability that we seek."

Sean Lam, Chief Executive Officer, Walker Crips, says:

"While dealing with the new regulations, we invested heavily in staff, systems and a meaningful amount of management and investment manager and adviser time towards ensuring the business was compliant with these new regulatory requirements. Now that these have been embedded into the business, we are focusing on managing our administrative cost base, continuing to build funds under management and maintaining revenue growth to improve our profit margin to drive our three-pronged strategy."

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Further information on Walker Crips Group is available on the Company's website at www.wcgplc.co.uk

Chairman's Statement

Our core business has performed steadily in 2017/18, with improvements in our key performance indicators a heartening signal that the cornerstones of the business continue to provide the financial stability we have enjoyed for decades.

Overview of 2017/2018

In a year dominated by unexpected political events and by resilience from UK markets, our core business has performed solidly. Revenue and Discretionary and Advisory Assets under Management showed encouraging increases.

The Group has faced two tough years in terms of the overhaul of our regulatory and compliance systems, as I described last year, and the considerable challenges of upgrading our systems to be compliant with the increased regulatory requirements of MiFID II[1], PRIIPs[2], GDPR[3] and SMCR[4]. In addition, the year also saw the relocation of our operations both in London and in York to new premises. We are very pleased to have completed these important but extremely time and labour consuming exercises and to be able to once again focus first and foremost on the development of our business.

The proportion of non-broking revenue to total income also improved to 64.1 % as we continue to make the business less reliant on unpredictable transaction-based income. The Group's profit before tax has increased, although inflation and pressure on our cost base has resulted in a reduced adjusted operating profit when exceptional items are stripped out.

In the year to 31 March 2018 we reported increased revenues of £30.5m (2017: £29.2m[5]) and at the period end, Total Assets under Management and Administration, a key metric of performance, was £5.0bn (2017: £5.2), above our target level of £5bn, with discretionary and advisory assets under management increasing to £3.3bn (2017: £3.2bn).

Net Revenue in the year has been stable at £20.5m (2017: £20.4m (restated)). In the first six months, we witnessed results buoyed by improved market conditions. However, reduced trade volumes in the second half led to lower than expected revenue from commission income as uncertainty over Brexit terms, and a potential trade war, continued to dampen investor confidence. The reduced commission was mitigated by an increase in managed funds interest margins due to the November 2017 rise in UK Base Rates.

Inclusive of exceptional costs, total administrative expenses in the year were largely flat at £19.6m compared to £19.7m in 2017. However, underlying expenses before exceptional items increased by 1.6 % to £19.6m compared to £19.3m in 2017, reflecting inflationary pressures.

Overall our operating profit before tax and exceptional items was £906,000, being 17.8 % down on £1,102,000[6] in 2017. Exceptional costs this year are largely offset by exceptional income and therefore the reported profit before tax has increased by 20.9 % to £924,000 compared to £764,000[7] in the prior year. As noted in the table below and fully explained in Note 8, the 2017 prior year comparatives have been restated following review of the treatment of certain income and expense items. The impact of this was to reduce previously reported 2017 profit before tax by £40,000.

[1] Markets in Financial Instruments Directive
[2] Packaged retail investment and insurance based products
[3] General Data Protection Regulation
[4] Senior Managers and Certification Regime
[5] The 2017 net revenue has been restated as explained in note 8
[6] The 2017 pre exceptional profit has been restated as explained in note 8
[7] The 2017 profit before tax has been restated as explained in note 8

Reconciliation of operating profit to operating profit before exceptional items

	2018 £000	Restated 2017 £000
Operating profit	**890,000**	742,000[1]
Exceptional items	**16,000**	360,000
Adjusted operating profit	**906,000**	1,102,000

[1] The 2017 operating profit has been restated from £782,000 reported last year to £742,000 as explained in Note 8.

Strategy

The delivery of high quality personal investment advice and strong investment management capability remains at the core of our business. We continue to look for opportunities to attract talented investment managers, either individually or as teams, who share our culture and commitment to client service. However, organic growth, through the expansion of new and improved product offerings, is a priority. We are constantly looking for ways to maintain and enhance the service we provide to clients, delivering a premium personal service. At the same time, we are redoubling our efforts to standardise, where it is appropriate to do so, to use technology to reduce costs and generally to work more efficiently.

In tandem, we are establishing innovative high margin alternative investment products and planning accelerated use of technology to drive the business forward with significant growth in the Group's products and services. The next phase of development is embodied in a three-pronged approach to expand our alternative offering, described more fully in the CEO's Statement. We are confident that implementation of this strategy will provide the springboard for the more consistently higher levels of profitability that we seek. As we move to this phase, the improvements in our key performance indicators is a heartening signal that the cornerstones of the business continue to provide the financial stability we have enjoyed for decades.

Dividend

Acknowledging this reduction in the rate of growth during the year, and also recognising the need for business investment, the Board is recommending the maintenance of the prior year level of final dividend of 1.29 pence per share (2017: 1.29 pence per share). Combined with the interim dividend of 0.58 pence per share (2017: 0.58 pence per share), the total dividend for the year is 1.87 pence per share (2017: 1.87 pence per share). The final dividend will be paid on 14 September 2018 to shareholders on the register at the close of business on 31 August 2018.

Culture, Governance and the Board

By setting the right example at the top, the Board has prioritised the communication of good conduct and the appropriate culture across all who represent the Company.

We expect all personnel to exemplify good culture and behaviour to achieve good outcomes for clients and market contacts. Those aspects which need to be cascaded down throughout the organisation are identified by implementing a formal process of measuring and reporting against suitable metrics. The Executive Directors and senior management, through daily contact with employees and associates alike, endeavour to demonstrate strong leadership and to be inspiring role models while providing effective supervision.

Directors, Account Executives and Staff

The recent fit-out of our new offices in the City of London and in York came in under budget and provides staff and associate advisers with a modern working environment and space for expansion.

I would like to thank all my fellow Directors, Investment Managers and Advisers, and members of our operations team for their hard work and diligence in assisting in this process.

The Board and in particular the Executive Directors have undergone another year of structural change in the governance and oversight of the business. Rodney Fitzgerald, who has been Chief Executive Officer (CEO) and Group Finance Director for the last ten years, playing a pivotal role in the transformation of the Group from private client stockbrokers into an integrated investment and wealth management house, stepped back from his position as CEO and retained the role of Group Finance Director as part of a phased retirement.

Sean Lam succeeded Rodney as CEO with his previous ten years of dual responsibility over Group operations and technology making him the ideal person to lead Walker Crips into the future.

Mark Rushton, Chief Investment Officer, assumed responsibility of the investment management and stockbroking subsidiary, Walker Crips Stockbrokers Limited, as CEO. Mark has been instrumental in our recent growth, attracting a series of new teams of advisers to the Group since joining in 2012, which has changed the quality of our revenue streams and enhanced the processes and culture throughout the organisation.

We are sorry to report that our Group Compliance Director, Guy Jackson, has decided to move on after making a highly effective contribution to the compliance department. After joining in May 2016, he restructured his team and brought in new resources in a short space of time to leave the Group with a much healthier framework to tackle the increasingly complex burden of regulation.

After four years of expansion, including the corporate acquisition of Barker Poland Asset Management LLP in 2015, we are currently concentrating on successfully delivering the many continuing initiatives to drive growth and satisfy increasing regulatory obligations. The Board is acutely aware of the demands our system upgrade has placed on our personnel, particularly the financial, compliance and operational teams in Romford, where we maintain investment and increased resources to mitigate the risks associated with change.

The loyal members of our York operations are now rejuvenated under a new leadership team, proud of their new offices and already embarking on new initiatives for growth.

Outlook

After a period of considerable challenges across the Investment and Wealth Management industry and many regulatory developments and accomplishments, we are now set for long-term growth, whilst having maintained our sound financial footing. As the industry continues to change and investors absorb global issues in the form of Brexit, varying economic activity, threatened and actual trade tariffs and pockets of geo-political instability, there remains a lingering uncertainty over markets. We believe we are well positioned to provide the flexibility and the advice that clients need at such times; and to manage their assets in line with their specific requirements, in the context of improving technology, further regulation, differing peer business models and shifting demographics. We approach the future with firm self-belief as we look cautiously to the growth of our business over the medium term, driven by our renewed strategy to create increased shareholder value as we deliver good customer outcomes.

D. M. Gelber
Chairman
31 July 2018

CEO’s Statement

If I were to use one word to describe the past year, it would be “uncertainty”. Uncertainty has pervaded the economy, politics and our society. In our industry, uncertainty can be toxic. We could hunker down and wait it out, and hope for better times, or we could be on the front foot and adapt and reshape our business for the future. More about this below.

The last two years have been challenging, especially in the face of changing regulations. Dealing with regulatory changes is par for the course in our industry, but it was the deluge of regulations and the enormity of the regulations, within such a short period of time, that was exacting. Whilst MiFID II[1], PRIIPs[2] and GDPR[3] may be behind us, there is still much follow up work to be done for them and SM&CR[4] comes into force on 9 December 2019. I am pleased to say that we have successfully navigated these new regulations.

In the midst of all these changes, substantial resources were devoted to acquiring new leases for our Group head office in London and our office in York which were both expiring.

While dealing with the new regulations, we invested heavily in staffing, in systems and in management time toward compliance with these. Now that they are embedded into the business, we are focussing on managing our administrative cost base, continuing building funds under management, revenue growth and innovation to improve our profitability.

Three-pronged strategy
We have re-aligned our business growth strategy into a three-pronged approach:

1. Core Investment Management Business
This is our largest revenue generating division, providing clients with investment, wealth, pensions, collectives advice and the creation of structured investments and structured deposits for clients, IFAs and counterparties

We will continue to:

- invest in our core business, building innovative systems that will support our Investment Managers and Advisers in providing high quality personal investment advice
- make this division more robust and more efficient, increasing revenues and managing costs thereby improving margins
- seek more good quality investment and wealth managers, either individually or as teams

2. Alternative Investments
This subset of our core investment management division is where we create innovative and higher margin new business lines.

Our objective is to repurpose the systems and technology that we have, to support new business initiatives without incurring significant capital or staffing expenditure.

[1] *Markets in Financial Instruments Directive*
[2] *Packaged retail investment and insurance based products*
[3] *General Data Protection Regulation*
[4] *Senior Managers and Certification Regime*

3. Software as a Service (SaaS)

This is our new driver. Our systems development core competency means we create and own much of our technology, allowing us to build and integrate many of our systems into one central platform.

We will be translating some of these systems into the cloud and from there, commercialising and providing them to industry participants who are looking to systematise core processes such as suitability management and monitoring.

We plan to offer these services on an OpEx basis, e.g. per user per month, removing cost barriers to entry.

Driving forwards

We are now in an era of dramatic warp-speed technological change, of digital disruption. Over the next few years, we will witness the coming of age of artificial intelligence, machine learning, robo-advice and other cognitive technologies. We will also witness the prevalence of blockchain technology disrupting the business of intermediaries, e.g. banks, brokers and financial advisers. How we respond as a business will be crucial.

We have always provided high-touch service to our clients, but in recent years we have moved toward both high-tech and high-touch, with technology supporting our ability to provide services to our clients and to enable us to build and maintain trust with them. Our vision is to cement Walker Crips as a technology-driven financial services firm.

At our core, our desire is to serve our clients, to deliver good customer outcomes and to make investment rewarding for them, our shareholders and our staff. We have served clients for 104 years, and attribute our longevity to the dedication and commitment of our Investment Managers, Wealth and Pensions Advisors and our staff. But we cannot continue operating like in years past, we must Create > Innovate > Rejuvenate > Eliminate > Repeat.

I am grateful to be working with such good and committed people, and thank them all for their service and fortitude. I look forward to their continued contribution as we innovate in the interests of our clients and prosper together.

Sean Lam
Chief Executive Officer
31 July 2018

Consolidated income statement

year ended 31 March 2018

	Notes	2018 £'000	Restated 2017 £'000
Revenue	3	**30,456**	29,244[1]
Commission payable		**(10,001)**	(8,824)[1]
Share of after tax profits of joint ventures		**7**	12
Administrative expenses – other		**(19,556)**	(19,330)[1]
Administrative expenses – exceptional items	5	**(16)**	(360)
Total administrative expenses		**(19,572)**	(19,690)[1]
Operating profit		**890**	742[1]
Analysed as:			
Profit before tax and exceptional items		**906**	1,102[1]
Administrative expenses – exceptional items	5	**(16)**	(360)
Operating profit		**890**	742[1]
Investment revenues		**41**	24
Finance costs		**(7)**	(2)
Profit before tax		**924**	764[1]
Taxation		**(179)**	(189)[1]
Profit for the year attributable to equity holders of the Company		**745**	575[1]
Earnings per share			
Basic	6	**1.77**	1.48[1]
Diluted	6	**1.75**	1.44[1]

[1] Amounts have been restated and are explained further in Note 8.

Consolidated statement of comprehensive income

year ended 31 March 2018

	2018 £'000	Restated 2017 £'000
Profit for the year	**745**	575[1]
Total comprehensive income for the year attributable to equity holders of the Company	**745**	575[1]

[1] Amounts have been restated and are explained further in Note 8.

Consolidated statement of financial position

year ended 31 March 2018

	Group 2018 £'000	Restated Group 2017 £'000	Restated Group 2016 £'000
Non-current assets			
Goodwill	**4,388**	4,388	4,388
Other intangible assets	**7,827**	8,294	7,992
Property, plant and equipment	**2,706**	836	841
Interest in joint ventures	**47**	40	28
Available-for-sale investments	**203**	68	57
	15,171	13,626	13,306
Current assets			
Trade and other receivables	**37,427**	52,643[1]	39,234[1]
Financial assets held for trading	**1,851**	1,086	1,237
Cash and cash equivalents	**8,367**	7,729	7,257
	47,645	61,458[1]	47,728[1]
Total assets	**62,816**	75,084[1]	61,034[1]
Current liabilities			
Trade and other payables	**(39,028)**	(51,869)[1]	(36,970)[1]
Current tax liabilities	–	(287)[1]	(123)[1]
Deferred tax liabilities	**(341)**	(308)	(512)
Bank overdrafts	–	(35)	(77)
Shares to be issued – deferred consideration	**(171)**	(366)	(912)
	(39,540)	(52,865)[1]	(38,594)[1]
Net current assets	**8,105**	8,593[1]	9,134[1]
Long-term liabilities			
Deferred cash consideration	**(197)**	(372)	(1,556)
Shares to be issued	–	–	(218)
Dilapidation provision	**(543)**	–	(132)
Landlord Contribution to leasehold improvements	**(523)**	–	–
	(1,263)	(372)	(1,906)
Net assets	**22,013**	21,847[1]	20,534[1]
Equity			
Share capital	**2,861**	2,826	2,595
Share premium account	**3,674**	3,502	2,279
Own shares	**(312)**	(312)	(312)
Retained earnings	**11,122**	11,163[1]	11,304[1]
Other reserves	**4,668**	4,668	4,668
Equity attributable to equity holders of the Company	**22,013**	21,847[1]	20,534[1]

[1] Amounts have been restated and are explained further in Note 8.

Consolidated statement of cash flows

year ended 31 March 2018

	2018 £'000	2017 £'000
Operating activities		
Cash generated by operations	**5,656**	2,891
Tax paid	**(500)**	(229)
Net cash generated by operating activities	**5,156**	2,662
Investing activities		
Purchase of property, plant and equipment	**(1,642)**	(499)
(Purchase)/sale of investments held for trading	**(710)**	143
Cost of available-for-sale investments	**(135)**	—
Consideration paid on acquisition of client lists	**(644)**	(498)
Deferred consideration paid on acquisition of subsidiary	**(600)**	(600)
Dividends received	**8**	4
Interest received	**33**	20
Net cash (used) by investing activities	**(3,690)**	(1,430)
Financing activities		
Dividends paid	**(786)**	(716)
Interest paid	**(7)**	(2)
Net cash used by financing activities	**(793)**	(718)
Net increase in cash and cash equivalents	**673**	514
Net cash and cash equivalents at beginning of year	**7,694**	7,180
Net cash and cash equivalents at end of year	**8,367**	7,694
Cash and cash equivalents	**8,367**	7,729
Bank overdrafts	**-**	(35)
	8,367	7,694

Consolidated statement of changes in equity

year ended 31 March 2018

	Called up share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption £'000	Other £'000	Restated Retained earnings £'000	Restated Total equity £'000
Restated[1] equity as at 31 March 2016	2,595	2,279	(312)	111	4,557	11,304	20,534
Restated[1]Total comprehensive income for the year	—	—	—	—	—	575	575
Contributions by and distributions to owners							
Dividends paid	—	—	—	—	—	(716)	(716)
Issue of shares on acquisition of intangibles and as deferred consideration	231	1,223	—	—	—	—	1,454
Total contributions by and distributions to owners	231	1,223	—	—	—	(716)	738
Restated[1] equity as at 31 March 2017	2,826	3,502	(312)	111	4,557	11,163	21,847
Total comprehensive income for the year	—	—	—	—	—	745	745
Contributions by and distributions to owners							
Dividends paid	—	—	—	—	—	(786)	(786)
Issue of shares on acquisition of intangibles and as deferred consideration	35	172	—	—	—	—	207
Total contributions by and distributions to owners	35	172	—	—	—	(786)	(579)
Equity as at 31 March 2018	**2,861**	**3,674**	**(312)**	**111**	**4,557**	**11,122**	**22,013**

[1] Equity as at 31 March 2017 and 31 March 2016 and Total comprehensive income for the year ended 31 March 2017 have been restated and are explained further in Note 8.

Notes to the Accounts

year ended 31 March 2018

1. Basis of preparation of financial statements

The financial information set out in these financial statements does not constitute the Group's statutory accounts for the years ended 31 March 2018 and 2017. The statutory accounts for 31 March 2018 to which these non-statutory accounts relate have not been delivered to the registrar of companies.

The auditor's report has been signed and was unqualified.

This preliminary announcement is based on the Group financial statements which are prepared in accordance with IFRS.

Standards and interpretations affecting the reported results or the financial position

In the current year, no standards or interpretations, new or revised, have been adopted that have had a significant impact on the amounts reported in these financial statements.

Future new standards and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2017 and therefore have not been applied in preparing these consolidated financial statements. The effects of IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases' on the consolidated financial statements are discussed below. The effective dates of IFRS 9, IFRS 15 and IFRS 16 are not until 2018, 2018 and 2019 respectively; the Group has decided not to implement these standards early.

IFRS 9 'Financial Instruments'

IFRS 9 is effective for periods commencing on or after 1 January 2018. The standard was endorsed by the EU during 2016. The Group has not adopted this standard early and will be first applicable to the Group's accounting period ending 31 March 2019.

IFRS 9 changes the classification and measurement of financial assets, new hedge accounting requirements, enhanced disclosures in the financial statements and the timing and extent of credit provisioning. The Group does not use hedge accounting and this element of the new standard is not applicable.

The Group has conducted a preliminary assessment of the potential impact of the new standard; it is not currently expected, based on the profile of its financial instruments as at the balance sheet date, to have a material financial impact on these consolidated financial statements.

Classification of financial assets

The basis classification for financial assets under IFRS 9 is different from that under IAS 39. Financial assets will be classified into one of three categories: amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The held-to-maturity loans and receivables and available-for-sale categories available under IAS 39 have been removed. The classification criteria for allocating financial assets between categories under IFRS 9 requires the Group to document the business models under which its assets are managed, distinguishing whether they are; held-to-collect, both held-to-collect and for sale or another type of business model (e.g. trading). The Group is also required to review contractual terms and

conditions to determine whether the cash flows arising on these assets are solely payments of principal and interest.

The Group has not identified any material differences from the classification of financial assets under the new standard. Financial assets held for trading will continue to be held at fair value with movements through the income statement (FVTPL). Available for sale investments includes a junior debt instrument of £150,000 which will be reclassified as held-to-collect under the new standard with amortised cost applied. Other financial assets such as Debtors have short lives and no material financing component and will continue to be recorded at transaction price. Cash and cash equivalents will continue to be measured at amortised cost.'

Impairment of financial assets

Under IFRS 9, an expected credit loss (ECL) model replaces the incurred loss model, meaning there no longer needs to be a triggering event in order to recognise impairment losses. A credit loss provision is required for any loss that is expected to arise whereas previously it was recorded when they were incurred.

The Group's trade receivables are generally short term and do not contain significant financing components. Therefore, the Group expects to apply a practical expedient by using a tabulated provision to calculate future expected losses over the remaining life of each financial asset.

Classification of financial liabilities

The basis of classification for financial liabilities under IFRS 9 remains unchanged from that under IAS 39. The two categories are amortised cost or FVTPL (either designated as such, or held for trading).

The Group does not currently designate any liabilities as fair value through profit or loss and does not anticipate doing so. Therefore, under IFRS 9, the Group expects to classify all financial liabilities initially as amortised cost, with no material impact on measurement.

Transition

In adopting IFRS 9, the Group intends to take advantage of the exemption from having to restate comparative information, instead recognising any differences between previous and new carrying amounts in opening equity and reserves.

Estimated impact of adoption of IFRS 9

The Group has assessed the estimated impact that the initial application of IFRS 9 will have on its consolidated financial statements as at 31 March 2018. From the work completed to date the Group estimates that adoption of IFRS 9 will not result in any material adjustments to opening equity or the carrying amount of financial assets, including cash and cash equivalents, and liabilities recognised on the statement of financial position. Additional expected credit loss provisions recognised under IFRS 9 are expected to be immaterial reflecting the high level of security held against trade debtors, the spread of risk across several counterparties and the historically negligible level of impairment incurred by the Group.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 is effective for periods commencing on or after 1 January 2018 and replaces existing revenue recognition guidance in particular under IAS 18. The standard was endorsed by the EU during 2016. The Group has not adopted this standard early.

IFRS 15 changes how and when revenue is recognised from contracts with customers and the treatment of the costs of obtaining a contract with a customer. The standard requires that the recognition of revenue is linked to the fulfilment of performance obligations that are enshrined in

the contract with the customer. It also requires that the incremental cost of obtaining a customer contract should be capitalised if that cost is expected to be recovered.

The Group has considered the impact of adopting the standard on its existing revenue streams, as well as on its policy of capitalising the cost of obtaining customer contracts.

Stockbroking commission and fees relating to portfolio management, financial planning and pension management

Included within Revenue are initial fees charged by some our Group companies in relation to certain business activities. Under IFRS 15, the Group is required to make an assessment as to whether the work performed to earn such fees constitutes the transfer of service and therefore fulfills any performance obligations. If so then these fees can be recognised when the relevant performance obligation has been satisfied, if not then the fees can only be recognised in the period the services are provided. Included within commission and fee income are initial fees, charged by a number of Group companies in relation to certain business activities. Under IFRS 15 the Group is required to make an assessment as to whether the work performed to earn such fees constitutes the transfer of services and therefore fulfills any performance obligations. If so then these fees can be recognised when the relevant performance obligation has been satisfied; if not then the fees can only be recognised in the period the service are provided. We have not identified any instances where the recognition of revenue will change materially from the current treatment in the consolidated financial statements.

Contract costs/Client relationship intangibles

Under the Group's current policy of capitalising contract costs, incremental payments that are made to newly recruited investment managers to secure investment management contracts are capitalised as client relationship intangibles if they are separable, reliably measured and expected to be recovered. The period during which such payments are capitalised and amortised is typically between 10 to 20 years.

The Group has assessed its current policy and has concluded that IFRS 15 reinforces the existing treatment of such incremental costs. Therefore, the Group does not believe the adoption of IFRS 15 will materially change the way it accounts for client relationship intangibles.

Transition

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending March 2019 using the modified retrospective approach with the effect of initially applying the standard recognised at the date of initial application, with no restatement of prior period comparatives.

Estimated impact of adoption of IFRS 15

The Group has assessed the estimated impact that the initial application of IFRS 15 will have on its consolidated financial statements. Based on this review there will be no material impact on the existing Group's revenue recognition policies. The Group has no contracts where costs are not capitalised in relation to payments made to investment managers for introducing client relationships to the Group and therefore in this respect IFRS 15 also has no material impact.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers to direct

relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is obtained and no longer consolidated from the date that control ceases; their results are in the consolidated financial statements up to the date that control ceases.

Entities where the interest is 49 % or less are assessed for potential treatment as a group company against the control tests outlined in IFRS 10, being power over the investee, exposure or rights to variable returns and power over the investee to affect the amount of investor's returns.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed in future periods.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Client lists

Client lists are recognised when it is probable that future economic benefits will flow to the Group and the cost of the asset can be measured reliably whilst the risk and rewards have also transferred into the Group's ownership.

Intangible assets classified as client lists are recognised when acquired as part of a business combination or when separate payments are made to acquire funds by adding teams of investment managers.

The cost of acquired client lists and businesses generating revenue from clients and investment managers are capitalised. These costs are amortised on a straight-line basis over their expected useful lives of 3 to 20 years. The amortisation period and amortisation method for intangible assets are reviewed at least each financial year end.

Amortisation of intangible fixed assets is included within Administrative expenses – other in the consolidated income statement.

At each statement of financial position date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Revenue recognition

Revenue is measured at the fair value of the consideration or receivable and represents gross commissions, interest receivable and fees in the course of ordinary investment business, net of discounts, VAT and sales related taxes.

Commission on stockbroking

Gross commissions on stockbroking activities are recognised on those transactions whose bargain date falls within the financial year.

Investment management and financial planning income

Fees earned from managing various types of client portfolios, in the Investment Management division, are accrued evenly over the period to which they relate. Fees in respect of financial services activities in the Wealth Management division are accrued evenly over the period to which they relate.

Property, plant and equipment

Fixtures and equipment are stated at historical cost less accumulated depreciation and provision for any impairment. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives using the straight-line method on the following bases:

Computer hardware	$33^{1/3}$% p.a. on cost
Computer software	Between 20% and $33^{1/3}$% p.a. on cost
Leasehold improvements	Over the term of the lease
Furniture and equipment	$33^{1/3}$% p.a. on cost

The gain or loss on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income. The gain or loss on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in income. The residual values and estimated useful life of items within property, plant and equipment are reviewed at least at each financial year end. Any shortfalls in carrying value are impaired immediately through profit or loss.

2. Going concern

The Group continues to maintain a robust financial position. Having conducted detailed cash flow and working capital projections and appropriate stress-testing on liquidity, profitability and regulatory capital, taking account of possible adverse changes in trading performance, the Board is satisfied the Group is well placed to manage its business risks adequately; and that it will be able to operate within the level of its current financing arrangements and regulatory capital limits imposed by our regulator, the Financial Conduct Authority (FCA). Accordingly, the Board continues to adopt the going concern basis for the preparation of the financial statements.

3. Revenue

An analysis of the Group's revenue is as follows:

	2018 Broking income £000	**2018 Non-broking income £000**	**2018 Total £000**	Restated 2017 Broking income £000	Restated 2017 Non-broking income £000	Restated 2017 Total £000
Stockbroking commission	**10,953**	**–**	**10,953**	11,194	–	11,194
Fees and other revenue[12]	**–**	**17,186**	**17,186**	–	15,824	15,824
Investment Management Division[2]	**10,953**	**17,186**	**28,139**	11,194	15,824	27,018
Wealth Management, Financial Planning & Pensions	**–**	**2,317**	**2,317**	–	2,226	2,226
Revenue[2]	**10,953**	**19,503**	**30,456**	11,194	18,050	29,244
Net investment revenue	**–**	**34**	**34**	–	22	22
Total income[2]	**10,953**	**19,537**	**30,490**	11,194	18,072	29,266
% of total income[2]	**35.9**	**64.1**	**100.0**	38.2	61.8	100.0

[1] Includes Investment Management, Structured Investments, Alternative Investments.
[2] Amounts have been restated and are explained further in Note 8.

4. Segmental analysis

For segmental reporting purposes, the Group currently has two operating segments, Investment Management, being portfolio-based transaction execution and investment advice, and Wealth Management, being financial planning and pension advice. Unallocated corporate expenses, assets and liabilities are not considered to be allocable accurately, or fairly, under any known basis of allocation and are therefore disclosed separately.

The Investment Management division activities focus predominantly on investment management of various types of portfolios and asset classes.

The Wealth Management division provides advisory and administrative services to clients in relation to their financial planning, life insurance, inheritance tax and pension arrangements. These divisions, both of which conduct business in the UK only, are the basis on which the Group reports its primary segment information.

2018	Investment Manageme nt £000	Wealth Management £000	Consolidated year ended 31 March 2018 £000
Revenue			
External sales	28,139	2,317	30,456
Result			
Segment result	2,097	199	2,296
Unallocated corporate expenses			(1,406)
Operating profit			890
Gain on disposal of available-for-sale-investments			-
Investment revenues			41
Finance costs			(7)
Profit before tax			924
Tax			(179)
Profit after tax			745

2018	Investment Management £000	Wealth Management £000	Consolidated year ended 31 March 2018 £000
Other information			
Capital additions	2,182	213	2,395
Depreciation	500	17	517
Statement of financial position			
Assets			
Segment assets	53,878	2,407	56,285
Unallocated corporate assets			6,531
Consolidated total assets			62,816
Liabilities			
Segment liabilities	39,475	855	40,330
Unallocated corporate liabilities			473
Consolidated total liabilities			40,803

2017

	Restated Investment Management £000	Wealth Management £000	Restated Consolidated year ended 31 March 2017 £000
Revenue			
External sales[1]	27,018	2,226	29,244
Result			
Segment result[1]	2,380	72	2,452
Unallocated corporate expenses			(1,710)
Operating loss			742
Gain on disposal of available-for-sale-investments			-
Investment revenues			24
Finance costs			(2)
Profit before tax			764
Tax[1]			(189)
Profit after tax[1]			575

[1] Amounts have been restated and are explained further in Note 8.

2017

	Investment Management £000	Wealth Management £000	Restated Consolidated year ended 31 March 2017 £000
Other information			
Capital additions	497	2	499
Depreciation	486	18	504
Statement of financial position			
Assets			
Segment assets[1]	67,826	2,213	70,039
Unallocated corporate assets			5,045
Consolidated total assets[1]			75,084
Liabilities			
Segment liabilities[1]	52,089	738	52,827
Unallocated corporate liabilities			410
Consolidated total liabilities[1]			53,237

[1] Amounts have been restated and are explained further in Note 8.

5. Administrative expenses – exceptional items

As a result of their materiality the Directors decided to disclose certain amounts separately in order to present results which are not distorted by significant exceptional events.

	2018 £000	2017 £000
Property relocation expenses	**322**	-
Non-recurring rebate	**(63)**	-
Change of VAT partial exemption special method	**(243)**	-
Costs incurred on suitability project	**-**	(58)
Exceptional employment-related costs	**-**	418
	16	360

In the year to 31 March 2018, the Group incurred material costs of £388,000 under its existing leases related to the relocation of the head office and the York office to new premises in December 2017 and April 2018, offset by an unusually high service charge credit of £66,000 on the old head office.

An additional one-off refund of £63,000 was received for incorrect custody charges incurred in prior years as well as significant annual credits of £243,000 relating to the Group's agreement with HMRC to a revised input VAT recovery method (partial exemption special method).

During the period to 31 March 2017, £58,000 of the estimated costs provided in the prior year were not required and therefore have been reversed. In the year to 31 March 2017 the Group also incurred significant legal fees and other costs in connection with employment matters of an exceptional nature.

6. Earnings per share

The calculation of basic earnings per share for continuing operations is based on the post-tax profit for the financial year of £745,000 (2017: £575,000[1]) and on 42,476,107 (2017: 38,974,002) Ordinary Shares of $6^{2/3}$ pence, being the weighted average number of Ordinary Shares in issue during the year.

The calculation of diluted earnings per share makes an additional adjustment for the effect of dilutive potential Ordinary Shares to be issued.

[1] Amounts have been restated and are explained further in Note 8.

7. Contingent liability

During the prior year, two Group companies, Walker Crips Group plc (WCG) and Walker Crips Stockbrokers Limited (WCSB), received draft proceedings in respect of a potential claim, from a former listed corporate client of Keith Bayley Rogers & Co (KBR), a former subsidiary of the Group. The corporate client alleges that its former Executive Chairman and his associates misappropriated assets of £5.6m from it between 2010–2014 and used these assets to purchase and sell shares in the client through the brokerage of WCG, WCSB and KBR. The client asserts that WCG and WCSB acted dishonestly to assist the Chairman to perpetrate the alleged fraud and was party to an unlawful means conspiracy to cause it loss. It is also claimed that WCG, WCSB are vicariously liable for any wrongdoing on the part of KBR. The potential quantum of the claim is in excess of £1m.

The claims are strenuously denied by the Directors and the Directors consider the claim to be without any merit, as supported by a legal opinion obtained by WCG and WCSB, which advises that the claims are 'weak'. A detailed response denying liability for the claims was submitted to

the client's representatives in December 2016. The Directors have heard nothing further from the former KBR client since then and as there is no date of expiry for the claim it will remain a contingent liability.

8. **Prior year adjustment**

An adjustment has been made to retained earnings brought forward at 1 April 2016, as shown in the Consolidated statement of changes in equity, to correct the recording of portfolio management fees previously accounted for in advance instead of arrears of £218,000 at 31 March 2016 together with the tax impact of £41,000. This has had the effect of increasing trade and other receivables by £435,000, increasing trade and other payables by £217,000, increasing tax liabilities by £41,000 and increasing retained earnings by £177,000 as at 31 March 2016. Subsequent movements in the year to 31 March 2017 increased receivables by £29,000, increased liabilities by £15,000, increased tax liabilities by £3,000, and increased earnings by £11,000, as reflected in the adjusted comprehensive income of £575,000 for the year to 31 March 2017.

An adjustment has been made to retained earnings brought forward at 1 April 2016, as shown in the Consolidated statement of changes in equity, to correct the previous under accrual of employers National Insurance Contributions (NIC) on a performance related bonus scheme of £181,000 at 31 March 2016 together with the tax impact of £35,000. This has had the effect of increasing trade and other payables by £181,000, reducing tax liabilities by £35,000 and reducing retained earnings by £146,000 as at 31 March 2016. Subsequent movements in the year to 31 March 2017 increased the liability by £54,000, reduced tax liabilities by £10,000 and reduced earnings by £44,000, as reflected in the adjusted comprehensive income of £575,000 for the year to 31 March 2017.

A reclassification adjustment has been made on the Consolidated Income Statement to commission payable and Administrative expenses for the year ended 31st March 2017, to reflect employed investment adviser profit sharing costs as an administrative expense, previously disclosed as shared commission payable. This had the effect of reducing commission payable by £1,200,000 and increasing Administrative expenses by £1,200,000, being an increase of £1,138,000 in Staff Costs and £62,000 in Other expenses. There is no impact on retained earnings or assets in the current or prior year as a result of this change in accounting treatment.

Extract from Statement of Directors' Responsibilities

Pursuant to Rule 4 of the Disclosure Guidance and Transparency Rules, each of the Directors, whose names and functions are listed on page 24 of the Annual Report and Accounts confirm that, to the best of their knowledge:

- The Group Financial Statements have been prepared in accordance with IFRSs as adopted by the EU and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The Annual Financial Report includes a fair review of the development and performance of the business and the financial position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

D Gelber
Chairman
31 July 2018