

11 July 2019

Walker Crips Group plc
(“Walker Crips”, the “Company” or the “Group”),

Final results for the year ended 31 March 2019

Walker Crips Group plc, the investment management and wealth management services, pensions administration and regulation technology Group, announces audited results for the year ended 31 March 2019.

Walker Crips has consolidated its position over the past year, laying the foundation for future growth through technology-led initiatives. As a result, our focus has expanded beyond the Group's traditional roots with a new emphasis on innovating the way we do business.

Highlights

- Group annual revenue remained stable at £30.5 million (2018: £30.5 million)
- Group Assets under management and Administration maintained at £5.0 billion (2018: £5.0 billion)
- Discretionary and Advisory assets under management unchanged at £3.3 billion (2018: £3.3 billion)
- Underlying operating profit, before tax and exceptional items decreased to £434,000 (2018: £906,000)
- Reported profit before tax decreased to £489,000 (2018: £924,000)

Strategic highlights

- Non-broking income as a percentage of total income has increased to 71.6% (2018: 64.1%)
- Proposed final dividend reduced to 0.33 pence per share (2018: 1.29 pence per share), bringing total dividends for the year to 0.91 pence per share (2018: 1.87 pence per share)

Commenting upon these results, David Gelber, Chairman, Walker Crips, said:

"Notwithstanding this, reported revenue has remained stable with a significant improvement in fee income, offsetting the decline in broking commissions of £2.3 million."

"The Group continues its efforts to help clients achieve greater returns by transferring to our discretionary or portfolio-managed mandates, which also generates more stable fee-based revenue. These efforts, and the decline in less predictable transaction-based shared commission income during the year, mean the ratio of non-broking revenue to total income has improved to 71.6% (2018: 64.1%)."

"We are closely monitoring the Government's progress around Brexit and the impact of the present uncertainty. Given the Group's predominantly UK centric customer base and operations, the impact of Brexit manifests in second order effects including lower trading volumes as the uncertainty influences investor sentiment. During this period, we continue to maintain a material cash buffer, regulatory

capital headroom and a dividend policy that allows continued investment in new revenue stream initiatives, technologies to improve customer experience and achieve procedural and process efficiencies, and to build our 'Software as a Service' offering. We are committed to a programme of tightly controlling non development expenses, pushing through revenue initiatives and creating new product offerings."

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

"Last year, we embarked upon a new vision - "Walker Crips, a Technology Driven Financial Services Company". All the core objectives of shareholder value, customer service, operational effectiveness and efficiency, are still there, but only by emphasising and investing in technology as the delivery mechanism will the core objective be achieved. Our transformation is underway and gathering pace as we progress toward this objective."

Chairman's Statement

Although reporting lower year-on-year profits and reduction in the final dividend, the Group continues to make progress in its move to fee based revenue, delivery of new offerings and transition to a technology driven business.

Overview of 2018/2019

The Brexit-driven economic uncertainty, and the corresponding caution adopted by investors explained in my Interim Report, continued to depress the volume-driven broking component of our revenue during the remainder of the year. Accordingly, it is disappointing, but perhaps not unexpected, to be reporting full year profit before tax down by £435,000 or 47% on the prior year and, as also signalled at interim, a reduced final dividend.

Notwithstanding this, reported revenue has remained stable with a significant improvement in fee income, offsetting the decline in broking commissions of £2.3 million. This reflects resilience in the level of Assets Under Management and Administration notwithstanding difficult markets. The improved second half performance from our Structured Investments team and the rollout of new tariffs, which commenced during the last quarter, is expected to have a fuller and sustained impact next year, underpinned by the continuing loyalty and longevity of our clients.

The business continues to benefit substantially from improved interest margins on managed deposits which have hitherto been depressed for several years by the long run of record low UK Base Rates.

Also, although our reported cost base has increased by £0.8 million (4%), this includes £0.3 million invested in new products, service offerings and increased automation on our journey to being a technology driven financial services business, with additional new head office premises costs of £0.2 million being incurred during the year. A cost efficiency programme is under way which should result in savings flowing through in future years helping manage our cost base.

The Group continues its efforts to help clients achieve greater returns by transferring to our discretionary or portfolio-managed mandates, which also generates more stable fee-based revenue. These efforts, and the decline in less predictable transaction-based shared commission income during the year, mean the ratio of non-broking revenue to total income has improved to 71.6% (2018: 64.1%).

The changing revenue mix and tariff initiatives contributed to gross profit increasing by 1.65% to £20.8 million (2018: £20.5 million) and a higher gross margin percentage of 68.3% compared to 67.2% in the prior year. Total Assets Under Management and Administration at the year-end were £5.0 billion (31

March 2018: £5.0 billion) and Discretionary and Advisory assets under management also unchanged at £3.3 billion. Given the background of global trade friction, Brexit uncertainty and the resultant market challenges, our clients more than ever understand the importance of our experienced and capable investment advisers providing a sensible and reasoned approach as they serve them with bespoke discretionary and advisory management services.

The decrease in cash balances during the year is primarily due to the payment of a large brought forward creditor of £2.0 million. Cash generated by operations in the prior year benefited from several factors, including the acceleration of cash received by switching fee invoicing from half-yearly to quarterly, which amounted to an approximate additional inflow of £2.8 million and a further cashflow advantage was generated in the prior year from substantial rent-free periods attached to our new office leases amounting to £0.4 million. Capital expenditure on the new offices, incurred in 2017, was also recovered in 2018 from the landlord in the amount of £0.5 million. Taking all these non-recurring material movements into account, the underlying operating cash flows for both the current and prior year show a satisfactory positive result in the context of lower profitability.

At a more granular level, Walker Crips Investment Management saw an 11.7% increase in management fee revenues to £19.2 million (2018: £17.2 million), offset by the fall in commission income noted above such that overall revenues of the segment decreased by 0.71% year on year to £27.9 million (2018: £28.1 million).

The York-based Wealth Management team has seen an overall revenue increase of 12.3% on previous year, mainly due to revenues from the financial planning team increasing from £1.22 million to £1.43 million. Within this, recurring revenue has further increased by 8% compared to the prior year, driven by new business from existing and new clients whose number has risen by approximately one third.

Pension administration fees have remained stable in the year but, having invested in the back office system, processes and people, is now actively looking to grow client numbers through new internal and external introducers by bringing all our capabilities and services into a more efficient single SIPP and converting both SSAS and SIPP product offerings into a more competitive tariff, enabling greater scalability and providing a platform for further growth.

The increase in revenue contributed to higher total profits for both strands of our Wealth Management proposition, increasing by 74.9% from £199,000 to £348,000.

The Structured Investments team ("WCSI") delivered a very strong second half to the year following disappointing volumes in the first half. WCSI is poised to build on this strength this year as a new product line in the form of structured deposits comes to fruition. WCSI has continued to build in its relationships with leading credit institutions enabling investors to choose from an increasingly wide range of product pay-offs and to further diversify credit risk.

Since the year end a team of advisers has decided to leave the Group on amicable terms, which will result in the transfer of £239 million of assets under management and administration. The transfer of clients and their assets will take place later this year with the consequent impact on future revenues and profits.

The Group's balance sheet remains strong, with reported net assets of £21,721,000, down £292,000 from the prior year and reflecting payment of last year's final and this year's interim dividends, which exceed the reported profit after tax for the year. The robust balance sheet provides a sound base underpinning our technology-based strategy.

We have incorporated EnOC Technologies Limited as our new technology arm to deliver our future 'Software as a Service' business. We expect this initiative to be contributing over the next twelve months.

Strategy

We remain committed to the strategy of being an innovative and technology driven financial services business.

We are constantly looking for ways to maintain and enhance the service we provide to clients, delivering a premium personal service. We will also continue to standardise, where it is appropriate to do so, and use investment in technology to reduce costs and generally to work more efficiently. We are therefore investing in technology to improve the customer experience and efficiency. During the year we have significantly improved the production process of our client packs, which moved from a half yearly to quarterly distribution. We designed our own fee charging system which computes fees daily and posted quarterly, instead of the previous method which priced and charged fees at six monthly intervals with no recognition of intervening price changes and the associated fluctuations in fee revenue. These are examples of customer-facing improvements that we will develop further and deploy.

Notwithstanding these positive elements, we are disappointed to be reporting reduced profits. As experienced by many of our peers, external national and global events outside our control bring risks which have a material and direct bearing on our revenue base through economic uncertainty-led volatility in transaction volume or market variations in the fee-sensitive valuations of our managed portfolios. The importance of expanding through growth of alternative revenue streams, which we are now heavily focused on achieving, has never been greater.

Dividend

In the absence of an upturn in trading volumes in the second half of the year, and as signalled in my Interim Report, the Board is now recommending a reduced final dividend of 0.33 pence per share (2018: 1.29 pence per share). Combined with the interim dividend of 0.58 pence per share (2018: 0.58 pence per share), the total dividend for the year is 0.91 pence per share (2018: 1.87 pence per share). The final dividend will be paid on 13 September 2019 to shareholders on the register at the close of business on 23 August 2019.

In making this decision, the Board has carefully considered a number of factors not least shareholders' expectation to receive dividends at the historically consistent level of recent years. Given the disappointing results for the year, a greater emphasis has been placed on the need for prudence, in particular the conservation of cash for re-investment into new more profitable initiatives and maintaining appropriate prudential capital headroom. We will constantly review our ability to restore dividends to higher levels when we have achieved an improvement in profitability alongside continued stability of other factors such as liquidity, regulatory capital adequacy and the wider market and economy.

Our people, culture and governance

By setting the right example at the top, the Board has prioritised good culture and conduct across all who represent the Group. We continue to encourage professionalism and the right behaviours in all we do. The end result is for a unified emphasis on achieving the right outcome for clients. The new Senior Managers & Certification Regime ("SM&CR") comes into force on 9 December 2019. We have embraced and adopted it as part of our culture of accountability rather than treating it as another regulatory burden. We have already built our own SM&CR system within our new company, EnOC Technologies Limited, and have expanded it to include not just the regulatory requirements but also our internal policies, governance and controls. This SM&CR system is also being offered as a service to other UK

regulated financial services businesses, covered more fully in the Chief Executive Officer's report. Corporate governance and stewardship in accordance with the UK Corporate Governance regime provides assurance to external parties who rely on sound management of the business and its risks.

I would like to thank all my fellow Directors, investment managers and advisers and members of staff for their continued support and hard work during a challenging period. The efforts of our people in embracing change and dedication to delivering good customer outcomes is outstanding.

I would also like to take this opportunity to thank Mark Rushton again for his contribution to the Group and wish him well in his future endeavours.

Annual General Meeting

This year's Annual General Meeting will be held at Old Change House, 128 Queen Victoria Street, London EC4V 4BJ on 4 September 2019, at 11.00 a.m.

Outlook

We are closely monitoring the Government's progress around Brexit and the impact of the present uncertainty. Given the Group's predominantly UK centric customer base and operations, the impact of Brexit manifests in second order effects including lower trading volumes as the uncertainty influences investor sentiment. During this period we continue to maintain a material cash buffer, regulatory capital headroom and a dividend policy that allows continued investment in new revenue stream initiatives, technologies to improve customer experience and achieve procedural and process efficiencies, and to build our 'Software as a Service' offering.

We are committed to a programme of tightly controlling non-development expenses, pushing through revenue initiatives and creating new product offerings.

D. M. Gelber
Chairman
11 July 2019

CEO's Statement

Reflection

Last year, we embarked upon a new vision - "Walker Crips, a Technology Driven Financial Services Company". All the core objectives of shareholder value, customer service, operational effectiveness and efficiency, are still there, but only by emphasising and investing in technology as the delivery mechanism will the core objective be achieved. Our transformation is underway and gathering pace as we progress toward this objective.

Reconciliation of profit before tax to adjusted profit before tax			Reconciliation of operating profit to operating profit before tax and exceptional items		
	2019	2018		2019	2018
	£000	£000		£000	£000
Profit before tax	489	924	Operating profit	402	890
Exceptional items	32	16	Exceptional items	32	16
Adjusted profit before tax	521	940	Adjusted operating profit	434	906

Three-pronged strategy for growth

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 continue to invest in our core business, enhancing our systems and processes to improve operational efficiencies, and to deliver services to our Investment Managers via our in-house developed client management system thereby enabling them to provide high quality tailored service to clients
- Our fee revenues have out-performed the prior year, reflecting our shift to fee earning accounts. Our transaction commission income has declined partially due to that shift, and also due to lower trading activity in the market for both local and geopolitical reasons
- The simplification and streamlining of service offering by our York office has concluded and we are now seeing an improvement in revenues
- Our collectives investment management team maintained their performance levels while facing compression of margin pressures
- Our structured deposit offering will now launch in 2019/20, slightly delayed from 2018/19 as we finalised and tested the operational arrangements
- The increase in the cost of regulating and operating investment management businesses is a persistent headwind. We will continue to make this division more productive, managing our costs and improving our operational efficiency
- We continue to look for good quality investment and wealth managers, either individually or as teams

2. Alternative Investments

- This subset of our core Investment Management business is where we create innovative and higher margin new business lines
- Our Tier 1 (Investor) Visa investment business continues to perform well, attracting ultra-high net worth individuals from the Far East to invest in the UK. Our assessment process is vigorous and thorough and has provided assurance to the UK Home office with 100% success rate since 2013
- Our Short-Term Lending business delivers in line with targets for our institutional mandates. As part of the expansion of this business, the Group has invested in a planned launch of a listed bond available to institutional investors. This launch is presently delayed reflecting current political uncertainty affecting investor sentiment and therefore provisions totalling £134,000 have been made for related costs
- Our international equity arbitrage business generates significant returns on our modest principal trading book

3. Software as a Service ("SaaS")

- Systems development is our core competency and we create much of our own technology, allowing us to build and integrate many of our systems into one central platform
- We have therefore incorporated a wholly-owned subsidiary EnOC Technologies for the purpose of providing technology to the industry. Our first service on the platform is a system that will support FCA authorised companies operating within the Senior Managers & Certification Regime ("SM&CR"). It is a scalable and multi-tenanted SM&CR system that we have already been using for our own group of companies, and used also by a number of external companies
- The objective of EnOC is to provide enterprise level systems to companies of all sizes, from the very large to the very small. By levying only a per-user/ per-month charge starting from £25 and

decreasing as volume increases, it is accessible to even the smallest of companies. We aim to close the technology gap between those who can afford large systems, and those who cannot; removing the barriers to entry

- EnOC was born in the cloud and will remain a cloud service, for all the benefits it brings to the service and to our partners
- We must and we will Create > Innovate > Rejuvenate > Eliminate > Repeat

Driving forwards

We have always provided High-Touch service to our clients, and we also couple it with High-Tech service delivery. We will continue to manifest our vision that Walker Crips is a 'Technology Driven Financial Services Company'.

I am pleased with our achievements thus far, but I am frustrated that we did not achieve even more. We remain resolute and determined to follow through with our plans. We must keep on pursuing the principles of Kaizen: the discipline of continuous improvement. We must continuously innovate, all of us, one step at a time, all the time.

We have, and will always do our utmost to serve our clients, to deliver good customer outcomes and to make investment rewarding for them, our shareholders and our staff.

I am thankful for the talented and committed people that I have the pleasure of working with. Our Investment Managers, Wealth and Pensions Advisors are exemplary professionals and our staff are skilled, loyal and dedicated. I am truly grateful.

Sean Lam
Chief Executive Officer
11 July 2019

Consolidated income statement
year ended 31 March 2019

	Notes	2019 £000	2018 £000
Revenue	4	30,458	30,456
Commission and fees paid		(9,673)	(10,001)
Share of after tax profit from joint venture		14	7
Gross profit		20,799	20,462
Administrative expenses		(20,365)	(19,556)
Exceptional items	6	(32)	(16)
Operating profit		402	890
Investment revenue		90	41
Finance costs		(3)	(7)
Profit before tax		489	924
Taxation		(156)	(179)
Profit for the year attributable to equity holders of the Parent Company		333	745
Earnings per share			
Basic	7	0.78p	1.77p
Diluted	7	0.78p	1.75p

Consolidated statement of comprehensive income
year ended 31 March 2019

	2019 £000	2018 £000
Profit for the year	333	745
Total comprehensive income for the year attributable to equity holders of the Parent Company	333	745

Consolidated statement of financial position
as at 31 March 2019

	Group 2019 £000	Group 2018 £000
Non-current assets		
Goodwill	4,388	4,388
Other intangible assets	7,262	7,827
Property, plant and equipment	2,520	2,706
Investment in joint ventures	44	47
Investments - available for sale	-	203
Investments - fair value through profit or loss	51	-
	14,265	15,171
Current assets		
Trade and other receivables	35,785	37,427
Investments - fair value through profit or loss	1,005	-
Investments held for trading	-	1,851
Cash and cash equivalents	6,916	8,367
	43,706	47,645
Total assets	57,971	62,816
Current liabilities		
Trade and other payables	(34,095)	(38,567)
Current tax liabilities	(178)	-
Deferred tax liabilities	(317)	(341)
Bank overdrafts	(127)	-
Provisions	(484)	(461)
Shares to be issued - deferred consideration	-	(171)
	(35,201)	(39,540)
Net current assets	8,505	8,105
Long-term liabilities		
Deferred cash consideration	(47)	(197)
Dilapidation provision	(542)	(543)
Landlord contribution to leasehold improvements	(460)	(523)
	(1,049)	(1,263)
Net assets	21,721	22,013
Equity		
Share capital	2,888	2,861
Share premium account	3,763	3,674
Own shares	(312)	(312)
Retained earnings	10,659	11,122
Other reserves	4,723	4,668
Equity attributable to equity holders of the Parent Company	21,721	22,013

Consolidated statement of cash flows
year ended 31 March 2019

	2019 £000	2018 £000
Operating activities		
Cash (used) / generated by operations	(631)	5,656
Tax received / (paid)	66	(500)
Net cash (used) / generated by operating activities	(565)	5,156
Investing activities		
Purchase of property, plant and equipment	(382)	(1,642)
Sale / (Purchase) of investments held for trading	789	(710)
Purchase of available-for-sale investments	-	(135)
Consideration paid on acquisition of client lists	(111)	(644)
Deferred consideration paid on acquisition of a company	(600)	(600)
Dividends received	23	8
Interest received	67	33
Net cash used by investing activities	(214)	(3,690)
Financing activities		
Dividends paid	(796)	(786)
Interest paid	(3)	(7)
Net cash used by financing activities	(799)	(793)
Net (decrease) / increase in cash and cash equivalents	(1,578)	673
Net cash and cash equivalents at beginning of year	8,367	7,694
Net cash and cash equivalents at end of year	6,789	8,367
Cash and cash equivalents	6,916	8,367
Bank overdrafts	(127)	-
	6,789	8,367

Consolidated statement of changes in equity
year ended 31 March 2019

	Share capital £000	Share premium account £000	Own shares held £000	Capital redemption £000	Other £000	Retained earnings £000	Total equity £000
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 as deferred consideration on acquisition of intangibles and business combinations	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
Total comprehensive income for the year	-	-	-	-	-	333	333
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(796)	(796)
Issue of shares as deferred consideration on acquisition of intangibles and business combinations	27	89	-	-	55	-	171
Total contributions by and distributions to owners	27	89	-	-	55	(796)	(625)
Equity as at 31 March 2019	2,888	3,763	(312)	111	4,612	10,659	21,721

Notes to the Accounts

year ended 31 March 2019

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