Making Investment Rewarding

Walker Crips Group plc

Interim Report 2017

WALKER CRIPS

We take pride in being one of the oldest independently owned companies in the City of London. Our predecessors first bought and sold shares on the London Stock Exchange in 1914 and we can trace our roots back to the eighteenth century.

Walker Crips Group delivers investment management, stockbroking and wealth management services to UK retail and intermediary clients. Its strategic ambition is to embed technology in everything it does in its transition to becoming a truly technology driven financial services group, to complement the constant drive to enhance its customers' experience, broaden product offerings, empower its staff and pursue business efficiencies.

A WORD FROM THE CHAIRMAN

D M Gelber - Chairman

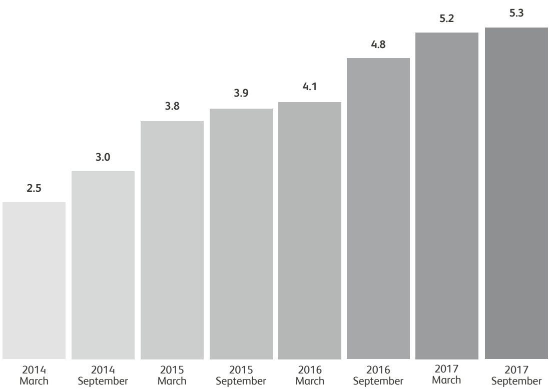
"I am very pleased to report on an encouraging period for the Group where our focus on the delivery of quality personal investment advice and strong investment management capability has helped the Group increase AUMA, revenue and profit.

We remain in a sound financial position and have continued to trade profitably since the Period end. We remain cautious about the short-term outlook, due to ongoing political and market uncertainty but believe that in this climate the quality of the advice and support we provide our customers will continue to prove important."

HIGHLIGHTS

Group revenues increased by 16.7% to £15.4m (2016: £13.2m)
Underlying profit before tax and exceptional items increased by 62.8% to £394,000 (2016: £242,000).
Reported pre-tax profit increased to £0.5 million (2016: £0.05 million)
Discretionary and advisory assets under management and administration have increased since 31 March 2017, to £5.3 billion (30 September 2016: £4.8 billion; 31 Mar 2017: £5.2 billion)
Non-broking income as a percentage of total income remained steady at 62% (2016: 61%)
Interim dividend unchanged at 0.58p per share (2016: 0.58p per share)

Assets Under Management and Administration (£bn)



CHAIRMAN’S STATEMENT

Introduction

I am very pleased to report on an encouraging period for the Group where our focus on the delivery of quality personal investment advice and strong investment management capability has helped the Group increase AUMA, revenue and profit.

In the Group’s year-end statement, we reported that trading activity in the opening weeks of the new financial year had been encouraging and this trend has continued during a period of mixed sentiment when the FTSE100 reached record highs against a backdrop of ongoing uncertainty surrounding the terms for the United Kingdom’s exit from the EU and continuing sterling weakness.

As part of our stated strategy for growth, we have recently widened our existing focus on expansion through acquisition of investment advisers, establishing innovative high margin alternative investment products and by planning the accelerated use of technology to drive transformational and diversified growth of the Group’s products and services. As we take steps to embed these initiatives, it is heartening to report a rise in profit before tax for the period when compared to the same period last year, increasing from £0.05 million to £0.5 million. Certain material non-recurring charges and credits totalling £109,000 have been incurred in the period and accordingly, so as not to distort these results, these have been disclosed separately in the income statement to leave an adjusted profit before tax and exceptional items of£394,000 (2016: £242,000), an increase of 62.8%.

Revenue in the period increased by 16.7% to £15.4million underpinned by a small increase in AUMA, from 31 March 2017, to £5.3 billion (30 Sep 2016: £4.8 billion; 31 March 2017: £5.2 billion). The Board has continued to concentrate on carefully managing the increase in costs related to growth and development combined with a tight control of other operating expenses including those incurred in complying with the substantial regulatory changes under MiFID II. The resulting net surplus of higher revenue over increased costs has laid the foundation for the improved operating profit before tax and exceptional items for the period.

We are very encouraged that certain long-term aims are being achieved, in particular the 25.9% growth in Discretionary and Advisory Assets under Management over the last 12 months as we continue our dialogue with new advisers with high quality business to join us. The ongoing expansion of our client base has naturally slowed since our last year end as we have continued to adjust our personnel and systems in line with the excellent growth in numbers of clients, investment managers and advisers, and assets under management. We have also continued to invest in the development of systems and controls to meet the more demanding regulatory changes and upgraded client service levels. In December we will move into our new head office, offering a more efficient and modern space in the heart of the financial centre of London.

Trading

Revenues improved across all business units and sub-divisions over the six months, despite challenging trading conditions in markets and uncertainty in investor sentiment, resulting in an increase in Revenue of 16.7% to £15.4 million for the first half of our current year. Income from both traditional investment management business and from our York-based wealth management arm was higher than initially budgeted.

Non-broking income as a proportion of total income increased marginally to 62% (2016: 61%) as the emphasis of our client base to transfer to discretionary or portfolio-managed mandates, with fee based revenue, continues.

After payment of the final dividend in relation to the previous year end, at the Period end, the Group had net assets of £21.9 million (31 March 2017: £21.8 million) including net cash of £5.9 million (31 March 2017: £7.7 million), a solid financial position upon which to embark on a renewed strategy which embraces culture and technology more inclusively than ever before.

Operations

Investment Management

Revenues from the Investment Management division increased by 17.4% during the period to £14.2 million (2016: £12.1 million), with strong increases in portfolio management fee revenues. The strength of our investment division lies in the experience and quality of our investment advisers who provide bespoke discretionary and advisory management services where profit increased by a very strong 47.8% compared to the prior period.

The Structured Investments division delivered a strong set of results for the period as the range of products on offer increased to meet demand from intermediaries and their clients.

Wealth Management

Under new management teams, the combined financial planning and pension divisions for the first six months of the year have seen increases in both AUMA and Revenue. Total AUMA has increased by £18m, since 31 March 2017, to £532m and turnover has increased by 7% compared to the half year ending 30 September 2016.

Our Wealth Management operation is now beginning to see the benefit of taking a long-term strategy to increase recurring revenue fees. Initial fees have also seen an increase in the first six months of the year as a result of a drive to engage with new clients and reviewing the existing client base. Further investment has been made in research capabilities/staff, updating systems, increased digital as well as traditional marketing initiatives attracting new advisers. The Pensions sub-division has also seen an increase in revenue and, with significant investment planned for its administrative systems later this year, there is scope for further growth.

Dividend

Your Board is pleased to be reporting an increase in profitability for this half year, albeit against low comparative amounts for the prior year. Taking into account the expenditure required for relocation costs and new technology initiatives, within a regulatory capital framework requiring substantial headroom at all times, the Board has decided to maintain the interim dividend at 0.58 pence per share (2016: 0.58 pence per share) to be paid on 22 December 2017 to those shareholders on the register at the close of business on 8 December 2017. As long as the improved profitability is sustained, as in previous years, the intention of the Board will be to consider positively an increase in the final dividend when the annual results are published. In line with its existing dividend policy, the Board will have in mind fair returns for shareholders, as well as implementation of the general group strategy, at the same time noting that previous dividend levels have often been maintained when trading results have been disappointing, when considering future levels of dividends.

Directors, Account Executives and Staff

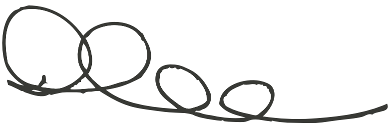
I would like to thank all my fellow directors, investment managers and advisers and members of staff for their continued support and hard work during a period in which much has been achieved and many developments accomplished ahead of the changing regulatory challenges to come in the second half year and in particular the implementation of the Market in Financial Instruments Directive, MiFID II, on or before 3 January 2018.

Board Appointments

We are pleased to report that, in the first few weeks since Sean Lam succeeded Rodney Fitzgerald as Group Chief Executive Officer on 6 September 2017, he has re-emphasised the Group's commitment to continue growing our core investment management business, providing a premium service to our clients. The Board has approved his 3-pronged strategy for the Group, to continue focusing on investment management and alternative investments with a new emphasis on the utilisation and supply of technology services to enhance our product offering. It is our vision to transform ourselves into a technology driven financial services company.

Outlook

We remain in a very sound financial position and have continued to trade profitably since the Period end. We remain cautious about the short-term outlook, due to ongoing political and market uncertainty but believe that in this climate the quality of the advice and support we provide our customers will continue to prove important.



D M Gelber
Chairman
23 November 2017

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2017

	Notes	**Unaudited Six months to 30 September 2017 £'000**	Unaudited Six months to 30 September 2016 £'000	Audited Year to 31 March 2017 £'000
Revenue	2	**15,357**	13,187	29,215
Commission payable		**(5,637)**	(4,233)	(10,009)
Share of after tax profit of joint venture		**2**	5	12
Administrative expenses – other		**(9,328)**	(8,717)	(18,076)
Administrative expenses – exceptional items		**109**	(203)	(360)
Total administrative expenses		**(9,219)**	(8,920)	(18,436)
Operating profit		**503**	39	782
Analysed as:				
Operating profit before tax and		**394**	242	1,142
Administrative expenses – exceptional items	6	**109**	(203)	(360)
Operating profit		**503**	39	782
Investment revenues		**29**	15	24
Finance costs		**-**	(1)	(2)
Profit before tax		**532**	53	804
Taxation		**(102)**	(11)	(196)
Profit for the period attributable to equity holders of the company		**430**	42	608
Earnings per share	3			
Basic		**1.03p**	0.11p	1.56p
Diluted		**1.02p**	0.11p	1.56p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Unaudited Six months to 30 September 2017 £'000	Unaudited Six months to 30 September 2016 £'000	Audited Year to 31 March 2017 £'000
Profit for the period	**430**	42	608
Total comprehensive income for the period attributable to equity holders of the company	**430**	42	608

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	**Unaudited 30 September 2017 £'000**	Restated [1] Unaudited 30 September 2016 £'000	Audited 31 March 2017 £'000
Non–current assets				
Goodwill		**4,388**	4,388	4,388
Other intangible assets		**8,064**	8,313	8,294
Property, plant and equipment		**984**	791	836
Investment in joint ventures		**42**	33	40
Available-for-sale investments	7	**231**	57	68
		13,709	13,582	13,626
Current assets				
Trade and other receivables		**56,498**	30,274	52,179
Financial assets held for trading	7	**1,265**	968	1,086
Cash and cash equivalents		**5,989**	5,972	7,729
		63,752	37,214	60,994
Total assets		**77,461**	50,796	74,620
Current liabilities				
Trade and other payables		**(54,176)**	(26,702)[1]	(51,402)
Current tax liabilities		**(476)**	(264)[1]	(288)
Deferred tax liabilities		**(217)**	(375)[1]	(308)
Bank Overdrafts	-	**(117)**	(123)	(35)
Shares to be issued – deferred consideration	-	**(230)**	(1,131)	(366)
		(55,216)	(28,595)[1]	(52,399)
Net current assets		**8,536**	8,619 [1]	8,595
Long-term liabilities:				
Deferred cash consideration		**(372)**	(1,786)	(372)
Shares to be issued		**–**	(158)	–
Dilapidation provision		**–**	(132)	–
		(372)	(2,076)	(372)
Net assets		**21,873**	20,125[1]	21,849
Equity				
Share capital	8	**2,849**	2,605	2,826
Share premium account		**3,615**	2,336	3,502
Own shares		**(312)**	(312)	(312)
Retained earnings		**11,053**	10,828[1]	11,165
Other reserves		**4,668**	4,668	4,668
Equity attributable to equity holders of the company		**21,873**	20,125[1]	21,849

[1] Amounts have been restated and are explained further in Note 9.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Unaudited 30 September 2017 £'000	Restated[1] Unaudited 30 September 2016 £'000	Audited 31 March 2017 £'000
Operating activities			
Cash used by operations	**128**	(168)	2,883
Tax paid	**–**	–	(229)
Net cash generated/(used) by operating activities	**128**	(168)	2,654
Investing activities			
Purchase of property, plant and equipment	**(394)**	(160)	(499)
Net (purchase)/sale of investments held for trading	**(179)**	269	151
Purchase of available for sale investments	**(163)**	–	–
Consideration paid on acquisition of client lists	**(101)**	(199)	(498)
Deferred consideration paid on acquisition of subsidiary	**(600)**	(600)	(600)
Dividends received	**4**	2	4
Interest received	**25**	13	20
Net cash used by investing activities	**(1,408)**	(675)	(1,422)
Financing activities			
Dividends paid	**(542)**	(487)	(716)
Interest paid	**–**	(1)	(2)
Net cash used by financing activities	**(542)**	(488)	(718)
Net (decrease)/increase in cash and cash equivalents	**(1,822)**	(1,331)	514
Net cash and cash equivalents at the start of the period	**7,694**	7,180	7,180
Net cash and cash equivalents at the end of the period	**5,872**	5,849	7,694
Cash and cash equivalents	**5,989**	5,972	7,729
Bank overdrafts	**(117)**	(123)	(35)
	5,872	5,849	7,694

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Called up share capital £'000	Share premium £'000	Own shares held £'000	Capital Redemption £'000	Other £'000	Retained earnings £'000	Total Equity £'000
Restated[1] equity as at 31 March 2016	**2,595**	**2,279**	**(312)**	**111**	**4,557**	**11,273**	**20,503**
Total comprehensive income for period	-	-	-	-	-	42	42
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(487)	(487)
Issue of shares on acquisition of intangibles and as deferred consideration	10	57	-	-	-	-	67
Total contributions by and distributions to owners	10	57	-	-	-	(487)	(420)
Restated[1] equity as at 30 September 2016	**2,605**	**2,336**	**(312)**	**111**	**4,557**	**10,828**	**20,125**
Total comprehensive income for period	-	-	-	-	-	566	566
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(229)	(229)
Issue of shares on acquisition of intangibles and as deferred consideration	221	1,166	-	-	-	-	1,387
Total contributions by and distributions to owners	221	1,166	-	-	-	(229)	1,158
Equity as at 31 March 2017	**2,826**	**3,502**	**(312)**	**111**	**4,557**	**11,165**	**21,849**
Total comprehensive income for period	-	-	-	-	-	430	430
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(542)	(542)
Issue of shares on acquisition of intangibles and as deferred consideration	23	113	-	-	-	-	136
Total contributions by and distributions to owners	23	113	-	-	-	(542)	(406)
Equity as at 30 September 2017	**2,849**	**3,615**	**(312)**	**111**	**4,557**	**11,053**	**21,873**

[1] Equity as at 31 March 2016, restated Note 9.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2017

1. Basis of preparation and significant accounting policies

Basis of preparation

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). These condensed financial statements are presented in accordance with IAS 34 *Interim Financial Reporting*.

The condensed consolidated financial statements have been prepared on the basis of the accounting policies and methods of computation set out in the Group's consolidated financial statements for the year ended 31 March 2017.

The condensed consolidated financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2017. The interim financial information is unaudited and does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.The Group's financial statements for the year ended 31 March 2017 have been reported on by the auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not draw attention to any matters by way of emphasis. They also did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Significant accounting policies

Going Concern

As both the net asset base and cash position remain healthy, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they also conclude in accordance with guidance from the Financial Reporting Council, that the use of the going concern basis for the preparation of the financial statements continues to be appropriate.

Interests in joint ventures

The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are accounted for in the consolidated financial statements under the equity method.

Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of the joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured accurately.

Exceptional items

To assist in understanding its underlying performance, the Group identifies certain items of pre-tax income and expenditure and discloses them separately in the Consolidated income statement. Such items would include:

1. profits or losses on disposal, closure or impairment of assets or businesses;
2. corporate transaction and restructuring costs;
3. changes in the fair value of contingent consideration; and
4. non-recurring items considered individually for classification as exceptional by virtue of their nature or size.

The separate disclosure of these items allows a clearer understanding of the Group's trading performance on a consistent and comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Group.

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 the income statement and is not subsequently reversed in future periods.

Revenue recongition

Revenue is measured at a 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. Gross commissions on stockbroking activities are recognised on those transactions whose bargain date falls within the financial year. Interest is recognised as it accrues in respect of the financial management year. 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. Fees earned from structured investments are recognised on the date the underlying security of the structured investment is traded. Dividend income is recognised when received.

Operating expenses and other charges are provided for in full up to the statement of financial position date on an accruals basis.

Intangible assets

At each period end 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.

Investments

Investments are recognised and derecognised on a trade date basis where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs, or at fair value, depending on the nature of the instrument held.

The Group's policy is to de-recognise financial assets when it is deemed that substantially all the risks and rewards of ownership have been transferred. The Group also de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire. Where the Group neither transfers nor retains substantially all the risks and rewards of ownership, the Group will de-recognise the financial asset where it is deemed that the Group has not retained control of the financial asset.

1. Basis of preparation and significant accounting policies (continued)

Investments are classified as either held-for-trading or available-for-sale and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value for the period are recognised through the income statement. Depending on the nature of the instrument held, gains and losses arising from changes in fair value of available-for-sale investments are recognised in other comprehensive income until the security is de-recognised, disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Principal risks and uncertainties

Under the Financial Conduct Authority's Disclosure and Transparency Rules, the Directors are required to identify those material risks to which the company is exposed and take appropriate steps to mitigate those risks. The principal risks and uncertainties faced by the Group are discussed in detail in the Annual Report for the year ended 31 March 2017.

Related party transactions

No transactions took place in the period that would materially or significantly affect the financial position or performance of the group.

Standards and interpretations affecting the reported results of financial position

In the current period, no standards or interpretations, new or revised, have been adopted that have had a significant impact on the amounts reported in the 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 have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group except for IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'. 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.

IFRS 9 changes the classification and measurement of financial assets and the timing and extent of credit provisioning. Although the Group has not quantified the impact of adopting the standard, it has conducted a preliminary assessment of the potential impact, based on the profile of its financial instruments as at the balance sheet date.

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. In addition, transfers between categories are different under IFRS 9.

The Group does not expect the new classification bases to have a material impact on its financial assets. Those currently carried at amortised cost will continue to be classified as such.

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 as amortised cost, with no material impact on measurement.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 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.

IFRS 15 changes how and when revenue is recognised from contracts with customers. Although the Group has not quantified the impact of adopting the standard, it has conducted a preliminary assessment of the potential impact, based on its existing revenue streams.

Net fee and commission income

The Group charges initial fees in relation to certain business activities. Under IFRS 15, the Group will be required to make an assessment as to whether the work performed to earn such fees constitutes the transfer of services and therefore fulfils any performance obligation(s). If so, then these fees can be recognised when charged, if not then the fees can only be recognised in the period the services are provided.

The Group is currently assessing its contracts with clients under existing revenue streams. The Group does not expect this change to result in a material impact on the consolidated financial statements.

Client relationship intangibles

Where payments are made to new investment managers to secure investment management contracts, such costs are capitalised and amortised, where they are separable, reliably measurable and expected to be recovered, under IAS 18.

IFRS 15 reinforces this view, stating that incremental costs of obtaining any contract with a customer shall be capitalised if the entity expects to recover those costs.

In this context, the Group is currently assessing its contracts with a small number of investment managers. Therefore, the Group does not believe the adoption of IFRS 15 will materially change the way it accounts for client relationship intangibles.

1. Basis of preparation and significant accounting policies (continued)

Transition

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending March 2019 using the retrospective approach.

IFRS 16 'Leases'

IFRS 16 is effective for periods commencing on or after 1 January 2019. The standard has not yet been endorsed by the EU and the Group does not plan to adopt this standard early.

IFRS 16 eliminates the classification of leases as either operating leases or financial leases. The Group will be required to recognise all leased assets with a term of more than 12 months as a right-of-use lease asset on its balance sheet; the Group will also recognise a financial liability representing its obligation to make future lease payments.

Although the Group has not quantified the impact of adopting the standard, it is currently conducting an initial assessment of the potential impact, based on its existing lease contracts.

Transition

Definition of a lease

On a transition to IFRS 16, the Group can choose whether to

- apply the new definition of a lease to all its contracts; or
- apply a practical expedient approach and retain previous assessments of contracts which contain a lease obligation.

The Group intends to apply the practical expedient.

Retrospective approach

As a lessee, the Group can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The Group is assessing the impact of both approaches in relation to its existing lease contracts.

Potential impact

The Group's total assets and total liabilities will be increased by the recognition of lease assets and liabilities. The lease assets will be depreciated over the shorter of the expected life of the asset and the lease term. The lease liability will be reduced by lease payments, offset by the unwinding of the liability over the lease term.

On the Group's statement of comprehensive income, the profile of lease costs will be front-loaded, at least individually, as the interest charge is higher in the early years of a lease term as the discount rate unwinds. The total cost of the lease over the lease term is expected to be unchanged.

In addition to the above impact on accounting treatment, recognition of lease assets will increase the Group's regulatory capital requirement.

2. Segmental analysis

	Investment Management	Wealth Management		Total
Revenue (£'000)				
6m to 30 September 2017	14,188	1,169		15,357
6m to 30 September 2016	12,102	1,085		13,187
Year to 31 March 2017	26,989	2,226		29,215

Result (£'000)			Unallocated Costs	Operating Profit
6m to 30 September 2017	1,147	119	(763)	503
6m to 30 September 2016	776	36	(773)	39
Year to 31 March 2017	2,420	72	(1,710)	782

3. Earnings per share

The calculation of basic earnings per share for continuing operations is based on the post-tax profit for the period of £430,000 (2016: £42,000) and on 41,901,666 (2016: 38,304,050) ordinary shares of $6^{2/3}$p, being the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on 42,262,768 (2016: 38,304,050) ordinary shares, being the weighted average number of ordinary shares in issue during the period adjusted for dilutive potential ordinary shares, potentially issuable to the sellers of Barker Poland Asset Management (BPAM) in order to satisfy the Group's obligation in connection with the payment of year three deferred consideration.

4. Dividend

The interim dividend of 0.58 pence per share (2016: 0.58 pence) is payable on 22 December 2017 to shareholders on the register at the close of business on 8 December 2017. The interim dividend has not been included as a liability in this interim report.

5. Total Income (£'000)

	Six months Ended 30 September 2017	Six months Ended 30 September 2016	Year Ended 31 March 2017
Revenue	**15,357**	13,187	29,215
Net Investment Income	**29**	14	22
	15,386	13,201	29,237

The Group's income can also be categorised as follows for the purpose of measuring a Key Performance Indicator, non-broking income to total income.

Income (£'000)	Six months Ended 30 September 2017	%	Six months Ended 30 September 2016	%	Year Ended 31 March 2017	%
Broking	**5,809**	**38**	5,174	39	11,194	38
Non-Broking	**9,577**	**62**	8,027	61	18,043	62
	15,386	**100**	13,201	100	29,237	100

6. Administrative expenses-exceptional items (£'000)

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 non-recurring events.

	Six months Ended 30 September 2017	Six months Ended 30 September 2016	Year Ended 31 March 2017
Property relocation expenses	**67**	–	–
Non-recurring rebate	**(66)**	–	–
Change of VAT partial exemption special method	**(110)**	–	–
Exceptional employment related costs	**–**	203	418
Costs incurred on suitability project	**–**	–	(58)
	(109)	203	360

During the period to 30 September 2017, the Group incurred material costs of £117,000 under its existing lease related to the planned relocation of the head office to new premises in December 2017 and which have been partially offset by an unusually high service charge rebate of £50,000. An additional one-off refund of £66,000 was received for incorrect custody charges incurred in prior years as well as a significant annual credit relating to the Group's agreement with HMRC to a revised input VAT recovery method (partial exemption special method).

7. Investments

Available-for-sale investments

	UCIS investments £'000	Life Policy investments £'000	Debt investments £'000	Total £'000
Fair value				
As at 1 April 2016	57	–	–	57
Additions in the period	–	–	–	–
Disposals in the period	–	–	–	–
Recognised in comprehensive income	–	–	–	–
At 30 September 2016	**57**	**–**	**–**	**57**
Additions in the period	–	11	–	11
Disposals in the period	–	–	–	–
Recognised in comprehensive income	–	–	–	–
At 31 March 2017	**57**	**11**	**–**	**68**
Additions in the period	13	–	150	163
Disposals in the period	–	–	–	–
Recognised in comprehensive income	–	–	–	–
At 30 September 2017	**70**	**11**	**150**	**231**

The Group's unregulated collective investment scheme (UCIS) investments are held in relation to a number of customer complaints. The fair value is based upon the market price as at 30 September 2017. During the period to 30 September 2017 there were £13,000 of additional units purchased.

7. Investments (continued)

The Group's life policy investments are held in relation to a number of customer complaints. The fair value is based upon the life company's forecast terminal value.

Debt Instruments comprises the firm's investments in the junior debt of Topaz STL, a special purpose vehicle (SPV) which advances short term loans to property investors. During the period to 30 September 2017 investments of £150,000 were made.

	As at 30 September 2017	As at 30 September 2016	As at 31 March 2017
	£'000	£'000	£'000
Trading investments			
Fair value	**1,265**	968	1,086

Trading investments represent investments in equity securities and bonds that present the Group with opportunity for return through dividend income, interest and trading gains. The fair values of these securities are based on quoted market prices.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The trading investments fall within this category;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Group does not hold financial instruments in this category; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Group's available-for-sale investments fall within this category.

Further IFRS 13 disclosures have not been presented here as the balance of Level 3 assets represents only 0.298% (2016: 0.112%) of total assets.

The following tables analyse within the fair value hierarchy the Group's Investments measured at fair value.

At 30 September 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit and loss	1,265	–	–	1,265
Financial assets held at fair value through comprehensive income	–	–	231	231

At 30 September 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit and loss	968	–	–	968
Financial assets held at fair value through comprehensive income	–	–	57	57

At 31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit and loss	1,086	–	–	1,086
Financial assets held at fair value through comprehensive income	–	–	68	68

8. Issue of share capital

During the period to 30 September 2017, 173,161 new Ordinary Shares were issued and allotted to the sellers of Barker Poland Asset Management LLP (BPAM) in order to satisfy the Group's obligation in connection with the payment of year two deferred consideration. The BPAM business has met the targets required to trigger a payment by the Group of the full amount of the second of 3 potential payments.

During the period to 30 September 2017, 178,574 new Ordinary Shares were issued and allotted to fulfil contractual obligations of employees of the Group.

9. 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 reflect unused holiday entitlement costs of £148,000 at 31 March 2016 together with the tax impact of £29,000. This has had the effect of increasing trade and other payables by £148,000, reducing tax liabilities by £29,000 and reducing retained earnings by £119,000 as at 31 March 2016 and 30 September 2016.

10. Contingent liability

During the year to 31 March 2017, 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 and 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.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm to the best of their knowledge:

(a) The condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;

(b) The half yearly report from the Chairman (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R; and

(c) The half yearly report from the Chairman includes a fair review of the information required by DTR 4.2.8R as far as applicable.

On Behalf of the Board

Sean Lam
Chief Executive Officer
23 November 2017

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COMPANY OFFICERS

Executive Directors
S. K. W. Lam FCPA (Aust.), Chartered FCSI – Chief Executive Officer
R. A. FitzGerald FCA – Group Finance Director
M. J. W. Rushton – Chief Investment Officer
G. J. B. Jackson LLB (Hons) – Group Compliance Director

Non-Executive Directors
D. M. Gelber – Chairman
R. A. Elliott FCA, Cert PFS
H. M. Lim
M. J. Wright – Senior Independent Director
C. Bouch FCA – Audit Committee Chairman

Secretary
G. J. B. Jackson LLB (Hons)

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