2020

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WALKERCRIPS

Rooted in tradition.
Growing through innovation.

Interim Report 2020

Walker Crips Group plc

Contents

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www.walkercrips.co.uk

Headlines

- Total revenue for the 6-month period down 7.9 % to £14.35 million (2019: £15.58 million)
- Loss before tax of £451,000 (2019: profit before tax of £620,000)
- Operating loss before exceptional items of £272,000 (2019: operating profit before exceptional items of £408,000)*
- Operating loss including exceptional item of £374,000 (2019: operating profit including exceptional items of £617,000)
- IAS 17 consistent EBITDA of £380,000 (2019: £987,000)*
- Underlying cash generated by operations of £170,000 (2019: £745,000)*
- Assets under Management and Administration £4.8 billion (2019: £5.1 billion)
- All Government support received as a result of COVID-19 voluntarily repaid
- Interim dividend of 0.15 pence per share (2019: interim dividend of 0.60 pence per share)

Martin Wright, Chairman of Walker Crips Group plc, says:

"The onset of the COVID-19 pandemic in the first quarter of the year has taken all businesses into uncharted waters. At the time, no one could forecast with any degree of accuracy its effect. The significant impact the pandemic has had and continues to have on businesses and the wider socio-economic landscape has yet to be fully understood.

However, contrary to our worst fears, investor confidence and the financial services market remain resilient. Revenues since 30 September 2020 have also benefited from the rise in markets following the announcements regarding COVID-19 vaccines.

Notwithstanding reported headline losses, the Group continues to generate positive EBITDA* and underlying operating cash*, which enable continued support of our revenue and growth initiatives. However, this does not alleviate the imperative to focus on improved operating efficiencies and cost elimination. In this regard we are developing plans to simplify the Group structure by reducing the number of regulated entities and streamlining the management structure."

* See note 18 for the reconciliation of alternative performance measures ('APMs') to IFRS reported results

Chairman's Statement

Introduction

The onset of the COVID-19 pandemic in the first quarter of the year has taken all businesses into uncharted waters. At the time, no one could forecast with any degree of accuracy its effect and the significant impact the pandemic has had and continues to have on businesses and the wider socio-economic landscape has yet to be fully understood. The Group's executive management reacted rapidly and decisively to the situation. The Group, with its robust IT infrastructure, moved to remote working with relative ease on 12 March, eleven days before the national lockdown, providing continuity of service for our clients and safety and protection for staff. Since then, the Group has continued to operate efficiently, following all Government advice. In navigating these difficult times, your Group, led by its executives, has shown true resilience. I congratulate our staff and our investment managers for making this possible.

The pandemic shows no sign of abating, but, contrary to our worst fears, investor confidence and the financial services market remain resilient. That being said, as highlighted in our 2020 Annual Report and Accounts, the cut in the Bank of England base rate from 0.75% to 0.10% in response to the COVID-19 pandemic has had a significant impact on interest margins on managed deposits. The cut has resulted in the Group earning less interest income from its centralised treasury function and, as a result of this and other pandemic factors, the Group is reporting an operating loss for the period, which I explain further below.

We remain confident in our three-pronged strategy of growing our core business, seeking opportunities in our alternative business activities and commercialising our technological capabilities.

We are pleased with the recent advances in our drive for growth in our Wealth Management division, with the hiring of new advisers and the acquisition of a client book with funds under management since 30 September 2020. Fully supported by the new back office system implemented last year, we will maintain this course for controlled growth while always maintaining focus on our clients' best interests.

Notwithstanding reported headline losses, the Group continues to generate positive EBITDA* and underlying operating cash*, which enable continued support of our revenue and growth initiatives. However, this does not alleviate the imperative to focus on improved operating efficiencies and cost elimination. In this regard, we are developing plans to simplify the Group through reducing the number of regulated entities and streamlining the management structure.

The Group remains in a sound financial position and we continue to take steps to address the impact of COVID-19. We are optimistic about the opportunities before us but remain cautious given the continued impact of the pandemic and the ongoing uncertainty regarding the UK's exit from the European Union.

We hold steadfastly to our purpose of making investment rewarding for our clients, our shareholders and our staff, and giving our customers a fair deal. We support our investment managers and our staff by being a technology driven financial services company.

As we completed and reported on our March 2020 year-end, we were faced with significant uncertainty, the prospect of substantial revenue declines and potentially aggressive cost reduction action. We sought always to support our people, including the use of the Government's furlough

* See note 18 for the reconciliation of alternative performance measures ('APMs') to IFRS reported results

scheme. Further, we made the considered, but nevertheless difficult, decision to preserve cash by not paying a final dividend. In the event, markets recovered sooner than we anticipated and the Group has benefitted from a period of higher trading commissions.

Accordingly, decisions have been taken to repay all Government support received and pay an interim dividend. Although we are pleased to announce these decisions, we emphasise the outlook remains uncertain. The Board continues to monitor the situation in view of the current uncertainties but remains confident in the medium and long-term prospects for the business. Revenues since 30 September 2020 have also benefited from the rise in markets following the announcements regarding COVID-19 vaccines.

Trading update

Despite financial markets falling sharply at the start of the year as a direct result of the pandemic, the Group has reported an operating income of £14.35 million for the six-month period to September 2020, 7.9% below same period last year (30 September 2019: £15.58 million). Broking income in the period was encouragingly up 5.3% to £4 million (30 September 2019: £3.8 million), highlighting market volatility and a degree of investor confidence. Non-broking income as a proportion to broking income fell by 4% to 72%, with the loss of treasury interest income and lower management fee income in the period. Management fee income, being a product of asset values, was down given the fall in financial markets.

Income from the investor immigration division fell in the period reflecting a reduced number of high net worth applicants seeking UK settlement due to the global pandemic restricting international travel and migration. Structured investment activity and income was also lower.

Administrative expenses in the period, excluding exceptional expenses, fell 3.5% to £10.12 million (30 September 2019: £10.49 million), but much of the cost savings and efficiencies gained in the first half were absorbed by the increase in the FSCS levy adding an additional £0.2m to the Group's cost base.

Overall the Group reported an operating loss for the period, including redundancy costs, of £374,000 (30 September 2019: operating profit £617,000). Excluding the redundancy costs, which are reported separately as an exceptional item, the operating loss for the period was £272,000 (30 September 2019: operating profit before exceptional items was £408,000). Reported EBITDA* and underlying cash* generated remain positive.

We continue to focus on cost control measures, are renegotiating supply contracts and have implemented an intensive de-papering and paperless exercise. The Directors across all entities took a voluntary temporary salary reduction of 20% in the first three months of the financial year. In addition, the success and efficiency with which our staff have adapted to working remotely have changed the way we work and we are therefore also reviewing our future physical office requirements.

Total Assets under Management and Administration, after taking a fall in March 2020, have recovered to £4.8 billion. This is up 11.6% from March 2020 (31 March 2020: £4.3 billion).

The Group balance sheet and capital base, although reduced by the reported loss, remain sufficiently robust to support our growth strategy and the payment of a small interim dividend. As at the reporting date, the Group recorded net assets of £22.3 million (30 September 2019: net assets

* See note 18 for the reconciliation of alternative performance measures ('APMs') to IFRS reported results

Chairman's Statement
continued

of £22.7 million; 31 March 2020: net assets of £22.6 million) and cash surplus of £7.73 million after adjusting for the £76,000 furlough grant repaid post period end (30 September 2019: £7.55 million; 31 March 2020: £8.61 million). The Group capital surplus remains above 200%.

Investment Management
The Group's Investment Management division returned an operating profit of £285,000 for the six-month period compared to £1,161,000 in the previous year. The loss of income was primarily caused by lower interest income, management fees and structured investment income, offset by higher trading commissions and arbitrage income.

The Investment Management division proudly launched its in-house Model Portfolio Service in the period and is looking forward to marketing its service and performance to both existing and new clients.

Since the reporting date, two advisers have decided to leave the Group on amicable terms, which will result in the transfer of £46.8 million of Assets Under Management and Administration. The transfer of clients and their assets will take place later this year. The future impact on the Group's performance to be a reduction in net income before operating costs of circa £70,000.

Wealth Management
The division reported an operating loss of £17,000 (30 September 2019: operating profit £56,000) and is focused on improving results through recruiting new advisors, acquiring books of clients with funds under management and achieving cost savings, fully supported by the new back office system implemented last year.

Technology Services
EnOC Technologies Limited, the Group's new technology subsidiary, reported a loss of £78,000. The Group believes that its continued investment in technology is crucial to providing innovative and effective services to our clients, investment managers and staff.

The three-year project to commercialise our technology has begun. Since launching the EnOC Pro Platform in December 2019 with the Senior Managers & Certification Regime (SM&CR) system, a leading European systems provider in the private wealth space has signed up to adopt the system as part of its service offering to its clients. **www.enoc.pro** has also been collaborating on system development initiatives with counterparties in Singapore, Hong Kong and Malaysia as EnOC reaches out far beyond the boundaries of the Group.

Group Strategy
The Board continues to pursue a strategy of expansion by the recruitment of Investment and Wealth Management advisers and teams, and the acquisition of books of clients with funds under management. The Directors continue to monitor the cost base and look to take advantage of the more streamlined and flexible working environment as we adapt to the new normal working life.

Dividends
The Board did not take the decision in March to withdraw the final dividend lightly. Now that the Board has a greater visibility on the impact of the pandemic, we have approved an interim dividend of 0.15 pence per share (2019: 0.60 pence per share) payable on 23 December 2020 to those shareholders on the register at the close of business on 11 December 2020. Our aim is always to reward shareholders for their continued support. The Board will continue to monitor the Group's progress in terms of the commitments made by executives and the ongoing global pandemic, and will set the final dividend based on performance, capital headroom, market outlook and short-term and long-term cash flow considerations.

Our Community
We believe that in challenging times, it is important that we continue to support our chosen charities. In addition to financial support, we try to do more by using our technology for good, engaging in technology philanthropy, and using technology as a catalyst to boost their efforts, working with them to design, deploy and maintain those systems.

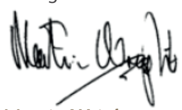
Our partner charity's mission, **www.twiningenterprise.org.uk**, is to combat mental health stigma and to assist people who are struggling with mental health issues around work and whose goal is to ensure that everyone with a mental health issue can find employment and cope with the challenges of working life, to support employers and raise awareness around mental health in general, and to reduce stigma and discrimination. A mission whose work is especially crucial, as highlighted during this pandemic.

We urge you to join us by signing on to support Twining in their mission, staying informed of their latest news and activities, and support them financially by going to **www.enoc.pro/community**.

Directors, Account Executives and Staff
This is my first Chairman's report. It gives me little pleasure to report losses, but I will happily admit that I am relieved that the impact of the unprecedented situation has not been more severe. Specifically, I would like to thank my fellow Directors, our investment managers and advisers and all members of staff for their continued commitment to the highest levels of client service, support and diligence during this exceptional period of global turmoil. One would hope that this is a once in a lifetime experience and I am very proud of the way our team reacted.

I would also like to take this opportunity to express my thanks, both personally and on behalf of the Group and its shareholders, to my colleague and our former Chairman David Gelber for his invaluable stewardship of the Group since 2007, a period during which we have seen a multitude of changes. He will be a hard act to follow. As we noted, he kindly agreed in the circumstances to continue as a Non-executive Director for an additional 12 months.

Outlook
No doubt we have a difficult year ahead. There is an ongoing global pandemic, the terms on which the UK plans to leave the EU have yet to be concluded and there is global political unrest. Despite this, I and the Board remain cautiously optimistic and excited about the future prospects of the Group. Led by the executives, your Group has begun new changes to consolidate and streamline its operations. Once achieved, the breadth of our service offering coupled with staff and account executives working together will provide the Group with the platform on which to emerge from this challenging period stronger and from there to grow and secure our long-term goals.



Martin Wright
Chairman
27 November 2020
Walker Crips Group plc

Condensed Consolidated Income Statement

for the six months ended 30 September 2020

	Note	**Unaudited September 2020 £'000**	Unaudited September 2019 £'000	Audited March 2020 £'000
Revenue	4, 7	**14,350**	15,581	31,422
Commission and fees paid	8	**(4,543)**	(4,686)	(9,771)
Share of after-tax profit / (loss) of associate or joint venture	9	**38**	-	(11)
Gross profit		**9,845**	10,895	21,640
Administrative expenses		**(10,117)**	(10,487)	(20,923)
Exceptional items	10	**(102)**	209	375
Operating (loss) / profit	4	**(374)**	617	1,092
Investment revenue		**2**	94	76
Financial costs		**(79)**	(91)	(205)
(Loss) / profit before tax		**(451)**	620	963
Taxation		**85**	(118)	(245)
(Loss) / profit for the period attributable to equity holders of the Parent Company		**(366)**	502	718
Earnings per share				
Basic	5	**(0.86)p**	1.18p	1.69p
Diluted	5	**(0.86)p**	1.18p	1.69p

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 September 2020

	Unaudited September 2020 £'000	Unaudited September 2019 £'000	Audited March 2020 £'000
(Loss) / profit for the period	**(366)**	502	718
Total comprehensive (loss) / income for the period attributable to equity holders of the Parent Company	**(366)**	502	718

Condensed Consolidated Statement of Financial Position

as at 30 September 2020

	Note	**Unaudited September 2020 £'000**	Unaudited September 2019 £'000	Audited March 2020 £'000
Non-current assets				
Goodwill		**4,388**	4,413	4,388
Other intangible assets		**6,397**	7,036	6,701
Property, plant and equipment		**2,076**	2,010	2,330
Right of Use Asset		**4,049**	5,048	4,362
Investment in Associate and Joint Venture	9	**4**	-	-
Investments - fair value through profit or loss	12	**50**	51	51
		16,964	18,558	17,832
Current assets				
Trade and other receivables		**17,985**	23,823	24,515
Investments - fair value through profit or loss	13	**958**	963	638
Cash and cash equivalents		**7,831**	7,552	8,609
		26,774	32,338	33,762
Total assets		**43,738**	50,896	51,594
Current liabilities				
Trade and other payables		**(15,753)**	(21,921)	(22,750)
Current tax liabilities		**(337)**	(314)	(424)
Deferred tax liabilities		**(225)**	(303)	(335)
Bank overdrafts		**(24)**	(3)	-
Provisions		**(183)**	(183)	(178)
Lease liabilities		**(1,131)**	(1,067)	(969)
		(17,653)	(23,791)	(24,656)
Net current assets		**9,121**	8,547	9,106

	Note	**Unaudited September 2020 £'000**	Unaudited September 2019 £'000	Audited March 2020 £'000
Long-term liabilites				
Deferred cash consideration		**(15)**	(47)	(15)
Lease liabilities		**(3,133)**	(3,833)	(3,620)
Dilapidation provision		**(659)**	(542)	(659)
		(3,807)	(4,422)	(4,294)
Net assets		**22,278**	22,683	22,644
Equity				
Share capital		**2,888**	2,888	2,888
Share premium account		**3,763**	3,763	3,763
Own shares		**(312)**	(312)	(312)
Retained earnings		**11,216**	11,621	11,582
Other reserves		**4,723**	4,723	4,723
Equity attributable to equity holders of the Parent Company		**22,278**	22,683	22,644

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 September 2020

	Note	**Unaudited September 2020 £'000**	Unaudited September 2019 £'000	Audited March 2020 £'000
Operating activities				
Cash generated by operations	15	**5**	1,463	3,483
Tax (paid) / received		**(109)**	-	18
Net cash (used) / generated by operating activities		**(104)**	1,463	3,501
Investing activities				
Purchase of property, plant and equipment		**(46)**	(193)	(321)
(Purchase) / sale of investments held for trading		**(200)**	140	101
Consideration paid for acquisition of client lists		**-**	(53)	(21)
Consideration paid for acquisition of subsidiary net of cash acquired		**-**	21	(1)
Dividends received		**-**	10	17
Dividends received from associate investment		**34**	-	-
Interest received		**2**	73	48
Net cash used by investing activities		**(210)**	(2)	(177)
Financing activities				
Dividends paid		**-**	(141)	(396)
Interest paid		**(9)**	(10)	(7)
Government grant received #		**76**	-	-
Repayment of lease liabilities *		**(485)**	(469)	(944)
Repayment of lease interest *		**(70)**	(81)	(157)
Net cash used by financing activities		**(488)**	(701)	(1,504)
Net (decrease) / increase in cash and cash equivalents		**(802)**	760	1,820
Net cash and cash equivalents at beginning of period		**8,609**	6,789	6,789
Net cash and cash equivalents at end of period		**7,807**	7,549	8,609
Cash and cash equivalents		**7,831**	7,552	8,609
Bank overdrafts		**(24)**	(3)	-
		7,807	7,549	8,609

Grant received of £76,000 under the Government backed Coronavirus Job Retention Scheme. Subsequent to the period end, the Directors have repaid the grant to HMRC in full (see note 2).

* Total IFRS 16 lease liability payments of £555,000 (30 September 2019: £550,000 and 31 March 2020: £1,101,000).

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 September 2020

	Share capital	Share premium account	Own shares held	Capital redemption	Other	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity as at 31 March 2019	**2,888**	**3,763**	**(312)**	**111**	**4,612**	**10,659**	**21,721**
Total comprehensive income for the period	-	-	-	-	-	502	502
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(141)	(141)
Effect of adoption of IFRS 16	-	-	-	-	-	601	601
Total contributions by and distributions to owners	-	-	-	-	-	460	460
Equity as at 30 September 2019	**2,888**	**3,763**	**(312)**	**111**	**4,612**	**11,621**	**22,683**
Total comprehensive income for the period	-	-	-	-	-	216	216
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(255)	(255)
Total contributions by and distributions to owners	-	-	-	-	-	(255)	(255)
Equity as at 31 March 2020	**2,888**	**3,763**	**(312)**	**111**	**4,612**	**11,582**	**22,644**
Total comprehensive loss for the period	-	-	-	-	-	(366)	(366)
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-
Equity as at 30 September 2020	**2,888**	**3,763**	**(312)**	**111**	**4,612**	**11,216**	**22,278**

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2020

1. General information

Walker Crips Group plc ('the Company') is the Parent Company of the Walker Crips group of companies ('the Group'). The Company is a public limited company incorporated in England and Wales under the Companies Act 2006. The Company's registered office is at Old Change House, 128 Queen Victoria Street, London EC4V 4BJ.

2. 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 European Union (IFRS). These condensed financial statements are presented in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements, however, selected explanatory notes are included for events and transactions that are significant to an understanding of the Group's financial position and performance.

The condensed consolidated financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2020. 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 2020 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. The interim financial information has neither been audited nor reviewed pursuant to guidance issued by the Audit Procedures Board.

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 2020.

The interim condensed consolidated financial statements are presented in GBP sterling (£) and are rounded to the nearest thousand, unless stated otherwise.

The Directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (COVID-19) in preparing these interim condensed consolidated financial statements.

Going Concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for a period of at least twelve months from the date of this report. Accordingly, the Directors continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

As at 30 September 2020, the Group had net assets of £22.3m (31 March 2020: £22.6m), net current assets of £9.1m (31 March 2020: £9.1m) and net cash and cash equivalents of £7.73 million after adjusting for the £76,000 furlough grant repaid post period end (31 March 2020: £8.61 million). The Group reported an operating loss of £374,000 for the period to 30 September 2020, inclusive of an exceptional cost of £102,000 (31 March 2020: operating profit of £1,092,000, inclusive of exceptional income of £375,000), and cash generated by operating activities of £5,000 (31 March 2020: cash generated by operating activities of £3,483,000).

The Directors consider the going concern basis to be appropriate following their assessment of the Group's financial position and its ability to meet its obligations as and when they fall due. In making the going concern assessment, the Directors have taken into account the following:

- The capital structure and liquid resources of the Group;
- Actual trading in the six-month period to 30 September 2020;
- Its base case and stressed cash flow forecasts over the financial reporting periods ending 31 March 2021 and 31 March 2022;
- Stress tests carried out, including reversed stress test scenarios to assess the Group's ability to withstand significant market-wide events; and
- The principal risks facing the Group, including the potential financial and operational impact of COVID-19, and its systems of risk management and internal control.

Key assumptions that the Directors have made in preparing the base case cash flow forecasts are that:

- Revenues reflect the impact of (i) continued low base rates of 10 basis points on income for managing client deposits and (ii) lower fee income expectation as a result of the lower UK equity market index levels. Overall revenue growth expectation for future years set conservatively at 2% to 3.3%; and
- Base case costs reflect only the actions Management has taken to date in response to the impact of COVID-19 on the business for the remainder of the present reporting year, with any further cost savings delayed until the year to 31 March 2022.

Key stress scenarios that the Directors have considered include:

- A 'bear stress scenario' representing a further 10% fall in income compared to the base case scenario in reporting periods ending 31 March 2021 and 31 March 2022;
- A 'severe stress scenario' representing a 20% fall in commission income and 15% fall in fee income compared to the base case for each forecast period; and
- Both stress scenarios assume no mitigating actions.

Our reverse stress testing further indicates that revenues would have to decline by 26% and 31% respectively over the next 12 months compared to base case to reach our liquidity and pillar 1 regulatory capital ratio thresholds. These reverse stresses make no allowance for any mitigating actions available to the Group and the Directors consider them to be remote scenarios.

Actual trading for the six months to 30 September 2020 was ahead of the base case scenario noted above. Although COVID-19 developments are fluid, the Directors believe that the stress conditions assessed demonstrate the Group's financial resilience and operating flexibility. At the report date, the Directors were not aware of any material uncertainties that would cast doubt over the Group's ability to continue as a going concern.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2020 | continued

Government grants
The Group, initially having taken advantage of the Government backed Coronavirus Job Retention Scheme (CJRS), post period-end decided to repay the grant in full. The Directors took this decision following a review of work activities undertaken by furloughed staff, which resulted in some positions being made redundant, and as such believe it is correct to repay the grant. The reported loss therefore does not include the grant. The initial cash receipt is recognised in the statement of cash flows as a financing activity and the repayment liability is recorded in the statement of financial position.

Taxation
The tax credit in the income statement represents the sum of the tax currently receivable and deferred tax.

The tax currently receivable is based on the taxable loss for the period. Taxable loss differs from net loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date. The amount of taxable loss in the current period has been estimated.

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 profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable loss or profits will be available against which deductible temporary differences can be utilised.

The statement of financial position shows overall payable balances for tax liability and deferred tax liability despite an estimated receivable recognised in the six-month period to 30 September 2020. This is due to the impact of the income statement tax credit reducing the balance of the respective liabilities.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited directly to the income statement, except when it relates to items charged or credited to 'Other comprehensive income' in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to do so and presented as a net number on the face of the statement of financial position.

Use of estimates and judgements
Estimates and judgements used in the preparation of these interim condensed consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

There have been no material revisions to the nature and amounts of estimates of numbers reported in prior periods. The effects of COVID-19 have not made any significant changes to various methodologies adopted by the Group in assessing judgments and estimates made in the preparation of these interim Condensed Consolidated Financial Statements.

Key sources of estimates and judgements that have a significant impact on the carrying values of assets and liabilities are discussed below:

- **Impairment of goodwill**
  The Group tests annually whether goodwill allocated to each of the cash generating units have suffered any impairment. Impairment tests are carried out more frequently if there are events or changes in circumstances that indicate that the carrying amount of the asset may exceed the recoverable amount.

  Determining whether goodwill is impaired requires an estimation of the fair value less costs to sell and the value-in-use of the cash-generating units to which goodwill has been allocated. The fair value less costs to sell involves estimation of values based on the application of earnings multiples and comparison to similar transactions. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and apply a discount rate in order to calculate present value. The assumptions and inputs involve judgements and create estimation uncertainty.

  The last annual test was performed for the year ending 31 March 2020. The carrying amount of goodwill at the statement of financial position date was £4.4 million (31 March 2020: £4.4 million).

- **Other intangible assets**
  Acquired client lists are capitalised based on current fair values. When the Group purchases client relationships from other corporate entities, a judgement is made as to whether the transaction should be accounted for as a business combination or a separate purchase of intangible assets. In making this judgement, the Group assesses the acquiree against the definition of a business combination in IFRS 3. Payments to newly recruited Investment Managers are capitalised when they are judged to be made for the acquisition of client relationship intangibles. The useful lives are estimated by assessing the historic rates of client retention, the ages and succession plans of the Investment Managers who manage the clients and the contractual incentives of the Investment Managers. The Directors conduct a review of indicators of impairment and also consider a life of up to twenty years to be both appropriate and in line with industry peers.

  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.

  No intangible asset acquisitions were made in the period to 30 September 2020.

- **IFRS 16 "Leases"**
  IFRS 16 requires certain judgements and estimates to be made and those significant judgements are explained below:

  – Following a review of all leases, the Group has opted to use single discount rates for leases with reasonably similar characteristics. The discount rates used have had an impact on the right-of-use assets values, lease liabilities on initial recognition and lease finance costs included within the income statement and statement of financial position.

  – IFRS 16 defines a lease term as the non-cancellable period of a lease, together with the options to extend or terminate a lease, if the lessee is reasonably certain to exercise the lease options available at the time of reporting. Where a lease includes the option for the Group to extend the lease term, the Group has exercised the judgement, based on current information, that such leases will be extended to the full length available, and this is included in the calculation of the value of the right of use assets and lease liabilities on initial recognition and valuation at the reporting date.

Impact of accounting standards to be applied in future periods
There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2020 that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

Significant events and transactions
The World Health Organisation declared COVID-19 a global health emergency on 30 January 2020. In response and in light of the expected economic downturn due to the COVID-19 pandemic, the Bank of England (BoE) reduced the base rate from 0.75 % to 0.25 % on 11 March 2020 and again to 0.1 % on 19 March 2020. The cuts in base rate, as noted in Group's Annual Reports and Accounts, is expected to result in £1.5 million less annual income receivable by the Group. For the six-month period to 30 September 2020, the impact of changes in the base rate resulted in £785,000 less income being recorded compared to the prior period. In turn, this has contributed to the drop in the proportion of non-broking income to total income (Note 7).

In the 6 months to 30 September 2020 the Group reported management fee income that is £516,000 lower than the prior year comparable period. The fall in fee income, as anticipated, was partly caused by the previously noted exit of several investment managers in 2019 and partly by the drop in global financial market indices, resulting in lower assets under management values and therefore lower management fees.

The volatility in the financial markets also played a part in boosting our broking income by £173,000 compared to the prior period as clients engaged in increased trading activity.

3. Changes in significant accounting policies
The accounting policies applied in these interim Condensed Consolidated Financial Statements are consistent with those applied in the Group's Consolidated Financial Statements as at and for the year ended 31 March 2020.

4. Revenue and segmental analysis
For segmental reporting purposes, the Group currently has three operating segments:

- Investment Management, being portfolio-based transaction execution and investment advice;
- Wealth Management, being financial planning and pension advice; and
- Software as a Service (SaaS), comprising provision of regulatory and admin software to regulated companies.

Walker Crips Investment Management's activities focus predominantly on investment management of various types of portfolios and asset classes.

Walker Crips Wealth Management provides advisory and administrative services to clients in relation to their financial planning, life insurance, inheritance tax and pension arrangements.

EnOC Technologies Limited (SaaS) provides the regulatory and admin software, software as a service, to regulated companies including all WCG's regulated entities. Fees payable by subsidiary companies to EnOC Technologies Limited have been eliminated on consolidation.

These activities are the basis on which the Group reports its primary segment information. Unallocated corporate expenses are disclosed separately. Revenues between Group entities and reportable segments are excluded from the below analysis.

	Investment Management	Wealth Management	SaaS		Total
	£'000	£'000	£'000		£'000
6 months to 30 September 2020	**13,542**	**806**	**2**		**14,350**
6 months to 30 September 2019	14,515	1,066	-		15,581
Year to 31 March 2020	29,562	1,859	1		31,422

Operating (loss) / profit				Unallocated Costs	Operating (loss) / profit
	£'000	£'000	£'000	£'000	£'000
6 months to 30 September 2020	**285**	**(17)**	**(78)**	**(564)**	**(374)**
6 months to 30 September 2019	1,161	56	-	(600)	617
Year to 31 March 2020	2,034	42	(29)	(955)	1,092

5. Earnings per share
The calculation of basic earnings per share for continuing operations is based on the post-tax loss for the period of £366,000 (2019: post-tax profit of £502,000) and on 42,577,328 (2019: 42,577,328) ordinary shares of 6 2/3p, being the weighted average number of ordinary shares in issue during the period. There is no dilution applicable to the current period.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2020 | continued

6. Dividends

The interim dividend of 0.15 pence per share (2019: 0.60 pence per share) is payable on 23 December 2020 to shareholders on the register at the close of business on 11 December 2020. The associated ex-dividend date is 10 December 2020. The interim dividend has not been included as a liability in this interim report.

7. Total income

	Six months ended 30 September 2020	Six months ended 30 September 2019	Year ended 31 March 2020
	£'000	£'000	£'000
Revenue from contracts with customers	**13,360**	13,975	28,835
Other revenue	**990**	1,606	2,587
	14,350	15,581	31,422
Investment revenues	**2**	94	76
	14,352	15,675	31,498

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

	Six months ended 30 September 2020	**%**	Six months ended 30 September 2019	%	Year ended 31 March 2020	%
	£'000		£'000		£'000	
Income						
Broking	**3,984**	**28**	3,780	24	8,095	26
Non-broking	**10,368**	**72**	11,895	76	23,403	74
	14,352	**100**	15,675	100	31,498	100

8. Commission payable

Commissions and fees paid comprises:

	Six months ended 30 September 2020	Six months ended 30 September 2019	Year ended 31 March 2020
	£'000	£'000	£'000
To authorised external agents	**36**	34	65
To approved persons	**4,507**	4,652	9,706
	4,543	4,686	9,771

9. Investment in associate and joint venture

	September 2020	September 2019	March 2020
	£'000	£'000	£'000
Brought forward	**-**	44	44
Additions	**-**	-	-
Disposals	**-**	(33)	(33)
Share of after tax profits / (losses)	**38**	(11)	(11)
Dividends	**(34)**	-	-
Carried forward	**4**	**-**	**-**

Associate

The Group has a 33 % (2019: nil) interest in its associate, Walker Crips Property Income Limited ("WCPIL"), a company incorporated and operating in the United Kingdom. The brought forward value of the Group's share of net assets in WCPIL was £1. The Board of WCPIL submitted management accounts to 30 September 2020 reporting a profit of £115,000 from which a dividend of £34,000 was paid in the period.

Joint venture

As reported in the 2020 Annual Report and Accounts, the Group acquired the remaining interest in the former joint venture, JWPCreers Wealth Management Limited, which is now a 100 % owned subsidiary and has changed its name to Walker Crips Ventures Limited.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2020 | continued

10. Exceptional items

As a result of their materiality, the Directors have decided to disclose certain amounts separately in order to present results which were not distorted by significant non-recurring events.

	Six months ended 30 September 2020	Six months ended 30 September 2019	Year ended 31 March 2020
	£'000	£'000	£'000
Changes in the value of deferred consideration	**-**	-	166
Insurance recovery of historical claim against the Group	**-**	209	209
Redundancies	**(102)**	-	-
	(102)	209	375

During the period to 30 September 2020, the Group as part of the restructuring programme made certain positions redundant. The cost of the redundancy exercise is classified as exceptional due to its nature and materiality.

In the period to 31 March 2020, the Group, following arbitration proceedings, received £209,000 in respect of a disputed historic insurance claim that was expensed in prior periods. In addition, cash consideration payable for acquired client relationships was re-assessed based on actual values and an exceptional credit recorded being the reversal of an over-estimation of £166,000.

11. Tax

Tax is charged at 19 % for the six months ended 30 September 2020 (30 September 2019: 19 %) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income of the six-month period.

12. Non-current investments – fair value through profit or loss

	Investments at fair value through profit or loss	**Total**
	£'000	**£'000**
At 30 September 2019	51	51
Disposals in the period	-	-
At 31 March 2020	51	51
Disposals in the period	(1)	(1)
At 30 September 2020	**50**	**50**

Investments at fair value through profit or loss

The Group's non-current investments comprise unregulated collective investment scheme (UCIS) investments (£40,000) and a life policy investment (£10,000).

The UCIS fair values are based upon the reported unit price as at 30 September 2020.

The fair value of the Group's life policy investment is based upon the life company's forecast terminal value.

13. Current investments

	As at 30 September 2020	As at 30 September 2019	As at 31 March 2020
	£'000	£'000	£'000
Trading investments			
Investments - fair value through profit or loss	**958**	963	638

Trading investments represent securities and collectives held in support of Group's structured investment and arbitrage activities. The fair values of these securities are based on quoted market prices.

14. Fair values

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 Investments held in non-current assets fall within this category.

Further IFRS 13 disclosures have not been presented here as the balance represents 2.305 % (2019: 1.892 %) of total assets.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2020 | continued

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

	Level 1 £'000	Level 3 £'000	Total £'000
As at 30 September 2020			
Financial assets held at fair value through profit and loss	**958**	**50**	**1,008**
	958	**50**	**1,008**
At 30 September 2019			
Financial assets held at fair value through profit and loss	963	51	1014
	963	51	1014
At 31 March 2020			
Financial assets held at fair value through profit and loss	638	51	689
	638	51	689

There have been no transfers of financial instruments between levels during the period.

Level 1 investments comprise the Group's principal proprietary holdings of listed investments, which are valued at the prices prevailing on the respective relevant stock exchanges at the period end.

Level 3 investments represent the fair value of UCIS and Life Policy investments, which have fair values determined by reference to prices supplied from the administrator and provider respectively.

In all cases, the unrealised gains or losses in the investments are recognised within revenue on the income statement.

15. Cash generated from operations

	Unaudited September 2020 £'000	Unaudited September 2019 £'000	Audited March 2020 £'000
Operating (loss) / profit for the period	**(374)**	617	1,092
Adjustments for:			
Amortisation of intangibles	**304**	279	609
Changes in the fair value of deferred consideration	**-**	-	(166)
Net change in fair value of financial instruments at fair value through profit or loss	**(120)**	(71)	367
Share of associate / joint venture (profit) / loss	**(38)**	-	11
Depreciation of property, plant and equipment	**300**	267	590
Depreciation of right of use assets	**475**	453	867
Decrease in debtors*	**6,533**	11,736	11,044
(Decrease) in creditors*	**(7,075)**	(11,777)	(10,884)
Change in working capital as a result of net of effects of acquiring a subsidiary and disposal of joint venture:			
Derecognition of joint venture asset now fully acquired	**-**	(44)	(44)
Trade and other payables	**-**	(6)	(12)
Trade and other receivables	**-**	9	9
Net cash generated by operations	**5**	1,463	3,483

*£542,000 cash outflow from working capital movement (30 September 2019: £41,000 outflow; 31 March 2020: £160,000 inflow).

16. Contingent liability

Occasionally the Group receives complaints that are considered without merit, but the final outcome sometimes falls outside the Group's control. Where such claims are not covered by the Group's indemnity insurance, for example due to an excess or coverage dispute, a contingent liability arises. However, where in the view of the Directors a negative outcome is considered to be remote no disclosure has been made in these financial statements.

17. Subsequent events

Since the reporting date, two advisers have decided to leave the Group on amicable terms, which will result in the transfer of £46.8 million of Assets Under Management and Administration. The transfer of clients and their assets will take place later this year. The future impact on the Group's performance to be a reduction in net income before operating costs of circa £70,000.

18. Alternative performance measures ('APMs')

As explained in the 2020 Annual Report and Accounts, the Group reports APMs to facilitate readers' understanding of business performance. The tables below provide full reconciliations of the APMs to IFRS reported results:

Reconciliation of operating (loss) / profit to operating (loss) / profit before exceptional items

	Unaudited September 2020	Unaudited September 2019	Audited March 2020
	£'000	£'000	£'000
Operating (loss) / profit for the period	**(374)**	617	1,092
Exceptional items (Note 10)	**102**	(209)	(375)
Operating (loss) / profit before tax and exceptional items	**(272)**	408	717

IAS 17 consistent EBITDA

	Unaudited September 2020	Unaudited September 2019	Audited March 2020
	£'000	£'000	£'000
Operating (loss) / profit before tax and exceptional items	**(272)**	408	717
Amortisation / depreciation (Note 15)	**604**	546	1,199
RoUA* depreciation charge (Note 15)	**475**	453	867
IAS 17 operating lease charge	**(427)**	(420)	(855)
IAS 17 consistent EBITDA	**380**	987	1,928

* Right-of-use assets.

Underlying cash generated by operations

	Unaudited September 2020	Unaudited September 2019	Audited March 2020
	£'000	£'000	£'000
Cash generated by operations	**5**	1,463	3,483
Working capital movement*	**618**	41	(160)
Lease liability payments under IFRS16 (see Statement of Cash Flows)	**(555)**	(550)	(1,101)
Exceptional items (Note 10)	**102**	(209)	(375)
Underlying cash generated by operations	**170**	745	1,847

* Working capital movement of £542,000 per Note 15 further adjusted to eliminate the impact of the furlough grant repaid post period end.

Directors' Responsibility Statement

The Directors confirm that 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
27 November 2020
Walker Crips Group plc

Company officers

Executive Directors
S. K. W. Lam FCPA (Aust.), Chartered FCSI – Chief Executive Officer
S. Dandeniya FCCA – Group Finance Director

Non-Executive Directors
D. M. Gelber
H. M. Lim
M. J. Wright – Chairman
C. Bouch FCA – Senior Independent Director

Secretary
R. Goddard

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