WALKERCRIPS

Interim Report 2021

Walker Crips Group plc

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Highlights

- Total revenues of £15.69 million representing growth of 9.3 % on the comparative period last year (2020: £14.35 million)
- Adjusted EBITDA £1.29 million (2020: £0.81 million) [1]
- Underlying cash generated from operations £0.55 million (2020: £0.17 million) [2]
- Operating profit pre-exceptional items [3] £232,000 (2020: operating loss of £272,000) and operating profit post-exceptional items [3] £120,000 (2020: operating loss of £374,000)
- Profit before tax pre-exceptional items [3] £166,000 (2020: loss before tax £349,000) and profit before tax post-exceptional items [3] £54,000 (2020: loss before tax £451,000)
- Net cash position of £8.38 million (2020: £7.81 million)
- Assets Under Management ("AUM") increased by 5.9 % to £3.6 billion from March 2021 (2020: £3.1 billion)
- Total Assets Under Management and Administration ("AUMA") increased by 5.6 % to £5.7 billion from March 2021 (2020: £4.8 billion)
- Interim dividend increased to 0.30 pence per share (2020: 0.15 pence per share)

[1] Adjusted EBITDA represents earnings before exceptional items [3], interest, taxation, depreciation and amortisation on an IFRS basis. The Directors present this result as it is a metric widely used by stakeholders when considering an entity's financial performance. A full reconciliation is provided in the Chairman's statement.

[2] Underlying cash generated from operations shows the cash generated from operations adjusted for lease liability payments under IFRS 16, non-cyclical working capital movements and exceptional items. The Directors consider that this metric helps readers understand the cash generating performance of the Group. A full reconciliation to reported results is presented in the Chairman's statement.

[3] Exceptional items are disclosed in note 10 to the accounts and a full reconciliation to reported results is presented in the Chairman's statement.

Martin Wright, Chairman of Walker Crips, commented:

"The Group reports a small profit at the half-year compared to the prior period loss, and continues to generate positive adjusted EBITDA [1] and underlying operating cash [2], which enable continued support of our revenue and growth initiatives. Headwinds include inflationary cost pressures and our focus continues to be on revenue growth, improving operating efficiency and cost control."

Company at a glance

A technology-driven financial services company

The Walker Crips Group offers investment management and wealth management services, pensions administration and cloud-based regulation technology.

£15.69m

Total revenue for the six months ended 30 September 2021
(2020: £14.35m)

£5.7bn

Total Assets Under Management and Administration
(2020: £4.8bn)

£8.38m

Net cash and cash equivalents
(2020: £7.81m)

Our offices

Walker Crips operates 12 offices throughout the UK, headed and staffed by dedicated individuals.

12

Offices in the UK

- London (head office)
- Birmingham
- Bristol
- Epping
- Inverness
- Newbury
- Norwich
- Romford (Finance & Operations)
- Southampton
- Truro
- Wymondham
- York

Our values

Founded on traditional values of integrity, courtesy, fairness and loyalty, we have maintained these ideals and remain committed to serve our clients and to deliver good customer outcomes.

1. Integrity
2. Courtesy
3. Fairness
4. Loyalty

Chairman's statement

Introduction

The Group reports an operating profit at the half-year, which is explained more fully in the trading update below. Behind the headline figures, progress is being made on a number of fronts. Specifically, the Group continues to implement its restructuring strategy to improve operating margins for the Investment Management division and its renewed growth strategy for the Wealth Management division. Tangible progress is being made and we will remain focused on this objective, noting that it will take time to execute fully and bring further improvement in profitability, particularly given the cost pressures we are currently experiencing. The increase in reported revenue is pleasing and reflects the continuing broad improvement across most business lines that we saw in the second half of last year.

AUMA recovered to £5.7 billion, up 5.6% from March 2021 (£5.4 billion). The Group balance sheet and capital base remain sufficiently robust to support our growth strategy and the payment of a modest interim dividend. As at the reporting date, the Group's net assets are £22.1 million (September 2020: £22.3 million; March 2021: £22.3 million) and net cash surplus is £8.4 million (September 2020: £7.8 million; March 2021: £8.9 million). The Group capital surplus remains above 200%.

Group performance

The Group's revenue is £1.34 million (9.3%) up compared to the comparative period last year, this has been principally driven by the recovery in markets seen since the second half of the prior year. Breaking this down, broking commissions income rose by £115,000 (2.9%) and non-broking income by £1.2 million (11.8%). Within non-broking income, an improved performance from our structured products service was largely offset by reduced profitability from our arbitrage desk and lower interest income on client deposits. Pre-exceptional items, operating profit and profit before tax are £232,000 (2020: loss of £272,000) and £166,000 (2020: loss of £349,000), respectively.

The increase in revenues and operating margin has led to a £481,000 (60%) improvement in reported adjusted EBITDA and £378,000 (223%) improvement in underlying cash generation. Although the actions we are taking to improve operating margins are beginning to come through, with the reported gross margin now 70.2% compared to 68.6% in the prior period, this improvement is offset by a £659,000 increase in administrative expenses before exceptional items. The period-on-period increase also reflects the fact that the Directors took a three-month 20% voluntary pay reduction last year. Additionally, the growth strategy for our Wealth Management division means we invest in new teams before they start generating revenue. Adjusting the investment made in new teams and the prior period voluntary pay reduction, pre-exceptional administrative expenses have risen by 3%, which is in line with the rise in CPI over the 12 months to September 2021. However, we are experiencing inflationary pressures in many areas, including salaries. We are also reviewing and investing in our business and compliance functions as we implement improvements and respond to new regulations, which will add extra costs to our operations in the second half of the year.

The reorganisation of our business continues, with further redundancies concluded in the period in connection with the ongoing project to rationalise the number of regulated entities. We report such related costs of £336,000 (2020: £102,000) as exceptional items. In addition, following a successful legal challenge in connection with establishing client ownership, we recognised exceptional income, net of related costs, of £224,000. After exceptional items, the Group's operating result is a profit of £120,000 (2020: loss of £374,000), profit before tax of £54,000 (2020: loss of £451,000) and profit after tax of £44,000 (2020: loss of £366,000).

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

	Unaudited September 2021 £'000	Unaudited September 2020 £'000	Audited March 2021 £'000
Operating profit / (loss)	**120**	(374)	22
Exceptional items (note 10)	**112**	102	419
Operating profit / (loss) before exceptional items	**232**	(272)	441

Reconciliation of profit / (loss) before tax to profit / (loss) before tax and exceptional items

	Unaudited September 2021 £'000	Unaudited September 2020 £'000	Audited March 2021 £'000
Profit / (loss) before tax	**54**	(451)	(114)
Exceptional items (note 10)	**112**	102	419
Profit / (loss) before tax and exceptional items	**166**	(349)	305

Adjusted EBITDA

	Unaudited September 2021 £'000	Unaudited September 2020 £'000	Audited March 2021 £'000
Operating profit / (loss)	**120**	(374)	22
Exceptional items (note 10)	**112**	102	419
Amortisation / depreciation	**563**	604	1,212
Right-of-use-assets depreciation charge	**493**	475	961
Adjusted EBITDA	**1,288**	807	2,614

Underlying cash generated by the Group

	Unaudited September 2021 £'000	Unaudited September 2020 £'000	Audited March 2021 £'000
Net cash inflow from operations	**213**	5	1,806
Working capital	**768**	618	(8)
Lease liability payments under IFRS 16	**(545)**	(555)	(1,133)
Exceptional items (note 10)	**112**	102	419
Underlying cash generated in the period	**548**	170	1,084

Investment Management

The Group's Investment Management division returned an operating profit of £688,000 for the six-month period compared to £285,000 in the previous year. As noted above, significantly higher income from fees, commissions and structured products were partially offset by reduced income from the arbitrage desk, reduced interest income and exceptional costs. The actions underlying the significant exceptional costs should contribute positively in the second half of the year, helping mitigate current cost pressures and initiatives noted previously. There are likely to be further exceptional costs as we continue to progress the Group restructuring programme.

The development of the Group's model portfolio service ("MPS") capabilities continued during the period, with all MPS teams enjoying steady growth in AUM due both to performance and organic growth. Our various MPS teams in Barker Poland Asset Management LLP, and offices in York, London and Truro contributed their knowledge and expertise to our 'Investment Senate', chaired by our CIO, which oversaw the asset allocation and security selection of the Group's York-based "Service First" model portfolio brand.

Wealth Management

Our Wealth Management division's turnover increased by 5.46% to £850,000 with AUM increasing by 17.2% to £438 million compared to March 2021. The division has also benefited from exceptional income arising from a successful legal challenge relating to client ownership. Since the start of the financial year a new team of financial planners has joined. Although the costs of the new team have contributed to the division reporting a loss for the period, new clients are now being onboarded and revenue is being generated, which should contribute to improved performance in the second half of the year.

Group strategy

We remain confident in our strategy to grow our core business and commercialise our technological capabilities. The Investment Management division's project to improve operating margins will be a long-term exercise, with the overall impact on operating margins likely to be positive, but is unlikely to be smooth, from reporting period to reporting period. The Wealth Management division is focused on generating organic revenue growth and through the recruitment of new revenue-generating advisers, which may lead to short-term drags due to recruitment costs and the time needed to bed-down new advisers, and the acquisition of client-lists. Headwinds also include the inflationary cost pressures we face, including salaries and recruitment, and the investment in our compliance infrastructure. The initiatives are key to building a business that is sustainably profitable and competitive, whilst recognising the need to restore performance as quickly as possible.

Dividends

The Board has declared an interim dividend of 0.30 pence per share (2020: 0.15 pence per share), which will be paid on 7 January 2022 to shareholders on the register on 24 December 2021. The ex-dividend date will be 23 December 2021.

Our aim is to always reward shareholders for their continued support. The Board will continue to monitor the Group's progress, and 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 even during challenging times, it is important that we continue to support our chosen charities. In addition to providing financial support, we endeavour to do more by using our technological capabilities for good, by engaging in technology philanthropy, using technology as a catalyst to boost the efforts of charitable organisations, 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. Their goal is to ensure that everyone suffering from mental health issues 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. The mission and efforts of Twining were proven to be 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**.

Outlook

There is little doubt that we have a difficult year ahead. Despite reporting a small profit for the first half, we are clearly not out of the pandemic driven uncertainties and there are inflationary and regulatory cost pressures on the business. We are resolute in our determination to address these challenges, to continue to progress our key initiatives and to maintain the delivery of high standards of customer service.

Martin Wright
Chairman
16 December 2021
Walker Crips Group plc

Condensed consolidated income statement

for the six months ended 30 September 2021

	Notes	**Unaudited September 2021 £'000**	Unaudited September 2020 £'000	Audited March 2021 £'000
Revenue	4, 7	**15,690**	14,350	30,348
Commissions and fees paid	8	**(4,725)**	(4,543)	(9,702)
Share of after-tax profit of associate	9	**43**	38	66
Gross profit		**11,008**	9,845	20,712
Administrative expenses		**(10,776)**	(10,117)	(20,271)
Exceptional items	10	**(112)**	(102)	(419)
Operating profit / (loss)	4	**120**	(374)	22
Investment revenue		**-**	2	10
Finance costs		**(66)**	(79)	(146)
Profit / (loss) before tax		**54**	(451)	(114)
Taxation		**(10)**	85	(144)
Profit / (loss) for the period attributable to equity holders of the Parent Company		**44**	(366)	(258)
Earnings / (loss) per share				
Basic and diluted	5	**0.10p**	(0.86)p	(0.61)p

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2021

	Unaudited September 2021 £'000	Unaudited September 2020 £'000	Audited March 2021 £'000
Profit / (loss) for the period	**44**	(366)	(258)
Total comprehensive income / (loss) for the period attributable to equity holders of the Parent Company	**44**	(366)	(258)

Condensed consolidated statement of financial position

as at 30 September 2021

	Notes	**Unaudited September 2021 £'000**	Unaudited September 2020 £'000	Audited March 2021 £'000
Non-current assets				
Goodwill		**4,388**	4,388	4,388
Other intangible assets		**6,169**	6,397	6,566
Property, plant and equipment		**1,330**	2,076	1,477
Right-of-use-assets		**3,120**	4,049	3,612
Investment in associate	9	**19**	4	2
Investments - fair value through profit or loss	12	**37**	50	37
		15,063	16,964	16,082
Current assets				
Trade and other receivables		**30,061**	17,985	49,098
Investments - fair value through profit or loss	13	**1,011**	958	920
Cash and cash equivalents		**8,376**	7,831	8,855
		39,448	26,774	58,873
Total assets		**54,511**	43,738	74,955
Current liabilities				
Trade and other payables		**(27,680)**	(15,753)	(47,395)
Current tax liabilities		**(278)**	(337)	(123)
Deferred tax liabilities		**(306)**	(225)	(400)
Bank overdrafts		**-**	(24)	-
Provisions		**(64)**	(183)	(205)
Lease liabilities		**(621)**	(1,131)	(946)
Dividends payable		**(53)**	-	-
		(29,002)	(17,653)	(49,069)
Net current assets		**10,446**	9,121	9,804

	Unaudited September 2021 £'000	Unaudited September 2020 £'000	Audited March 2021 £'000
Long-term liabilites			
Deferred cash consideration	**(33)**	(15)	(33)
Lease liabilities	**(2,690)**	(3,133)	(2,856)
Dilapidation provision	**(675)**	(659)	(675)
	(3,398)	(3,807)	(3,564)
Net assets	**22,111**	22,278	22,322
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	**11,049**	11,216	11,260
Other reserves	**4,723**	4,723	4,723
Equity attributable to equity holders of the Parent Company	**22,111**	22,278	22,322

Condensed consolidated statement of cash flows

for the six months ended 30 September 2021

	Notes	**Unaudited September 2021 £'000**	Unaudited September 2020 £'000	Audited March 2021 £'000
Operating activities				
Cash generated from operations	15	**213**	5	1,806
Tax paid		**-**	(109)	(379)
Net cash generated from / (used in) operating activities		**213**	(104)	1,427
Investing activities				
Purchase of property, plant and equipment		**(24)**	(46)	(24)
Sale / (purchase) of investments held for trading		**63**	(200)	78
Consideration paid on acquisition of client lists		**-**	-	(100)
Dividends received		**-**	-	8
Dividends received from associate investment		**26**	34	64
Interest received		**-**	2	2
Net cash generated from / (used in) operating activities		**65**	(210)	28
Financing activities				
Dividends paid		**(202)**	-	(64)
Interest paid		**(10)**	(9)	(12)
Government grant received #		**-**	76	-
Repayment of lease liabilities *		**(489)**	(485)	(999)
Repayment of lease interest *		**(56)**	(70)	(134)
Net cash used in financing activities		**(757)**	(488)	(1,209)
Net (decrease) / increase in cash and cash equivalents		**(479)**	(802)	246
Net cash and cash equivalents at beginning of period		**8,855**	8,609	8,609
Net cash and cash equivalents at end of period		**8,376**	7,807	8,855
Cash and cash equivalents		**8,376**	7,831	8,855
Bank overdrafts		**-**	(24)	-
		8,376	7,807	8,855

Grant received of £76,000 under the Government backed Coronavirus Job Retention Scheme repaid to HMRC in November 2020.

* Total IFRS 16 lease liability payments of £545,000 (30 September 2020: £555,000; 31 March 2021: £1,133,000).

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2021

	Share capital £'000	Share premium account £'000	Own shares held £'000	Capital redemption £'000	Other £'000	Retained earnings £'000	Total equity £'000
Equity as at 31 March 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**
Total comprehensive income for the period	-	-	-	-	-	108	108
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(64)	(64)
Total contributions by and distributions to owners	-	-	-	-	-	(64)	(64)
Equity as at 31 March 2021	**2,888**	**3,763**	**(312)**	**111**	**4,612**	**11,260**	**22,322**
Total comprehensive income for the period	-	-	-	-	-	44	44
Contributions by and distributions to owners							
Dividends paid and payable	-	-	-	-	-	(255)	(255)
Total contributions by and distributions to owners	-	-	-	-	-	(255)	(255)
Equity as at 30 September 2021	**2,888**	**3,763**	**(312)**	**111**	**4,612**	**11,049**	**22,111**

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2021

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 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 2021 therefore should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2021. 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 2021 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 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 2021, the Group had net assets of £22.1m (31 March 2021: £22.3m), net current assets of £10.5m (31 March 2021: £9.8m) and net cash and cash equivalents of £8.4 million (31 March 2021: £8.9 million). The Group reported an operating profit of £120,000 for the period to 30 September 2021, inclusive of exceptional expenses of £112,000 (30 September 2020: operating loss of £374,000, inclusive of exceptional expenses of £102,000), and net cash generated from operating activities of £213,000 (30 September 2020: net cash used in operating activities of £104,000).

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 the following into account:

- Capital structure and liquid resources;
- Trading performance in the six-month period to 30 September 2021;
- The base case and stressed cash flow forecasts over the financial reporting periods ending 31 March 2022 and 31 March 2023;
- Stress tests, including reversed stress test scenarios, to assess the Group's ability to withstand significant market-wide events; and
- The principal risks facing the Group.

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 on income for managing client deposits, (ii) no further significant impact from the pandemic other than what is already known, and (iii) the FTSE 100 index remaining at the lower 7000 range for a large part of the next 12 months; and
- Base case costs prudently reflect only the actions Management has taken to date.

Key stress scenarios that the Directors have considered include:

- A 'bear stress scenario' representing a 10 % fall in income compared to the base case scenario in reporting periods ending 31 March 2022 and 31 March 2023;
- 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 % over the next 18 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.

Although the pandemic remains a risk, 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.

Government grant
The Group, initially having taken advantage of the Government backed Coronavirus Job Retention Scheme ("CJRS"), repaid the grant in full in November 2020.

Taxation
The tax charge in the income statement represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit 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 profit in the current period has been estimated.

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 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 – estimation and judgement**
  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 2021. The carrying amount of goodwill at the statement of financial position date was £4.4 million (31 March 2021: £4.4 million).

- **Other intangible assets – judgement**
  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 2021.

- **IFRS 16 "Leases" – estimation and judgement**
  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.

- **Provision for dilapidations – estimation and judgement**
  The Group has made provisions for dilapidations under six leases for its offices. The Group did not enter into any new property leases in the period. The amounts of the provisions are, where possible, estimated using quotes from professional building contractors. The property, plant and equipment elements of the dilapidations are depreciated over the terms of their respective leases. The liabilities in relation to dilapidations are inflated using an estimated rate of inflation and discounted using appropriate gilt rates to present value. The change in liability attributable to inflation and discounting is recognised in interest expense.

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 2021 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.

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 2021.

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 ("EnOC") provides the regulatory and admin software, software as a service, to regulated companies including all Walker Crips Group's regulated entities. Fees payable by subsidiary companies to EnOC 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.

Revenue	**Investment Management**	**Wealth Management**	**SaaS**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
6 months to 30 September 2021	**14,810**	**850**	**30**	**15,690**
6 months to 30 September 2020	13,542	806	2	14,350
Year to 31 March 2021	28,726	1,606	16	30,348

Operating profit / (loss)				**Unallocated Costs**	**Operating profit / (loss)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
6 months to 30 September 2021	**688**	**(16)**	**(41)**	**(511)**	**120**
6 months to 30 September 2020	285	(17)	(78)	(564)	(374)
Year to 31 March 2021	1,333	(127)	(127)	(1,057)	22

5. Earnings / (loss) per share

The calculation of basic earnings / (loss) per share for continuing operations is based on the post-tax profit for the period of £44,000 (2020: post-tax loss of £366,000) and on 42,577,328 (2020: 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.

6. Dividends

The interim dividend of 0.30 pence per share (2020: 0.15 pence per share) is payable on 7 January 2022 to shareholders on the register at the close of business on 24 December 2021. The associated ex-dividend date is 23 December 2021. The interim dividend has not been included as a liability in this interim report.

7. Total income

	Six months ended 30 September 2021	Six months ended 30 September 2020	Year ended 31 March 2021
	£'000	£'000	£'000
Revenue from contracts with customers	**15,221**	13,360	28,384
Other revenue	**469**	990	1,964
	15,690	14,350	30,348
Investment revenue	**-**	2	10
	15,690	14,352	30,358

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 2021	**%**	Six months ended 30 September 2020	%	Year ended 31 March 2021	%
	£'000		£'000		£'000	
Income						
Broking	**4,099**	**26**	3,984	28	9,009	30
Non-broking	**11,591**	**74**	10,368	72	21,349	70
	15,690	**100**	14,352	100	30,358	100

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2021 | continued

8. Commissions and fees paid

Commissions and fees paid comprise:

	Six months ended 30 September 2021	Six months ended 30 September 2020	Year ended 31 March 2021
	£'000	£'000	£'000
To authorised external agents	**25**	36	63
To self-employed certified persons	**4,700**	4,507	9,639
	4,725	4,543	9,702

9. Investment in associate

	Six months ended 30 September 2021	Six months ended 31 March 2021	Six months ended 30 September 2020
	£'000	£'000	£'000
Brought forward	**2**	4	-
Share of after tax profits	**43**	28	38
Dividends	**(26)**	(30)	(34)
Carried forward	**19**	2	4

Associate

The Group has a 33 % (2020: 33 %) interest in its associate, Walker Crips Property Income Limited ("WCPIL"), a company incorporated and operating in the United Kingdom. The Board of WCPIL submitted management accounts to 30 September 2021 reporting a profit after tax of £129,000, from which a dividend of £26,000 was paid to the Group in the period.

10. Exceptional items

As a result of their materiality, the Directors have 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 2021	Six months ended 30 September 2020	Year ended 31 March 2021
	£'000	£'000	£'000
Changes in the value of deferred consideration	**-**	-	31
Redundancies	**336**	102	388
Compensation income (net)	**(224)**		
	112	102	419

During the period to 30 September 2021, as part of the restructuring programme the Group continued to make certain positions redundant. The cost of the redundancy exercise is classified as exceptional due to its nature and materiality. Also, the Group recognised the monetary value of settlement terms net of costs, which were agreed post-period-end, following a successful legal challenge relating to client ownership, which the Group takes very seriously.

In the period to 31 March 2021, the financial impact of a change in the fair value of deferred consideration resulting from latest financial performance was classified as exceptional due to its nature.

In the period to 31 March 2021, the Group incurred professional fees and other expenses relating to the actions taken in response to the pandemic, including redundancy costs and those relating to the Group reorganisation. These costs were classified as exceptional due to its nature and materiality.

11. Tax

Tax is charged at 19 % for the six months ended 30 September 2021 (2020: 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 2020	50	50
Disposals in the period	(10)	(10)
Change in value in the period	(3)	(3)
At 31 March 2021	37	37
At 30 September 2021	**37**	**37**

Investments at fair value through profit or loss
The Group's investments include £37,000 unregulated collective investment scheme ("UCIS") investments held in relation to a number of customer complaints.

13. Current investments – fair value through profit or loss

	As at 30 September 2021	As at 30 September 2020	As at 31 March 2021
	£'000	£'000	£'000
Trading investments			
Investments - fair value through profit or loss	**1,011**	958	920

Financial assets at fair value through profit or loss represent investments in equity securities and collectives 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.

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.

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 2021			
Financial assets held at fair value through profit and loss	**1,011**	**37**	**1,048**
	1,011	**37**	**1,048**
At 30 September 2020			
Financial assets held at fair value through profit and loss	958	50	1,008
	958	50	1,008
At 31 March 2021			
Financial assets held at fair value through profit and loss	920	37	957
	920	37	957

Further IFRS 13 disclosures have not been presented here as the balance represents 1.922 % (2020: 2.305 %) of total assets.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2021 | continued

15. Cash generated from operations

	Unaudited September 2021 £'000	Unaudited September 2020 £'000	Audited March 2021 £'000
Operating profit / (loss) for the period	**120**	(374)	22
Adjustments for:			
Amortisation of intangibles	**397**	304	837
Changes in the fair value of deferred consideration	**-**	-	31
Net change in fair value of financial instruments at fair value through profit or loss	**(152)**	(120)	(362)
Share of associate profit	**(43)**	(38)	(66)
Depreciation of property, plant and equipment	**166**	300	375
Depreciation of right-of-use assets	**493**	475	961
Decrease / (increase) in debtors*	**19,085**	6,533	(24,572)
(Decrease) / increase in creditors*	**(19,853)**	(7,075)	24,580
Net cash generated from operations	**213**	5	1,806

*£768,000 cash outflow from working capital movement (30 September 2020: £542,000 outflow; 31 March 2021: £8,000 inflow).

16. Contingent liability

From time to time, the Group receives complaints or undertakes past business reviews, the outcomes of which remain uncertain and/or cannot be reliably quantified based upon information available and circumstances falling outside the Group's control. Accordingly contingent liabilities arise, the ultimate impact of which may also depend upon availability of recoveries under the Group's indemnity insurance and other contractual arrangements. Other than the complaints deemed to be probable, the Directors presently consider a negative outcome to be remote or a reliable estimate of the amount of a possible obligation cannot be made.

17. Subsequent events

There are no material events arising after 30 September 2021, which have an impact on these unaudited financial statements save in respect of the compensation income explained in note 10.

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
16 December 2021
Walker Crips Group plc

Company information

Directors

Executive Directors

Sean Lam FCPA (Aust.), Chartered FCSI – Chief Executive Officer

Sanath Dandeniya FCCA – Group Finance Director

Non-Executive Directors

Martin Wright – Chairman

Clive Bouch FCA – Audit Committee Chairman & Senior Independent Director

David Gelber

Hua Min Lim

Secretary

Rod Goddard

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