



WALKERCRIPS

Interim Report 2023

Walker Crips Group plc

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Walker Crips Group plc

("Walker Crips", the "Company" or the "Group")

Results for the six months ended 30 September 2023

Highlights

- Total revenues decreased 3.8% to £15.5 million (2022: £16.1 million).
- Gross profits (revenues net of commissions and fees paid out to self-employed investment managers) increased by 2.2% to £12.6 million (2022: £12.3 million).
- Operating profit increased by 49.1% to £173,000 (2022: £116,000 - as restated) and profit before tax increased by 170.7% to £268,000 (2022: £99,000 - as restated), helped by the higher interest rate environment.
- Operating profit pre-exceptional items^[3] increased by 6.8% to £173,000 (2022: £162,000) and profit before tax pre-exceptional items^[3] increased by 84.8% to £268,000 (2022: £145,000).
- Adjusted EBITDA^[1] decreased by 6.3% to £1,059,000 (2022: £1,130,000).
- Underlying cash generated from operations^[2] broadly flat at £1,606,000 (2022: £1,610,000).
- Net cash position of £14.1 million (2022: £10.6 million).
- Assets Under Management ("AUM") decreased to £2.5 billion (31 March 2023: £3.1 billion) and Total Assets Under Management and Administration ("AUMA") decreased by 11.6% to £4.4 billion (31 March 2023: £5.0 billion), both movements reflecting market conditions and the impact of departing self-employed associates as reported in the last annual accounts.
- Interim dividend maintained at 0.25 pence per share (2022: 0.25 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 cash 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 9 to the accounts and a full reconciliation to reported results is presented in the Chairman's statement.

Martin Wright, Chairman of Walker Crips, commented:

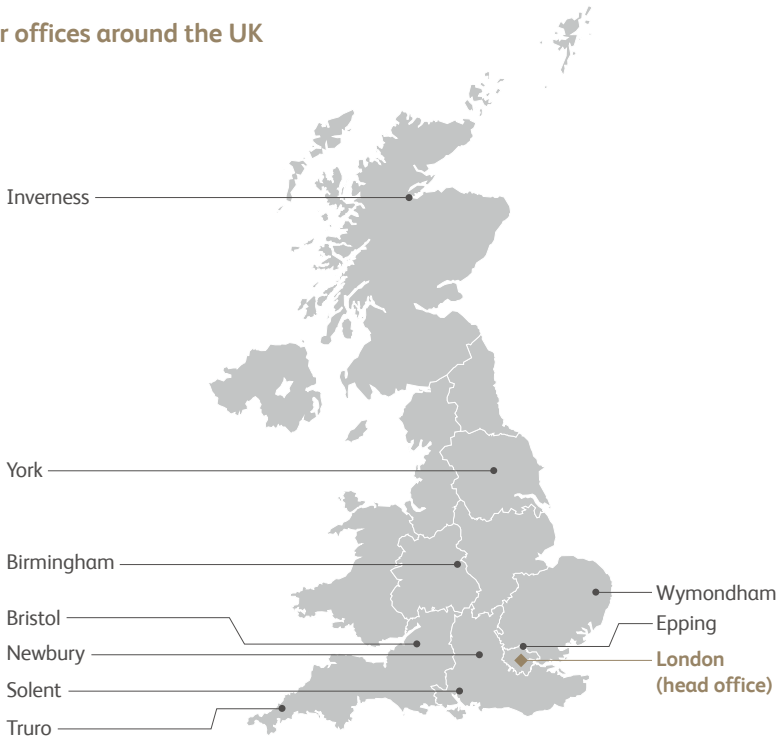
"Profit before tax of £268,000 is improved on the £99,000 (restated) for the comparative period. Although cautious about the short-term outlook, we are confident in our business and product development initiatives."

At a glance

Walker Crips Group offers investment management and financial planning services, pensions administration and cloud-based technology solutions.

We support our clients through the challenging and ever-changing investment environment by providing them with our expertise and utilising the latest technology.

Our offices around the UK



£15.5m

Total revenue for
the six months ended
30 September 2023
(2022: £16.1m)

£4.4bn

Total Assets Under
Management and
Administration
(March 2023: £5.0bn)

£14.1m

Cash and cash
equivalents
(2022: £10.6m)

Chairman's statement

Introduction

The half year to September 2023 has been a period of consolidation with continued focus on compliance with the new Consumer Duty rules and associated training, ongoing actions to address previously reported shortcomings in our financial crime procedures and analysing the miscalculation of stamp duty reserve tax. We continue to invest in our people, new financial planning hires, product innovation, and business development teams. Management will prioritise new business generation as we face into market headwinds and address regulatory imperatives. The recent falls in headline inflation are an encouraging step.

The environment for businesses such as ours remains challenging. Global and UK economic uncertainty continues to impact financial markets and our results. Higher inflation and rising interest rates have led to negative investment sentiment, thereby adversely impacting our revenues. While the full economic and social impact of rate rises on borrowings, including mortgages, is yet to be felt, the immediate impact has been to divert disposable income away from investing, as investors address short- and medium-term liquidity needs.

Recent geopolitical events around the world have added to the feeling of global insecurity and instability. We have already seen the macro-economic impact of the invasion of Ukraine by Russia. The political situation is uncertain, with elections looming here and in the United States. Quite apart from the appalling human cost, the war in Ukraine and more recently the violence in the Middle East create nervousness and insecurity in the markets, subduing investors' appetite to trade.

Against this background, the Group reports first-half operating profit and profit before tax of £173,000 and £268,000 respectively, which are improved on those for the comparative period of £116,000 (restated) and £99,000 (restated). Underlying operating cash generation was £1,606,000, compared to £1,610,000 for the prior period. The Group is cautious about the short-term outlook due to the referenced continued market uncertainty, noting that income geared to the higher interest rate environment has supported the Group's financial performance.

Group performance

Market confidence coupled with the impact of departing self-employed investment management associates (see investment management divisional performance below) have negatively impacted the Group's revenue generation in the period. Operating costs have also increased by 2.1 % in comparison to the prior period, with the impact of significantly higher inflationary pressures including salary awards limited by cost control efforts and lower FCA levies. Increased income on corporate cash and from managing clients' trading cash balances, both driven by the higher interest rate environment, have largely mitigated the negative effect on results of reduced trading volumes and reduced management fees. Further explanation of these results is set out below in the divisional analysis.

In our last annual report, I referenced the imperative of the Group to invest in our people for both the short and medium term. With this in mind, and responding appropriately to the cost-of-living crisis impacting our workforce, we awarded a substantial increase in the fixed pay of our teams at the start of the financial year to negate the inflationary impact on their incomes. We have also recruited at revenue generator, business development and support team levels.

The Executives have also continued to address the shortcomings in our compliance and operating controls, as I also noted in the reports, which led to high exceptional costs reported in recent years. We invested substantially in people and in training and we also engage external specialist consultants and advisers as required. This is a process of continual improvement which requires regular investment, and not a solitary event. It is an investment in the Firm's future.

In our results to March 2023, the Group recognised a net liability of £878,000 in relation to an underpayment of Stamp Duty Reserve Tax and associated costs. That resulted in a prior year adjustment and accordingly, the comparative period to 30 September 2022 has been restated for consistency. We currently await the appointment of an HMRC caseworker to whom to present our findings and with whom to agree a settlement. Until settled, there remains some uncertainty, but based upon our analysis and professional advice received, we presently expect the total liability and related costs to be within the total provision already made.

Reconciliation of operating profit to operating profit before exceptional items

	Unaudited September 2023	Unaudited September 2022 - as restated	Audited March 2023
	£'000	£'000	£'000
Operating profit	173	116	625
Exceptional items (note 9)	-	46	554
Operating profit before exceptional items	173	162	1,179

Reconciliation of profit before tax to profit before tax and exceptional items

Profit before tax	268	99	632
Exceptional items (note 9)	-	46	554
Profit before tax and exceptional items	268	145	1,186

Adjusted EBITDA

Operating profit	173	116	625
Exceptional items (note 9)	-	46	554
Amortisation / depreciation	564	560	1,301
Right-of-use-assets depreciation charge	322	408	771
Adjusted EBITDA	1,059	1,130	3,251

Underlying cash generated from operations

Net cash inflow from operations	563	25	3,539
Working capital	372	1,559	156
Lease liability payments under IFRS 16	(166)	(278)	(332)
Cash outflow on operating exceptional items	837	304	-
Underlying cash generated in the period	1,606	1,610	3,363

Chairman's statement

continued

Investment Management

The investment management division achieved an operating profit of £911,000 compared to £570,000 (as restated) in the prior period. At a more granular level, commission income has declined 13.6 % from £2,956,000 to £2,555,000 and fee income declined 19.7 % from £11,178,000 to £8,979,000. As well as the impact of leavers (see below), market conditions have contributed to these results, the latter also affecting our structured investment business where there has been reduced customer appetite for locking savings away in medium-term products. However, income from managing customer trading cash, which increased from £879,000 to £2,668,000 due to higher interest rates and customers' decisions to maintain higher levels of cash, has mitigated the impact. Barker Poland Asset Management ("BPAM") has also performed well, with revenues and operating profits up by 3.4 % and 7.7 % respectively on the comparative period. BPAM is a discretionary investment manager and financial planner which operates under restricted status and deploys its own investment models. We also anticipate a returning appetite for our structured investment products, supplemented by the near-term launch of our new structured deposit product range which provides further attractive options for our customers and IFAs. We also expect our recent investments in business development to help drive new customer and revenue growth.

As explained in our 31 March 2023 annual report and accounts, in our tighter regulatory operating environment, we have now parted company with several self-employed investment management associates. AUMA declined by 11.6 % from March 2023, of which 10.8 % was due to customers transferring out with departed associates. The effect has therefore been material and continues to feed into our results, but is nevertheless consistent with our regulatory risk appetite and business planning. Our focus is on replacing reduced revenues through our product and business development initiatives.

The FCA recently wrote to the CEOs of Investment Platforms and SIPP operators regarding the appropriateness of policies on retention of interest on their clients' trading cash balances and instances of 'double dipping' where account fees are also applied. In their recent letter to CEOs of Wealth Management and Stockbroking firms, the FCA refers to many firms not passing on fair interest on client money balances, despite interest rates having risen, and in some instances also charging a fee for holding these funds, which can further erode value and returns. The FCA expects firms to change these and other identified practices, if they exist, and to assess regularly the overall cost and value for money of products and services, making changes when poor value is identified. As noted above, we retain a proportion of interest on client money funds and this revenue stream contributes to our financial results. We regularly review and update our interest retention policy, referencing to competitor and market practices as part of our considerations. We will continue to review our policies and practices as required by the Consumer Duty requirements and informed by the FCA's letters, amending them as appropriate. We note competitors have already referenced changes in their practices in this area and we plan for downward movement in this revenue stream.

Financial Planning

The financial planning division has increased revenues by 12.4 % to £1,067,000 from £949,000 in the prior period. This reflects the division's focus in recent years on both organic and inorganic growth, including growing the number of financial planners from three, three years ago, to twelve.

However, the division's operating loss continues to increase, up 84.6 % to £299,000 compared to £162,000 last year. This reflects the inevitable time lag between the investment in new teams and revenues coming on-stream. Management remains confident in the strategy for this division, with revenue growth returning the division to profitability in future.

EnOC Technologies

EnOC is reporting a loss of £244,000 compared to £61,000 in the prior year. This reflects the internal reorganisation of technology specialists previously within the investment management division. EnOC provides vital services and support across the Group's operations. To highlight the value of EnOC to the Group's operations, the segment disclosure in note 4 now includes an additional table, without cancelling intercompany revenues, to demonstrate its true value to the Group.

Central unallocated costs

These costs have reduced from £231,000 to £195,000, reflecting the continued cost control efforts across the Group which have helped limit the overall headline cost increase notwithstanding higher levels of general inflation and the significant investment in our people.

Group strategy

The Group continues to focus on growing revenue and reducing the complexities of our product offering, thereby allowing us to focus on our core services and scale up, developing new products, and targeted business development. Our new Business Development team was created solely for this purpose, to engage with new corporates, individuals, and IFAs. Support teams continue to improve processes and systems to enhance our customers' experience, strengthen internal controls, and increase efficiencies. Staff and management have engaged well with the new Consumer Duty rules and are focussed on customer outcomes. We continue to be proactive in recruiting revenue generators.

Dividends

Notwithstanding the low level of profits, the Group wishes to recognise the continuing support of our shareholders. Accordingly, the Board has declared an interim dividend of 0.25 pence per share (2022: 0.25 pence per share), which will be paid on 26 January 2024 to shareholders on the register on 12 January 2024. The ex-dividend date will be 11 January 2024.

The Board will continue to monitor the Group's progress, and set any final dividend based on performance, capital headroom, market outlook and short-term and long-term cash flow considerations.

Outlook

We continue to face macro-economic and regulatory headwinds. There are real uncertainties in the financial markets. However, interest rates appear to have peaked and inflation is beginning to reduce, which should help a revival in market confidence with investors again thinking of saving for the future, thus allowing us the opportunity to support them and contributing to Group performance.

Our business development team is now several months into their journey and their efforts are expected to bear fruit in 2024. Our Financial Planning division is now fully equipped with a complement of advisers and revenue expected to consistently increase as the recent hires transition their customer relationships over time and pursue new business opportunities.



Martin Wright

Chairman

28 December 2023

Walker Crips Group plc

Condensed consolidated income statement

for the six months ended 30 September 2023

		Unaudited September 2023	Unaudited September 2022 - as restated*	Audited March 2023
	Notes	£'000	£'000	£'000
Revenue	4, 7	15,446	16,057	31,612
Commissions and fees paid	8	(2,895)	(3,774)	(7,264)
Gross profit		12,551	12,283	24,348
Administrative expenses		(12,378)	(12,121)	(23,169)
Exceptional items	9	-	(46)	(554)
Operating profit	4	173	116	625
Investment revenue		185	28	95
Finance costs		(90)	(45)	(88)
Profit before tax		268	99	632
Taxation		(67)	(19)	(214)
Profit for the period attributable to equity holders of the Parent Company		201	80	418
Earnings per share				
Basic and diluted	5	0.47p	0.19p	0.98p

* The restatement of the September 2022 figures is explained in note 16.

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2023

	Unaudited September 2023	Unaudited September 2022 - as restated*	Audited March 2023
	£'000	£'000	£'000
Profit for the period	201	80	418
Total comprehensive income for the period attributable to equity holders of the Parent Company	201	80	418

* The restatement of the September 2022 figures is explained in note 16.

Condensed consolidated statement of financial position

as at 30 September 2023

		Unaudited September 2023	Unaudited September 2022 - as restated*	Audited March 2023
	Notes	£'000	£'000	£'000
Non-current assets				
Goodwill		4,388	4,388	4,388
Other intangible assets		4,225	5,387	4,648
Property, plant and equipment		884	1,015	989
Right-of-use-assets		2,187	2,336	2,340
		11,684	13,126	12,365
Current assets				
Trade and other receivables		20,828	30,266	36,301
Investments - fair value through profit or loss	12	993	1,413	1,276
Cash and cash equivalents		14,051	10,623	13,138
		35,872	42,302	50,715
Total assets		47,556	55,428	63,080
Current liabilities				
Trade and other payables		(21,201)	(29,528)	(36,849)
Current tax liabilities		(261)	(216)	(269)
Deferred tax liabilities		(446)	(349)	(371)
Provisions		(695)	(820)	(878)
Lease liabilities		(492)	(166)	(341)
Dividends payable		(106)	(511)	-
Deferred cash consideration		(59)	(37)	(94)
		(23,260)	(31,627)	(38,802)
Net current assets		12,612	10,675	11,913

	Unaudited September 2023	Unaudited September 2022 - as restated*	Audited March 2023
	£'000	£'000	£'000
Long-term liabilities			
Deferred cash consideration	(44)	(16)	(71)
Lease liabilities	(2,301)	(2,287)	(2,389)
Provisions	(690)	(564)	(652)
	(3,035)	(2,867)	(3,112)
Net assets	21,261	20,934	21,166
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	10,199	9,872	10,104
Other reserves	4,723	4,723	4,723
Equity attributable to equity holders of the Parent Company	21,261	20,934	21,166

* The restatement of the September 2022 figures is explained in note 16.



Condensed consolidated statement of cash flows

for the six months ended 30 September 2023

	Notes	Unaudited September 2023 £'000	Unaudited September 2022 £'000	Audited March 2023 £'000
Operating activities				
Cash generated from operations	13	563	25	3,539
Tax paid		-	-	(120)
Net cash generated from operating activities		563	25	3,419
Investing activities				
Purchase of property, plant and equipment		(32)	(30)	(150)
Sale / (purchase) of investments held for trading		407	(221)	(205)
Consideration paid on acquisition of intangibles		(2)	(9)	(183)
Dividends received		-	24	47
Interest received		185	5	48
Net cash generated / (used in) from investing activities		558	(231)	(443)
Financing activities				
Dividends paid		-	-	(617)
Interest paid		(42)	(6)	(2)
Repayment of lease liabilities *		(118)	(239)	(246)
Repayment of lease interest *		(48)	(39)	(86)
Net cash used in financing activities		(208)	(284)	(951)
Net increase / (decrease) in cash and cash equivalents		913	(490)	2,025
Net cash and cash equivalents at beginning of period		13,138	11,113	11,113
Net cash and cash equivalents at end of period		14,051	10,623	13,138

* Total IFRS 16 lease liability payments of £166,000 (30 September 2022: £278,000; 31 March 2023: £332,000).

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2023

	Share capital	Share premium account	Own shares held
	£'000	£'000	£'000
Equity as at 31 March 2022	2,888	3,763	(312)
Total comprehensive income for the period - as restated*	-	-	-
Contributions by and distributions to owners			
Dividends paid	-	-	-
Total contributions by and distributions to owners	-	-	-
Equity as at 30 September 2022 - as restated*	2,888	3,763	(312)
Total comprehensive income for the six-month period	-	-	-
Contributions by and distributions to owners			
Dividends paid	-	-	-
Total contributions by and distributions to owners	-	-	-
Equity as at 31 March 2023	2,888	3,763	(312)
Total comprehensive income for the period	-	-	-
Contributions by and distributions to owners			
Dividends paid and payable	-	-	-
Total contributions by and distributions to owners	-	-	-
Equity as at 30 September 2023	2,888	3,763	(312)

* The restatement of the September 2022 figures is explained in note 16.

Capital redemption	Other	Retained earnings	Total equity
£'000	£'000	£'000	£'000
111	4,612	10,303	21,365
-	-	80	80
-	-	(511)	(511)
-	-	(511)	(511)
111	4,612	9,872	20,934
-	-	338	338
-	-	(106)	(106)
-	-	(106)	(106)
111	4,612	10,104	21,166
-	-	201	201
-	-	(106)	(106)
-	-	(106)	(106)
111	4,612	10,199	21,261

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2023

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

This condensed consolidated interim financial report for the half-year reporting period ended 30 September 2023 has been prepared in accordance with the UK-adopted International Accounting Standard 34, ‘Interim Financial Reporting’ and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority. 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 2023 and therefore should be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2023. The interim financial information is unaudited and does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

As explained in notes 9 and 16 the Group has identified an obligation to SDRT which has arisen over a number of years for which prior year results have been restated.

The Group’s financial statements for the year ended 31 March 2023 have been reported on by the auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified however included an emphasis of matter disclosure in relation to the SDRT provision. The audit report 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.

Going concern

The interim financial statements of the Group are prepared on a going concern basis. As at 30 September 2023, the Group had net assets of £21.3 million (31 March 2023: £21.2 million), net current assets of £12.6 million (31 March 2023: £11.9 million) and net cash and cash equivalents of £14.1 million (31 March 2023: £13.1 million). The Group reported an operating profit of £173,000 for the period to 30 September 2023 (30 September 2022: £116,000 - as restated), and net cash generated from operating activities of £563,000 (30 September 2022: £25,000).

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 considered:

- The Group's base case financial projections for the five-year period through to 31 March 2028.
- The Group's positive operating cash generation during the period to 30 September 2023 and its projected future cash flows.
- The principal risks facing the Group and its systems of risk management and internal control.
- The outcome of stress scenarios applied to the Group's base case projections.

Key assumptions that the Directors have made in preparing the base case projections are:

- Management fees and trading commissions projected to grow by 2.5 % through March 2025 and 3.5 % thereafter.
- Reduction in income generated from customer trading cash balances in response to market conditions.
- Costs reflect Management's actions already implemented and those planned for the near term, with inflation then assumed to be 4 % over the period to 31 March 2028.
- Base rates remaining at 5.35 % for the remainder of the reporting year with 0.25 % quarterly reductions commencing Q3 2024 through Q3 2026.

Key stress scenarios that the Directors have considered include:

- A 'bear stress scenario' representing a 10 % reduction in management fees and trading commissions, with the consequent reduction in revenue sharing based costs, compared to the base case in the reporting periods ending 31 March 2025 through to 31 March 2028.
- A 'severe stress scenario' representing a 15 % fall in management fees and trading commissions in the periods ending 31 March 2025 through to 31 March 2028.

The bear and severe stress scenarios indicate potential breaches of the Group's minimum regulatory capital ratio threshold in November 2025 and May 2025 respectively. Our reverse stress testing indicates that all revenues would have to decline by circa 18 % over the next 15 months compared to base case to reach the Group's minimum regulatory capital ratio threshold. The Directors note the conservative base case projections and that all stress scenarios are before considering the impact of corrective management actions. As such, based upon the analysis, the Directors consider scenarios leading to a regulatory capital threshold breach to be remote.

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.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2023 | continued

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

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

There have been no material revisions to the nature and amounts of estimates of numbers reported in prior periods.

Impairment of goodwill – estimation and judgement

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 used and inputs involve judgements and create estimation uncertainty. These assumptions have been stress-tested with the latest test carried out as at 30 September 2023. The carrying amount of goodwill at the statement of financial position date was £4.4 million (31 March 2023: £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. Key assumptions in this regard consist of the following:

1. The Group continues as a going concern;
2. Life expectancy of clients based on data from the Office for National Statistics;
3. Succession plans in place for staff and investment managers;
4. Amounts of AUMA are consistent on average;
5. A growth rate of client list AUMA of a conservative 2 %; and
6. A discount rate of 12 %.

No intangible asset acquisitions were made in the period to 30 September 2023..

Provisions – estimation and judgement

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

IFRS 16 “Leases” – estimation and judgement

IFRS 16 requires certain judgements and estimates to be made and those significant judgements are explained below.

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.

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 but allowed the lapse of two existing lease agreements. 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 obligations 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.

Provision for stamp duty liability - estimation and judgement

The Group identified an obligation in respect of Stamp Duty Reserve Tax which has arisen over a number of years and was not identified due to a procedures and controls failure. Work remains ongoing to quantify the obligation and until quantified and agreed with HMRC there remains estimation uncertainty as explained in notes 9 and 16.

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 2023.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2023 | continued

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 Financial Planning 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 cloud-based software solutions to our business partners including all the 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	Financial planning	SaaS	Total
	£'000	£'000	£'000	£'000
6 months to 30 September 2023	14,369	1,067	10	15,446
6 months to 30 September 2022	15,100	949	8	16,057
Year to 31 March 2023	29,657	1,939	16	31,612

Operating profit / (loss)	£'000	£'000	£'000	Unallocated costs £'000	Operating profit £'000
6 months to 30 September 2023	911	(299)	(244)	(195)	173
6 months to 30 September 2022	570*	(162)	(61)	(231)	116
Year to 31 March 2023	1,553	(310)	(128)	(490)	625

The following table analyses the above segmental breakdown without cancelling intercompany transactions to show the value of each segment to the Group itself.

Revenue	Investment management	Financial planning	SaaS	Total
	£'000	£'000	£'000	£'000
6 months to 30 September 2023	14,016	1,124	306	15,446
6 months to 30 September 2022	15,044	998	15	16,057
Year to 31 March 2023	29,534	2,047	31	31,612

Operating profit / (loss)				Unallocated costs	Operating profit
	£'000	£'000	£'000	£'000	£'000
6 months to 30 September 2023	559	(243)	52	(195)	173
6 months to 30 September 2022	513	(113)	(53)	(231)	116
Year to 31 March 2023	1,432	(203)	(114)	(490)	625

* The restatement of the September 2022 figures is explained in note 16.

5. Earnings per share

The calculation of basic earnings per share for continuing operations is based on the post-tax profit for the period of £201,000 (2022: £80,000 - as restated) and on 42,577,328 (2022: 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 0.25 pence per share (2022: 0.25 pence per share) is payable on 26 January 2024 to shareholders on the register at the close of business on 12 January 2024. The associated ex-dividend date is 11 January 2024. The interim dividend has not been included as a liability in this interim report.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2023 | continued

7. Total income

	Six months ended 30 September 2023	Six months ended 30 September 2022	Year ended 31 March 2023
	£'000	£'000	£'000
Revenue from contracts with customers	12,461	15,138	28,353
Other revenue	2,985	919	3,259
	15,446	16,057	31,612
Investment revenue	185	28	95
	15,631	16,085	31,707

8. Commissions and fees paid

Commissions and fees paid comprise:

	Six months ended 30 September 2023	Six months ended 30 September 2022	Year ended 31 March 2023
	£'000	£'000	£'000
To authorised external agents	-	3	3
To self-employed certified persons	2,895	3,771	7,261
	2,895	3,774	7,264

9. Exceptional items

Certain items of income and expenditure may be disclosed separately as exceptional due to their nature and materiality in order to provide a clearer understanding of the Group's performance.

During the period to 30 September 2023, there were no exceptional items to report. Exceptional items impacting the comparative information are as follows:

Exceptional items included within operating profit	Six months ended 30 September 2023	Six months ended 30 September 2022 - as restated	Year ended 31 March 2023
	£'000	£'000	£'000
Liability arising from the underpayment of SDRT	-	46	131
Accelerated amortisation	-	-	423
	-	46	554

During the year to 31 March 2023 (and in the restated results for the period to 30 September 2022), the following items were classified as exceptionals due to their materiality and non-recurring nature. These were:

- (a) SDRT liability to HMRC resulting from a system monitoring error where stamp duty was omitted from certain client contracts. A voluntary disclosure to HMRC has been made and we presently estimate the cost of repayment, potential penalties and related costs, net of tax, to be £878,000. This has been allocated to the years ending 31 March 2023 (including the period to 30 September 2022), 31 March 2022 and prior period. As the error spans several years and is regarded as fundamental, prior reported results have been restated. Further details of the provision and estimation uncertainty are included in note 16. Our customers were not adversely impacted by this error.
- (b) As explained in the 31 March 2023 annual report and accounts and referenced in the Chairman's statement, during the year to March 2023, a number of self-employed investment managers with intangible assets linked to client lists advised their intention to leave the Group which resulted in the Group changing the useful economic life of each asset to align with the revised expected timeline of future benefits. This resulted in an additional £423,000 of amortisation expensed in the second half of the year ending 31 March 2023.

Further information regarding these items can be found in notes 10, 27 and 38 in the published Annual Report and Accounts of 2023.

The results for the period ending 30 September 2022 have also been restated for the relevant portion of the aforementioned SDRT provision.

10. Tax

Tax is charged at 25 % for the six months ended 30 September 2023 (2022: 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.

11. Current investments – fair value through profit or loss

	As at 30 September 2023 £'000	As at 30 September 2022 £'000	As at 31 March 2023 £'000
Trading investments			
Investments - fair value through profit or loss	993	1,413	1,276

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2023 | continued

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.

12. 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	Total
	£'000	£'000
At 30 September 2023		
Financial assets held at fair value through profit and loss	993	993
	993	993
At 30 September 2022		
Financial assets held at fair value through profit and loss	1,413	1,413
	1,413	1,413
At 31 March 2023		
Financial assets held at fair value through profit and loss	1,276	1,276
	1,276	1,276

Further IFRS 13 disclosures have not been presented here as the balance represents 2.088% (2022: 2.550%) of total assets.

13. Cash generated from operations

	Unaudited September 2023	Unaudited September 2022 - as restated	Audited March 2023
	£'000	£'000	£'000
Operating profit for the period	173	116*	625
Adjustments for:			
Amortisation of intangibles	424	374	1,393
Net change in fair value of financial instruments at fair value through profit or loss	(124)	454	575
Depreciation of property, plant and equipment	140	186	331
Depreciation of right-of-use assets	322	408	771
Decrease in debtors*	15,473	19,736	13,662
Decrease in creditors*	(15,845)	(21,249)*	(13,818)
Net cash generated from operations	563	25	3,539

* £372,000 cash outflow from working capital movement (30 September 2022: £1,513,000 outflow; 31 March 2023: £156,000 outflow).

14. Contingent liability

In 2021 a former associate brought a claim against Walker Crips Investment Management Limited ("WCIM") in the Employment Tribunal. A hearing of a preliminary issue took place in 2022 and the Tribunal found in favour of WCIM. The former associate appealed that decision and in 2023, whilst many of the appeal grounds were not upheld, certain points were referred back to the Employment Tribunal to reconsider. WCIM does not consider that the claims are justified and intends to defend them robustly.

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 any cases where a financial obligation is deemed to be probable and thus provision is made, the Directors presently consider a negative outcome to be remote. Accordingly, no further disclosure has been made in these financial statements. Provisions made remain subject to estimation uncertainty, which may result in material variations in such estimates as matters are finalised.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2023 | continued

15. Subsequent events

There are no material events arising after 30 September 2023, which have an impact on these unaudited financial statements.

16. Prior year adjustment

In the prior year, the Group discovered errors in how it accounted for Stamp Duty Reserve Tax (“SDRT”) on certain transactions undertaken on behalf of clients. Following the discovery of this error, the Group undertook an investigation of the various transactions impacted by the error. This investigation is ongoing, but based on the latest available information, management’s current estimate of the resulting obligation including related interest, penalties and professional support costs is unchanged from that established at 31 March 2023 of £878,000, of which £690,000 remains provided at 30 September 2023 after professional fees incurred to date including additional related audit fees. Key sources of estimation uncertainty include the basis for the period covered together with penalties and interest that may be applied, which management have determined having taken professional advice.

The error has been corrected by restating each of the affected financial statement line items for the prior periods.

As the investigation is ongoing, there remains uncertainty surrounding both the quantum of the liability in respect of the SDRT due, as well as the interest and penalties that HMRC may charge and the ultimate level of professional support costs.

The amounts of the error for each of the three years ending 31 March 2023 and cumulative prior period are estimated as follows:

	31 March 2023	31 March 2022	31 March 2021	31 March 2020 and prior period
	£'000	£'000	£'000	£'000
SDRT liability to HMRC	131	118	157	472

Of the amount of £131,000 recognised in the year ending 31 March 2023, £46,000 is attributable to the six-month period ending 30 September 2022 and has been recognised as an exceptional expense (see note 9). In accordance with the interim tax adjustment calculation set out in note 10, an amount of tax credit of £9,000 was also adjusted in the prior year income statement in relation to this.

The below extracts of the statement of financial position illustrate the impact of the cumulative adjustments above up until 30 September 2022:

Consolidated statement of financial position extract	30 September 2022	Change	Restated 30 September 2022
	£'000	£'000	£'000
Current tax liabilities	(225)	9	(216)
Provisions	(27)	(793)	(820)
Net assets	21,718	(784)	20,934
Retained earnings	10,656	(784)	9,872
Total equity	21,718	(784)	20,934

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
28 December 2023
Walker Crips Group plc

Company information

Company officers

Executive Directors

S. K. W. Lam FCPA (Aust.), Chartered FCSI – Chief Executive Officer

S. S. Dandeniya FCCA – Group Finance Director

Non-Executive Directors

M. J. Wright – Chairman

C. Bouch FCA – Senior Independent Director

D. M. Gelber

H. M. Lim

Company Secretary

R. Goddard

Registered number

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Further information

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