WALKERCRIPS

Interim Report 2022

Walker Crips Group plc

Contents

Walker Crips Group plc

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

Results for the six months ended 30 September 2022

Highlights

- Total revenues increased by 2.3 % to £16.06 million (2021: £15.69 million)
- Gross profit increased by 11.6 % to £12.28 million (2021: £11.00 million)
- Operating profit of £162,000 (2021: £120,000) and profit before tax of £145,000 (2021: £54,000)
- Operating profit pre-exceptional items [3] of £162,000 (2021: £232,000)
- Profit before tax pre-exceptional items [3] of £145,000 (2021: £166,000)
- Adjusted EBITDA of £1.13 million (2021: £1.29 million) [1]
- Underlying cash generated from operations of £1,610,000 (2021: £548,000) [2]
- Cash and cash equivalents of £10.6 million (2021: £8.38 million)
- Assets Under Management ("AUM") decreased by 13.1 % to £3.1 billion (March 2022: £3.6 billion)
- Total Assets Under Management and Administration ("AUMA") decreased by 10.8 % to £4.9 billion (March 2022: £5.5 billion)
- Interim dividend 0.25 pence per share (2021: 0.30 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:

"A strong contribution from our structured products business together with the positive income effect of the rising interest rate environment helped mitigate the reduction in investment management revenues and trading commissions that are reflective of lower market levels, resulting in much improved reported gross profits. However, this improvement has been offset by the inflationary impact on costs, particularly salaries, reflecting the tight labour market, and additional costs taken on in the period. The difficult economic environment and inflationary cost pressures remain a challenging headwind and our focus continues to be on revenue growth, improving operating efficiency and systems, and cost control."

At a glance

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

£16.06m
Total revenue for the six months ended 30 September 2022
(2021: £15.69m)

£4.9bn
Total Assets Under Management and Administration
(March 2022: £5.5bn)

£10.6m
Cash and cash equivalents
(2021: £8.38m)

Our offices

Walker Crips operates 10 offices throughout the UK, headed and staffed by dedicated individuals.

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Offices in the UK

- London (head office)
- Birmingham
- Bristol
- Epping
- Inverness
- Newbury
- Solent
- 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

Markets continue to be challenging on the back of falls in financial markets that have led to AUMA reducing to £4.9 billion, down 10.9% from £5.5 billion in March 2022. This has inevitably impacted our results, with traditional trading commissions and investment management fees falling. However, this reduction has been offset by the strong performance of our structured products team and increased interest margins on client deposits, leading to much improved reported gross profits. Pressures on our cost base, particularly salaries, have dented this improvement such that the Group reports an operating profit of £162,000 for the first six months compared to £120,000 in the same period last year (£232,000 when adjusted for exceptional items). The results are further explained in the trading update below.

The Group balance sheet and capital base remain sufficiently robust to support our short- and medium-term strategy and pay an interim dividend to shareholders. As at the reporting date, the Group's net assets are £21.7 million (September 2021: £22.1 million; March 2022: £22.1 million) and cash and cash equivalents £10.6 million (September 2021: £8.4 million; March 2022: £11.1 million). Our focus continues to be on revenue growth, improving operating efficiency and the robustness of our infrastructure and cost control.

During the period, the Group has made progress on a number of ongoing initiatives, particularly the project to improve our regulatory and compliance framework. In terms of strategy, your Board is clear that the Group needs to grow its core business in both investment management and wealth management. It is also clear and determined that the central infrastructure supporting that business will be robust and fit for purpose, to avoid the repetition of shortcomings resulting in exceptional costs that have beset the business over the last eighteen months or so, as well as keeping pace with changes. This has meant taking some decisions that are long term and which involve incurring costs before the benefits are seen. In addition, during the period we have made good progress on several other key areas of regulatory importance, including a project to implement and embed the new regulatory initiative, "the Consumer Duty" which places increased emphasis on delivering good outcomes for retail customers, a principle close to our heart and our mission. Further, in the annual report and accounts for the year to 31 March 2022, I explained that the Group had identified the need to make redress payments to a small number of customers as a result of the inappropriate and unacceptable actions of one associate. Significant progress with the redress calculation methodology, discussions with insurers and importantly discussions with the clients affected has been made and we expect to bring this matter to a final resolution in the very near future.

Group performance

Revenue for the period was £16.06 million (2021: £15.69 million), an increase of 2.3%. Breaking this down, broking income, on the back of significant market uncertainties, reduced by £1.1 million compared to the same period last year. Non-broking income, with improved performance from our structured investment division and retained margin on managed deposits, offset by a reduction in management fees and arbitrage profits, saw an increase of £1.5 million in the same period. Improved performance from our inhouse revenue generators helped in increasing the Group gross margin in the period from 70.2% to 76.5%.

The Group reported an operating profit of £162,000 and a profit before tax of £145,000, up 35.0% and up 168.5%, respectively, compared to the same period last year (operating profit 2021: £120,000; profit before tax 2021: £54,000). However, adjusting for exceptional items in the prior year, the Group's operating profit and profit before tax were down £70,000 (30.2%) and £21,000 (12.7%) respectively. I note that there are no exceptional items in the current half-year results.

Adjusted EBITDA (*as defined on page 2*) declined by £158,000 (or 12.3 %) to £1.13m, caused by pressures on costs which outweigh the increase in revenue. Administrative expenses, excluding salaries and exceptional items, increased by £224,000 (or 4.7 %). Salaries, whilst in line with the budget, saw an increase of £1,121,000 (or 18.8 %) in the period. It should be noted that, in line with the strategy, this combination of inflationary pressures and the need to reward our people fairly, coupled with our ongoing investment in key personnel, training and systems, means we are likely to see further increases in our cost-base in the second half of this financial year. Our cost base is closely monitored by management who are very much focused on ways to improve margins and operating efficiencies.

Reconciliation of operating profit to operating profit before exceptional items

	Unaudited September 2022	Unaudited September 2021	Audited March 2022
	£'000	£'000	£'000
Operating profit	**162**	120	326
Operating exceptional items (note 10)	**-**	112	1,540
Operating profit before exceptional items	**162**	232	1,866

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

Profit before tax	**145**	54	324
Exceptional items (note 10)	**-**	112	1,437
Profit before tax and exceptional items	**145**	166	1,761

Adjusted EBITDA

Operating profit	**162**	120	326
Operating exceptional items (note 10)	**-**	112	1,540
Amortisation / depreciation	**560**	563	1,165
Right-of-use-assets depreciation charge	**408**	493	873
Adjusted EBITDA	**1,130**	1,288	3,904

Underlying cash generated from operations

Net cash inflow from operations	**25**	213	4,217
Working capital	**1,559**	768	(2,257)
Lease liability payments under IFRS 16	**(278)**	(545)	(1,052)
Cash outflow on operating exceptional items	**304**	112	435
Underlying cash generated in the period	**1,610**	548	1,343

Chairman's statement
continued

Investment Management
The Group's Investment Management division saw its revenue increase by 2% to £15.1 million (September 2021: £14.8 million) compared to the same period last year. The increase was largely driven by the continuing success of our Structured Investment division and the increased retained interest on managed deposits offsetting declines in management fees and trading commissions. The increase in revenue, however, did not translate directly to an increase in operating profits. The division reported an operating profit of £616,000, down 10.5% compared to last year (September 2021: £688,000), reflective of the pressures on salaries and costs generally, including increased regulatory compliance requirements.

The downturn in global market indices, as well as economic uncertainties, are likely to impact the investment management division in the second half of this financial year, however rising interest rates, our strong position in the structured investments market and our steady Barker Poland arm should provide us with much needed stability as we navigate through this period.

Wealth Management
Our Wealth Management division recorded total revenues of £949,000, up 11.6% from the same period last year. The year-on-year increase in revenue is partly down to our investment in new advisers last year. The Wealth Management division is focused on generating revenue growth, both organically and through the recruitment of new advisers. In the short-term, as noted, the associated costs and time needed to bed-down new advisers, have a negative short-term impact on profitability which, together with the inflationary impact on costs, means the division reported an operating loss of £162,000 (September 2021: loss of £240,000 before exceptional items).

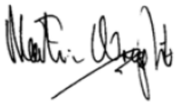
Group strategy
The underlying performance of the Group and diversity of our product range reflects a level of resilience in financial performance that enables the Group to focus on its prime objectives of growing revenue and improving gross margins in investment management and wealth management. As referenced above, this is coupled with realising operational efficiencies and, at the same time, taking decisions to invest to improve our central infrastructure regulatory and compliance framework for the long term.

Dividends
The Board has declared an interim dividend of 0.25 pence per share (2021: 0.30 pence per share), which will be paid on 20 January 2023 to shareholders on the register on 6 January 2023. The ex-dividend date will be 5 January 2023. The reduced interim dividend reflects the reduction in performance compared to the prior year when adjusted for exceptional items.

Our aim is always to reward shareholders for their continued support and pay dividends when appropriate. 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.

Outlook

There is little doubt that we have a difficult period ahead. The second half of the year will face headwinds from the various macro-economic uncertainties, which are beyond the Group's control. Rising inflation and interest rates, coupled with the uncertain UK political landscape, is unlikely to be market friendly, but your Board remains cautiously optimistic that our strategy will overcome these short-term issues and that the Group will emerge with an improved infrastructure and a platform for growth across our disciplines.



Martin Wright
Chairman
23 December 2022
Walker Crips Group plc

Condensed consolidated income statement

for the six months ended 30 September 2022

	Notes	**Unaudited September 2022 £'000**	Unaudited September 2021 £'000	Audited March 2022 £'000
Revenue	4, 7	**16,057**	15,690	32,820
Commissions and fees paid	8	**(3,774)**	(4,725)	(9,110)
Share of after-tax profit of associate	9	**-**	43	57
Gross profit		**12,283**	11,008	23,767
Administrative expenses		**(12,121)**	(10,776)	(21,901)
Exceptional items	10	**-**	(112)	(1,540)
Operating profit	4	**162**	120	326
Investment revenue		**28**	-	9
Finance costs		**(45)**	(66)	(114)
Exceptional item – profit on disposal of associate investment		**-**	-	103
Profit before tax		**145**	54	324
Taxation		**(28)**	(10)	(151)
Profit for the period attributable to equity holders of the Parent Company		**117**	44	173
Earnings per share				
Basic and diluted	5	**0.27p**	0.10p	0.41p

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2022

	Unaudited September 2022 £'000	Unaudited September 2021 £'000	Audited March 2022 £'000
Profit for the period	**117**	44	173
Total comprehensive income for the period attributable to equity holders of the Parent Company	**117**	44	173

Condensed consolidated statement of financial position

as at 30 September 2022

	Notes	**Unaudited September 2022 £'000**	Unaudited September 2021 £'000	Audited March 2022 £'000
Non-current assets				
Goodwill		**4,388**	4,388	4,388
Other intangible assets		**5,387**	6,169	5,752
Property, plant and equipment		**1,015**	1,330	1,169
Right-of-use-assets		**2,336**	3,120	2,597
Investment in associate	9	**-**	19	-
Investments - fair value through profit or loss	12	**-**	37	-
		13,126	15,063	13,906
Current assets				
Trade and other receivables		**30,266**	30,061	50,003
Investments - fair value through profit or loss	13	**1,413**	1,011	1,647
Cash and cash equivalents		**10,623**	8,376	11,113
		42,302	39,448	62,763
Total assets		**55,428**	54,511	76,669
Current liabilities				
Trade and other payables		**(29,528)**	(27,680)	(49,625)
Current tax liabilities		**(225)**	(278)	(132)
Deferred tax liabilities		**(349)**	(306)	(414)
Provisions		**(27)**	(64)	(1,137)
Lease liabilities		**(166)**	(621)	(245)
Dividends payable		**(511)**	(53)	-
Deferred cash consideration		**(37)**	-	(89)
		(30,843)	(29,002)	(51,642)
Net current assets		**11,459**	10,446	11,121

	Unaudited September 2022 £'000	Unaudited September 2021 £'000	Audited March 2022 £'000
Long-term liabilites			
Deferred cash consideration	**(16)**	(33)	(29)
Lease liabilities	**(2,287)**	(2,690)	(2,300)
Provisions	**(564)**	(675)	(586)
	(2,867)	(3,398)	(2,915)
Net assets	**21,718**	22,111	22,112
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	**10,656**	11,049	11,050
Other reserves	**4,723**	4,723	4,723
Equity attributable to equity holders of the Parent Company	**21,718**	22,111	22,112

Condensed consolidated statement of cash flows

for the six months ended 30 September 2022

	Notes	Unaudited September 2022 £'000	Unaudited September 2021 £'000	Audited March 2022 £'000
Operating activities				
Cash generated from operations	15	**25**	213	4,217
Tax paid		**-**	-	(120)
Net cash generated from operating activities		**25**	213	4,097
Investing activities				
Purchase of property, plant and equipment		**(30)**	(24)	(119)
(Purchase) / sale of investments held for trading		**(221)**	63	(342)
Consideration paid on acquisition of client lists		**(9)**	-	(93)
Dividends received		**24**	-	9
Dividends received from associate investment		**-**	26	57
Consideration received on sale of associate		**-**	-	105
Interest received		**5**	-	-
Net cash (used in) / generated from investing activities		**(231)**	65	(383)
Financing activities				
Dividends paid		**-**	(202)	(383)
Interest paid		**(6)**	(10)	(21)
Repayment of lease liabilities *		**(239)**	(489)	(959)
Repayment of lease interest *		**(39)**	(56)	(93)
Net cash used in financing activities		**(284)**	(757)	(1,456)
Net (decrease) / increase in cash and cash equivalents		**(490)**	(479)	2,258
Net cash and cash equivalents at beginning of period		**11,113**	8,855	8,855
Net cash and cash equivalents at end of period		**10,623**	8,376	11,113

* Total IFRS 16 lease liability payments of £278,000 (30 September 2021: £545,000; 31 March 2022: £1,052,000).

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2022

	Share capital	Share premium account	Own shares held	Capital redemption	Other	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity as at 31 March 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	-	-	-	-	-	(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**
Total comprehensive income for the period	-	-	-	-	-	129	129
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(128)	(128)
Total contributions by and distributions to owners	-	-	-	-	-	(128)	(128)
Equity as at 31 March 2022	**2,888**	**3,763**	**(312)**	**111**	**4,612**	**11,050**	**22,112**
Total comprehensive income for the period	-	-	-	-	-	117	117
Contributions by and distributions to owners							
Dividends paid and payable	-	-	-	-	-	(511)	(511)
Total contributions by and distributions to owners	-	-	-	-	-	(511)	(511)
Equity as at 30 September 2022	**2,888**	**3,763**	**(312)**	**111**	**4,612**	**10,656**	**21,718**

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2022

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 2022 and therefore should be read in conjunction with the Group's audited financial statements for that year. 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 2022 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.

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 2022, the Group had net assets of £21.7 million (31 March 2022: £22.1 million), net current assets of £11.5 million (31 March 2022: £11.1 million) and net cash and cash equivalents of £10.6 million (31 March 2022: £11.1 million). The Group reported an operating profit of £162,000 for the period to 30 September 2022 (30 September 2021: £120,000), and net cash generated from operating activities of £25,000 (30 September 2021: £213,000).

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 2022;
- The base case and stressed cash flow forecasts over the financial reporting periods ending 31 March 2023 and 31 March 2024;
- 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) reduced trading activity, (ii) higher retained interest income from managing client deposits, (iii) no further significant impact from the pandemic other than that already known, and (iv) 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 and inflation of 10% over the period to 31 March 2024.

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 2023 and 31 March 2024;
- 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 25.4% 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.

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 biannually 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 six months ending 30 September 2022. The carrying amount of goodwill at the statement of financial position date was £4.4 million (31 March 2022: £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 2022.

- **Provisions – estimation and judgement**
  The Group has made provisions for dilapidations under four leases for its offices. The Group did not enter into any new property leases in the period but terminated two of its 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.

  Remaining provisions made at the year ended 31 March 2022 in relation to upgrading our financial crime control framework and customer redress and associated costs have been transferred to trade and other payables given the progress made during the period in resolving these matters.

- **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 asset 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.

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 2022.

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 cloud-based software solutions to our business partners 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 2022	**15,100**	**949**	**8**	**16,057**
6 months to 30 September 2021	14,810	850	30	15,690
Year to 31 March 2022	30,937	1,845	38	32,820

Operating profit / (loss)				Unallocated costs	Operating profit
	£'000	£'000	£'000	£'000	£'000
6 months to 30 September 2022	**616**	**(162)**	**(61)**	**(231)**	**162**
6 months to 30 September 2021	688	(16)	(41)	(511)	120
Year to 31 March 2022	1,160	(258)	(102)	(474)	326

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 £117,000 (2021: post-tax profit of £44,000) and on 42,577,328 (2021: 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 (2021: 0.30 pence per share) is payable on 20 January 2023 to shareholders on the register at the close of business on 6 January 2023. The associated ex-dividend date is 5 January 2023. The interim dividend has not been included as a liability in this interim report.

7. Total income

	Six months ended 30 September 2022	Six months ended 30 September 2021	Year ended 31 March 2022
	£'000	£'000	£'000
Revenue from contracts with customers	**15,138**	15,221	31,694
Other revenue	**919**	469	1,126
	16,057	15,690	32,820
Investment revenue	**28**	-	9
	16,085	15,690	32,829

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2022 | continued

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 2022		Six months ended 30 September 2021		Year ended 31 March 2022	
	£'000	**%**	£'000	%	£'000	%
Income						
Broking	**2,956**	**18**	4,099	26	8,059	25
Non-broking	**13,129**	**82**	11,591	74	24,770	75
	16,085	**100**	15,690	100	32,829	100

8. Commissions and fees paid

Commissions and fees paid comprise:

	Six months ended 30 September 2022	Six months ended 30 September 2021	Year ended 31 March 2022
	£'000	£'000	£'000
To authorised external agents	**3**	25	61
To self-employed certified persons	**3,771**	4,700	9,049
	3,774	4,725	9,110

9. Investment in associate

	Six months ended 30 September 2022	Six months ended 31 March 2022	Six months ended 30 September 2021
	£'000	£'000	£'000
Brought forward	**-**	19	2
Share of after tax profits	**-**	14	43
Dividends	**-**	(31)	(26)
Disposals	**-**	(2)	-
Carried forward	**-**	-	19

Associate

The Group disposed of its 33.33% interest in its associate, Walker Crips Property Income Limited ("WCPIL"), in the previous financial year.

10. Exceptional items

As a result of their materiality, the Directors disclose certain amounts separately in order to present results which are not distorted by significant non-recurring events. There are no reported exceptional items for the six months to 30 September 2022.

Exceptional items included within operating profit	Six months ended 30 September 2021 £'000	Year ended 31 March 2022 £'000
Restructuring, redundancy and other costs (note a)	336	516
Net compensation income (note b)	(224)	(221)
Financial crime control framework review and remediation (note c)	-	595
Client redress and associated costs (note d)	-	650
Operating exceptional items	112	1,540
Other exceptional items		
Profit on disposal of associate investment (note e)	-	(103)
Total exceptional items	112	1,437

During the year to 31 March 2022, the following items were classified as exceptions due to their materiality and non-recurring nature.

a) Completion of the Group's restructuring and redundancy activity commenced during the pandemic;
b) The Group received compensation under a confidential settlement agreement, without admission of liability by either party in relation to a dispute;
c) The estimated costs of an independent review and resulting actions to remediate and enhance the Group's financial crime framework;
d) The estimated costs for redress and related costs resulting from the actions of an associate; and
e) The Group disposed of its 33.33% interest in its associate, Walker Crips Property Income Limited ("WCPIL").

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2022 | continued

11. Tax

Tax is charged at 19 % for the six months ended 30 September 2022 (2021: 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 2021	37	37
Change in value in the period	(37)	(37)
At 31 March 2022	-	-
At 30 September 2022	**-**	**-**

In the year to 31 March 2022, the Group's investment in unregulated collective investment schemes ("UCIS") was written down to £nil.

13. Current investments – fair value through profit or loss

	As at 30 September 2022	As at 30 September 2021	As at 31 March 2022
	£'000	£'000	£'000
Trading investments			
Investments - fair value through profit or loss	**1,413**	1,011	1,647

Financial assets at fair value through profit or loss represent investments in equity securities and collectives that present the Group with an opportunity for a 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 majority of 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). A small population of trading investments 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
At 30 September 2022			
Financial assets held at fair value through profit and loss	**1,381**	**32**	**1,413**
	1,381	**32**	**1,413**
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 31 March 2022			
Financial assets held at fair value through profit and loss	1,647	-	1,647
	1,647	-	1,647

Further IFRS 13 disclosures have not been presented here as the balance represents 2.550 % (2021: 1.922 %) of total assets.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2022 | continued

15. Cash generated from operations

	Unaudited September 2022 £'000	Unaudited September 2021 £'000	Audited March 2022 £'000
Operating profit for the period	**162**	120	326
Adjustments for:			
Amortisation of intangibles	**374**	397	862
Net change in fair value of financial instruments at fair value through profit or loss	**454**	(152)	(347)
Share of associate profit	**-**	(43)	(57)
Depreciation of property, plant and equipment	**186**	166	303
Depreciation of right-of-use assets	**408**	493	873
Decrease / (increase) in debtors*	**19,736**	19,085	(915)
(Decrease) / increase in creditors*	**(21,295)**	(19,853)	3,172
Net cash generated from operations	**25**	213	4,217

* £1,559,000 cash outflow from working capital movement (30 September 2021: £768,000 outflow; 31 March 2022: £2,257,000 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 2022, which have an impact on these unaudited financial statements.

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-year Chairman's Statement (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R; and

(c) The half-year Chairman's Statement includes a fair review of the information required by DTR 4.2.8R as far as applicable.

On behalf of the Board

Sean Lam
Chief Executive Officer
23 December 2022
Walker Crips Group plc

Company information

Company officers

Executive Directors

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

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

01432059

Registered office

Old Change House

128 Queen Victoria Street

London

EC4V 4BJ

United Kingdom

Further information

For further information, please contact:

Walker Crips Group plc
Craig Harrison, Media Relations — Tel: +44 (0)20 3100 8000

Four Communications
Jonathan Atkins — Tel: +44 (0)20 3920 0555
walkercrips@fourcommunications.com

Singer Capital Markets
Justin McKeegan / George Tzimas — Tel: +44 (0)20 7496 3000

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

Walker Crips Group plc
Old Change House
128 Queen Victoria Street
London
EC4V 4BJ
020 3100 8000
info@wcgplc.co.uk
walkercrips.co.uk