WALKERCRIPS

Interim Report 2024

Walker Crips Group plc

Contents

Walker Crips Group plc

(“Walker Crips”, the “Company” or the “Group”)

Results for the six months ended 30 September 2024

Key figures

- Total revenues increased 2.3 % to £15.8 million (2023: £15.5 million).
- Gross profits (revenues net of commissions and fees paid out to self-employed investment managers) increased by 4.1 % to £13.1 million (2023: £12.6 million).
- Operating loss of £1,682,000 (2023: operating profit of £173,000) and loss before tax of £1,452,000 (2023: profit before tax of £268,000).
- Adjusted EBITDA[1] decreased to a negative £832,000 (2023: positive £1,059,000).
- Underlying cash used in operations[2] was £1,083,000 (2023: cash generated from operations £1,606,000).
- Net cash position of £12.8 million (2023: £14.1 million).
- Assets Under Management (“AUM”) remained flat at £2.7 billion (31 March 2024: £2.7 billion) and Total Assets Under Management and Administration (“AUMA”) reduced by 4.1 % to £4.7 billion (31 March 2024: £4.9 billion).
- The Directors do not propose to pay an interim dividend this year given the reported results (2023: 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 used or generated from operations shows the cash used or 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.

“Looking ahead, we anticipate that the second half of the financial year is likely to be as challenging as the first half, but this should pave the way for the Group to move forward with wider strategic initiatives and a return to sustainable profitability.”

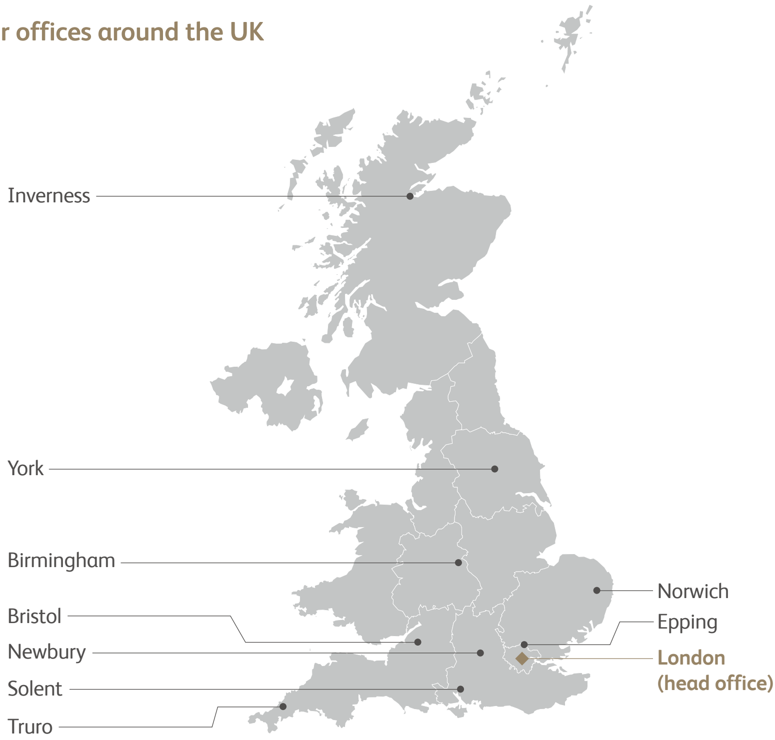
Martin Wright, Chairman of Walker Crips plc

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



£15.8m
Total revenue for the six months ended 30 September 2024
(2023: £15.5m)

£4.7bn
Total Assets Under Management and Administration
(March 2024: £4.9bn)

£12.8m
Cash and cash equivalents
(2023: £14.1m)

Chairman's statement

Introduction

As will be apparent from our half year results, this has been a difficult period for the Group, both in terms of challenges for Walker Crips specifically, and also of the wider environment.

The trading environment has been difficult, and I describe this below. As I explained in my annual statement, the Board has been working on a strategic plan with a view to return to profitability in the short and medium term and achieve growth and shareholder value in the longer term. The first phase of this was recently announced to transition the Walker Crips Investment Management (WCIM) back-office operations to an outsourced solution. Further, I have previously noted our strategic initiative to improve our regulatory and compliance framework. The full extent of the task to achieve this became apparent early in the new financial year. The team, including several new recruits, has had to work extremely hard with significant support from outside consultants to address the shortcomings and, as I detailed below, much progress has been made. However, this process has come with a cost, both in financial terms and senior management time and this is reflected in our interim results.

Market conditions

Trading conditions in the first half year were marked by considerable market volatility, driven by a challenging blend of high interest rates, global conflicts and political instability and, of course, a change of government in the UK. In the current environment, investor confidence has also been mixed due to economic pressures and central bank policy changes. The Bank of England (BoE) took the decision to reduce the UK base rate by 0.25 percentage points to 4.75% on 7 November 2024 following a similar cut in August, but the forecasts as to the timing and extent of further rate cuts are uncertain. There has been some success in cooling inflation, but the BoE had signalled a readiness to further adjust its policies depending on inflationary trends and economic data (albeit the Governor has recently suggested four rate cuts next year). Higher borrowing costs have put pressure on both equity and fixed-income markets, making investors more cautious as they seek safer returns in higher-yielding but lower-risk assets.

The US election victory for Donald Trump also brings uncertainty, particularly due to the threat of a trade war between the US and its trading partners. The president-elect has not only presaged tariffs of up to 60% on imports from China, but has also indicated tariffs of up to 25% on imports from other nations. Tariffs largely have the impact of directly increasing prices for end consumers, creating instant inflationary pressure, with the expectation of the US Federal Reserve raising interest rates to combat this. The BoE and other central banks would also be likely to follow suit as US inflation is invariably exported to other nations around the world.

Inflation in the UK and Eurozone has proven more persistent than anticipated, indicating that interest rates are unlikely to decline as quickly as previously projected. Potential US tariffs will further exacerbate this inflationary pressure.

The October budget introduced by our newly elected government includes an increase in employer National Insurance contributions, which will have a direct impact on our cost base. Additionally, we anticipate substantial changes in the inheritance tax planning landscape, particularly concerning pensions and AIM shares, which are expected to drive significant shifts across the industry.

All the above factors continue to impact financial markets and investor confidence and, consequently, our revenues.

Group performance

The interim results for the Group are obviously very disappointing. The losses are attributable to a number of concurrent factors.

As noted, trading activity was impacted by the ongoing local and global events. While it is consistent with our strategy of reducing the proportion of revenue from self-employed associates, our year-on-year income was also impacted by the departure of several such investment managers during the last financial year and at the beginning of this year.

Overall, the factors that I describe below have resulted in the Group reporting a first-half operating loss and loss before tax of £1,682,000 and £1,452,000 respectively (30 September 2023: operating profit of £173,000 and profit before tax of £268,000). We are fortunate that we have the resources to absorb this loss, but it gives us no pleasure that the resources have to be used in this manner.

While interest rates remained high in the period, the revenue on corporate cash and from managing clients' trading cash balances reduced by 15.6 % from £2,668,000 to £2,253,000, as the Group aims to pay out higher rates of interest to clients compared to the previous period, in keeping with regulatory guidance.

Operating costs, excluding staff salaries and a provision for client redress, increased by 24.5 % compared to last year. I have set out below the various factors that underly this.

Salary costs increased by 13.1 % compared to last year, reflecting our benchmarking (which I referenced in the annual report) to bring staff remuneration in line with the market rates. Whilst the obvious consequence of this is to increase our cost base, we consider it has to be the right approach to retain and protect our most valuable asset, our people.

I referenced above the initiative to improve our regulatory and compliance framework. This has been a recurring theme in our reports, partly reflecting the increasing workload demands of regulation generally in our highly regulated market, but also issues specific to the Group. More such issues became apparent early in the financial year and the team has had to work very hard to address these issues, including engaging significant support from outside consultants. We have made some major changes and improvements in the structure and staffing of our risk and compliance function, including the recruitment of a new Chief Risk and Compliance Officer and a risk manager. The path to bringing that facet of the business to being fully fit for purpose is now much clearer. Inevitably, the cost of the exercise has been necessary but painful.

In the course of this improvement, a further legacy suitability issue was discovered that we are currently working through with external advisers and the regulator to quantify. It is axiomatic that we are committed to provide suitable redress to affected customers, should this prove appropriate. Inevitably, this has also taken a significant amount of management time and resource and further impacted the results.

Another major factor in the period was the conclusion of an agreement to outsource a large part of our back-office operations to BNY Pershing, a global custodian of client money and assets. This transition, scheduled to take effect in March next year, will involve BNY Pershing providing clearing and settlement, custody, nominee and associated services to WCIM's clients. Under the arrangement, those members of our staff who have been involved in those operations will transfer to Pershing. The

Chairman's statement
continued

Board obviously reflected deeply upon the change, which involves both front-end cost as well as the transfer of employment of back-office staff who have been with us for a long time and have served the Group's customers and shareholders loyally for many years.

However, we concluded that the change was a key step for our future. The operational issues faced by the Group in the last few years and the constantly evolving regulatory landscape were proving costly both financially and in terms of management time and have become unsustainable. Rising costs relating to self-clearing, systems and maintenance are disproportionate to the size of our Group and became a hindrance to our growth strategy. Moving these functions to BNY Pershing will ensure ongoing regulatory compliance and management of risks within our business model. It will also enable management to focus on our customers and delivering shareholder value and pave the way to scale our operational capability.

Although we have not disclosed any exceptional costs in the half year, within the figures there are costs that were incurred specifically to address the aforementioned legacy weaknesses, as well as transitioning our operations and client money functions to BNY Pershing. These costs totalled £1.2 million in the period, consisting predominantly of legal, professional and recruitment fees.

In our Annual Report to March 2024, I reported a disclosure made to HMRC regarding the underpayment of Stamp Duty Reserve Tax on certain trades. I can confirm that settlement (within the provisions previously made) has been reached with HMRC and the case has now been successfully closed.

Reported EBITDA and underlying operating cash generation were negative in the period compared to the previous period.

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

	Unaudited September 2024	Unaudited September 2023	Audited March 2024
	£'000	£'000	£'000
Operating (loss)/profit	**(1,682)**	173	63
Exceptional items (note 9)	**-**	-	(225)
Operating (loss)/profit before exceptional items	**(1,682)**	173	(162)

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

(Loss)/profit before tax	**(1,452)**	268	387
Exceptional items (note 9)	**-**	-	(225)
(Loss)/profit before tax and exceptional items	**(1,452)**	268	162

Adjusted EBITDA

	Unaudited September 2024 £'000	Unaudited September 2023 £'000	Audited March 2024 £'000
Operating (loss)/profit	**(1,682)**	173	63
Exceptional items (note 9)	**-**	-	(225)
Amortisation / depreciation	**536**	564	1,299
Right-of-use-assets depreciation charge	**314**	322	636
Adjusted EBITDA	**(832)**	1,059	1,773

Underlying cash (used)/generated from operations

Net cash (outflow)/inflow from operations	**(618)**	563	970
Working capital	**(373)**	372	1,124
Lease liability payments under IFRS 16	**(432)**	(166)	(722)
Cash outflow on operating exceptional items	**340**	837	928
Underlying cash generated in the period	**(1,083)**	1,606	2,300

Investment Management

The investment management division reported an operating loss of £985,000 compared to an operating profit of £911,000 in the prior period. The factors that drove this significant decrease in profitability are explained in the Group Performance section. Commission income, as a result of the aforementioned market conditions and the loss of a number of revenue generators, declined 13.4 % from £2,555,000 to £2,213,000. Fee income, despite the loss of those revenue generators, increased by 8.0 % from £8,537,000 to £9,219,000.

The systems-related costs and investments referred to earlier applied predominantly to the Group's main subsidiary, WCIM, which is why the Group's loss is primarily reported in this division.

Barker Poland Asset Management (BPAM) had a stable performance, with revenues going up marginally by 0.9 %. On the other hand, the operating profit slightly declined by 1.0 % compared to the previous year. The reduction in the operating profit is the result of inflation-related increases to the cost base. BPAM is a discretionary investment manager and financial planner which operates under restricted status and deploys its own investment models.

Financial Planning

As noted by the CEO in our annual report, the financial planning division has been growing through recruitment. The subsidiary has increased revenues by 53.7 % to £1,640,000 from £1,067,000 in the prior period. This large increase in revenues is the result of the contribution of recently recruited financial planners bringing new clients into the division.

The division's operating loss decreased by 70.9 % to £87,000 compared to £299,000 last year. While

Chairman's statement
continued

the significant increase in revenues has not returned the division to profit yet, management remains confident that the continuing growth in revenues will bring this about in the financial period to 31 March 2026.

EnOC Technologies
Our software as a service (SaaS) division, represented by our subsidiary EnOC Technologies Limited (EnOC) has reported a loss of £245,000 compared to a loss of £244,000 in the prior year. While it might be seen as a loss-making division, EnOC's primary activity is to support the Group and it continues to provide vital services to, and support across, the Group's operations.

In addition, the segment disclosure in note 4 provides a comparison of revenues, without cancelling intercompany revenues, to demonstrate this activity's true value to the Group. Without cancelling intercompany revenues, EnOC has reported a profit of £51,000 compared to £52,000 in the prior period.

Central unallocated costs
These costs have increased by 87.2 % from £195,000 to £365,000, reflecting the continued pressure on our cost base brought about through significant investment towards strengthening our regulatory and compliance framework, and a strategic review of our business model. General inflationary increases in a number of areas have also contributed towards the escalation in costs in the first half of the year compared to last year.

Group strategy
My statement has inevitably been focused on the financial performance of the Group during the period and the reasons for the reported losses.

The Board is keenly aware of the need to move the focus forwards. The outsourcing of clearing and client money management and the improvements to our risk and compliance systems are essential to provide the platform upon which to develop our business. In tandem with addressing these issues, the Board has been working to define a strategy to harness the potential within our business to grow and to broaden the range and quality of services that we provide to our customers. Inevitably the trading conditions, regulatory challenges and the outsourcing project have all called heavily on management time, but significant time has also been invested in formulating plans to broaden and improve the services we can offer both to existing and new clients.

Dividends
Given the reported results and our ongoing capital and liquidity requirements, the Board will not be declaring an interim dividend.

This decision was not taken lightly. The Board will continue to monitor the Group's progress and will make a decision on whether we can recommend any final dividend based on performance, capital headroom, market outlook and short-term and long-term cash flow considerations.

Outlook
Looking ahead, we anticipate that the second half of the financial year is likely to be as challenging as the first half, but this should pave the way for the Group to move forward with wider strategic initiatives and a return to sustainable profitability. Our target is to migrate to Pershing in the final quarter of current financial year, which is a significant evolutionary step requiring resource, management time and support from our staff to succeed, and I am sure our management will see this through successfully.

It is with a heavy heart that I have to report the challenging times that we have been experiencing. I know that the existing management team, led by the executive directors, have worked tirelessly to address the issues I have described. That team has been supported by a number of key new recruits whose additional expertise and support is a vital element of turning the business around. On behalf of the Board, I express my thanks for the huge efforts that have been necessary.

Our long serving company secretary, Rod Goddard, will step down at the end of the year to take up a very well-deserved retirement. A particular thank you to him from all of the Board for his support and contribution over many years. We are very pleased to welcome Amanda Read, a company secretary with much experience in the Financial Services and Private Wealth sectors, to take over his role.

Despite the headwinds, we have made very significant progress in addressing the issues I have described. I remain confident of our ability to navigate these challenges, ensuring that our Group continues to support our clients in achieving their long-term financial goals.

I would also like to take the opportunity to express my appreciation to our clients, shareholders and employees for their continued support, trust and commitment.

Martin Wright
Chairman
27 December 2024
Walker Crips Group plc

Condensed consolidated income statement

for the six months ended 30 September 2024

	Notes	**Unaudited September 2024 £'000**	Unaudited September 2023 £'000	Audited March 2024 £'000
Revenue	4, 7	**15,794**	15,446	31,574
Commissions and fees paid	8	**(2,734)**	(2,895)	(5,769)
Gross profit		**13,060**	12,551	25,805
Administrative expenses		**(14,742)**	(12,378)	(25,967)
Exceptional items	9	**-**	-	225
Operating (loss)/profit	4	**(1,682)**	173	63
Investment revenue		**274**	185	446
Finance costs		**(44)**	(90)	(122)
(Loss)/profit before tax		**(1,452)**	268	387
Taxation		**363**	(67)	(19)
(Loss)/profit for the period attributable to equity holders of the Parent Company		**(1,089)**	201	368
Earnings per share				
Basic and diluted	5	**(2.56)p**	0.47p	0.86p

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2024

	Unaudited September 2024 £'000	Unaudited September 2023 £'000	Audited March 2024 £'000
(Loss)/profit for the period	**(1,089)**	201	368
Total comprehensive (loss)/income for the period attributable to equity holders of the Parent Company	**(1,089)**	201	368

Condensed consolidated statement of financial position

as at 30 September 2024

	Notes	**Unaudited September 2024 £'000**	Unaudited September 2023 £'000	Audited March 2024 £'000
Non-current assets				
Goodwill		**4,388**	4,388	4,388
Other intangible assets		**3,410**	4,225	3,741
Property, plant and equipment		**723**	884	815
Right-of-use-assets		**1,787**	2,187	2,075
		10,308	11,684	11,019
Current assets				
Trade and other receivables		**24,434**	20,828	31,902
Investments - fair value through profit or loss	12	**878**	993	538
Cash and cash equivalents		**12,794**	14,051	13,863
		38,106	35,872	46,303
Total assets		**48,414**	47,556	57,322
Current liabilities				
Trade and other payables		**(24,076)**	(21,201)	(31,961)
Current tax liabilities		**-**	(261)	(242)
Deferred tax liabilities		**(176)**	(446)	(260)
Provisions	15	**(1,181)**	(695)	(355)
Lease liabilities		**(732)**	(492)	(718)
Dividends payable		**(106)**	(106)	-
Deferred cash consideration		**-**	(59)	(25)
		(26,271)	(23,260)	(33,561)
Net current assets		**11,835**	12,612	12,742

	Unaudited September 2024 £'000	Unaudited September 2023 £'000	Audited March 2024 £'000
Long-term liabilites			
Deferred cash consideration	**-**	(44)	(15)
Lease liabilities	**(1,358)**	(2,301)	(1,736)
Provisions	**(659)**	(690)	(689)
	(2,017)	(3,035)	(2,440)
Net assets	**20,126**	21,261	21,321
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	**9,064**	10,199	10,259
Other reserves	**4,723**	4,723	4,723
Equity attributable to equity holders of the Parent Company	**20,126**	21,261	21,321

Condensed consolidated statement of cash flows

for the six months ended 30 September 2024

	Notes	**Unaudited September 2024 £'000**	Unaudited September 2023 £'000	Audited March 2024 £'000
Operating activities				
Cash generated from operations	13	**(618)**	563	970
Tax paid		**-**	-	(157)
Net cash (used in)/generated from operating activities		**(618)**	563	813
Investing activities				
Purchase of property, plant and equipment		**(58)**	(32)	(114)
(Purchase)/sale of investments held for trading		**(181)**	407	642
Consideration paid on acquisition of intangibles		**(53)**	(2)	(104)
Dividends received		**-**	-	19
Interest received		**274**	185	427
Net cash (used in)/generated from investing activities		**(18)**	558	870
Financing activities				
Dividends paid		**-**	-	(213)
Interest paid		**(1)**	(42)	(23)
Repayment of lease liabilities *		**(389)**	(118)	(623)
Repayment of lease interest *		**(43)**	(48)	(99)
Net cash used in financing activities		**(443)**	(208)	(958)
Net (decrease)/increase in cash and cash equivalents		**(1,069)**	913	725
Net cash and cash equivalents at beginning of period		**13,863**	13,138	13,138
Net cash and cash equivalents at end of period		**12,794**	14,051	13,863

* Total IFRS 16 lease liability payments of £432,000 (30 September 2023: £166,000; 31 March 2024: £722,000).

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2024

	Share capital £'000	Share premium account £'000	Own shares held £'000
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	-	-	-
Total contributions by and distributions to owners	-	-	-
Equity as at 30 September 2023	**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 2024	**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 2024	**2,888**	**3,763**	**(312)**

Capital redemption £'000	Other £'000	Retained earnings £'000	Total equity £'000
111	**4,612**	**10,104**	**21,166**
-	-	201	201
-	-	(106)	(106)
-	-	(106)	(106)
111	**4,612**	**10,199**	**21,261**
-	-	167	167
-	-	(107)	(107)
-	-	(107)	(107)
111	**4,612**	**10,259**	**21,321**
-	-	(1,089)	(1,089)
-	-	(106)	(106)
-	-	(106)	(106)
111	**4,612**	**9,064**	**20,126**

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2024

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 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 2024 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 2024 therefore should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2024. 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 2024 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. 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 2024, the Group had net assets of £20.1 million (31 March 2024: £21.3 million), net current assets of £11.8 million (31 March 2024: £12.7 million) and net cash and cash equivalents of £12.8 million (31 March 2024: £13.8 million). The Group reported an operating loss of £ 1.682 million for the period to 30 September 2024 (30 September 2023: profit of £0.173 million), and net cash used from operating activities of £0.6 million (30 September 2023: net cash generated £0.56 million).

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 2029.
- The Group's operating cash inflows and outflows during the period to 30 September 2024, and its projected future cash flows, including the adjustment of known and/or planned factors to

projected revenues and costs as at the date of the publication of this report.
- 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.

The Directors have made key assumptions in formulating the forecast such as for economic factors such as interest rates and inflation and have assessed market trends and political events that may also affect trading.

Key stress scenarios that the Directors have considered for illustrative and comparative purposes include:

- A "bear stress scenario": representing a 10% reduction in management fees, trading commissions, and interest income 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 2029.
- A "severe stress scenario": representing a 20% fall in management fees, trading commissions, and interest income 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 2029.

The bear and severe stress scenarios indicate potential breaches of the Group's minimum regulatory capital ratio threshold in June 2026 and July 2025, respectively. Our reverse stress testing indicates that all revenues would have to decline by circa 12% over the next 12 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 or expected positive impact of Group's Assessment A capital requirement subsequent to the delivery of work noted in the Chairman's statement. As such, based upon the analysis, the Directors consider scenarios leading to a regulatory capital threshold breach to be remote.

Taxation
The tax credit/(charge) in the income statement represents the sum of the tax currently receivable/(payable) and deferred tax.

The tax currently receivable/(payable) is based on the taxable (loss)/profit for the period. Taxable (loss)/profit differs from net (loss)/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 asset/(liability) for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date. The amount of taxable (loss)/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.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2024 | continued

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 2024. The carrying amount of goodwill at the statement of financial position date was £4.4 million (31 March 2024: £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 2024.

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 client payments - estimation and judgement
The Group, with the support of external advisors, is currently investigating an historical client suitability matter from which compensation costs may arise in the future. The current estimate of the provision is noted in note 15.

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 2024.

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.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2024 I continued

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 2024	**14,146**	**1,640**	**8**	**15,794**
6 months to 30 September 2023	14,369	1,067	10	15,446
Year to 31 March 2024	29,106	2,451	17	31,574

Operating profit / (loss)				Unallocated costs	Operating profit
	£’000	£’000	£’000	£’000	£’000
6 months to 30 September 2023	**(985)**	**(87)**	**(245)**	**(365)**	**(1,682)**
6 months to 30 September 2022	991	(299)	(244)	(195)	173
Year to 31 March 2023	1,632	(629)	(490)	(450)	63

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 2024	**14,146**	**1,687**	**304**	**16,137**
6 months to 30 September 2023	14,016	1,124	306	15,446
Year to 31 March 2024	29,106	2,544	609	32,259

Operating (loss) / profit				Unallocated costs	Operating (loss) / profit
	£’000	£’000	£’000	£’000	£’000
6 months to 30 September 2024	**(1,327)**	**(41)**	**51**	**(365)**	**(1,682)**
6 months to 30 September 2023	559	(243)	52	(195)	173
Year to 31 March 2024	947	(536)	102	(450)	63

5. Earnings per share

The calculation of basic earnings per share for continuing operations is based on the post-tax loss for the period of £1,089,000 (2023: post-tax profit of £201,000) and on 42,577,328 (2023: 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

Given the reported results and our ongoing capital and liquidity requirements, the Board will not be declaring an interim dividend.

7. Total income

	Six months ended 30 September 2024	Six months ended 30 September 2023	Year ended 31 March 2024
	£'000	£'000	£'000
Revenue from contracts with customers	**13,404**	12,461	25,603
Other revenue	**2,390**	2,985	5,971
	15,794	15,446	31,574
Investment revenue	**274**	185	446
	16,068	15,631	32,020

8. Commissions and fees paid

Commissions and fees paid comprise:

	Six months ended 30 September 2024	Six months ended 30 September 2023	Year ended 31 March 2024
	£'000	£'000	£'000
To self-employed certified persons	**2,734**	2,895	5,769
	2,734	2,895	5,769

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2024 | continued

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 2024, 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 2024 £'000	Six months ended 30 September 2023 £'000	Year ended 31 March 2024 £'000
Liability arising from the underpayment of SDRT	-	-	(225)
	-	-	(225)

The Group, in the financial year 2023, identified an obligation in respect of stamp duty reserve tax which arose over several previous years. An initial provision of £878,000 was made in 2023, and subsequently upon management investigation was revised to £355,000 in the financial year 2024 and has been settled in full in the current year (see note 15).

10. Tax

Tax is credited/(charged) at 25% for the six months ended 30 September 2024 (2023: 25%), representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax (loss)/income of the six-month period.

11. Current investments – fair value through profit or loss

	As at 30 September 2024 £'000	As at 30 September 2023 £'000	As at 31 March 2024 £'000
Trading investments			
Investments - fair value through profit or loss	**878**	993	538

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 £'000	Total £'000
At 30 September 2024		
Financial assets held at fair value through profit and loss	**878**	**878**
	878	**878**
At 30 September 2023		
Financial assets held at fair value through profit and loss	993	993
	993	993
At 31 March 2024		
Financial assets held at fair value through profit and loss	538	538
	538	538

Further IFRS 13 disclosures have not been presented here as the balance represents 1.814 % (2023: 2.088 %) of total assets.

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2024 | continued

13. Cash generated from operations

	Unaudited September 2024	Unaudited September 2023	Audited March 2024
	£'000	£'000	£'000
Operating (loss)/profit for the period	**(1,682)**	173	63
Adjustments for:			
Amortisation of intangibles	**386**	424	1,011
Net change in fair value of financial instruments at fair value through profit or loss	**(159)**	(124)	96
Depreciation of property, plant and equipment	**150**	140	288
Depreciation of right-of-use assets	**314**	322	636
Decrease in debtors*	**7,506**	15,473	4,398
Decrease in creditors*	**(7,133)**	(15,845)	(5,522)
Net cash (used)/generated from operations	**(618)**	563	970

* £373,000 cash inflow from working capital movement (30 September 2023: £372,000 outflow; 31 March 2024: £1,124,000 outflow).

14. Contingent liability

In 2021, a former associate brought a claim against Walker Crips Investment Management Limited "WCIM") in an Employment Tribunal. A hearing of a preliminary issue took place in 2022 and the Tribunal found in favour of WCIM. The former associate appealed certain aspects of 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. The specific contested points were subsequently upheld and the case will in due course move to trial stage. WCIM considers the claims to be unjustified and intends to continue to defend them robustly.

In addition to above, 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. As a result, 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.

15. Provisions

Provisions within one year are made up as follows:

	Client payments	Stamp Duty liability	Total
	£'000	**£'000**	**£'000**
At 1 April 2023	-	**878**	**878**
Utilisation of provision	-	(183)	**(183)**
At 30 September 2023	-	695	**695**
Utilisation of provision	-	(96)	**(96)**
Release of provision	-	(244)	**(244)**
At 1 April 2024	-	**355**	**355**
Utilisation of provision	-	(324)	**(324)**
Release of provision	-	(31)	**(31)**
Additions	1,181	-	**1,181**
At 30 September 2024	**1,181**	-	**1,181**

Client payments

The provision relates to the current estimate of client redress arising from a legacy suitability issue along with associated costs which in the opinion of the Board, need providing for after taking into account the risks and uncertainties surrounding such events. The investigation is currently ongoing to quantify the impact however the timing of these settlements are unknown but it is expected that they will be resolved within 12 months.

16. Subsequent events

There are no material events arising after 30 September 2024, 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 yearly report from the Chairman (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R; and

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

On behalf of the Board

Sean Lam
Chief Executive Officer
27 December 2024
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

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Further information

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