WALKERCRIPS

Interim Report 2016

WALKER CRIPS

We take pride in being one of the oldest independently owned companies in the City of London. Our predecessors first bought and sold shares on the London Stock Exchange in 1914 and we can trace our roots back to the eighteenth century.

We have been providing private clients with successful wealth and investment strategies for over a century. Our priority has always been to leverage our knowledge and expertise to continue generating positive returns for our clients and increasing value for our shareholders.

Founded on traditional values of diligence, fairness and integrity, we have managed to maintain our ideals by remaining impartial, flexible and transparent, and most of all by being fully committed to the clients that we serve.

A WORD FROM THE CHAIRMAN

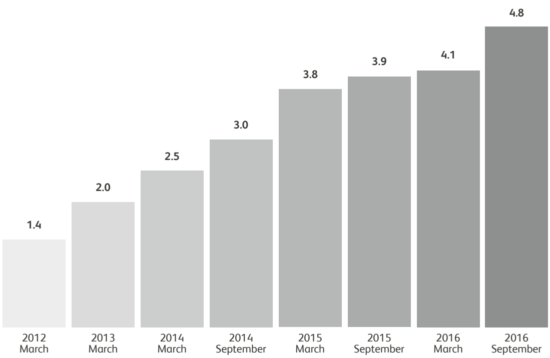
D M Gelber - Chairman

"In my year end statement I reported that trading activity in the opening weeks of the new financial year had been quiet and this trend continued in difficult conditions during the first quarter, in the run up to the Brexit vote. I am pleased to report the Group has traded profitably since the Period end, but we remain cautious about the short term outlook, due to continued market uncertainty."

HIGHLIGHTS

Gross profit (net revenues) increased by 1% to £9.0m (2015: £8.9m)	
Profit before taxation decreased by 91% to £53,000 (2015: £589,000). Underlying profitability before one-off costs was £0.3 million	
Total Assets under Management and Administration (AUMA) increased by 23% to £4.8 billion (30 Sep 2015: £3.9 billion; 31 Mar 2016: £4.1 billion)	
Discretionary and Advisory Assets under Management represent £2.7 billion (30 September 2015: £2.1 billion), an increase of 29%	
Fee and non-broking income improved to 61% of total income (2015: 60%), reflecting the strategy to reduce reliance on transaction-driven commission revenue	
Interim dividend maintained at 0.58p per share (2015: 0.58p per share)	

Assets Under Management and Administration (£bn)



CHAIRMAN'S STATEMENT

Introduction

In my year end statement I reported that trading activity in the opening weeks of the new financial year had been quiet and this trend continued in difficult conditions during the run up to the Brexit vote.

We have continued our strategy of building the systems and controls to deliver higher client service levels and regulatory standards. Accordingly, whilst always seeking to control expenses, we have incurred increasing related costs in our drive for growth, with its focus on premium service and integrity in all that we do for clients. Specifically we have invested significantly in compliance resources and client-facing systems and will continue to do so. This has been one of the main factors that led to Operating Profit for the period being reduced by a sharp increase in administrative expenses of £0.5 million to £8.9 million (2015: £8.4 million). A significant proportion of this increase derives from a combination of one-off employment costs and growth-related development costs. The Board has not taken the decision to incur these costs lightly and tight control of costs will receive continued management focus and scrutiny given the substantial regulatory changes ahead.

These increased costs resulted in profit before tax being reduced by 91% to £0.1 million from £0.6 million in the prior year. Underlying profitability before the one-off costs was £0.3 million.

Revenues improved in the second quarter, despite continuing challenging markets, resulting in a small decrease in Revenue of 1% to £13.2 million for the first half of our current year. Income from both traditional investment management business and from our structured investments desk during the period was lower than forecast as volumes slowed significantly leading up to, and following, the result of the EU Referendum. Since the end of the period, however, these revenue streams have increased considerably as the improvement in investor sentiment gathers pace.

The Board is, however, very encouraged that certain long-term aims are being achieved, noting the growth of 29% in Discretionary and Advisory Assets under Management over the last 12 months and of 17% over the current six month period during which the value of the FTSE100 Index recorded a 12% increase. The ongoing expansion of our client base, predominantly through recruitment of new investment managers, has only been partially reflected in Revenue for the current period due to a timing lag of new client assets transferring to the company from previous employers. The corresponding increases in Revenue will benefit subsequent periods.

Trading

Gross Profit (Net Revenue) during the Period increased by 1% to £9.0 million (2015: £8.9 million), demonstrating a small uplift in growth, driven by our strategy for our Investment and Wealth Management businesses in the last few years.

Non-broking income as a proportion of total income increased to 61% (2015: 60%) as the emphasis of our client base to transfer to discretionary or portfolio-managed mandates continues.

After payment of the final dividend in relation to the previous year end, at the Period end, the Group had net assets of £20.2 million (31 March 2016: £20.6 million) including net cash of £5.9 million (31 March 2016: £7.2 million), a robust balance sheet from which to generate further growth and development in line with the Board's Strategic Plan, part of which is the continuing acquisition of individuals or teams of advisers and their clients' business.

Operations

Investment Management

Discretionary and Advisory assets under management at the Period end were £2.7 billion (30 September 2015: £2.1 billion; 31 March 2016: £2.3 billion). This increase over the prior year is a clear reflection of the Company's greater emphasis on fee generation rather than transactional brokerage. Discretionary assets were £1.24 billion (30 September 2015: £0.94 billion) and Advisory assets were £1.52 billion (30 September 2015: £1.19 billion).

Revenues from the Investment Management division increased by 1% during the Period to £12.1 million (2015: £12.0 million), with strong increases in portfolio management fee revenues, being offset by weaker broking commissions and Structured investment revenues as a result of the difficult market conditions relating to Brexit.

Wealth Management

Against the backdrop of political uncertainty during the summer, Revenues and divisional profits reduced by 12% and 70% respectively when compared to an above average first 6 months last year at our York-based wealth management division. When compared with the 6 months to 31 March 2016, gross revenue is down 10% and profits down 20%. AUMA of this division has increased by 2.1% to £489m (2015: £479m). However the second half is showing a healthy pipeline of new business.

Dividend

Although your Board is disappointed to be reporting a decline in profitability for this half year, our confidence in achieving more favourable second half results enables us to declare an unchanged interim dividend of 0.58 pence per share (2015: 0.58 pence per share). This reflects the encouraging progress being made in the Group's underlying key trading performance indicators. The interim dividend will be paid on 16 December 2016 to those shareholders on the register at the close of business on 2 December 2016.

Directors, Account Executives and Staff

I would like to thank all my fellow directors, account executives and members of staff for their continued support and hard work during a challenging period. Their professionalism, diligence and loyalty in recent years give the Company every reason to be regarded as a special place to work, as we now start to bear the fruits directly resulting from our recent efforts in further raising our standards to meet the ever-increasing expectations of clients, regulators and other stakeholders.

Outlook

The Group remains in a very sound financial position and I am pleased to report that we have traded profitably since the Period end. We remain cautious about the short term outlook, due to continued market uncertainty.

D M Gelber
Chairman
18 November 2016

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2016

	Notes	Unaudited Six months to 30 September 2016 £'000	Unaudited Six months to 30 September 2015 £'000	Audited Year to 31 March 2016 £'000
Continuing operations				
Revenue	**2**	13,187	13,265	26,070
Commission payable		(4,233)	(4,397)	(8,433)
Gross Profit		8,954	8,868	17,637
Share of after tax profit of joint venture		5	6	10
Administrative expenses		(8,920)	(8,372)	(17,774)
Operating profit		**39**	**502**	**(127)**
Gain on disposal of investment		-	-	942
Investment revenues		15	88	131
Finance costs		(1)	(1)	(2)
Profit before tax		**53**	**589**	**944**
Taxation		(11)	(130)	(149)
Profit for the period attributable to equity holders of the company		**42**	**459**	**795**
Earnings per share	**3**			
Basic		0.11p	1.22p	2.11p
Diluted		0.11p	1.22p	2.11p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Unaudited Six months to 30 September 2016 £'000	Unaudited Six months to 30 September 2015 £'000	Audited Year to 31 March 2016 £'000
Profit for the period	**42**	**459**	**795**
Other comprehensive income:			
Reversal of revaluation of available-for-sale investments	-	-	(959)
Reversal of deferred tax charge on revaluation of available-for-sale investments	-	-	192
Total comprehensive income for the period attributable to equity holders of the company	**42**	**459**	**28**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	Unaudited 30 September 2016 £'000	Unaudited 30 September 2015 £'000	Audited Year to 31 March 2016 £'000
Non-current assets				
Goodwill		4,388	4,388	4,388
Other intangible assets		8,313	6,580	7,992
Property, plant and equipment		791	960	841
Investment in joint ventures		33	34	28
Available-for-sale investments	**6**	57	1,034	57
		13,582	12,996	13,306
Current assets				
Trade and other receivables		30,274	41,068	38,799
Trading investments	**6**	968	1,793	1,237
Cash and cash equivalents		5,972	6,916	7,257
		37,214	49,777	47,293
Total assets		50,796	62,773	60,599
Current liabilities				
Trade and other payables		(26,554)	(38,168)	(36,424)
Current tax liabilities		(288)	(363)	(141)
Bank Overdrafts		(123)	(6)	(77)
Deferred tax liabilities		(380)	(740)	(517)
Shares to be issued		(1,131)	(362)	(912)
		(28,476)	(39,639)	(38,071)
Net current assets		8,738	10,138	9,222
Long term liability - deferred cash consideration		(1,786)	(1,815)	(1,556)
Long term liability - shares to be issued		(158)	(348)	(218)
Long term liability - dilapidation provision		(132)	-	(132)
Net assets		**20,244**	**20,971**	**20,622**
Equity				
Share capital	**7**	2,605	2,551	2,595
Share premium account		2,336	2,023	2,279
Own shares		(312)	(312)	(312)
Revaluation reserve		-	767	-
Other reserves		4,668	4,668	4,668
Retained earnings		10,947	11,274	11,392
Equity attributable to equity holders of the company		**20,244**	**20,971**	**20,622**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Unaudited Six months to 30 September 2016	Unaudited Six months to 30 September 2015	Audited Year to 31 March 2016
	£'000	£'000	£'000
Operating activities			
Cash used by operations	(168)	(1,243)	(1,119)
Interest received	13	39	85
Interest paid	(1)	(1)	(2)
Tax paid	-	(6)	(120)
Net cash used by operating activities	**(156)**	**(1,211)**	**(1,156)**
Investing activities			
Purchase of property, plant and equipment	(160)	(109)	(247)
Purchase of intangible assets	(199)	(170)	(810)
Net sale of investments held for trading	269	908	1,464
Consideration paid on acquisition of subsidiary	(600)	-	(13)
Net sale of proceeds available for sale investments	-	1,383	2,044
Dividends received	2	47	54
Net cash (used by)/generated from investing activities	**(688)**	**2,059**	**2,492**
Financing activities			
Dividends paid	(487)	(439)	(657)
Net cash used in financing activities	**(487)**	**(439)**	**(657)**
Net (decrease)/increase in cash and cash equivalents	(1,331)	409	679
Net cash and cash equivalents at the start of the period	7,180	6,501	6,501
Net cash and cash equivalents at the end of the period	**5,849**	**6,910**	**7,180**
Cash and cash equivalents	5,972	6,916	7,257
Bank overdrafts	(123)	(6)	(77)
	5,849	**6,910**	**7,180**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Called up share capital £'000	Share premium £'000
Equity as at 31 March 2015	**2,545**	**1,988**
Profit for the 6 months ended 30 September 2015	-	-
Total recognised income and expense for the period	-	-
March 2015 final dividend	-	-
Issue of shares on acquisition of intangible asset	6	35
Equity as at 30 September 2015	**2,551**	**2,023**
Reversal of revaluation of available-for-sale investments	-	-
Reversal of deferred tax charge on revaluation of available-for-sale investments	-	-
Profit for the 6 months ended 31 March 2016	-	-
Total recognised income and expense for the period	-	-
September 2015 interim dividend	-	-
Issue of shares on acquisition of subsidiary	44	256
Equity as at 31 March 2016	**2,595**	**2,279**
Profit for the 6 months ended 30 September 2016	-	-
Total recognised income and expense for the period	-	-
March 2016 final dividend	-	-
Issue of shares on acquisition of intangible asset	10	57
Equity as at 30 September 2016	**2,605**	**2,336**

Own shares held £'000	Capital Redemption £'000	Other £'000	Revaluation £'000	Retained earnings £'000	Total Equity £'000
(312)	**111**	**4,557**	**767**	**11,254**	**20,910**
-	-	-	-	459	459
-	-	-	-	459	459
-	-	-	-	(439)	(439)
-	-	-	-	-	41
(312)	**111**	**4,557**	**767**	**11,274**	**20,971**
-	-	-	(959)	-	(959)
-	-	-	192	-	192
-	-	-	-	336	336
-	-	-	-	336	336
-	-	-	-	(218)	(218)
-	-	-	-	-	300
(312)	**111**	**4,557**	**-**	**11,392**	**20,622**
-	-	-	-	42	42
-	-	-	-	42	42
-	-	-	-	(487)	(487)
-	-	-	-	-	67
(312)	**111**	**4,557**	**-**	**10,947**	**20,244**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. Basis of preparation and accounting policies

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). These condensed financial statements are presented in accordance with IAS 34 Interim Financial Reporting.

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 2016.

The condensed consolidated financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2016.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 2016 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.

New standards and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2016 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group except for IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'. The effective dates of IFRS 9, IFRS 15 and IFRS 16 are not until 2019, 2019 and 2020 year ends respectively; the Group has therefore decided not to implement these standards early.

Going Concern

As both the net asset base and cash position remain healthy, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they also conclude in accordance with guidance from the Financial Reporting Council, that the use of the going concern basis for the preparation of the financial statements continues to be appropriate.

Interests in joint ventures

The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are accounted for in the consolidated financial statements under the equity method.

Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of the joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to / from the Group and their amount can be measured accurately.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed in future periods.

Intangible assets

At each period end date, 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.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Principal risks and uncertainties

Under the Financial Conduct Authority's Disclosure and Transparency Rules, the Directors are required to identify those material risks to which the company is exposed and take appropriate steps to mitigate those risks. The principal risks and uncertainties faced by the Group are discussed in detail in the Annual Report for the year ended 31 March 2016.

Related party transactions

No transactions took place in the period that would materially or significantly affect the financial position or performance of the group.

2. Segmental analysis

Revenue (£'000)	Investment Management	Wealth Management	Total
6m to 30 September 2016	12,102	1,085	13,187
6m to 30 September 2015	12,036	1,229	13,265
Year to 31 March 2016	23,639	2,431	26,070

Result (£'000)	Investment Management	Wealth Management	Unallocated Costs	Operating Profit/(Loss)
6m to 30 September 2016	776	36	(773)	39
6m to 30 September 2015	990	120	(608)	502
Year to 31 March 2016	987	165	(1,279)	(127)

3. Earnings per share

The calculation of basic earnings per share for continuing operations is based on the post-tax profit for the period of £42,000 (2015: £459,000) and on 38,304,050 (2015: 37,531,391) ordinary shares of $6^{2/3}$p, being the weighted average number of ordinary shares in issue during the period.

The effect of the exercise of outstanding options would be to reduce the reported earnings per share. Any remaining outstanding options expired during the prior period. The calculation of diluted earnings per share is based on 38,304,050 (2015: 37,643,593) ordinary shares, being the weighted average number of ordinary shares in issue during the period adjusted for dilutive potential ordinary shares.

4. Dividends

The interim dividend of 0.58 pence per share (2015: 0.58 pence) is payable on 16 December 2016 to shareholders on the register at the close of business on 2 December 2016. The interim dividend has not been included as a liability in this interim report.

5. Total Income (£'000)

	Six months Ended 30 September 2016	Six months Ended 30 September 2015	Year Ended 31 March 2016
Revenue	13,187	13,265	26,070
Net Investment revenues	14	87	129
	13,201	13,352	26,199

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

Income (£'000)	Six months Ended 30 September 2016	%	Six months Ended 30 September 2015	%	Year Ended 31 March 2016	%
Broking	5,174	39	5,345	40	10,007	38
Non-Broking	8,027	61	8,007	60	16,192	62
	13,201	100	13,352	100	26,199	100

6. Investments

Available-for-sale investments

	Life Policy investments £'000	Equity investments £'000	Qualifying Collective Investment Scheme £'000	Total £'000
As at 1 April 2015	-	1,034	1,383	2,417
Additions in the period	-	-	-	-
Disposals in the year	-	-	(1,383)	(1,383)
Recognised in comprehensive income	-	-	-	-
At 30 September 2015	**-**	**1,034**	**-**	**1,034**
Additions in the period	57	-	-	57
Disposals in the period	-	(1,034)	-	(1,034)
Recognised in comprehensive income	-	-	-	-
At 31 March 2016	57	-	-	57
Additions in the year	-	-	-	-
Disposals in the year	-	-	-	-
Recognised in comprehensive income	-	-	-	-
At 30 September 2016	**57**	**-**	**-**	**57**

Equity investments comprise the Group's investment in a life policy investment. The fair value is based upon the life company's forecast terminal value. During the period to 30 September 2016 there were no movements in available for sale investments.

During the period to 30 September 2015, following the closure and liquidation of the TB Walker Crips Income from Short Term Lending Fund (STLF), a qualifying collective investment scheme (QCIS), the Group's holding of 1.383m units was redeemed and repaid in full (resulting in no gain or loss) with £1,383,000 being received on 7th September 2015.

	As at 30 September 2016 £'000	As at 30 September 2015 £'000	As at 31 March 2016 £'000
Trading investments			
Fair value	968	1,793	1,237

Trading investments represent investments in equity securities and bonds 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.

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 available-for-sale investments fall within this category.

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

At 30 September 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit and loss	968	-	57	1,025

At 30 September 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit and loss	1,793	-	1,034	2,827

At 31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit and loss	1,237	-	57	1,294

7. Issue of share capital

During the period to 30 September 2016, 150,574 new Ordinary Shares were issued and allotted to the sellers of Barker Poland Asset Management (BPAM) in order to satisfy the Group's obligation in connection with the payment of year one deferred consideration. The BPAM business has met the targets required to trigger a payment by the Group of the full amount of the first of 3 potential payments.

During the period to 30 September 2015, 95,476 new Ordinary Shares were issued and allotted to fulfil contractual obligations of employees of the Group.

DIRECTORS' RESPONSIBILITY STATEMENT

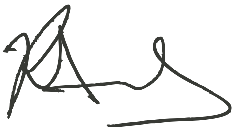
The Directors confirm that to the best of their knowledge:

(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



Rodney FitzGerald
Chief Executive Officer
18 November 2016

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COMPANY OFFICERS

EXECUTIVE DIRECTORS

R A FitzGerald *FCA*

S K W Lam *FCPA Chartered FCSI*

M J W Rushton

G J B Jackson *LLB (Hons)*

NON-EXECUTIVE DIRECTORS

D M Gelber

R A Elliott *FCA Cert PFS*

M J Wright

H M Lim

SECRETARY

G J B Jackson *LLB (Hons)*

REGISTERED OFFICE

Finsbury Tower
103-105 Bunhill Row
London EC1Y 8LZ

Registered in England
Registered Number 01432059

Walker Crips Group plc
Finsbury Tower
103-105 Bunhill Row
London EC1Y 8LZ

020 3100 8000
www.wcgplc.co.uk
client.services@wcgplc.co.uk