

WH IRELAND



Interim Results

30 September 2023



Helping you see the bigger picture

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Key financials for 6m ended 30 September 2023

Revenue

£ 10.7m

(2022 H1: £14.3m)

Loss before tax

£(3.9m)

(2022 H1: (£0.4m))

Cash & cash equivalents

£ 6.9m

(2022 H1: £6.3m)

Underlying loss before tax*

£ (1.8m)

(2022 H1: (£0.9m))

Underlying earnings per share*

(2.04)p

(2022 H1: (1.43)p)

Earnings per share

(4.36)p

(2022 H1: (0.59)p)

Group AUM

£ 1.81bn

(2022 H1: £2.1bn)

Corporate clients (Nomad, broker,
adviser and research)

86

(2022 H1: 92)

A reconciliation from underlying profits to statutory profits is shown within the Chief Executive's statement on page 4.



Chair's statement

"I am delighted to have been asked to join your Board and would like to take this opportunity to thank Simon Lough and the departing directors for their service to WH Ireland. My own appointment remains subject to FCA approval.

Phillip Wale, your Chief Executive Officer, has commented on the performance for the six month period to 30th September 2023 covered by this interim report in his CEO's Statement. In summary, it has been a challenging six months for both divisions, with adverse market conditions and a challenging macro-economic climate.

The business has had to make several painful and difficult decisions but these are now beginning to deliver the planned benefits. As Phillip reports, we have seen some tentative signs of an improvement in market performance and activity levels in the last few weeks but are mindful that it will take time for a sustained level of confidence to return.

Your Board and your management team continue to focus on restoring the business to sustainable profitability. This will depend on the resumption of growth in revenue in both the Capital Markets business and in Wealth Management, and continued cost discipline. Without these two key objectives being achieved sustainable profitability will remain difficult to achieve. The Board will continue to assess all strategic opportunities and provide updates to the market as appropriate."

"WH Ireland's interim results reflect both the well documented challenging market backdrop that continued during the period, as well as the non-recurring costs incurred in streamlining the business after the refinancing in the summer.

We remain committed to focusing on operational efficiencies across the Group to ensure that we are well positioned for a recovery in the market and we have seen some tentative signs of an increase in transactional activity throughout November and December (after the reporting period end) in our Capital Markets division.

The market conditions for both Capital Markets and Wealth Management, however, were challenging throughout the period under review. As a result, our financial results for the six months to 30 September 2023 were down on the comparative period, although the impact of the £3.8m annualised cost savings will benefit the financial performance in the second half of the financial year and beyond.

Reflecting the difficult backdrop, the Group raised gross proceeds of £5m through a placing of shares, as approved by shareholders in August 2023. Cost reduction actions were undertaken in order to reduce losses, with the aim of returning the Group to sustainable profitability. It was pleasing that as a result of these changes, and after the end of the period under review, underlying profitability (unaudited) was delivered in the month of November 2023 from this lower cost base and our aim is to achieve this on a consistent basis.

Group revenue of £10.7m for the six months to 30 September 2023 fell by 25.0% against the comparative period, driven both by the fall in indices and lack of transactional activity in light of wider uncertainty in the market, impacting revenue generated by both divisions.

Simon Moore
Chair's Statement



Phillip Wale
Chief Executive's
Statement



£m	6m to 30 Sep 2023	6m to 30 Sep 2022	12m to 31 Mar 2023
Underlying loss before tax	(1.81)	(0.86)	(1.99)
<u>Acquisition related items</u>	-	-	-
Amortisation of acquired brand and client relationships	(0.24)	(0.25)	(0.50)
Changes in fair value and finance cost of deferred consideration	-	(0.13)	(0.17)
Redundancy Costs	(0.85)	-	-
Project Costs	(0.81)	-	-
<u>Non-operational income</u>	-	1.51	1.96
Net changes in the value of non-current investments	(0.21)	(0.65)	(1.12)
Statutory loss before tax	(3.92)	(0.38)	(1.82)

Chief Executive's statement

Ahead of the benefit of the £3.8m cost reduction initiatives announced in July 2023, total Administration expenses reduced by £390k, or 2.7%, reflecting the reduction in variable employee compensation but this was offset by redundancy costs of £854k as part of the cost reduction exercise, and £806k project costs in relation to the Board exploring strategic opportunities for parts of the business.

This resulted in an underlying loss for the period of £1.81m (six months to 30 September 2022 £0.86m loss) and a statutory loss before tax of £3.92m (six months to 30 September 2022 £0.38m loss). Net cash at the period end stood at £6.9m (31 March 2023 £4.2m, 30 September 2022 £6.3m) and £6.8m as at 30 November 2023.

Capital Markets

The market backdrop for the division remained extremely challenging during the six months to 30 September 2023. The FTSE AIM All Share Index fell by 11% during the period, with primary and secondary capital raising activity across the market remaining at multi-decade lows.

The division won two new quoted corporate clients in the period. The total number of quoted corporate clients served by the division as at 30 September 2023 stood at 86 (31 March 2023: 90), against an overall decline in the number of companies quoted on AIM.

While total retainer fees remained relatively stable compared to the comparative period, it was transactional fees and trading revenue that fell, in common with our peers. Underlying divisional costs reduced to £5.7m from £7.4m, reflecting lower variable employee compensation and initial benefits from cost saving measures previously undertaken and prior to the more meaningful actions announced in July 2023. Redundancy costs relating to the latter of £597k were incurred in the period.

As the market recovers, we anticipate that our revenue from transactional related fees will increase which, when combined with a lower cost base, should result in an improved financial performance of the Division.

Wealth Management

The market backdrop has also impacted our Wealth Management (WM) revenues, through the impact of market falls on Assets Under Management (AUM). However, costs were reduced, leading to an improved underlying year on year performance. Total WM AUM fell 15.7% to £1.2bn. Discretionary AUM (our main focus) fell 11.3% to £0.88bn. Net new discretionary AUM totalled (£145m).

The market has been severely impacted by the persistent inflationary backdrop, with interest rates in the UK being at their highest since the financial crisis.

The Group has continued to make progress in improving the efficiency of the business, focussing around the division's four offices in London, Manchester, Henley and Poole. Most of the Group's AUM is managed on the Company's core platform, however, off-platform AUM has remained steady at £30m.

Employees

We have continued to target efficiencies and cost savings across the Group, which has resulted in redundancies. The total number of employees has reduced to 111 against 156 a year ago. Redundancies occurred in both our divisions and were completed over September and October 2023. The Directors are grateful for the loyalty of all of our remaining employees and shareholders during this challenging period and wish those who have left us well for the future.

Outlook

Market conditions, while still challenging, have seen some tentative signs of improvement in both indices and activity levels since November 2023 as the prospect of interest rates having peaked becomes more plausible.

The Company has undertaken some of its largest fundraisings for many months in both public and private markets, as well as seen the markets rally from the October lows. Underpinned by actions already taken and a continued tight control over costs, the Directors envisage that the Group can return to profitability on an ongoing and consistent basis. However, should market conditions remain challenging, this objective will be more difficult to achieve, although, as previously mentioned, underlying monthly profitability (unaudited) was achieved in November 2023. Cash & cash equivalents as at 30 November 2023 stood at £6.8m.

Board

The Company welcomed two new non-executive directors in November 2023, Simon Moore and Garry Stran to the Board, with Simon due to serve as Chair once FCA approval has been received. The Directors thank the previous non-executive directors of the Company for their service to the business.

Summary

The Board believes that the combination of improving market conditions and the benefits of the cost reduction programme will enhance the future prospects for both divisions while remaining mindful of the fragility in market confidence at this point and the impact that a further deterioration in markets, overall economic confidence or operational effectiveness could have on the Group's financial performance.

The Directors will continue to assess strategic opportunities for the Group if, and as, they arise.

Independent Review Report to WH Ireland Group plc

Conclusion

We have been engaged by WH Ireland Group plc ('the Company') to review the condensed set of financial statements of the Company and its subsidiaries (the 'Group') in the interim financial report for the six months ended 30 September 2023 which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the related explanatory notes that have been reviewed. We have read the other information contained in the interim financial report and considered whether it contains any apparent material misstatements of fact or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards, and the AIM Rules for Companies.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ('ISRE (UK) 2410') issued for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted International Accounting Standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group and the Company to cease to continue as a going concern.

Responsibilities of Directors

The interim financial report is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim financial report in accordance with International Accounting Standard 34 "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards and the AIM Rules for Companies.

In preparing the interim financial report, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Review of the Financial Information

In reviewing the interim financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the interim financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Independent Review Report to WH Ireland Group plc

Use of our report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

22 December 2023

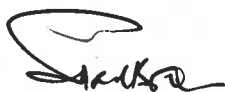
Consolidated statement of comprehensive income

	Note	6 months ended 30 Sep 2023 (unaudited) £'000	6 months ended 30 Sep 2022 (unaudited) £'000	12 months ended 31 Mar 2023 (audited) £'000
Revenue		10,723	14,289	26,688
Administrative expenses		(14,248)	(14,637)	(27,550)
Expected credit loss		-	-	(239)
Operating loss		(3,525)	(348)	(1,101)
Other income	1	-	1,673	2,175
Net losses on investments	1	(381)	(1,534)	(2,683)
Finance income		5	1	10
Finance expense		(14)	(176)	(224)
Loss before tax		(3,915)	(384)	(1,823)
Taxation		33	33	(121)
Loss and total comprehensive income for the year		(3,882)	(351)	(1,944)
Earnings per share	8			
Basic		(4.36p)	(0.59p)	(3.29p)
Diluted		-	-	-

Consolidated statement of financial position

	Note	30 Sep 2023 (unaudited) £'000	30 Sep 2022 (unaudited) £'000	31 Mar 2023 (audited) £'000
ASSETS				
Non-current assets				
Intangible assets		3,529	4,006	3,763
Goodwill	6	3,539	3,539	3,539
Property, plant and equipment		484	679	569
Investments	3	276	1,402	820
Right of use asset		462	783	635
Deferred tax asset		-	190	-
		8,290	10,599	9,326
Current assets				
Trade and other receivables		4,732	5,833	5,444
Other investments	3	1,414	1,692	2,049
Cash and cash equivalents	4	6,923	6,303	4,234
		13,069	13,828	11,727
Total assets		21,359	24,427	21,053
LIABILITIES				
Current liabilities				
Trade and other payables		(3,442)	(5,159)	(4,013)
Lease liability		(153)	(328)	(319)
Deferred consideration	5	(1,424)	(2,541)	(2,121)
Deferred tax liability		(630)	(699)	(663)
		(5,649)	(8,727)	(7,116)
Non-current liabilities				
Lease liability		(243)	(516)	(293)
		(243)	(516)	(293)
Total liabilities		(5,892)	(9,243)	(7,409)
Total net assets		15,467	15,184	13,644
Capital and reserves				
Share capital	7	4,965	3,104	3,116
Share premium		22,817	19,014	19,014
Other reserves		981	981	981
Retained earnings		(12,182)	(6,899)	(8,374)
Treasury shares		(1,114)	(1,016)	(1,093)
Shareholders' funds		15,467	15,184	13,644

Signed on behalf of the board



S J Jackson

22 December 2023

Consolidated statement of cash flows

	Note	6 months ended 30 Sep 2023 (unaudited) £'000	6 months ended 30 Sep 2022 (unaudited) £'000	12 months ended 31 Mar 2023 (audited) £'000
Operating activities:				
Loss for the period:		(3,882)	(351)	(1,944)
		(3,882)	(351)	(1,944)
Adjustments for:				
Depreciation and amortisation		490	468	1,093
Finance income		(5)	-	(10)
Finance expense		14	176	224
Tax		(33)	(33)	121
Non-cash adjustment for share option charge		74	241	359
Non-cash adjustment for investment gains		381	1,552	2,683
Non-cash adjustment for revenue		(401)	(161)	(1,096)
Non-cash adjustment for right of use assets		-	-	(125)
Decrease/ (increase) in trade and other receivables		712	(183)	314
Decrease in trade and other payables		(571)	(1,842)	(2,668)
Net cash used in operations		(3,221)	(133)	(1,049)
Net cash outflows from operating activities		(3,221)	(133)	(1,049)
Investing activities:				
Acquisition of property, plant and equipment		-	(202)	(475)
Interest received		5	-	10
Movement in current asset investments		1,199	550	430
Net cash gained from investing activities		1,204	348	(35)
Finance activities:				
Proceeds from issue of share capital		5,000	-	12
Purchase of own shares by Employee Benefit Trust		(21)	(116)	(193)
Deferred consideration paid		(43)	-	(464)
Lease liability payments		(230)	(242)	(483)
Net cash generated / (used in) financing activities		4,706	(358)	(1,128)
Net increase in cash and cash equivalents		2,689	(143)	(2,212)
Cash and cash equivalents at beginning of period		4,234	6,446	6,446
Cash and cash equivalents at end of period		6,923	6,303	4,234

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Treasury shares £'000	Total equity £'000
Balance at 1 April 2022	3,104	19,014	981	(6,789)	(900)	15,410
Profit and total comprehensive income for the period	-	-	-	(351)	-	(351)
Employee share option scheme	-	-	-	241	-	241
Purchase of own shares by Employee Benefit Trust	-	-	-	-	(116)	(116)
Balance at 30 September 2022	3,104	19,014	981	(6,899)	(1,016)	15,184
Profit and total comprehensive income for the period	-	-	-	(1,593)	-	(1,593)
Employee share option scheme	-	-	-	118	-	118
New share capital issued	12	-	-	-	-	12
Purchase of own shares by Employee Benefit Trust	-	-	-	-	(77)	(77)
Balance at 31 March 2023	3,116	19,014	981	(8,374)	(1,093)	13,644
Balance at 1 April 2023	3,116	19,014	981	(8,374)	(1,093)	13,644
Profit and total comprehensive income for the period	-	-	-	(3,882)	-	(3,882)
Employee share option scheme	-	-	-	74	-	74
New share capital issued	1,849	3,803	-	-	-	5,652
Purchase of own shares by Employee Benefit Trust	-	-	-	-	(21)	(21)
Balance at 30 September 2023	4,965	22,817	981	(12,182)	(1,114)	15,467

Company Information

1. General information

WH Ireland Group plc is a public company incorporated in the United Kingdom. The shares of the Company are traded on AIM, a market operated by the London Stock Exchange Group plc. The address of its registered office is 24 Martin Lane, London, EC4R 0DR.

Basis of preparation

The condensed financial statements in this interim report for the six months to 30 September 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. This report has been prepared on a going concern basis and should be read together with the Group's annual consolidated financial statements as at and prepared to 31 March 2023 in accordance with UK-adopted International Accounting Standards and in accordance with the requirements of the Companies Act 2006.

The accounting policies, presentation and methods of computation adopted by the Group in the preparation of its 2023 interim report are those which the Group currently expects to adopt in its annual financial statements for the year ending 31 March 2024 which will be prepared in accordance with UK-adopted International Accounting Standards and are consistent with those adopted in the audited annual Report and Accounts for the period ended 31 March 2023.

The financial information in this report does not constitute the Company's statutory accounts. The statutory accounts for the period ended 31 March 2023 have been delivered to the Registrar of Companies in England and Wales. The auditor has reported on those accounts. Its report was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006. The financial information for the six months to 30 September 2023 are unaudited (six months to 30 September 2022: unaudited).

Going concern

The condensed financial statements of the Group have been prepared on a going concern basis. In making this assessment, the Directors have prepared detailed financial forecasts for the period to 31 December 2024 which consider the funding and capital position of the Group. Those forecasts make assumptions in respect of future trading conditions, notably the economic environment and its impact on the Group's revenues and costs. In addition to this, the nature of the Group's business is such that there can be considerable variation in the timing of cash inflows. The forecasts take into account foreseeable downside risks, based on the information that is available to the Directors at the time of the approval of these financial statements.

The Directors have conducted full and thorough assessments of the Group's business and the past financial year has provided a thorough test of those assessments and the resilience of the business. The significant market turbulence presented a range of challenges to the business and as a result the Group proceeded to raise additional capital by way of placing of ordinary shares to existing shareholders and new investors, raising £5m. Additionally, cost reduction exercises were implemented and the benefits are expected to take effect from quarter 3 of the financial year. The cost savings have been factored into the forecasts.

An analysis of the potential downside impacts was conducted as part of the going concern assessment to assess the potential impact on revenue and asset values with a particular focus on the variable component parts of our overall revenue, such as corporate finance fees and commission. Furthermore, reverse stress tests were modelled to assess what level the Group's business would need to be driven down to before resulting in a liquidity crisis or a breach of regulatory capital. That modelling concluded that transactional, non-contractual revenue would need to decline by more than 40%, and contractual revenue will need to decline by more than 10% from management's forecasts to create such a crisis situation within twelve months' time.

Based on all the aforementioned, the Directors believe that the Group has sufficient liquidity to meet its liabilities for the next twelve months and that the preparation of the financial statements on a going concern basis remains appropriate. The Directors, conscious of the continuing, challenging external market environment, will continue to prudently manage the capital and liquidity position of the firm.

Net (losses)/ gains on investments

Warrants and investments may be received during the course of business and are designated as fair value through profit or loss. At each reporting date the warrants and investments are revalued and any gain or loss is recognised in net (losses)/ gains on investments. On exercise of warrants and sale of investments the gain or loss is also recognised in net (losses)/ gains on investments.

Other income

During the period to 30 September 2022, following confirmation from HMRC that the supply of certain Group services was exempt from VAT, the Group received a refund from HMRC in respect of VAT arising on those services during the period from 1 April 2017 to 31 March 2021 of £1.7m (net £1.5m after advisory costs). This was treated as an adjusting item to the underlying profit in view of its non-recurring nature and given it is outside the ordinary course of business.

Company Information

2. Segment information

The Group has two principal operating segments, Wealth Management (WM) and Capital Markets (CM) and a number of minor operating segments that have been aggregated into one operating segment.

WM offers investment management advice and services to individuals and contains our Wealth Planning business, giving advice on and acting as intermediary for a range of financial products. CM provides corporate finance and corporate broking advice and services to companies and acts as Nominated Adviser (Nomad) to clients traded on the AIM and contains our Institutional Sales and Research business, which carries out stockbroking activities on behalf of companies as well as conducting research into markets of interest to its clients.

Both divisions are located in the UK. Each reportable segment has a segment manager who is directly accountable to, and maintains regular contact with, the Chief Executive Officer.

No customer represents more than ten percent of the Group's revenue (FY22: nil).

6 months ended 30 Sep 2023 (unaudited)	Wealth Management	Capital Markets	Group and consolidation adjustments	Group
	£'000	£'000	£'000	£'000
Revenue	6,338	4,385	-	10,723
Direct costs	(5,142)	(4,850)	-	(9,992)
Contribution	1,196	(465)	-	731
Indirect costs	(1,365)	(876)	(308)	(2,549)
Underlying (loss) before tax	(169)	(1,341)	(308)	(1,818)
Amortisation	(234)	-	-	(234)
Redundancy costs	(227)	(520)	-	(747)
Holiday Leave paid on termination	(29)	(77)	-	(106)
Project Costs	-	-	(806)	(806)
Net changes in the value of non-current investment assets	-	(204)	-	(204)
Loss before tax	(659)	(2,140)	(1,114)	(3,915)
Taxation	33	-	-	33
Profit/ (loss) for the period	(626)	(2,140)	(1,114)	(3,882)

6 months ended 30 Sep 2022 (unaudited)	Wealth Management	Capital Markets	Group and consolidation adjustments	Group (continuing operations)
	£'000	£'000	£'000	£'000
Revenue	7,262	7,027	-	14,289
Direct costs	(6,075)	(6,243)	-	(12,318)
Contribution	1,187	784	-	1,971
Indirect costs	(1,663)	(1,171)	-	(2,834)
Underlying (loss) before tax	(476)	(387)	-	(863)
Amortisation	(252)	-	-	(252)
Changes in fair value and finance cost of deferred consideration	(129)	-	-	(129)
Net changes in the value of non-current investment assets	-	(645)	-	(645)
Non-operational income	1,505	-	-	1,505
Profit/ (loss) before tax	648	(1,032)	-	(384)
Taxation	33	-	-	33
Profit/ (loss) for the period	681	(1,032)	-	(351)

Company Information

2. Segment information (continued)

12 months ended 31 Mar 2023 (audited)	Wealth Management £'000	Capital Markets £'000	Group and consolidation adjustments £'000	Group (continuing operations) £'000
Revenue	14,443	12,245	-	26,688
Direct costs	(11,400)	(11,604)	-	(23,004)
Contribution	3,043	641	-	3,684
Indirect costs	(2,798)	(1,994)	(879)	(5,671)
Underlying profit/(loss) before tax	245	(1,353)	(879)	(1,987)
Amortisation of acquired client relationships	(496)	-	-	(496)
Changes in fair value and finance cost of deferred consideration	(173)	-	-	(173)
Other income	1,957	-	-	1,957
Net changes in the value of non-current investment assets	-	(1,124)	-	(1,124)
Profit/ (loss) before tax	1,533	(2,477)	(879)	(1,823)
Taxation	69	-	(190)	(121)
Profit/ (loss) for the year	1,602	(2,477)	(1,069)	(1,944)

3. Investments

	As at 30 Sep 2023 £'000	As at 30 Sep 2022 £'000	As at 31 Mar 2023 £'000
Investments			
Fair value: warrants	276	1,402	820
Total investments	276	1,402	820

Warrants may be received during the ordinary course of business; there is no cash consideration associated with the acquisition.

The fair value of warrants is estimated using established valuation models. These investments are included in non-current assets.

	As at 30 Sep 2023 £'000	As at 30 Sep 2022 £'000	As at 31 Mar 2023 £'000
Other investments	1,414	1,692	2,049

Investments are measured at fair value, which is determined directly by reference to published prices in an active market where available. Trading investments are included in current assets.

Company Information

4. Cash, cash equivalents and bank overdrafts

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits with banks and financial institutions with a maturity of up to three months.

Cash and cash equivalents represent the Group's money and money held for settlement of outstanding transactions.

Money held on behalf of clients is not included in cash and cash equivalents. Client money at 30 September 2023 was £0.3m (30 September 2022: £0.4m; 31 March 2023: £0.3m).

5. Deferred consideration

	As at 30 Sep 2023 £'000	As at 30 Sep 2022 £'000	As at 31 Mar 2023 £'000
At beginning of period	2,121	2,412	2,412
Finance expense of deferred consideration	-	66	110
Change in fair value	-	63	63
Paid during the year	(43)	-	(464)
Settled during the year	(654)	-	-
Balance at end of period	1,424	2,541	2,121
<i>Analysed as:</i>			
Included in current liabilities	1,424	2,541	2,121
Included in non-current liabilities	-	-	-
Balance at end of period	1,424	2,541	2,121

Deferred consideration relates to the acquisition of Harpsden Wealth Management Limited and the maximum amounts payable over a two year period. The following assumptions were made: revenue growth of 2%, attrition rate of 3% for larger clients and 10% for smaller clients, discount rate of 13.5%.

During the period £43k was paid to former shareholders of Harpsden Wealth Management Limited (Harpsden) in relation to the deferred consideration due. A further settlement to the former shareholders of Harpsden of £654k was made by way of share issue.

6. Goodwill

Goodwill acquired in a business combination is allocated to a cash generating unit (CGU) that will benefit from that business combination.

The carrying amount of goodwill acquired in the acquisition of Harpsden Wealth Management is set out below:

	As at 30 Sep 2023 £'000	As at 30 Sep 2022 £'000	As at 31 Mar 2023 £'000
Group			
Beginning of year	3,539	3,539	3,539
End of year	3,539	3,539	3,539

Goodwill is assessed annually for impairment and the recoverability has been assessed at 31 January 2023 by comparing the carrying value of the CGU to which the goodwill is allocated against its recoverable amount. At 31 January 2023, the Harpsden CGU recoverable amount was calculated as £9.99m and the carrying value of the CGU was £6.00m, showing a total headroom of £3,990k.

Indicators of impairment are also assessed throughout the year and the main external sources that could indicate an impairment are the value of assets under management resulting in lower revenue and an increase in market interest rates impacting the applicable discount rate applied to the forward looking cash flows. Indicators of impairment existed at reporting date, as such an impairment assessment has been undertaken.

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As part of the impairment review at 30 September 2023 forecasts used at 31 January 2023 were re-worked based on actuals for the 8 months to 30 September 2023. Assumptions on revenue growth have been revised and a range between 0%-3% have been used for the base case over the five year period of forecast. We have used current costs annualised for a 12 month period inflating by 5% per annum for the years three to five of the forecast. We have also revised the pre-tax discount rate applicable which is 18.8% (post-tax 14.1%) and a terminal growth rate of 2%.

Considering these indicators, and using assumptions for revenue growth of of 1% from year 3, 2% in year 4 and 3% in year 5, the revised recoverable amount of the CGU at 30 September 2023 is £7.05m and the carrying value £6.52m, showing headroom of £527k.

This is a significant reduction from the headroom at 31 January 2023 and this is driven mainly by the reduction in future forecast revenues attributable to a fall in AUM. It should be noted that growth in revenue must be achieved in order to retain headroom and for an impairment to not be recognised.

We have then undertaken three sensitivity analyses in relation to the discount rate and rates of growth in revenue and the impact on headroom is shown in the table below.

An increase in pre-tax discount rate from 18.8% to 19.2%	Headroom would fall by £159k to £368k
Fall in growth rate to negative 1% in year 2, nil growth in year 3 then increase by 1% each in years 4 and 5	Headroom would fall by £598k to (£71k) indicating an impairment would be required
A decline in revenue growth rate by 5% in year 2, with no recovery in following years	Headroom would fall by £1,541k to (£1,014k) indicating an impairment would be required

7. Share capital

	Number of shares '000
As at 1 April 2023	62,311
Shares issued:	
To settle deferred consideration	2,842
On placing	170,833
Balance at 31 March 2023	235,986

The total number of ordinary shares in issue is 235.99 million (30 September 2022: 62.09 million; 31 March 2023: 62.31 million). The total number of deferred shares is 65.15 million.

In order to permit the Placing Shares to be issued at the Placing Price, which was lower than the nominal value of the Existing Ordinary Shares, the Company divided each issued Existing Ordinary Share (nominal value 5p each) into one New Ordinary Share (nominal value 1p each) and one Deferred Share (nominal value 4p each). The New Ordinary Shares have the same rights and benefits as the Existing Ordinary Shares. Following the Share Sub-division, the number of New Ordinary Shares held by each Shareholder were the same as the number of Existing Ordinary Shares held by them immediately before the Share Sub-division. The Deferred Shares were not admitted to trading on AIM, have only very limited rights on a return of capital and are effectively valueless and non-transferable. As a result of the Share Sub-division, the Company adopted the New Articles, which set out the rights and restrictions applicable to the New Ordinary Shares and the New Deferred Shares.

8. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted EPS is the basic EPS, adjusted for the effect of conversion into fully paid shares of the weighted average number of all dilutive employee share options outstanding during the period. In a period when the company presents positive earnings attributable to ordinary shareholders, anti-dilutive options represent options issued where the exercise price is greater than the average market price for the period.

Company Information

Reconciliation of the earnings and weighted average number of shares used in the calculations are set out below.

	As at 30 Sep 2023	As at 30 Sep 2022	As at 31 Mar 2023
Weighted average number of shares in issue during the period ('000)	88,931	59,409	59,172
	88,931	59,409	59,172
Loss for the year	(3,882)	(351)	(1,944)
Basic EPS	(4.36p)	(0.59p)	(3.29p)
Diluted EPS	-	-	-

9. Contingent Liabilities

In the normal course of business, the Group is exposed to certain legal issues that, in the event of a dispute, could develop into litigious proceedings and, in some cases, may result in contingent liabilities.

After the balance sheet date an issue has arisen with our outsourced platform provider whereby incorrect amounts of interest have been paid to clients which may result in a claim for unspecified losses against the Group by the platform provider. It is not possible to reliably estimate the total potential impact of a ruling in their favour, however this is not estimated to be a significant claim. Therefore no provision for any liability has been recognised at this stage.

10. Dividends

No interim dividend has been paid or proposed in respect of the current financial period (30 September 2022: nil; 31 March 2023: nil).

Company Information

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