RNS Number : 0987O
Peel Hunt Limited
29 November 2024

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Peel Hunt Limited

Half-Year Results for the six months ended 30 September 2024

Improved performance across all business areas

Peel Hunt Limited ('Peel Hunt', the 'Company') together with its subsidiaries (the 'Group') today announces unaudited interim results for the period ended 30 September 2024 ('H1 FY25'). FY25 refers to the financial year ending on 31 March 2025.

Highlights

- H1 FY25 performance reflected a more positive macroeconomic backdrop
    - Group revenue £53.8m (H1 FY24: £42.7m), an increase of approximately 26% year on year
    - Profit before tax of £1.2m (H1 FY24: loss before tax of £0.8m)
    - Adjusted profit before tax[1] of £4.6m (H1 FY24: adjusted loss before tax of £0.5m)
    - Net assets of £94.8m (FY24: £91.8m) and cash balances of £18.0m (FY24: £37.9m), with the reduction in cash largely due to repayment of £18m of Group funding facilities
    - Capital remains comfortably in excess of regulatory requirements

- Increase in performance during the period across all business divisions
    - **Investment Banking:**
        - Revenues up at £22.6m (H1 FY24: £17.3m)
        - Improved performance in core equity capital markets business, including acting on two IPOs and executing equity fundraises and block trades for a number of our clients
        - M&A advisory fees comprised a large proportion of overall deal revenues
        - Continued to win new corporate clients and successful organic growth of existing clients led to several index promotions
        - We now act for 4 FTSE 100 companies and 42 FTSE 350 companies with the average market capitalisation across all corporate clients increasing 14.6% from £752m at the end of FY24 to £862m
        - RetailBook, which officially launched as an independent business in September, has already acted on its first Main Market IPO
    - **Research & Distribution:**
        - Revenues up at £13.6m (H1 FY24: £10.5m) despite continued outflows from UK equities
        - Continued to build out our capabilities for our clients, particularly in low touch electronic trading
    - **Execution Services:**
        - Revenues up at £17.6m (H1 FY24: £14.8m)
        - Trading activity increased in the first four months of FY25, but volumes reduced towards the end of the period given uncertainty around the UK Budget and US election

- Leveraged our position as a leading UK-focused investment bank, using our ideas and well-respected thought leadership to champion and reinvigorate UK capital markets

Financial and operating highlights

Financial highlights	H1 FY25	H1 FY24	Change
Revenue	£53.8m	£42.7m	26.0%
Profit/(loss) before tax	£1.2m	(£0.8m)	250.0%
Adjusted profit/(loss) before tax[1]	£4.6m	(£0.5m)	1,020.0%
Profit/(loss) after tax	£0.7m	(£0.7m)	200.0%
Compensation ratio	61.2%	58.6%	2.6ppts

Operating highlights	H1 FY25	FY24	Change
Cash	£18.0m	£37.9m	(52.5)%
Net assets	£94.8m	£91.8m	3.3%
Investment Banking clients	145	150	(3.3)%
Average market cap of clients	£862.1m	£752.3m	14.6%

Note:

(1) Adjusted profit/(loss) before tax is a non-statutory measure, which shows the underlying performance of the Group excluding share-based payment charges. This is calculated as the Group's profit/(loss) before tax less share-based payment charges of £3.4m (H1 FY24: £0.3m).

Steven Fine, Chief Executive Officer, commented:

"We were able to capitalise on improving market conditions in the first few months of FY25, most notably executing two IPOs, collecting material M&A fees and generating increased trading revenues.

However, the recovery slowed over the summer period and investor sentiment was impacted in the last few weeks of the period due to concerns around the UK Budget, particularly in relation to AIM.

We welcome recently proposed policy initiatives, including pension reforms and HM Treasury's call for evidence to support a growth and competitiveness strategy for UK financial services, which are designed to increase investment and liquidity in UK risk assets."

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Notes to editors

Peel Hunt is a leading, independent UK investment bank that specialises in supporting mid-cap and growth companies. It provides integrated investment banking advice and services to UK corporates, including equity capital markets, private capital markets, M&A, debt advisory, investor relations and corporate broking. The Company's joined up approach combines these services with expert research and distribution and an execution services hub that provides liquidity to the UK capital markets, delivering value to global institutions and trading counterparties alike. The Company is admitted to trading on AIM (LON: PEEL) and has offices in London, New York and Copenhagen.

Market conditions

Throughout H1 FY25 we saw an increase in equity issuances, particularly by larger companies, although overall activity remains below historical averages. IPO activity appears to be gradually resuming on the Main Market and AIM. M&A bid activity increased, with 19 active bids for FTSE 350 companies as at 30 September 2024 compared with just two in 2023, reflecting greater corporate appetite and confidence in the outlook for the UK.

Both the FTSE 100 and FTSE 250 rose, by 3.6% and 5.9%, respectively, as part of a global rally in equity markets despite the uncertainty caused by ongoing conflicts in Ukraine and the Middle East. However, the AIM All-Share dipped by 0.4% amid uncertainty about whether the government would withdraw inheritance tax relief on AIM investments.

Although UK-focused equity funds continued to experience net outflows throughout the period, there were some signs of improving sentiment towards the UK by global investors as currency markets initially reacted well to a more stable UK political and economic environment following the 4 July general election. Further inflation declines allowed the Bank of England to begin its rate-cutting cycle in August.

Overview of results

Group revenue for the period was £53.8m (H1 FY24: £42.7m) with a profit before tax of £1.2m (H1 FY24: loss before tax of £0.8m), reflecting the improved macroeconomic outlook in the first few months of the half and uptick in UK equity capital markets activity. Our adjusted profit before tax, which shows the underlying performance of the Group excluding share-based payment charges, was £4.6m (H1 FY24: adjusted loss before tax of £0.5m). Our balance sheet remained strong, with net assets of £94.8m as at 30 September 2024 (FY24: £91.8m) and capital comfortably in excess of regulatory requirements and cash balances of £18.0m (FY24: £37.9m).

Divisional reviews

Investment Banking

	H1 FY25	H1 FY24	Change
Investment Banking fees	£18.4m	£12.9m	42.6%
Investment Banking retainers	£4.2m	£4.4m	(4.5)%
Investment Banking revenue	**£22.6m**	**£17.3m**	**30.6%**

In Investment Banking, revenues increased by 31% to £22.6m (H1 FY24: £17.3m) as we saw improved performance in our core equity capital markets ('ECM') business, particularly in the first quarter of FY25, where we acted as joint global coordinator on a Main Market IPO and nominated adviser and sole bookrunner on an AIM IPO. The slight reduction in revenue from retainers reflects a reduction in the number of corporate clients largely due to M&A activity and the strategic evolution of our client base.

Whilst market-wide ECM activity remained below historical averages in the period, we were able to help a number of our clients execute both equity fundraises and block trades. M&A advisory fees were a larger proportion of overall Investment Banking deal revenues in the period, although this did include a material fee from a deal announced at the end of FY24 and completed in H1 FY25.

During the period, we had a number of corporate client wins, as well as successful organic growth of our existing clients leading to several index promotions. We now act for four FTSE 100 companies and 42 FTSE 250 companies. Consequently, the average market capitalisation of our retained corporate clients has risen by 14.6% since the end of FY24, from approximately £752m to approximately £862m, and the aggregate market capitalisation has risen by 10.0% to approximately £124bn.

A combination of our focus on distribution, advice, market share, influence and access has continued to extend our reach as a trusted, well connected and stable investment banking partner to UK mid-cap and growth companies.

Research & Distribution

	H1 FY25	H1 FY24	Change
Research payments (including commission sharing arrangements)	£2.7m	£2.7m	0.0%
Execution commission (including core trading)	£10.9m	£7.8m	39.7%
Research payments and execution commission	**£13.6m**	**£10.5m**	**29.5%**

Revenues in our Research & Distribution business were modestly up on the same period last year at £13.6m (H1 FY24: £10.5m), despite continued outflows from UK equities. The increase in execution commission was due in part to our continued focus on building out our capabilities for our clients, particularly in low touch electronic trading.

In Research, revenues from research payments remained consistent year on year. The appointment of our first Chief Economist enables us to provide thought leadership on the UK economy in a global context to our clients alongside our existing research coverage. We continued to develop AI applications for the benefit of staff and clients, which are improving productivity and driving new insights as we seek innovative ways to interact with our significant repository of proprietary research driving new insights as we seek innovative ways to interact with our significant repository of proprietary research.

Execution Services

	H1 FY25	H1 FY24	Change
Execution Services revenue	**£17.6m**	**£14.8m**	**18.9%**

Execution Services revenues were £17.6m, an increase of 19% year on year (H1 FY24: £14.8m). Trading volumes increased across Execution Services in the first four months of FY25 but slowed towards the end of H1 given uncertainty around the outcomes of the UK Budget, particularly concerns about the withdrawal of IHT relief on AIM companies, and the US election.

Capital and liquidity

Net assets remained strong at £94.8m as at 30 September 2024 (H1 FY24: £91.8m).

Our cash position decreased as we repaid £3m of the senior facility agreement and invested in our trading book. We also repaid £15m of the revolving credit facility ('RCF') in the period, which had been drawn down at the end of FY24 to provide short-term funding to facilitate client trading.

Long-term debt was £12m at 30 September 2024, and we have access to an additional £30m of funding facilities, comprising £20m under the RCF and a £10m overdraft facility. Both were undrawn at the end of the period.

We continue to operate well in excess of our regulatory capital requirements with own funds requirements coverage over net assets of 550% at the end of H1 FY25 compared to 532% at the end of FY24. The increase in coverage from FY24 was due to an increase in Group net assets while maintaining risk exposures within agreed limits.

Costs and people

	H1 FY25	H1 FY24	Change
Staff costs	£32.9m	£25.0m	31.6%
Non-staff costs	£19.6m	£17.9m	9.5%
Total admin costs	**£52.5m**	**£42.9m**	**22.4%**
Compensation ratio	61.2%	58.6%	2.6ppts
Non-staff costs ratio	36.4%	41.9%	(5.5)ppts
Change in headcount(1)	(3.9)%	(1.8)%	(2.1)ppts
Adjusted staff costs(2)	£29.5m	£24.7m	19.4%
Non-staff costs	£19.6m	£17.9m	9.5%
Adjusted admin costs(2)	**£49.1m**	**£42.6m**	**15.3%**
Adjusted compensation ratio	54.8%	57.8%	(3.0)ppts
Non-staff costs ratio	36.4%	41.9%	(5.5)ppts

Notes:

(1) Change in average headcount when compared to respective previous financial year ends.

(2) Adjusted staff costs and adjusted admin costs is a measure calculated as staff costs or admin costs less share-based payment charges amounting to £3.4m (H1 FY24: £0.3m).

Average headcount decreased by 4.2% since the end of H1 FY24 as we continued to actively manage headcount to ensure that the business operates efficiently whilst maintaining excellent client service.

We continued our targeted investment in talent, in line with our strategic priorities, and made selected senior hires into our Investment Banking team in the Financials, Consumer, Industrials and Technology, Media & Telecoms sectors. The hire of a new Head of Continental European Sales further strengthens our European distribution platform.

Adjusted staff costs were higher than the prior period, which is largely due to the accrued variable remuneration associated with the increase in revenue. The increase also reflects one-off costs from headcount rationalisation and targeted salary increases to ensure that we remain competitive and retain key talent.

Non-staff costs were higher than the corresponding H1 FY24 figure because of the impact of the inflationary environment over the last 18 months. The largest uplift in costs was contractual increases in our key technology agreements. Also included were costs associated with the electronic trading desk, which was fully operational for the whole period, and increased costs related to settlement costs and client-related travel.

Both staff and non-staff costs include costs associated with RetailBook and our Copenhagen office being fully operational for the whole period.

Given the ongoing macroeconomic challenges, we continue to monitor costs in H2 FY25, whilst remaining focused on our strategic priorities and our ability to capitalise on market recovery.

Responsible business

Throughout the first half of the year we built on previous work to ensure we continue to be a responsible business. During the period our board-level ESG Committee oversaw and contributed to discussions on achieving our sustainability and diversity targets. There was a particular focus on supporting engagement with our sustainability and diversity initiatives across the business, with relevant training for employees and regular internal communications. In line with our commitments for carbon neutrality and net zero carbon emissions, the ESG Committee will shortly be reviewing our refreshed Carbon Reduction Plan.

We continued to work with our charity partner, Become, and held a number of fundraising events including a 400km cycle from London to Epernay by nine of our employees that raised over £40,000 for the charity. As has been the case in previous years, our employees were encouraged to volunteer their time to support a range of causes in our local community.

Current trading and outlook

Trading in the first few weeks of our second half is in line with management expectations. Although we have a solid pipeline of corporate transactions, including M&A and IPOs, we expect a degree of uncertainty to persist in the short term and consequently some of these transactions are more likely to execute in our next financial year. Whilst sentiment in the UK has dipped following the Budget and increased concerns around global trade are suppressing risk appetite, UK economic fundamentals and consensus forecasts for growth remain stable.

Steven Fine

Chief Executive Officer

29 November 2024

Forward-looking statements

This announcement contains forward-looking statements. Forward-looking statements sometimes use words such as 'may', 'will', 'could', 'seek', 'continue', 'aim', 'anticipate', 'target', 'project', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Past performance is no guide to future performance and any forward-looking statements and forecasts are based on current expectations and assumptions but relate to events and depend upon circumstances in the future and you should not place reliance on them. These statements and forecasts are subject to various risks and uncertainties and there are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts.

The forward-looking statements contained in this document speak only as of the date of this announcement and (except as required by applicable regulations or by law) Peel Hunt does not undertake to publicly update or review any forward-looking statements, whether as a result of new information, future events or otherwise.

Nothing in this announcement constitutes or should be construed as constituting a profit forecast.

No offer of securities

The information, statements and opinions contained in this announcement do not constitute or form part of, and should not be construed as, any public offer under any applicable legislation, or an offer, or solicitation of an offer, to buy or sell any securities or financial instruments in any jurisdiction, or any advice or recommendation with respect to any securities or financial instruments.

There are a number of key judgement areas, which are based on models and which are subject to ongoing modification and alteration. The reported numbers reflect our best estimates and judgements at the given point in time.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

Unaudited for the six months ended 30 September 2024

		Six months ended 30 Sep 2024 Unaudited	Six months ended 30 Sep 2023 Unaudited
Continuing activities	Note	£'000	£'000
Revenue	2	**53,787**	**42,677**

Administrative expenses	3	(52,450)	(42,866)
Profit/(loss) from operations	3	**1,337**	**(189)**
Finance income	5	927	510
Finance expense	5	(1,129)	(1,139)
Other income		98	60
Operating profit/(loss) for the period		**1,233**	**(758)**
Share of loss from associate		-	(15)
Profit/(loss) before tax for the period		**1,233**	**(773)**
Tax		(574)	94
Profit/(loss) for the period		**659**	**(679)**
Other comprehensive income for the period		-	-
Total comprehensive income/(expense) for the period		**659**	**(679)**
Attributable to:			
Owners of the Company		889	(679)
Non-controlling interests	7	(230)	-
Total comprehensive income/(expense) for the period		**659**	**(679)**
Earnings per share - attributable to owners of the Company			
Basic	6	0.8p	(0.6)p
Diluted	6	0.7p	(0.6)p

Consolidated Balance Sheet

Unaudited as at 30 September 2024

	Note	As at 30 Sep 2024 Unaudited £'000	As at 31 Mar 2024 Audited £'000
ASSETS			
Non-current assets			
Property, plant and equipment		6,021	6,555
Intangible assets		1,871	1,901
Right-of-use assets		12,518	13,741
Investments in associates		538	538
Deferred tax asset		1,373	409
Total non-current assets		**22,321**	**23,144**
Current assets			
Securities held for trading		61,297	60,104
Market and client debtors		460,147	551,943
Trade and other debtors		13,767	19,613
Cash and cash equivalents		18,041	37,929
Total current assets		**553,252**	**669,589**
LIABILITIES			
Current liabilities			
Securities held for trading		(36,352)	(35,305)
Market and client creditors		(403,785)	(508,980)
Trade and other creditors		(10,540)	(7,280)
Revolving credit facility		-	(15,000)
Lease liabilities		(2,758)	(2,956)
Long-term loans		(3,000)	(6,000)
Provisions		(774)	(708)
Total current liabilities		**(457,209)**	**(576,229)**
Net current assets		**96,043**	**93,360**
Non-current liabilities			
Long-term loans		(9,000)	(9,000)
Lease liabilities		(14,594)	(15,754)
Total non-current liabilities		**(23,594)**	**(24,754)**
Net assets		**94,770**	**91,750**

EQUITY		
Ordinary share capital	40,099	40,099
Other reserves	53,326	50,076
Total shareholders' equity	**93,425**	**90,175**
Non-controlling interests	1,345	1,575
Total equity	**94,770**	**91,750**

Consolidated Statement of Changes in Equity

Unaudited for the six months ended 30 September 2024

	Ordinary Share Capital £'000	Other reserves £'000	Total shareholders' equity £'000	Non-controlling interests £'000	Total equity £'000
Balance as at 1 April 2023	**40,099**	**53,047**	**93,146**	**-**	**93,146**
Loss for the period	-	(679)	(679)	-	(679)
Other comprehensive income	-	-	-	-	-
Total comprehensive expense	-	(679)	(679)	-	(679)
Transactions with owners					
Share based payments	-	324	324	-	324
Purchase of Company shares	-	(16)	(16)	-	(16)
Balance as at 30 September 2023	**40,099**	**52,676**	**92,775**	**-**	**92,775**
Loss for the period	-	(2,522)	(2,522)	-	(2,522)
Other comprehensive income	-	-	-	-	-
Total comprehensive expense	-	(2,522)	(2,522)	-	(2,522)
Transactions with owners					
Share based payments	-	364	364	-	364
Purchase of Company shares	-	(442)	(442)	-	(442)
Transaction with non-controlling interests	-	-	-	1,575	1,575
Balance as at 31 March 2024	**40,099**	**50,076**	**90,175**	**1,575**	**91,750**
Profit for the period	-	889	889	(230)	659
Other comprehensive income	-	-	-	-	-
Total comprehensive expense	-	889	889	(230)	659
Transactions with owners					
Share based payments	-	2,837	2,837	-	2,837
Purchase of Company shares	-	(476)	(476)	-	(476)
Balance as at 30 September 2024	**40,099**	**53,326**	**93,425**	**1,345**	**94,770**

Consolidated Statement of Cash Flows

Unaudited for the six months ended 30 September 2024

	Note	Six months ended 30 Sep 2024 Unaudited £'000	Six months ended 30 Sep 2023 Unaudited £'000
Net cash generated from operations	9	**1,461**	**5,019**
Cash flows from investing activities			
Purchase of tangible assets		(179)	(60)
Purchase of intangible assets		(165)	(815)
Investment in associate		-	(550)
Net cash used in investing activities		(344)	(1,425)
Cash flows from financing activities			
Interest paid		(775)	(727)
Short term borrowings		(15,000)	-
Lease liability payments		(1,754)	(1,707)
Purchase of Company shares		(476)	(16)
Repayment of long-term loan		(3,000)	(6,000)
Net cash used in financing activities		**(21,005)**	**(8,450)**
Net decrease in cash and cash equivalents		(19,888)	(4,856)
Cash and cash equivalents at start of period		37,929	27,410
Cash and cash equivalents at end of period		**18,041**	**22,554**

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

Peel Hunt Limited (the 'Company') is a non-cellular company limited by shares having its shares admitted for trading on AIM, a market operated by London Stock Exchange plc, on 29 September 2021. The Company is registered in Guernsey. Its registered office is Mont Crevelt House, Bulwer Avenue, St Sampson, Guernsey GY2 4LH. The consolidated interim financial information of the Company comprise the Company and its subsidiaries, together referred to as the 'Group'.

The financial information contained within these condensed consolidated interim financial statements is unaudited and has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ('IAS 34'). The Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 March 2024, which have been prepared in accordance with UK-adopted international accounting standards (International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC')) and with the requirements of the Companies (Guernsey) Law, 2008.

The preparation of the condensed consolidated interim financial statements in conformity with IAS 34 requires the use of certain critical accounting judgements and significant estimates. It also requires the Board of Directors to exercise its judgement in the application of the Group's accounting policies. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2024.

The financial information is presented in pounds sterling and all values are rounded to the nearest thousand (£'000), except where indicated otherwise.

The financial information has been prepared on the historical cost basis, except for derivatives, financial assets and liabilities measured at Fair value through profit and loss ('FVTPL'). Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

These condensed consolidated interim financial statements have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving these condensed consolidated interim financial statements, the Company and the Group have adequate resources to continue in operational existence for at least the next twelve months.

During the period, there were no new standards or amendments to IFRS that became effective and were adopted by the Company and the Group with a material impact.

2. Revenue

	Six months ended 30 Sep 2024 Unaudited £'000	Six months ended 30 Sep 2023 Unaudited £'000
Research payments & Execution commission	13,616	10,503
Execution services revenue	17,592	14,834
Investment Banking revenue	22,579	17,340
Total revenues for the period	**53,787**	**42,677**

3. Profit from operations

The following items have been included in arriving at profit from operations:

	Six months ended 30 Sep 2024 Unaudited £'000	Six months ended 30 Sep 2023 Unaudited £'000
Depreciation and amortisation	923	970
Lease depreciation	1,197	1,172
Staff costs (see note 4)	32,865	24,996
Other non-staff costs	17,465	15,728
Total administrative costs	**52,450**	**42,866**

Other non-staff costs comprise expenses incurred in the normal course of business, including technology costs, professional and regulatory fees, auditors' fees, brokerage, clearing and exchange fees.

4. Staff costs

	Six months ended 30 Sep 2024 Unaudited £'000	Six months ended 30 Sep 2023 Unaudited £'000
Wages and salaries	24,488	20,407
Share based payment charges	3,440	324
Social security costs	3,492	2,848
Pensions costs	1,385	1,368
Other costs	60	49
Total staff costs charged as an expense for the period	32,865	24,996

Wages and salaries include variable compensation accruals.

The average number of employees of the Group during the period has decreased to 297 (H1 FY24: 310). The number of employees of the Group at the end of the period has decreased to 295 (H1 FY24: 308).

5. Net finance expense

	Six months ended 30 Sep 2024 Unaudited £'000	Six months ended 30 Sep 2023 Unaudited £'000
Finance income:		
Bank interest received	927	510
Finance expense:		
Bank interest paid	(124)	(28)
Interest on lease liabilities	(354)	(412)
Interest accrued on loans	(651)	(699)
Finance expense for the period	(1,129)	(1,139)
Net Finance expense for the period	**(202)**	**(629)**

6. Earnings per share/(loss)

	Six months ended 30 Sep 2024 Number of shares Unaudited	Six months ended 30 Sep 2023 Number of shares Unaudited
Weighted number of ordinary shares in issue during the period	116,891,735	117,239,017
Dilutive effect of share option grants	11,466,209	7,574,291
Diluted weighted average number of ordinary shares in issue during the period	128,357,944	124,813,308

Basic earnings per share/(loss) is calculated on total comprehensive income/(loss) for the six-month period, attributable to owners of the Company, of £0.9m (H1 FY24: (£0.7)m) and 116,891,735 (H1 FY24: 117,239,017) ordinary shares, being the weighted average number of shares in issue during the period. Diluted earnings per share/(loss) is calculated after adjusting for the number of options expected to be exercised from the share option grants.

The calculations exclude Company shares held by the Employee Benefit Trust on behalf of the Group.

The Company has 11,466,209 (H1 FY24: 7,574,291) of dilutive equity instruments outstanding as at 30 September 2024.

7. Non-controlling interest

The amount of non-controlling interest is measured at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

8. Balance sheet items

Balance sheet items

(a) *Property, plant and equipment*

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful economic lives of each item.

(b) *Intangible assets*

Intangible assets represent internal software intellectual property, computer software and sports debentures. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful economic lives of each item. Internal software intellectual property is amortised over 3 or 5 years, computer software is amortised over five years and sports debentures are amortised over the life of the ticket rights.

Internal software intellectual property represents internally-generated intangible assets and it comprises of capitalised development costs for certain technology developments for key projects in the Group. The costs incurred in the research phase of these internal projects are expensed. Intangible assets are recognised from the development phase if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its costs can be reliably measured. Amortisation begins when the asset is available for use.

(c) *Right-of-use asset and lease liabilities*

The right-of-use asset and lease liabilities (current and non-current) represent the two property leases that the Group currently uses for its offices in London and New York and car rental leases.

(d) *Market and client debtors and creditors*

The market and client debtor and creditor balances represent unsettled sold securities transactions and unsettled purchased securities transactions, which are recognised on a trade date basis. The majority of open bargains were settled in the ordinary course of business (trade date plus two days). Market and client debtor and creditor balances in these financial statements include agreed counterparty netting of £7.7m (FY24: £10.2m).

(e) *Financial instruments*

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the financial instrument. The fair valuation hierarchy applied is consistent with that outlined in the FY24 audited financial statements. The value of 'Level 1' financial assets held by the Group at the end of H1 FY24 was £60.1m (FY24: £59.1m), 'Level 2' £0.1m (FY24: £0.0m) and 'Level 3' £1.1m (FY24: £1.0m). The value of 'Level 1' financial liabilities held by the Group at the end of H1 FY24 was £36.2m (FY24: £35.2m), 'Level 2' £0.0m (FY23: £0.0) and 'Level 3' £0.2m (FY24: £0.1m).

(f) *Stock borrowing collateral*

The Group enters into stock borrowing agreements with a number of institutions on a collateralised basis. Under such agreements securities are borrowed with a commitment to return them at a future date. The securities borrowed are not recognised on the Statement of Financial Position. The cash pledged is recorded on the Statement of Financial Position as cash collateral within trade and other debtors, the value of which is not significantly different from the value of the securities borrowed. The total value of cash collateral held on the Statement of Financial Position is £3.2m (FY24: £5.4m).

(g) *Borrowings*

The Group has committed funding facilities of up to £30.0m in order to further support its general corporate and working capital requirements. During the period the Group cancelled an existing £10.0m Revolving Credit Facility (RCF) tranche and replaced it with a £10.0m overdraft facility.

As at 30 September 2024 the funding facilities were undrawn (FY24: £15.0m).

(h) *Long-term loans*

During the period we paid £3.0m of the principal repayments of the Senior Facilities Agreement ('SFA'). As at 30 September 2024 £12.0m (FY24: £15.0m) was outstanding.

(i) *Post balance sheet events*

There are no post balance sheet events.

9. Reconciliation of profit/(loss) before tax to cash from operating activities

	Six months ended 30 Sep 2024 Unaudited £'000	Six months ended 30 Sep 2023 Unaudited £'000
Profit/(loss) before tax for the period	**1,233**	**(773)**
Adjustments for:		
Depreciation and amortisation	2,120	2,142
Expected credit loss on financial assets held at amortised cost	289	71
Increase in provisions	66	66
Movement on deferred tax asset	-	49
Share based payments - IFRS 2 charge	2,837	324
Revaluation of Right-of-use asset and Lease liabilities	70	38
Net finance costs	202	629
Changes in working capital:		
Increase in net securities held for trading	(146)	(7,590)
(Increase)/ decrease in net market and client debtors	(13,399)	9,278
(Decrease)/increase in trade and other debtors	4,180	(378)
Increase in trade and other creditors	3,071	642
Cash generated from operations	**523**	**4,498**
Interest received	927	510
Corporation tax paid	11	11
Net cash generated from operations	**1,461**	**5,019**

END