Half Yearly Financial Report

for the six months ended
31 December 2017

BROOKS MACDONALD

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Highlights of the period

Business highlights

- Over £1.25bn in discretionary funds under management added during the half year, reaching £11.7bn at 31 December 2017, driving a double-digit percentage increase in revenue over the comparable period last year.
- Organic growth (net new discretionary business) of £808m (7.7%) over the half year, underlining the continuing growth opportunity in the adviser distribution channel.
- High rates of funds under management growth across all business segments: UK Investment Management (11.8%); Funds (19.4%); and International (9.1%); and strong investment performance.
- Continued investment and good progress in meeting current and future regulatory demands, notably MiFID II, GDPR and our risk management and operational framework.
- Focus now moving to building a sustainable and scalable operating platform, supporting future growth and delivering medium-term margin improvement.
- Provision for dealing proactively with legacy issues relating to the former Spearpoint business has increased by £5.5m.
- Invested in the leadership team, building functional capability to complement client focused leadership and investment expertise.
- Completion of the sale of the Group's Property Management division to specialist residential property management company Rendall & Rittner.
- Winner of numerous industry awards for both discretionary investment management and financial planning.
- Interim dividend increased 13.3% to 17p (2017: 15p) reflecting the Board's continued confidence in the strength of the underlying business and commitment to a progressive dividend policy.

Financial highlights as at 31 December 2017

£11.74bn

Discretionary funds under management

As at 31 December 2016: £9.33bn

£48.80m

Revenue from continuing operations

Six months to 31 December 2016: £44.00m

£8.50m

Underlying† profit before tax

Six months to 31 December 2016: £8.24m

£0.65m

Profit before tax from continuing operations

Six months to 31 December 2016: £8.15m

17.0p

Interim dividend per share

Six months to 31 December 2016: 15.0p

† Excludes finance income and costs of deferred consideration; changes in the fair value of deferred consideration; amortisation of client relationship contracts and contracts acquired with fund managers; impairment of goodwill; the exceptional costs of resolving legacy matters; business disposal costs; and profit or loss from discontinued operations. A reconciliation between underlying and statutory profit before tax is shown in the Chairman's statement on page 2.

Chairman's statement

"We continue to build on our success to date and invest in a stronger platform to deliver future growth."

Christopher Knight Chairman

Introduction

The first six months of our financial year to the end of December 2017 has seen a period of rising investment markets with low volatility and a time of significant regulatory changes within the sector.

The Group has once again achieved strong growth in discretionary funds under management leading to increases in revenue, underlying profit and underlying earnings per share.

Our centralised investment process continues to deliver strong risk adjusted returns for our clients and over the period we have invested significantly in projects driven both by regulation and the requirements of the growth of the Group.

Results

Revenues from continuing operations have risen 10.9% to £48.8m (2016: £44.0m) and underlying pre-tax profit has increased by 3.2% to £8.5m (2016: £8.2m), with underlying earnings per share up 1.4% to 47.7p (2016: 47.1p).

Statutory profit before tax from continuing operations was £0.6m compared to £8.1m in the same period last year, predominantly due to an increase of £5.5m in the provision for resolving legacy matters and an increase of £1.0m in the fair value of deferred consideration payable to the vendors of Levitas (compared to a reduction of £1.3m in the comparable period last year), driven by strong net inflows in the period.

Reconciliation of underlying profit before tax to profit before tax from continuing operations

	Six months to 31 December 2017 £m	Six months to 31 December 2016* £m
Underlying† profit before tax from continuing operations	**8.50**	8.24
Amortisation of client relationships	**(1.20)**	(1.25)
Finance income / (cost) of deferred consideration	**(0.08)**	(0.16)
Changes in fair value of deferred consideration	**(0.98)**	1.32
Disposal-related costs	**(0.08)**	–
Exceptional costs of resolving legacy matters	**(5.51)**	–
Profit before tax from continuing operations	**0.65**	8.15

* The comparative results for the six months ended 31 December 2016 have been restated to exclude the results of the discontinued operation, Property Management, which was sold on 1 December 2017 as per note 10 to the condensed consolidated financial statements.

† Given ongoing levels of IT investment, we have decided to include software amortisation in our calculation of underlying profit from these financial statements onwards and restated comparative periods accordingly.

Cash resources at the period end amounted to £26.9m (2016: £20.5m). The Group had no borrowings as at 31 December 2017 (2016: £nil).

Chairman's statement

continued

Provision for legacy matters

We announced in July 2017 our decision to deal proactively with certain legacy matters arising from the former Spearpoint business which we acquired in 2012. These matters relate both to a number of discretionary portfolios formerly managed by Spearpoint, now managed by our Jersey office, and a Dublin-based fund, for which Spearpoint acted as investment manager. While we accept no legal liability in these matters, we have a deep commitment to treating customers fairly and seeking to protect our clients' best interests. We developed a plan to resolve these matters and accordingly we made a £6.5m provision in the financial results for the year to 30 June 2017.

However, it became apparent that the calculation of the goodwill offers for the discretionary portfolio clients was affected by quality issues with data derived from legacy systems. We therefore initiated a comprehensive review of the data sources, calculations and methodology, requiring extensive use of third party expertise to extract the data, and for advice and quality assurance to ensure that any revision was fair to clients. The review has now concluded and final goodwill offer letters will be issued by the end of March 2018.

In parallel, we have been in extensive and prolonged discussions with the Board of the Dublin-based fund, seeking to deal with the matter proactively. A goodwill proposal was made to the directors of the fund in October 2017. We have made some progress but we have been unable to reach agreement with the directors. We remain committed to reaching a settlement on terms in line with the initial goodwill proposal and we continue to engage with the directors. Throughout the discussion, our focus has been on treating customers fairly and seeking to protect the fund's shareholders' best interests.

The effect of movements in the expected total cost of goodwill offers and associated expenses is an increase of £5.5m from the previous provision to £12.0m. We have provided for the additional amount as an exceptional item in the financial report for the six months to 31 December 2017.

Dividend

The Board has declared an interim dividend of 17p (2016: 15p) reflecting the Board's continued confidence in the strength of the underlying business and commitment to a progressive dividend policy. This represents an increase of 13.3% compared to the previous year. The interim dividend will be paid on 24 April 2018 to shareholders on the register as at 23 March 2018.

Funds under management ('FUM')

Funds under management ('FUM') grew by £1.3bn in the six months. Our investment businesses all contributed with growth of 11.8% for UK

Analysis of discretionary fund flows over the period

	Six months to 31 December 2017 £m	Six months to 31 December 2016 £m	Year to 30 June 2017 £m
Opening discretionary FUM	**10,456**	8,301	8,301
Net new discretionary business	**808**	332	951
Investment growth	**474**	697	1,204
Total FUM growth	**1,282**	1,029	2,155
Closing FUM	**11,738**	9,330	10,456
Organic growth (net of markets)	**7.7%**	4.0%	11.5%
Total growth	**12.3%**	12.4%	25.9%

Chairman's statement

continued

Investment Management, 19.4% for Funds, and 9.1% for International. Net organic inflows for the Group were £808m or 7.7%, underlining the continuing opportunity in the adviser distribution channel. Market movements and above-benchmark investment performance contributed £474m of the total growth.

As previously announced, the Group's discretionary FUM rose to £11.74bn as at 31 December 2017 (30 June 2017: £10.46bn), representing a rise of 12.3%. This compares to the MSCI WMA Private Investor Balanced Index, which rose 4.3% over the same six month period. Over the calendar year our FUM have grown £2.41bn, representing 25.8% growth.

Business review

The Group continues to pursue an organic growth strategy based on three pillars: foundation, focus and growth.

First, we are building on a foundation of success, with a track record of developing strong relationships with professional intermediaries and private clients, which has enabled us to achieve market-leading rates of growth in funds under management.

Second, we are focusing our business to deliver value to our shareholders, our clients and advisers, and our staff, working to ensure that our continuing growth is built on a sustainable platform and that we can deliver improved operating margins in the medium term.

Third, as we do this, we will continue to drive for growth, serving our existing clients and advisers with as broad a product range as possible, while also adding new clients and accessing new client categories who can benefit from our investment management expertise.

We have made progress on all three pillars over this period, across all four of our businesses – UK Investment Management, Funds, Financial Planning, and International.

Within UK Investment Management we have seen continued traction across all our client service lines. In particular, we have seen growth in our Bespoke Portfolio Service ('BPS') for higher net worth clients, where pension freedoms continue to be supportive. We have also seen strong growth in our Multi-Asset Funds and our investment solutions risk-rated funds (including Levitas). Our Defensive Capital Fund continues to grow rapidly and is now over £500m.

As expected, we have seen pressure on revenue yields, principally stemming from reduced transactional income against a background of lower market volatility in the period, as well as the competitive environment, in particular the move towards all-in fees, and continued shifts in product mix. Overall, we believe this gives us higher quality revenue as our fee income continues to grow rapidly while transactional income and interest turn have been declining. In UK Investment Management, our fee income in the six months ended 31 December 2017 increased 24.4% against the same period in the previous year, in line with the 25.0% increase in average FUM in the business.

As previously announced, we are now integrating our UK Investment Management and Funds businesses. The businesses already work together closely and we are making good progress towards completing the formal integration. We will move to reporting the results of the combined business as a single segment in the next financial year.

International has seen an increase in net new business following the announcement in July of moves to resolve outstanding legacy issues related to the Spearpoint acquisition. We believe our determination to do the right thing for clients and commitment to reach a conclusion has helped support inflows.

Chairman's statement

continued

Our Centralised Investment Proposition has continued to perform well, giving returns ahead of the relevant ARC Private Client Index across all risk profiles for 1, 3 and 5 years; continued good performance is critical to medium-term client retention.

The need for advice for high net worth individuals continues to grow and our Financial Planning business has had a good period as well as being a significant introducer of investment management business across the Group.

We are committed to investing in our platform. We have carried out a range of regulatory improvements, including our MiFID II development – which launched successfully on time in January – and the beginning of our work on GDPR, which will continue into the second half of the financial year. We also made good progress on our previously announced investment in our operating and risk management framework, making it ready for our next phase of growth.

Principal risks and uncertainties

The Group's activities expose it to a variety of financial and non-financial risks. Our principal risks, which are described in the Strategic Report and note 31 of the 2017 Annual Report and Accounts, include:

- loss of clients or reputational damage as a result of poor performance or service;
- regulatory breaches;
- loss of key staff;
- cyber and data security breaches;
- potential service issues with outsourced IT infrastructure;
- operational risk due to failure of internal processes and controls;
- the risk of breaching investment portfolio mandates; and
- financial risks such as liquidity risk, market risk and credit risk.

Board and management changes

After over 26 years on the board Chris Macdonald will be stepping down on 31 March in order to concentrate on his other business interests. We are grateful to Chris for his support in the transition process since Caroline Connellan took over as Chief Executive Officer last April, and pleased that he will continue his involvement with Brooks Macdonald as an adviser.

Simon Jackson, Group Finance Director, will leave the Group on 30 April as previously announced. Simon has been at Brooks Macdonald for 17 years and has been a key member of the leadership team throughout that time. His role has encompassed the early years as the business became established, through its float on AIM in 2005, and subsequent acquisitions and fund raisings, helping the Group grow to its current funds under management of nearly £12bn.

Ben Thorpe will join the Group in the summer, taking over from Simon Jackson as Group Finance Director. He has most recently been Head of Finance at Brewin Dolphin.

We have also invested in the broader leadership team, building functional capability to complement client focused leadership and investment expertise. We are today announcing the appointment of Priti Verma as Group Chief Risk Officer. Priti has most recently been Chief Risk Officer at Smith & Williamson and will join in the summer. She has 18 years' experience in financial services, and has previously held senior risk positions at Pictet Asset Management, Aviva Investors and Schroders, having started her career at Deloitte.

Additionally, we also announce the appointment of Adrian Keane-Munday as Managing Director, Financial Planning to lead the development of that business. Adrian has most recently been Head of Premier & Wealth Distribution for the UK at HSBC, where he has had extensive senior leadership experience within their wealth management business.

Chairman's statement

continued

All three appointments – Ben, Priti and Adrian – are subject to regulatory approval.

Outlook and summary

The Group has made good progress in the first half of the financial year with substantial growth in discretionary funds under management and higher earnings, and we remain focused on delivering strong performance at all levels of the business. We continue to build on our success to date and invest in a stronger platform to deliver future growth, while pursuing greater efficiency and progressively improving our margins.

We have an excellent team and a well established organic growth strategy. The early weeks of the second half have seen continued momentum in the underlying business and we remain confident in our prospects for the full year.

Christopher Knight
Chairman

12 March 2018

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2017

	Note	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited)[1] £'000	Year ended 30 Jun 2017 (audited)[1] £'000
Revenue	4	**48,795**	43,997	88,794
Administrative costs	5	**(47,163)**	(36,947)	(80,878)
Realised gains and losses on investments	6	**–**	4	4
Other gains and losses	7	**(932)**	1,234	266
Operating profit		**700**	8,288	8,186
Finance income	8	**36**	31	56
Finance costs	8	**(88)**	(159)	(263)
Share of results of joint venture		**–**	(15)	(45)
Profit before tax		**648**	8,145	7,934
Taxation	9	**(1,129)**	(1,590)	(2,230)
(Loss) / profit for the period from continuing operations		**(481)**	6,555	5,704
Profit from discontinued operations	10	**497**	16	110
Profit for the period attributable to equity holders of the Company		**16**	6,571	5,814
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Revaluation of available for sale financial assets	15	**(3)**	–	3
Revaluation reserve recycled to profit or loss	15	**–**	–	6
Total comprehensive income for the period		**13**	6,571	5,823
(Loss) / earnings per share from continuing operations				
Basic	11	**(3.53p)**	48.49p	42.14p
Diluted	11	**(3.51p)**	48.30p	41.95p
Earnings per share attributable to equity holders of the Company				
Basic	11	**0.12p**	48.61p	42.95p
Diluted	11	**0.12p**	48.42p	42.76p

The accompanying notes on pages 12 to 34 form an integral part of these condensed consolidated financial statements.

[1] Prior periods have been restated to separate the results of discontinued operations, consistent with the presentation in the current period. Refer to note 10 for details of the results of discontinued operations.

Condensed Consolidated Statement of Financial Position

as at 31 December 2017

	Note	31 Dec 2017 (unaudited) £'000	31 Dec 2016 (unaudited) £'000	30 Jun 2017 (audited) £'000
Assets				
Non-current assets				
Intangible assets	13	**61,464**	64,923	62,648
Property, plant and equipment	14	**3,969**	3,233	3,203
Available for sale financial assets	15	**1,572**	655	658
Deferred tax assets		**1,385**	664	1,271
Total non-current assets		**68,390**	69,475	67,780
Current assets				
Trade and other receivables		**25,135**	23,092	22,693
Financial assets at fair value through profit or loss	16	**1,238**	1,109	1,185
Cash and cash equivalents		**26,909**	20,538	32,183
Total current assets		**53,282**	44,739	56,061
Total assets		**121,672**	114,214	123,841
Liabilities				
Non-current liabilities				
Deferred consideration	17	**(1,282)**	(2,468)	(1,720)
Deferred tax liabilities		**(3,149)**	(3,624)	(3,415)
Other non-current liabilities		**(88)**	(199)	(157)
Total non-current liabilities		**(4,519)**	(6,291)	(5,292)
Current liabilities				
Trade and other payables		**(19,159)**	(15,779)	(21,169)
Current tax liabilities		**(2,503)**	(2,554)	(2,082)
Deferred tax liabilities		**–**	(74)	–
Provisions	18	**(12,368)**	(2,689)	(9,592)
Total current liabilities		**(34,030)**	(21,096)	(32,843)
Net assets		**83,123**	86,827	85,706
Equity				
Share capital		**138**	137	138
Share premium account		**37,510**	36,090	37,101
Other reserves		**6,133**	5,905	6,480
Retained earnings		**39,342**	44,695	41,987
Total equity		**83,123**	86,827	85,706

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 12 March 2018, signed on their behalf by:

C M Connellan
Chief Executive

S J Jackson
Finance Director

Company registration number: 4402058

The accompanying notes on pages 12 to 34 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2017

	Note	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2016		137	35,997	5,517	41,357	83,008
Comprehensive income						
Profit for the period		-	-	-	6,571	6,571
Total comprehensive income		-	-	-	6,571	6,571
Transactions with owners						
Issue of ordinary shares		-	93	-	-	93
Share-based payments		-	-	641	-	641
Share-based payments exercised		-	-	(409)	409	-
Purchase of own shares by employee benefit trust		-	-	-	(541)	(541)
Tax on share options		-	-	156	-	156
Dividends paid	12	-	-	-	(3,101)	(3,101)
Total transactions with owners		-	93	388	(3,233)	(2,752)
Balance at 31 December 2016		137	36,090	5,905	44,695	86,827
Comprehensive income						
Loss for the period		-	-	-	(757)	(757)
Other comprehensive income:						
Revaluation of available for sale financial asset	15	-	-	3	-	3
Revaluation reserve recycled		-	-	6	-	6
Total comprehensive income		-	-	9	(757)	(748)
Transactions with owners						
Issue of ordinary shares		1	1,011	-	-	1,012
Share-based payments		-	-	596	-	596
Share-based payments exercised		-	-	(315)	315	-
Purchase of own shares by employee benefit trust		-	-	-	(245)	(245)
Tax on share options		-	-	285	-	285
Dividends paid	12	-	-	-	(2,021)	(2,021)
Total transactions with owners		1	1,011	566	(1,951)	(373)
Balance at 30 June 2017		138	37,101	6,480	41,987	85,706

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2017 | *continued*

	Note	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 30 June 2017		138	37,101	6,480	41,987	85,706
Comprehensive income						
Loss for the period from continuing operations		–	–	–	(481)	(481)
Loss for the period of discontinued operations	10	–	–	–	(326)	(326)
Gain on disposal of discontinued operations	10	–	–	–	823	823
Other comprehensive income:						
Revaluation of available for sale financial assets	15	–	–	(3)	–	(3)
Total comprehensive income		–	–	(3)	16	13
Transactions with owners						
Issue of ordinary shares		–	409	–	–	409
Share-based payments		–	–	820	–	820
Share-based payments exercised		–	–	(863)	863	–
Tax on share options		–	–	(301)	–	(301)
Dividends paid	12	–	–	–	(3,524)	(3,524)
Total transactions with owners		–	409	(344)	(2,661)	(2,596)
Balance at 31 December 2017		**138**	**37,510**	**6,133**	**39,342**	**83,123**

The accompanying notes on pages 12 to 34 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2017

	Note	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
Cash flow from operating activities				
Cash generated from operations	19	**2,954**	7,774	24,521
Taxation paid		**(1,388)**	(1,469)	(3,186)
Net cash generated from operating activities		**1,566**	6,305	21,335
Cash flows from investing activities				
Purchase of intangible assets	13	**(1,699)**	(943)	(2,651)
Purchase of property, plant and equipment	14	**(1,174)**	(440)	(892)
Purchase of available for sale financial assets	15	**-**	(5)	(5)
Deferred consideration paid	17	**(1,852)**	(1,580)	(1,580)
Proceeds from sale of subsidiaries	10	**966**	-	-
Finance income received	8	**32**	31	56
Proceeds of sales of property, plant and equipment		**-**	13	13
Proceeds of sale of available for sale financial assets	15	**-**	1,219	1,219
Investment in joint venture		**-**	(1)	(1)
Cash flows from investing activities of discontinued operations	10	**2**	12	14
Net cash used in investing activities		**(3,725)**	(1,694)	(3,827)
Cash flows from financing activities				
Proceeds of issue of shares		**409**	91	1,105
Purchase of own shares by employee benefit trust		**-**	(541)	(786)
Dividends paid to shareholders	12	**(3,524)**	(3,101)	(5,122)
Net cash used in financing activities		**(3,115)**	(3,551)	(4,803)
Net (decrease) / increase in cash and cash equivalents		**(5,274)**	1,060	12,705
Cash and cash equivalents at beginning of period		**32,183**	19,478	19,478
Cash and cash equivalents at end of period		**26,909**	20,538	32,183

The accompanying notes on pages 12 to 34 form an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017

1. General information

Brooks Macdonald Group plc ('the Company') is the parent company of a group of companies ('the Group'), which offers a range of investment management services to private high net worth individuals, pension funds, institutions, charities and trusts. The Group also provides financial planning as well as offshore investment management and acts as fund manager to regulated OEICs, providing specialist funds in the property and structured return sectors. The Group's primary activities are set out in its Annual Report and Accounts for the year ended 30 June 2017.

The Company is a public limited company, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is listed on AIM. The address of its registered office is 72 Welbeck Street, London, W1G 0AY.

The half yearly financial report was approved for issue on 12 March 2018. The condensed consolidated financial statements have been independently reviewed but are not audited.

2. Accounting policies

a) Basis of preparation

The Group's condensed consolidated financial statements are prepared and presented in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. They have been prepared on a going concern basis with reference to the accounting policies and methods of computation and presentation set out in the Group's consolidated financial statements for the year ended 30 June 2017, except as stated below. The condensed consolidated financial statements should be read in conjunction with the Group's audited financial statements for the year ended 30 June 2017, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRS IC') interpretations, as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The information in this announcement does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group's accounts for the year ended 30 June 2017 have been reported on by the Group's 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. It contained no statement under section 498(2) or (3) of the Companies Act 2006.

b) Changes in accounting policies

The Group's accounting policies that have been applied in preparing these condensed consolidated financial statements are consistent with those disclosed in the Annual Report and Accounts for the year ended 30 June 2017, except as described below.

New accounting standards, amendments and interpretations adopted in the period

In the six months ended 31 December 2017, the Group did not adopt any new standards or amendments issued by the International Accounting Standards Board ('IASB') or interpretations issued by the IFRS IC that have had a material impact on the condensed consolidated financial statements.

Other new standards, amendments and interpretations listed in the following table were newly adopted by the Group but have not had a material impact on the amounts reported in these condensed consolidated financial statements. They may, however, impact the accounting for future transactions and arrangements.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

2. Accounting policies *continued*

b) Changes in accounting policies *continued*

Standard, Amendment or Interpretation	Effective date
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	1 January 2017
Disclosure initiative (amendments to IAS 7)	1 January 2017
Annual improvements to IFRS standards 2014-2016 cycle (IFRS 12)	1 January 2017

New accounting standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations, which have not been applied in preparing these condensed consolidated financial statements, have been issued and are effective for annual and interim periods beginning after 1 July 2017:

Standard, Amendment or Interpretation	Effective date
Annual improvements to IFRS standards 2014-2016 cycle (IFRS 1 and IAS 28)	1 January 2018†
Revenue from Contracts with Customers (IFRS 15)	1 January 2018
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Financial Instruments (IFRS 9)	1 January 2018
Foreign Currency Transactions and Advance Consideration (IFRIC 22)	1 January 2018†
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	1 January 2018†
Leases (IFRS 16)	1 January 2019
Annual improvements to IFRS standards 2015-2017 cycle (IFRS 3, IFRS 11, IAS 12, IAS 23)	1 January 2019†

† Not yet endorsed for use in the EU

The impact of these changes is currently being reviewed and there is no intention to early adopt. During the six months ended 31 December 2017, IFRS 16 was endorsed for use in the EU.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 could change how and when revenue is recognised. The primary impact is expected to be around the recognition of performance fees. Under IFRS 15, the Group will be required to make an assessment as to whether the work performed to earn such fees constitutes the transfer of services and, therefore, fulfils any performance obligation(s). If so, these fees can be recognised when charged; if not, the fees can only be recognised in the period the services are provided.

The Group currently recognises these when the probability of meeting the performance criteria is virtually certain. Some client agreements may need to be amended to ensure that any performance criteria are fully documented, but based upon a preliminary assessment the Group does not expect a material change to the recognition of its revenue arising from these revenue streams.

The Group is still in the process of making an impact assessment and as yet any further impact has not been quantified.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

2. Accounting policies *continued*

b) Changes in accounting policies *continued*

IFRS 9 'Financial Instruments'

IFRS 9 changes the classification and measurement of financial assets. Financial assets will be classified into one of three categories: amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The held to maturity, loans and receivables and available for sale categories available under IAS 39 have been removed. In addition, the classification criteria for allocating financial assets between categories are different under IFRS 9. There is no material change to the classification of financial liabilities.

The Group does not expect the new classification bases to have a material impact on its financial assets. Those currently carried at amortised cost (including cash and cash equivalents, trade and other receivables) will continue to be classified as such. Some of the Group's available for sale assets may be reclassified as FVTPL under IFRS 9 where the Group does not collect all contractual cash flows. Other available for sale assets comprise preference share holdings and these will likely be classified as FVOCI as the Group's intention is to collect all contractual cash flows, being solely payments of principal and interest.

IFRS 16 'Leases'

IFRS 16 will require the recognition of a right-of-use asset and associated lease liability for the office premises that are leased by the Group. The asset would be depreciated over the lease term and the liability would accrue interest, resulting in a front-loaded expense profile.

This accounting treatment contrasts with the current treatment for operating leases, where no asset or liability is recognised and the lease payments are charged to the Condensed Consolidated Statement of Comprehensive Income on a straight line basis over the term of the lease. The total cost of the lease over the lease term is expected to be unchanged under the new standard.

3. Segmental information

For management purposes the Group's continuing activities are organised into four operating divisions: UK Investment Management, Funds, Financial Planning and International. The Group's other activity, offering nominee and custody services to clients, is included within UK Investment Management. These divisions are the basis on which the Group reports its primary segmental information to the Group's Board of Directors, which is the Group's chief operating decision maker. In accordance with IFRS 8 'Operating Segments', disclosures are required to reflect the information which the Board uses internally for evaluating the performance of its operating segments and allocating resources to those segments. The information presented in this note is consistent with the presentation for internal reporting.

Revenues and expenses are allocated to the business segment that originated the transaction. Revenues and expenses that are not directly originated by a particular business segment are reported as 'group and consolidation adjustments'. Sales between segments are carried out at arm's length. Centrally incurred expenses are allocated to business segments on an appropriate pro-rata basis.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

3. Segmental information *continued*

Six months ended 31 Dec 2017 (unaudited)	UK Investment Management £'000	Funds £'000	Financial Planning £'000	International £'000	Group & consolidation adjustments £'000	Total £'000
Total segment revenue	36,576	3,675	2,639	6,720	–	49,610
Inter segment revenue	(642)	–	(173)	–	–	(815)
External revenues	**35,934**	**3,675**	**2,466**	**6,720**	**–**	**48,795**
Underlying profit before tax	9,437	710	292	539	(2,478)	8,500
Finance cost of deferred consideration	–	–	–	–	(88)	(88)
Finance income from deferred consideration					4	4
Changes in fair value of deferred consideration	–	–	–	–	(985)	(985)
Disposal costs	–	–	–	–	(82)	(82)
Exceptional costs of resolving legacy matters	–	–	–	(5,506)	–	(5,506)
Amortisation of client relationships and contracts acquired with fund managers	(453)	–	–	(210)	(532)	(1,195)
Profit / (loss) before tax	**8,984**	**710**	**292**	**(5,177)**	**(4,161)**	**648**
Taxation						(1,129)
Loss for the period from continuing operations						**(481)**
Profit from discontinued operations						497
Profit for the period attributable to equity holders of the Company						**16**

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

3. Segmental information *continued*

Six months ended 31 Dec 2016 (unaudited)	UK Investment Management £'000	Funds £'000	Financial Planning £'000	International £'000	Group & consolidation adjustments £'000	Total £'000
Total segment revenues	32,932	2,415	2,365	6,526	–	44,238
Inter segment revenues	(143)	–	(98)	–	–	(241)
External revenues	32,789	2,415	2,267	6,526	–	43,997
Underlying profit before tax[2]	10,333	(32)	177	601	(2,843)	8,236
Finance cost of deferred consideration	–	–	–	–	(159)	(159)
Changes in fair value of deferred consideration	–	–	–	–	1,318	1,318
Amortisation of client relationships and contracts acquired with fund managers	(582)	–	–	(263)	(405)	(1,250)
Profit / (loss) before tax	9,751	(32)	177	338	(2,089)	8,145
Taxation						(1,590)
Profit for the period from continuing operations						6,555
Profit from discontinued operations						16
Profit for the period attributable to equity holders of the Company						6,571

[2] Underlying profit before tax has been restated to include software amortisation, consistent with the treatment in the current period.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

3. Segmental information *continued*

Year ended 30 Jun 2017 (audited)	UK Investment Management £'000	Funds £'000	Financial Planning £'000	International £'000	Group & consolidation adjustments £'000	Total £'000
Total segment revenues	66,038	5,505	5,211	12,583	–	89,337
Inter segment revenues	(321)	–	(222)	–	–	(543)
External revenues	65,717	5,505	4,989	12,583	–	88,794
Underlying profit before tax[2]	19,903	459	269	379	(4,022)	16,988
Finance cost of deferred consideration	–	–	–	–	(263)	(263)
Changes in fair value of deferred consideration	–	–	–	–	2,230	2,230
Goodwill impairment	–	–	–	–	(1,986)	(1,986)
Exceptional costs of resolving legacy matters	–	–	–	(6,500)	–	(6,500)
Amortisation of client relationships and contracts acquired with fund managers	(1,004)	–	–	(433)	(1,098)	(2,535)
Profit / (loss) before tax	18,899	459	269	(6,554)	(5,139)	7,934
Taxation						(2,230)
Profit for the period from continuing operations						5,704
Profit from discontinued operations						110
Profit for the period attributable to equity holders of the Company						5,814

[2] Underlying profit before tax has been restated to include software amortisation, consistent with the treatment in the current period.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

3. Segmental information *continued*

a) Geographic analysis of revenue

The Group's operations are located in the United Kingdom and the Channel Islands. The following table presents external revenue analysed by the geographical location of the Group entity providing the service.

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited)[3] £'000	Year ended 30 Jun 2017 (audited)[3] £'000
United Kingdom	**42,075**	37,471	76,211
Channel Islands	**6,720**	6,526	12,583
Total revenue from continuing operations	**48,795**	43,997	88,794

b) Major clients

The Group is not reliant on any one client or group of connected clients for the generation of revenues.

4. Revenue

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited)[3] £'000	Year ended 30 Jun 2017 (audited)[3] £'000
Portfolio management fee income	**42,075**	38,808	77,352
Financial services commission	**85**	65	94
Advisory fees	**2,960**	2,709	5,843
Fund management fees	**3,675**	2,415	5,505
Total revenue from continuing operations	**48,795**	43,997	88,794

5. Administrative costs

The following items are included within administrative costs in the Condensed Consolidated Statement of Comprehensive Income.

Financial Services Compensation Scheme levies

A charge of £3,000 was incurred in respect of Financial Services Compensation Scheme ('FSCS') levies in the six months ended 31 December 2017 (six months ended 31 December 2016: £nil; year ended 30 June 2017: £459,000).

Disposal costs

Legal and professional costs of £82,000 were incurred in relation to the disposal of Braemar Estates (Residential) Limited and Braemar Facilities Management Limited in the six months ended 31 December 2017 (six months ended 31 December 2016: £nil; year ended 30 June 2017: £nil). Details of the disposal are set out in note 10.

[3] Restated to exclude revenue from discontinued operations (note 10).

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

6. Realised gains and losses on investments

During the six months ended 31 December 2017, the Group realised no gains on disposal of investments (six months ended 31 December 2016: £4,000; year ended 30 June 2017: £4,000). The £4,000 gain in the six months ended 31 December 2016 and the year ended 30 June 2017 comprised a gain of £13,000 on the investment in the Braemar Group PCC Limited Student Accommodation Cell and a loss of £9,000 on the investment in GLI Finance Limited redeemable preference shares.

7. Other gains and losses

Other gains and losses represent the net changes in the fair value of the Group's financial instruments recognised in the Condensed Consolidated Statement of Comprehensive Income.

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
Impairment of goodwill (note 13)	**–**	–	(1,986)
Impairment of investment in joint venture	**–**	(193)	(163)
Gain from changes in fair value of financial assets at fair value through profit or loss (note 16)	**53**	109	185
(Loss) / gain from changes in fair value of deferred consideration (note 17)	**(985)**	1,318	2,230
Other gains and losses	**(932)**	1,234	266

8. Finance income and finance costs

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) [4] £'000	Year ended 30 Jun 2017 (audited) [4] £'000
Finance income			
Dividends on preference shares	**20**	23	43
Bank interest on deposits	**12**	8	13
Finance income from deferred consideration	**4**	–	–
Total finance income	**36**	31	56
Finance costs			
Finance cost of deferred consideration	**88**	159	263
Total finance costs	**88**	159	263

[4] Restated to exclude finance income from discontinued operations (note 10).

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

9. Taxation

The current tax expense for the six months ended 31 December 2017 was calculated based on the estimated average annual effective tax rate.

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
UK Corporation Tax	**1,808**	1,924	3,648
Under provision in prior years	**-**	75	167
Total current taxation	**1,808**	1,999	3,815
Deferred tax credits	**(679)**	(282)	(1,026)
Research and development tax credit	**-**	-	(433)
Effect of change in tax rate on deferred tax	**-**	(127)	(126)
Total income tax expense	**1,129**	1,590	2,230

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

On 1 April 2017, the standard rate of Corporation Tax in the UK was reduced to 19%. As a result the effective rate of Corporation Tax applied to the taxable profit for the period ended 31 December 2017 is 19.00% (six months ended 31 December 2016: 19.75%; year ended 30 June 2017: 19.75%).

In addition to the change in the rate of UK Corporation Tax disclosed above, the Finance (No.2) Act 2015, which was substantively enacted in October 2015, will further reduce the main rate to 17% in 2020. Deferred tax assets and liabilities are calculated at the rate that is expected to be in force when the temporary differences unwind, but limited to the extent that such rates have been substantively enacted. The tax rate used to measure the deferred tax assets and liabilities of the Group is therefore 17.00% (six months ended 31 December 2016: 18.70%; year ended 30 June 2017: 17.00%) and will be reviewed in future years subject to new legislation.

During the year ended 30 June 2017, the Group made a claim for research and development tax relief in relation to qualifying expenditure on software development incurred in the years ended 30 June 2014 and 30 June 2015. This resulted in a reduction in the Corporation Tax liabilities of the respective years, and a repayment of £433,000 from HMRC. The Group will consider whether further claims can be made for qualifying expenditure in the year ended 30 June 2016 and thereafter in due course.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

10. Discontinued operations

On 1 December 2017, the Group disposed of its Property Management division, comprising the wholly owned subsidiaries Braemar Estates (Residential) Limited and Braemar Facilities Management Limited ('the disposal group'). Profit from discontinued operations is disclosed separately in the Condensed Consolidated Statement of Comprehensive Income, being the results of the disposal group to 1 December 2017 and the gain on disposal.

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
(Loss) / profit of discontinued operations	**(326)**	16	110
Gain on disposal of discontinued operations	**823**	-	-
Profit from discontinued operations	**497**	16	110

a) Profit or loss of discontinued operations

The results of discontinued operations for the period prior to disposal on 1 December 2017 are shown below.

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
Revenue	**1,195**	1,339	2,922
Administrative costs	**(1,523)**	(1,335)	(2,826)
Operating profit	**(328)**	4	96
Finance income	**2**	12	14
(Loss) / profit before tax	**(326)**	16	110
Taxation	**-**	-	-
(Loss) / profit of discontinued operations	**(326)**	16	110

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

10. Discontinued operations *continued*

b) Gain on disposal of discontinued operations

The gain on disposal of discontinued operations is the total consideration received or receivable less the fair value of the net assets of the disposal group. The gain is recognised in the Condensed Consolidated Statement of Comprehensive Income during the six months ended 31 December 2017.

	£'000	£'000
Consideration received or receivable		
Initial consideration received	966	
Fair value of contingent consideration (note 15)	913	
Total disposal consideration		1,879
Fair value of net assets	(459)	
Fair value of goodwill	(230)	
Fair value of acquired client relationship contracts	(367)	
Total net assets on disposal		(1,056)
Gain on disposal of discontinued operations		823

Initial cash consideration of £966,000 was received on completion. Additional cash consideration will also be receivable, contingent on the disposal group generating revenue equal to or in excess of a 'target' revenue amount during the period 1 July 2017 to 30 June 2019. On disposal, all conditions were expected to be met and therefore the maximum contingent consideration of £966,000 was recognised at its fair value of £913,000 based on the discounted forecast cash flows. This gain is presented within profit from discontinued operations in the Condensed Consolidated Statement of Comprehensive Income for the six months ended 31 December 2017.

There has been no change in the fair value of contingent consideration since the disposal date as the target revenue is still expected to be achieved. Finance income of £4,000 was recognised in the period ended 31 December 2017 in relation to the discounting of the contingent consideration receivable (note 15).

Disposal costs of £82,000 were incurred during the six months ended 31 December 2017 in relation to the sale.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

11. Earnings per share

The directors believe that underlying earnings per share provide a truer reflection of the Group's performance in the period. Underlying earnings per share are calculated based on 'underlying earnings', which are defined as post-tax profit for the period attributable to equity holders of the Company ('earnings') before the finance income and costs of deferred consideration, changes in fair value of deferred consideration, amortisation of client relationship contracts and contracts acquired with fund managers, impairment of goodwill, the exceptional costs of resolving legacy matters, business disposal costs and profit or loss from discontinued operations. The tax effect of these adjustments is also considered and the tax charge is adjusted accordingly.

Earnings for the period used to calculate earnings per share as reported in these condensed consolidated financial statements were as follows:

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
(Loss) / earnings from continuing operations	**(481)**	6,555	5,704
Profit from discontinued operations	**497**	16	110
Earnings attributable to ordinary shareholders	**16**	6,571	5,814
Goodwill impairment (note 13)	**–**	–	1,986
Disposal costs (note 5)	**82**	–	–
Finance income from deferred consideration (note 15)	**(4)**	–	–
Finance cost of deferred consideration (note 17)	**88**	159	263
Changes in fair value of deferred consideration (note 17)	**985**	(1,318)	(2,230)
Amortisation of acquired client relationship contracts (note 13)	**1,084**	1,099	2,200
Amortisation of contracts acquired with fund managers (note 13)	**111**	167	335
Exceptional costs of resolving legacy matters	**5,506**	–	6,500
Tax impact of adjustments	**(864)**	(284)	(525)
Underlying profit from discontinued operations	**(497)**	(32)	(110)
Underlying earnings for the period[5]	**6,507**	6,362	14,233

[5] Underlying earnings for comparative periods have been restated to include software amortisation, consistent with the treatment in the current period.

Basic earnings per share is calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of shares in issue throughout the period. Diluted earnings per share represents the basic earnings per share adjusted for the effect of dilutive potential shares issuable on exercise of employee share options under the Group's share-based payment schemes, weighted for the relevant period.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

11. Earnings per share *continued*

The weighted average number of shares in issue during the period was as follows:

	Six months ended 31 Dec 2017 (unaudited) Number of shares	Six months ended 31 Dec 2016 (unaudited) Number of shares	Year ended 30 Jun 2017 (audited) Number of shares
Weighted average number of shares in issue	**13,641,290**	13,518,502	13,537,222
Effect of dilutive potential shares issuable on exercise of employee share options	**58,046**	53,095	59,872
Diluted weighted average number of shares in issue	**13,699,336**	13,571,597	13,597,094

	Six months ended 31 Dec 2017 (unaudited) p	Six months ended 31 Dec 2016 (unaudited) p	Year ended 30 Jun 2017 (audited) p
Based on reported earnings:			
Basic (loss) / earnings per share from:			
– Continuing operations	**(3.53)**	48.49	42.14
– Discontinued operations	**3.65**	0.12	0.81
Total basic earnings per share	**0.12**	48.61	42.95
Diluted (loss) / earnings per share from:			
– Continuing operations	**(3.51)**	48.30	41.95
– Discontinued operations	**3.63**	0.12	0.81
Total diluted earnings per share	**0.12**	48.42	42.76
Based on underlying earnings[6]:			
Basic earnings per share	**47.70**	47.06	105.14
Diluted earnings per share	**47.50**	46.88	104.68

[6] Underlying earnings per share for comparative periods have been restated to include software amortisation, consistent with the treatment in the current period.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

12. Dividends

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
Final dividend paid on ordinary shares	**3,524**	3,101	3,101
Interim dividend paid on ordinary shares	**–**	–	2,021
Total dividends	**3,524**	3,101	5,122

An interim dividend of 17.0p (six months ended 31 December 2016: 15.0p) per share was declared by the Board of Directors on 12 March 2018. It will be paid on 24 April 2018 to shareholders who are on the register at the close of business on 23 March 2018. In accordance with IAS 10, this dividend has not been included as a liability in the condensed consolidated financial statements at 31 December 2017.

A final dividend for the year ended 30 June 2017 of 26.0p (year ended 30 June 2016: 23.0p) per share was paid on 27 October 2017.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

13. Intangible assets

	Goodwill £'000	Software £'000	Acquired client relationship contracts £'000	Contracts acquired with fund managers £'000	Total £'000
Cost					
At 1 July 2016	36,006	5,081	32,747	3,522	77,356
Additions	–	943	–	–	943
At 31 December 2016	36,006	6,024	32,747	3,522	78,299
Additions	–	1,708	–	–	1,708
Disposals	–	–	(2)	(1)	(3)
At 30 June 2017	36,006	7,732	32,745	3,521	80,004
Additions	–	1,699	–	–	1,699
Disposals	(230)	(77)	(584)	–	(891)
Reclassification to Property, Plant and Equipment	–	(943)	–	–	(943)
At 31 December 2017	**35,776**	**8,411**	**32,161**	**3,521**	**79,869**
Accumulated amortisation					
At 1 July 2016	–	530	8,115	2,862	11,507
Amortisation charge	–	603	1,099	167	1,869
At 31 December 2016	–	1,133	9,214	3,029	13,376
Amortisation charge	–	725	1,101	168	1,994
Impairment	1,986	–	–	–	1,986
At 30 June 2017	1,986	1,858	10,315	3,197	17,356
Amortisation charge	–	923	1,084	111	2,118
Disposals	–	(61)	(217)	–	(278)
Reclassification to Property, Plant and Equipment	–	(791)	–	–	(791)
At 31 December 2017	**1,986**	**1,929**	**11,182**	**3,308**	**18,405**
Net book value					
At 1 July 2016	36,006	4,551	24,632	660	65,849
At 31 December 2016	36,006	4,891	23,533	493	64,923
At 30 June 2017	34,020	5,874	22,430	324	62,648
At 31 December 2017	**33,790**	**6,482**	**20,979**	**213**	**61,464**

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

13. Intangible assets *continued*

a) Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill in respect of these CGUs within the operating segments of the Group comprises:

	31 Dec 2017 (unaudited) £'000	31 Dec 2016 (unaudited) £'000	30 Jun 2017 (audited) £'000
Funds			
Braemar Group Limited ('Braemar')	**3,320**	3,550	3,550
Levitas Investment Management Services Limited ('Levitas')	**9,227**	11,213	9,227
	12,547	14,763	12,777
International			
Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited (collectively 'Brooks Macdonald International'	**21,243**	21,243	21,243
Total goodwill	**33,790**	36,006	34,020

At the reporting date, there were no indicators that the carrying amount of goodwill should be impaired.

During the six months ended 31 December 2017, £230,000 of goodwill attributable to the Braemar CGU was disposed of. This reflects the amount of goodwill within the Braemar CGU that is attributable to the disposal group, which was previously included within this CGU. Refer to note 10 for details of the disposal.

b) Computer software

Computer software costs are amortised on a straight line basis over an estimated useful life of four years. Costs incurred on internally developed computer software are initially recognised at cost and when the software is available for use, the costs are amortised on a straight line basis over an estimated useful life of four years.

During the six months ended 31 December 2017, two of the Group's subsidiaries, Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited, reclassified IT equipment that was formerly recognised as software to equipment and leasehold improvements within property, plant and equipment. There has been no impact on the amortisation or depreciation previously charged.

c) Acquired client relationship contracts

This asset represents the fair value of future benefits accruing to the Group from acquired client relationship contracts. The amortisation of client relationships is charged to the Condensed Consolidated Statement of Comprehensive Income on a straight line basis over their estimated useful lives (15 to 20 years).

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

13. Intangible assets *continued*

d) Contracts acquired with fund managers

This asset represents the fair value of the future benefits accruing to the Group from contracts acquired with fund managers. Payments made to acquire such contracts are initially recognised at cost and amortised on a straight line basis over an estimated useful life of five years.

14. Property, plant and equipment

During the six months ended 31 December 2017, the Group acquired assets at a cost of £1,174,000 (six months ended 31 December 2016: £440,000; year ended 30 June 2017: £892,000). The net book value of fixed assets disposed of in the period was £2,000 (six months ended 31 December 2016: £9,000; year ended 30 June 2017: £9,000), resulting in a gain on disposal of £nil (six months ended 31 December 2016: £4,000; year ended 30 June 2017: £4,000). The asset disposal was in relation to the disposal of Braemar Estates (Residential) Limited and Braemar Facilities Management (Limited) described in note 10. During the six months ended 31 December 2017, depreciation of £573,000 was charged (six months ended 31 December 2016: £507,000; year ended 30 June 2017: £989,000). During the six months ended 31 December 2017, IT equipment with a net book value of £152,000 was transferred to equipment and leasehold improvements from intangible assets having been previously classified as software (note 13).

15. Available for sale financial assets

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
At beginning of period	**658**	1,715	1,715
Additions	**913**	5	5
Finance income from deferred consideration	**4**	–	–
Reclassification of loan (non-cash transfer)	**–**	150	150
Net (loss) / gain from changes in fair value	**(3)**	4	1
Revaluation reserve recycled	**–**	–	6
Disposals	**–**	(1,219)	(1,219)
At end of period	**1,572**	655	658

At 1 July 2017, the Group held an investment of 500,000 redeemable £1 preference shares in an unlisted company incorporated in the UK, £150,000 preference share capital in an unlisted company incorporated in the Channel Islands and an offshore bond with market value at that date of £8,000. The preference shares carry an entitlement to a fixed preferential dividend at a rate of eight per cent per annum.

During the six months ended 31 December 2017, the Group disposed of two subsidiary companies, Braemar Estates (Residential) Limited and Braemar Facilities Management Limited. The Group recognised a corresponding contingent consideration receivable in respect of deferred consideration receivable by the Group from the purchaser at its fair value of £917,000, including finance income from deferred consideration of £4,000. Full details of the disposal are set out in note 10.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

15. Available for sale financial assets *continued*

At 31 December 2017, the offshore bond had a market value of £5,000 (at 31 December 2016: £5,000; at 30 June 2017: £8,000), with the loss from changes in fair value of £3,000 for the six months ended 31 December 2017 being recognised in other comprehensive income (six months ended 31 December 2016: nil; year ended 30 June 2017: £3,000 gain).

Available for sale financial assets at the end of the period consisted of the following:

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
Offshore bond	**5**	5	8
Unlisted redeemable preference shares	**650**	650	650
Contingent consideration receivable	**917**	–	–
Total	**1,572**	655	658

16. Financial assets at fair value through profit or loss

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
At beginning of period	**1,185**	1,000	1,000
Gain from change in fair value	**53**	109	185
At end of period	**1,238**	1,109	1,185

Financial assets at fair value through profit or loss comprise investments in equity share capital of publicly listed companies and Open Ended Investment Companies (OEICs). The market value of the investments at 31 December 2017 was £1,238,000 (at 31 December 2016: £1,109,000; at 30 June 2017: £1,185,000). These investments are classified as level 1 within the fair value hierarchy, as the inputs used to determine the fair value are quoted prices for the shares in active markets at the measurement date.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

17. Deferred consideration

Deferred consideration is split between non-current liabilities (see below) and provisions in current liabilities (note 18) to the extent that it is due to be paid within one year of the reporting date. It reflects the directors' best estimate of amounts payable in the future in respect of certain client relationships and subsidiary undertakings that were acquired by the Group. Deferred consideration is measured at its fair value based on discounted expected future cash flows.

The movements in the total deferred consideration balance during the year were as follows:

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
At beginning of the period	**3,384**	6,931	6,931
Finance cost of deferred consideration	**88**	159	263
Fair value adjustments	**985**	(1,318)	(2,230)
Payments made during the period	**(1,852)**	(1,580)	(1,580)
At end of period	**2,605**	4,192	3,384
Analysed as:			
Amounts falling due within one year	**1,323**	1,724	1,664
Amounts falling due after more than one year	**1,282**	2,468	1,720
At end of period	**2,605**	4,192	3,384

There were no additions to deferred consideration in the period. Payments totalling £1,852,000 (six months ended 31 December 2016: £1,580,000; year ended 30 June 2017: £1,580,000) were made during the period to the vendors of Levitas. Full details of the Levitas acquisition are disclosed in note 13 of the 2015 Annual Report and Accounts.

An increase in the fair value of deferred consideration of £985,000 (six months ended 31 December 2016: reduction of £1,318,000; year ended 30 June 2017: reduction of £2,230,000) was recognised during the period, all in respect of Levitas, with a corresponding loss recognised within other gains and losses in the Condensed Consolidated Statement of Comprehensive Income. The amount payable is based on the incremental growth in FUM of the TM Levitas funds, measured at annual intervals. As forecast growth was exceeded during the period, the FUM forecast was subsequently revised and the estimated future deferred consideration payments increased accordingly. The outstanding deferred consideration liability at 31 December 2017 relates entirely to amounts owed to the vendors of Levitas.

A range of final outcomes for the expected total deferred consideration payable cannot be estimated as the future value of the funds under management is dependent on several unpredictable variables, including client retention and market movements.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

17. Deferred consideration *continued*

Amounts falling due after more than one year from the reporting date are presented within non-current liabilities as shown below:

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
At beginning of the period	**1,720**	5,290	5,290
Finance cost of deferred consideration	**88**	-	263
Fair value adjustments	**985**	(1,318)	(2,230)
Transfer to current liabilities	**(1,511)**	(1,504)	(1,603)
At end of period	**1,282**	2,468	1,720

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

18. Provisions

	Client compensation £'000	Exceptional costs of resolving legacy matters £'000	Deferred consideration £'000	FSCS levy £'000	Total £'000
At 1 July 2016	673	–	1,641	470	2,784
Charge to the Statement of Comprehensive Income	398	–	–	–	398
Finance cost of deferred consideration	–	–	159	–	159
Transfer from non-current liabilities	–	–	1,504	–	1,504
Utilised during the period	(106)	–	(1,580)	(470)	(2,156)
At 31 December 2016	965	–	1,724	–	2,689
Charge to the Statement of Comprehensive Income	(190)	6,500	–	621	6,931
Finance cost of deferred consideration	–	–	(159)	–	(159)
Transfer from non-current liabilities	–	–	99	–	99
Utilised during the period	32	–	–	–	32
At 30 June 2017	807	6,500	1,664	621	9,592
Charge to the Statement of Comprehensive Income	(499)	5,506	–	3	5,010
Transfer from non-current liabilities	–	–	1,511	–	1,511
Utilised during the period	(107)	(1,265)	(1,852)	(521)	(3,745)
At 31 December 2017	**201**	**10,741**	**1,323**	**103**	**12,368**

a) Client compensation

Client compensation provisions relate to the potential liability arising from client complaints against the Group. Complaints are assessed on a case by case basis and provisions for compensation are made where judged necessary.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

18. Provisions *continued*

b) Exceptional costs of resolving legacy matters

Following a review into legacy matters arising from the former Spearpoint business, which was acquired by the Group in 2012, a provision of £6,500,000 was recognised in the year ended 30 June 2017 for costs of resolving these including associated expenses. These matters relate to a number of discretionary portfolios formerly managed by Spearpoint, now managed by Brooks Macdonald Asset Management (International) Limited, and a Dublin-based fund, for which Spearpoint acted as investment manager.

Goodwill offers were made to the discretionary portfolio clients in September 2017 however it became apparent that the calculation was affected by quality issues with the data derived from legacy systems. A comprehensive review of the data sources, calculations and methodology was initiated, requiring extensive use of third party expertise. The review has now concluded and final goodwill offer letters will be issued by the end of March 2018.

The Group has also been involved in extensive and prolonged discussions with the board of the Dublin-based fund, seeking to deal with the matter proactively. A goodwill proposal was made to the directors of the fund in October 2017. Some progress has been made but it has not been possible to reach an agreement. The Group remains committed to reaching a settlement on terms in line with the initial goodwill proposal.

As a result of movements in the expected total cost of the goodwill offers and associated expenses, the Group has increased the provision for the exceptional costs of resolving these legacy matters by £5,506,000, which has been recognised in the Condensed Consolidated Statement of Comprehensive Income.

Amounts of £1,265,000 were utilised during the six months ended 31 December 2017 (six months ended 31 December 2016: £nil; year ended 30 June 2017: £nil), comprising goodwill payments and associated expenses incurred.

c) Deferred consideration

Deferred consideration has been included within provisions as a current liability to the extent that it is due for payment within one year of the reporting date. Details of the total deferred consideration payable are provided in note 17.

d) FSCS levy

At 31 December 2017 provisions include an amount of £103,000 (at 31 December 2016: £nil; at 30 June 2017: £621,000) in respect of expected levies by the Financial Services Compensation Scheme. This relates to an anticipated supplementary levy for the 2017/18 scheme year, which is likely to be raised in January 2018. The expected levy for the 2018/19 scheme year has been announced by the FSCS but does not yet meet the recognition criteria for a provision.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2017 | *continued*

19. Reconciliation of operating profit to net cash inflow from operating activities

	Six months ended 31 Dec 2017 (unaudited) £'000	Six months ended 31 Dec 2016 (unaudited) £'000	Year ended 30 Jun 2017 (audited) £'000
Operating profit / (loss) from:			
– Continuing operations	**700**	8,288	8,186
– Discontinued operations (note 10)	**(328)**	4	96
Operating profit	**372**	8,292	8,282
Depreciation of property, plant and equipment	**573**	507	989
Gain on sale of property, plant and equipment	**–**	(4)	(4)
Gain on sale of available for sale financial assets	**–**	(4)	(4)
Available for sale reserve recycled	**–**	–	6
Amortisation of intangible assets	**2,118**	1,869	3,863
Other losses / (gains)	**932**	(1,234)	(266)
(Increase) / decrease in trade and other receivables	**(2,442)**	865	1,265
(Decrease) / increase in trade and other payables	**(2,010)**	(3,065)	2,325
Increase / (decrease) in provisions	**3,117**	(178)	6,785
(Decrease) / increase in other non-current liabilities	**(69)**	85	43
Reduction in net assets due to disposal of discontinued operations	**(457)**	–	–
Share-based payments charge	**820**	641	1,237
Net cash inflow from operating activities	**2,954**	7,774	24,521

20. Related party transactions

At 31 December 2017, none of the Company's directors (at 31 December 2016: none; at 30 June 2017: one) had taken advantage of the season ticket loan facility that is available to all staff. The total amount outstanding at the reporting date was £nil (at 31 December 2016: £nil; at 30 June 2017: £6,000).

21. Equity-settled share-based payments

Share options granted during the period under the Group's equity settled share-based payment schemes were as follows:

	Exercise price p	Fair value p	Number of options
Company Share Option Plan	1,966 – 2,023	286 – 287	7,435
Long Term Incentive Scheme	nil	1,830 – 1,965	95,857

No options were granted in respect of the Company's other equity settled share-based payment schemes during the six months ended 31 December 2017. The charge to the Condensed Consolidated Statement of Comprehensive Income for the six months ended 31 December 2017 in respect of all equity settled share-based payment schemes was £820,000 (six months ended 31 December 2016: £641,000; year ended 30 June 2017: £1,237,000).

Statement of directors' responsibilities

The directors confirm that the half yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Brooks Macdonald Group plc are listed on page 38.

By order of the Board of Directors

S J Jackson
Finance Director

12 March 2018

Independent review report to Brooks Macdonald Group plc

Report on the condensed consolidated half yearly financial statements

Our conclusion

We have reviewed Brooks Macdonald Group plc's condensed consolidated financial statements (the "interim financial statements") in the Half Yearly Financial Report of Brooks Macdonald Group plc for the 6 month period ended 31 December 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 31 December 2017;
- the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Yearly Financial Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Independent review report to Brooks Macdonald Group plc

continued

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half Yearly Financial Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half Yearly Financial Report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

Our responsibility is to express a conclusion on the interim financial statements in the Half Yearly Financial Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board 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.

We have read the other information contained in the Half Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London

12 March 2018

Notes:

a) The maintenance and integrity of the Brooks Macdonald Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors and advisers

Directors

C J Knight	Chairman
C Connellan	Chief Executive
C R Harris	Senior Independent Director
N I Holmes	
S J Jackson	Group Finance Director
C A J Macdonald	Deputy Chairman
R S Price	Non-executive Director
D Seymour-Williams	Non-executive Director
A W Shepherd	Deputy Chief Executive

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