BROOKS MACDONALD

Half Yearly Financial Report

for the six months ended 31 December 2018

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Highlights of the period

Business highlights

- FUM of £11.86bn at 31 December 2018, was down 4.5% over the half year (compared to a fall of 7.0% in the MSCI WMA Balanced Index), driven by investment performance (down £799m), partly offset by solid net new business (£241m).
- Revenue up 7.7% over the six months ended 31 December 2018. Fee income continued to grow, partly reflecting higher fee revenue yield despite lower market levels at the period end. Transactional income was materially affected by reduced new business flows, a relatively stable asset allocation and the ongoing trend towards all-in fees.
- Underlying profit up 8.1% from £8.32m to £8.99m supported by ongoing cost discipline.
- Statutory profit before tax of £0.49m, reflected a £4.75m impairment of goodwill related to the Levitas sponsorship fee, as the Group moves to a new 5-year partnership, and a £2.33m impairment of the value of the Spearpoint acquired client relationships, following the previously disclosed loss of a client-facing team.
- Prudent balance sheet and capital management, with capital expenditure of £0.62m (FY18: £2.87m) and dilution management undertaken to reflect the Board's intention to restrict aggregate share dilution from employee share schemes to a maximum of 10%.
- Interim dividend up by 11.8% to 19.0p.
- Measures announced in January to drive efficiency and effectiveness, resulting in a material headcount reduction while making Brooks Macdonald easier to do business with for clients and advisers.
- Alan Carruthers announced as new Chairman in February, taking over today from Christopher Knight who has been Chairman since the Group's admission to trading on AIM in 2005.

Financial highlights as at 31 December 2018

+1.0%

Discretionary funds under management

31 December 2018: £11.86bn
31 December 2017: £11.74bn

+8.1%

Underlying[1] profit before tax from continuing operations

Six months to 31 December 2018: £8.99m
Six months to 31 December 2017[2]: £8.32m

–35.6%

Statutory profit before tax

Six months to 31 December 2018: £0.74m
Six months to 31 December 2017: £1.15m

19.0p

Interim dividend per share

2017: 17.0p

51.9p

Underlying[1] basic earnings per share from continuing operations

Six months to 31 December 2017: 46.4p

(5.9p)

Statutory basic earnings per share

Six months to 31 December 2017: 0.1p

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

[2] Prior periods have been restated to separate the results of discontinued operations, consistent with the presentation in the current period.

Chairman's statement

"We continue to build on our success to date and invest in our offering to deliver future growth, while progressively improving our margins."

Christopher Knight Chairman

Introduction

The first six months of our financial year to the end of December 2018 have seen more difficult market conditions and weaker client sentiment driven by the ongoing macroeconomic and political uncertainty.

Despite this backdrop, the Group has once again achieved good growth in revenue, underlying profit and underlying earnings per share. Weaker markets were partly offset by solid net new business, which resulted in discretionary funds under management at 31 December 2018 being up slightly on the previous calendar year.

Our Centralised Investment Process continues to deliver strong risk adjusted returns for our clients and over the period we have continued to invest for the future. In parallel, we have maintained our cost discipline and in January we announced plans to drive increased efficiency and effectiveness in the business, delivering increased margins in the medium term.

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

	Six months to 31 December 2018 £m	Six months to 31 December 2017* £m
Underlying profit before tax from continuing operations	**8.99**	8.32
Amortisation of client relationships	**(1.13)**	(1.20)
Finance income / (cost) of deferred and contingent consideration	**(0.05)**	(0.08)
Changes in fair value of deferred and contingent consideration	**0.40**	(0.99)
Goodwill impairment	**(4.75)**	–
Client relationship contracts impairment	**(2.33)**	–
Disposal-related costs	**(0.02)**	(0.08)
Exceptional costs of resolving legacy matters	**–**	(5.51)
Restructuring charge	**(0.62)**	–
Profit before tax from continuing operations	**0.49**	0.46

* The comparative results for the six months ended 31 December 2017 have been restated to exclude the results of the discontinued operation, Employee Benefits, which was sold on 31 December 2018 as per note 9 to the condensed consolidated financial statements.

The restructuring charge relates to costs incurred in relation to the Group's previously announced efficiency improvements, to drive margins in the medium term. The changes will result in a material headcount reduction and the Group will incur costs in relation to redundancy, payment in lieu of notice, settlement and other restructuring-related costs. The charges are not representative of the underlying business so have therefore been excluded in reporting underlying profit.

Chairman's statement

continued

Results

Revenues from continuing operations have risen 7.7% to £52.0m (FY18: £48.3m) and underlying pre-tax profit has increased by 8.1% to £9.0m (FY18: £8.3m), with underlying earnings per share up 11.9% to 51.9p (FY18: 46.4p).

Statutory profit before tax from continuing operations was £0.49 m (FY18: £0.46m), reflecting:

- An impairment of £4.75m of goodwill relating to the Levitas transaction, as the Group moves to a new 5-year partnership which:
  - Has a lower sponsorship fee, on which the goodwill calculation is based; and
  - Is expected to drive higher FUM and therefore higher investment management revenues.
- An impairment of £2.33m in the value of client relationships from the Spearpoint acquisition, following the previously disclosed loss of a client-facing team.

Dividend

The Board has declared an interim dividend of 19.0p (FY18: 17.0p). This represents an increase of 11.8% compared to the previous year. The interim dividend will be paid on 23 April 2019 to shareholders on the register as at 22 March 2019.

Funds under management

As previously announced, funds under management ('FUM') fell by £0.56bn to £11.86bn in the six months to 31 December 2018 (30 June 2018: £12.41bn), representing a decline of 4.5%, notwithstanding net new business of 1.9%. This compares to the MSCI WMA Private Investor Balanced Index, which fell 7.0% over the same six month period. Over the calendar year to 31 December 2018, our FUM have grown £0.11bn, representing 1.0% growth.

The decline in FUM over the half year was driven by investment performance (down £799m), partly offset by solid new business (£241m). Net new business was 1.9% over the half year; within these total figures UK Investment Management maintained a good rate of organic growth at 3.6%, in spite of a weak December driven by difficult market conditions. The International business was affected by the previously disclosed loss of a client-facing team.

Analysis of discretionary fund flows over the period

	Six months to 31 December 2018 £m	Six months to 31 December 2017 £m	Year to 30 June 2018 £m
Opening discretionary FUM	**12,414**	10,456	10,456
Net new discretionary business	**241**	808	1,365
Investment growth	**(799)**	474	594
Total FUM growth	**(558)**	1,282	1,958
Closing FUM	**11,857**	11,738	12,414
Organic growth (net of markets)	**1.9%**	7.7%	13.1%
Total growth	**(4.5%)**	12.3%	18.7%

Chairman's statement

continued

Business Review

The Group's purpose is to protect and enhance our clients' wealth through the provision of investment management and advice alongside exceptional service. We continue to pursue an organic growth strategy based on the three pillars of foundation, focus and growth:

- Building on a foundation of success, with our client-centric culture and our strong relationships with clients and advisers driving market-leading rates of growth in funds under management.
- Focusing to deliver value to our shareholders, our clients and advisers, and our staff, working from a sustainable platform to ensure that we deliver improved margins in the medium term.
- Driving for growth, deepening our relationships with our existing clients and advisers and bringing our investment management and financial planning expertise to new clients.

In the six months to 31 December 2018, we reinforced the foundation by continuing to strengthen the leadership team, adding Ben Thorpe as Finance Director, Priti Verma as Chief Risk Officer and Adrian Keane-Munday as Managing Director, Financial Planning. We are fortunate in the depth of talent in our investment teams, underlined when we promoted Robin Eggar, Head of London, and John Wallace, Head of Regions, to co-lead our UK Investment Management business. We continue to focus on driving greater value from the business, reinforcing our cost discipline and adopting a prudent approach to capital expenditure, as well as pushing for growth, adding over 100 new adviser relationships in the financial year, agreeing a new 5-year Levitas partnership, developing new product offerings and further expanding our geographic footprint with the opening of our East Anglia office in Bury St. Edmunds.

During the period, we completed the sale of our sub-scale Employee Benefits business to Brunsdon Employee Benefits Limited, continuing our strategy of focusing on our core capabilities.

As we deliver our strategy, the emphasis across the three strategic pillars of foundation, focus and growth is changing, moving increasingly from reinforcing the foundations and taking immediate actions on margin improvement to driving value-enhancing growth, looking to capture economies of scale through streamlining processes, eliminating duplication and leveraging digital, while maintaining focus on our clients and advisers, identifying growth opportunities and building a pipeline of services and products.

We completed our work on GDPR (the EU General Data Protection Regulation) and continued further development of MiFID II (the second Markets in Financial Instruments Directive), particularly related to the requirement for "ex post" reporting of costs and charges. More recently, we initiated development of a new client portal which we will launch later this year and we are continuing our preparations for the implementation of the Senior Managers Regime.

During the period, we made good progress across all of our businesses – UK Investment Management (including Funds), International, and Financial Planning.

Within UK Investment Management we have seen continued traction across all our client service lines. Further, we have been active in product development, relaunching and expanding our Court of Protection service and launching our new Responsible Investment Service. The development work is now largely complete on our new Decumulation product, which we look forward to launching in the spring, and we are currently in active discussions with a number of adviser firms, relating to opportunities for tailored versions of our Managed Portfolio Service. Our Funds activities have continued to see strong FUM growth, with our Defensive Capital Fund performing well to reach just short of £600 million by the calendar year end.

Chairman's statement

continued

As expected, we have seen pressure on revenue yields, principally stemming from reduced transactional income driven by lower new business levels, the move towards all-in fees, and a stable asset allocation from our Centralised Investment Process. Overall, we believe this gives us higher quality revenue as our fee income continues to grow while transactional income has been declining. In UK Investment Management, our fee income in the six months ended 31 December 2018 increased 10.3% against the same period in the previous year.

International has seen reasonable levels of new business as we continue to resolve outstanding legacy issues related to the Spearpoint acquisition. Client attrition following the previously disclosed departure of a client-facing team has led to a £2.3 million write-down in the value of acquired client relationships. Revenue and underlying profit showed good growth.

Our Centralised Investment Proposition has continued to perform well, giving returns ahead of the relevant ARC Private Client Index across most 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, so the opportunity for our Financial Planning business remains strong. We continue to focus on delivering a comprehensive independent financial planning service to private clients and on seeking new opportunities to support future growth, robustly managing any perceived channel conflict.

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 made a £12.0 million provision relating to potential goodwill payments.

We have been in discussions with the new directors of the Board of the Dublin-based fund. We have reached agreement in principle with the directors, who informed shareholders on 12 March that they had agreed Brooks Macdonald's goodwill offer of £3.4 million and that they would call an Extraordinary General Meeting to seek shareholder approval.

At 31 December 2018, 82% of the goodwill offers made to discretionary portfolio clients had been accepted, accounting for 74% of the offers by value (compared to 75% and 66% respectively at 30 June 2018). A small number of clients have rejected those goodwill offers, some of whom may take other routes to pursue their claims.

£1.4 million of the provision was utilised during the period, bringing the total utilised to £7.3 million. The total provision is unchanged at £12.0 million.

We continue to be in discussions with all stakeholders, including relevant regulators, as we seek to bring these matters to a conclusion.

Share dilution and cash

At the Group's Annual General Meeting in October 2018 shareholders approved the introduction of a new Long Term Incentive Plan. That Plan has provisions restricting the level of dilution, particularly relating to discretionary awards:

- There is an overall dilution limit of 15%, a limit approved by shareholders in 2010;
- A large part of the existing dilution, approximately 5%, relates to our Save As You Earn Scheme, which has a high level of participation;
- Dilution relating to discretionary awards is explicitly capped at 10% over 10 years.

Chairman's statement

continued

At the AGM a number of shareholders cast votes against the Plan, informing us that in their view the 15% limit was excessive. In the light of these shareholder concerns the Board intends to limit aggregate dilution to a maximum of 10%.

In order to adhere to this 10% limit the Company has engaged in buying shares in the market to fulfil awards in certain of its employee share schemes. As a result cash resources at the period end amounted to £24.8 million (31 December 2017: £26.9 million). The Group had no borrowings at 31 December 2018 (31 December 2017: £nil).

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 2018 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.

Brexit

The UK is scheduled to leave the European Union on 29 March. We have reviewed the potential consequences and we see no material threat to the continuing operations of the Group, given our activities are almost entirely within the UK or outside the EU (principally the Channel Islands). However, while not a direct impact, there may be continuing effects on markets and client sentiment.

The Board

John Linwood, a former Chief Technology Officer of the BBC, joined the Board as a non-executive director in September 2018.

As previously announced, Alan Carruthers today succeeds me as Chairman. I joined the Board as a non-executive director in 2002 and became Chairman when our shares were listed on AIM in 2005. Our FUM were then £371 million compared to the £12 billion we manage today; our market capitalisation on listing was £14 million compared to over £200 million today. Our success reflects the professionalism and commitment of those we employ, attributes which are as evident in the business today as they were when I joined the Board. I am confident that alongside Caroline Connellan's executive leadership Alan will preside over a Group which will enjoy continuing growth and success.

Outlook and summary

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 our offering to deliver future growth, while progressively improving our margins. The benefits of the measures we announced in January to drive efficiency and effectiveness through the business will start to be felt in the second half.

We have an excellent team and a well established organic growth strategy. Although the early part of the second half has seen continued macroeconomic and political uncertainty, it has also seen continued momentum in the underlying business. The Group is well positioned for the future.

Christopher Knight
Chairman

13 March 2019

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2018

	Note	Six months ended 31 Dec 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited)[1] £'000	Year ended 30 Jun 2018 (audited)[1] £'000
Revenue	4	**52,013**	48,308	100,820
Administrative costs	5	**(44,705)**	(46,860)	(91,105)
Other gains and losses	6	**(6,863)**	(932)	(3,643)
Operating profit		**445**	516	6,072
Finance income	7	**109**	36	128
Finance costs	7	**(62)**	(88)	(152)
Profit before tax		**492**	464	6,048
Taxation on continuing operations	8	**(1,503)**	(1,129)	(1,328)
(Loss) / profit for the period from continuing operations		**(1,011)**	(665)	4,720
Profit from discontinued operations	9	**245**	681	674
Taxation on discontinued operations	8	**(49)**	–	–
(Loss) / profit for the period attributable to equity holders of the Company		**(815)**	16	5,394
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Revaluation of available for sale financial assets		**–**	(3)	(2)
Total comprehensive (expense) / income for the period		**(815)**	13	5,392
(Loss) / earnings per share from continuing operations				
Basic	10	**(7.3p)**	(4.9p)	35.5p
Diluted	10	**(7.3p)**	(4.9p)	35.4p
(Loss) / earnings per share attributable to equity holders of the Company				
Basic	10	**(5.9p)**	0.1p	39.4p
Diluted	10	**(5.9p)**	0.1p	39.3p

[1] Prior periods have been restated to separate the results of the additional discontinued operations, consistent with the presentation in the current period. Refer to note 9 for details of the results of discontinued operations.

The accompanying notes on pages 12 to 40 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

as at 31 December 2018

	Note	31 Dec 2018 (unaudited) £'000	31 Dec 2017 (unaudited) £'000	30 Jun 2018 (audited) £'000
Assets				
Non-current assets				
Intangible assets	12	**51,473**	61,464	60,556
Property, plant and equipment	13	**3,642**	3,969	3,996
Available for sale financial assets	14	**–**	1,572	1,578
Financial assets at fair value through other comprehensive income	15	**500**	–	–
Financial assets at fair value through profit or loss	16	**5**	–	–
Deferred tax assets		**826**	1,385	1,176
Total non-current assets		**56,446**	68,390	67,306
Current assets				
Trade and other receivables		**25,526**	25,135	26,019
Financial assets at fair value through profit or loss	16	**662**	1,238	1,267
Cash and cash equivalents		**24,754**	26,909	30,939
Total current assets		**50,942**	53,282	58,225
Total assets		**107,388**	121,672	125,531
Liabilities				
Non-current liabilities				
Deferred consideration	17	**(349)**	(1,282)	(1,479)
Deferred tax liabilities		**(1,882)**	(3,149)	(2,565)
Other non-current liabilities		**(137)**	(88)	(157)
Total non-current liabilities		**(2,368)**	(4,519)	(4,201)
Current liabilities				
Trade and other payables		**(13,999)**	(19,159)	(23,291)
Current tax liabilities		**(2,778)**	(2,503)	(1,325)
Deferred tax liabilities		**(554)**	–	(425)
Provisions	18	**(5,788)**	(12,368)	(8,332)
Total current liabilities		**(23,119)**	(34,030)	(33,373)
Net assets		**81,901**	83,123	87,957
Equity				
Share capital		**138**	138	138
Share premium account		**38,476**	37,510	38,404
Other reserves		**3,520**	6,133	3,114
Retained earnings		**39,767**	39,342	46,301
Total equity		**81,901**	83,123	87,957

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 March 2019, signed on their behalf by:

C M Connellan
Chief Executive

B L Thorpe
Finance Director

Company registration number: 4402058

The accompanying notes on pages 12 to 40 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2018

	Note	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2017		138	37,101	6,480	41,987	85,706
Comprehensive income						
Loss for the period from continuing operations		–	–	–	(665)	(665)
Profit from discontinued operations	9	–	–	–	681	681
Other comprehensive income:						
Revaluation of available for sale financial assets		–	–	(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	11	–	–	–	(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**
Comprehensive income						
Profit for the period from continuing operations		–	–	–	5,385	5,385
Loss from discontinued operations	9	–	–	–	(7)	(7)
Other comprehensive income:						
Revaluation of available for sale financial assets		–	–	1	–	1
Total comprehensive income		–	–	1	5,378	5,379
Transactions with owners						
Issue of ordinary shares		–	894	–	–	894
Share-based payments		–	–	849	–	849
Share-based payments exercised		–	–	(3,900)	3,900	–
Tax on share options		–	–	31	–	31
Dividends paid	11	–	–	–	(2,319)	(2,319)
Total transactions with owners		–	894	(3,020)	1,581	(545)
Balance at 30 June 2018		**138**	**38,404**	**3,114**	**46,301**	**87,957**

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2018 | *continued*

	Note	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 30 June 2018		138	38,404	3,114	46,301	87,957
Comprehensive income						
Loss for the period from continuing operations		–	–	–	(1,011)	(1,011)
Profit from discontinued operations	9	–	–	–	196	196
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	(815)	(815)
Transactions with owners						
Issue of ordinary shares		–	72	–	–	72
Share-based payments		–	–	1,145	–	1,145
Share-based payments exercised		–	–	(692)	692	–
Purchase of own shares by employee benefit trust		–	–	–	(2,288)	(2,288)
Tax on share options		–	–	(47)	–	(47)
Dividends paid	11	–	–	–	(4,123)	(4,123)
Total transactions with owners		–	72	406	(5,719)	(5,241)
Balance at 31 December 2018		**138**	**38,476**	**3,520**	**39,767**	**81,901**

The accompanying notes on pages 12 to 40 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2018

	Note	Six months ended 31 Dec 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited) £'000	Year ended 30 Jun 2018 (audited) £'000
Cash flow from operating activities				
Cash generated from operations	19	**455**	2,954	13,610
Taxation paid		**(348)**	(1,388)	(2,673)
Net cash generated from operating activities		**107**	1,566	10,937
Cash flows from investing activities				
Purchase of intangible assets	12	**(200)**	(1,699)	(5,069)
Purchase of property, plant and equipment	13	**(420)**	(1,174)	(1,829)
Deferred consideration paid	17	**(1,251)**	(1,852)	(1,852)
Proceeds from sale of discontinued operations	9	**593**	966	1,005
Finance income received	7	**96**	32	102
Proceeds of sale of financial assets at fair value through profit or loss	16	**1,229**	-	-
Cash flows from investing activities of discontinued operations	9	**-**	2	2
Net cash generated from / (used in) investing activities		**47**	(3,725)	(7,641)
Cash flows from financing activities				
Proceeds of issue of shares		**72**	409	1,303
Purchase of own shares by employee benefit trust		**(2,288)**	-	-
Dividends paid to shareholders	11	**(4,123)**	(3,524)	(5,843)
Net cash used in financing activities		**(6,339)**	(3,115)	(4,540)
Net decrease in cash and cash equivalents		**(6,185)**	(5,274)	(1,244)
Cash and cash equivalents at beginning of period		**30,939**	32,183	32,183
Cash and cash equivalents at end of period		**24,754**	26,909	30,939

The accompanying notes on pages 12 to 40 form an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018

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 and related professional advice to private high net worth individuals, charities and trusts. The Group also provides financial planning as well as offshore fund management and administration services, acts as fund manager to regulated OEICs and provides 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 2018.

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 13 March 2019. 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 2018, 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 2018, 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 2018 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.

At the time of approving the half yearly financial statements, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half yearly financial statements.

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 2018, except as described below.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

2. Accounting policies *continued*

b) Changes in accounting policies *continued*

New accounting standards, amendments and interpretations adopted in the period

In the six months ended 31 December 2018, the Group adopted two new standards being IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'. The Group did not adopt any other new standards and amendments issued by the International Accounting Standards Board ('IASB') or interpretations issued by the IFRS IC in the six months ended 31 December 2018.

IFRS 9 'Financial instruments'

IFRS 9 governs the accounting treatment for the classification and measurement of financial instruments and the timing and extent of credit provisioning, replacing the previously adopted IAS 39 'Financial instruments: recognition and measurement.' The standard concerns guidance for the classification and measurement of financial assets by introducing a fair value through other comprehensive income category for certain financial assets. It also contains a new impairment model which intends to result in earlier recognition of losses.

Transition

The Group has taken advantage of the exemption per paragraph 5.6.1 of IFRS 9, regarding restated comparative information for prior periods with respect to classification, measurement and impairment requirements. Where differences arise in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9, they are to be recognised in retained earnings as at 1 July 2018. Accordingly, the information presented for December 2017 and June 2018 will not reflect the requirements of IFRS 9 but will be presented in line with IAS 39.

Classification and measurement of financial assets and financial liabilities

IFRS 9 requires the Group to hold its financial assets and liabilities at amortised cost, fair value through profit or loss ('FVPL') or fair value through other comprehensive income ('FVOCI'). The categorisation of assets as 'held to maturity' ('HTM') and 'available for sale' ('AFS') are no longer recognised under IFRS. The classification criteria for designating financial assets between the categories under IFRS 9 require the Group to assess and document the business models under which the assets are actually managed. Consideration needs to be given to management of the asset in terms of if the asset is held for contractual cash flow, if the contractual cash flow represents solely payment of principal and interest and if the asset is held for selling purposes.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 July 2018 has resulted in a change of classification on the Condensed Consolidated Statement of Financial Position, however has not changed the Condensed Consolidated Statement of Comprehensive Income or Condensed Consolidated Statement of Cash Flows.

The following table summarises the original measurement categories under the previously adopted IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each of the Group's financial assets at 1 July 2018.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

2. Accounting policies *continued*

b) Changes in accounting policies *continued*

Financial asset	Previous IAS 39 classification	Previous IAS 39 carrying amount	New IFRS 9 classification	New IFRS 9 carrying amount
Unlisted redeemable preference shares	AFS	£650,000	**FVOCI**	**£650,000**
Contingent consideration receivable	AFS	£923,000	**FVPL**	**£923,000**
Offshore bond	AFS	£5,000	**FVPL**	**£5,000**
Trade & other receivables	Loans and receivables	£26,019,000	**Amortised cost**	**£26,019,000**
Financial assets at FVPL	FVPL	£1,267,000	**FVPL**	**£1,267,000**
Cash and cash equivalents	Amortised cost	£30,939,000	**Amortised cost**	**£30,939,000**
Total financial assets		**£59,803,000**		**£59,803,000**

The basis of classification for financial liabilities under IFRS 9 remains unchanged from IAS 39. There remains two categories being amortised cost or FVPL. The Group has assessed its financial liabilities at 1 July 2018 and concluded that no change in classification is required. Therefore there has been no impact on the Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Comprehensive Income or Condensed Consolidated Statement of Cash Flows as a result of IFRS 9 in relation to financial liabilities.

Impairment of financial assets

Under IFRS 9, an expected credit loss ('ECL') model is used to measure the impairment of financial assets. Under an ECL model a credit loss provision is recognised once a loss is expected to arise, instead of when it occurs as previously required under IAS 39. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments, considering all reasonable information, including that which is forward looking. The Group applies the simplified lifetime expected credit loss model. This requires an assessment of the total amount of credit losses expected over the lifetime of the asset and is performed on an asset by asset basis. As a result, the Group has determined that the initial application of IFRS 9's impairment requirements at 1 July 2018 results in no additional impairment provision.

IFRS 15 'Revenue from contracts with customers'

IFRS 15 governs the accounting treatment of revenue recognition from contracts with customers which replaces the existing IFRS revenue guidance adopted previously, in particular IAS 18 'Revenue'. IFRS 15 creates a single model for revenue recognition from contracts with customers and aims to provide greater consistency and comparability across industries by linking revenue to the fulfilment of identified performance obligations that are detailed in the customer contract. The core principle underlying the new recognition is that an entity should recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers. It also requires that the incremental cost of obtaining a customer contract should be capitalised if that cost is expected to be recovered.

Transition

The Group has taken advantage of the exemption per Appendix C of IFRS 15 regarding restated comparative information for prior periods with respect to revenue recognition. Where differences arise resulting from the adoption of IFRS 15, they are to be recognised in retained earnings as at 1 July

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

2. Accounting policies *continued*

b) Changes in accounting policies *continued*

2018. Accordingly, the comparative information presented for December 2017 and June 2018 will not reflect the requirements of IFRS 15 but will be presented in line with previous revenue recognition from contracts with customers.

Impact of IFRS 15 on financial statements for six months ended 31 December 2018

The Group has reviewed IFRS 15 and its impact on its existing revenue streams, as well as on its policy of capitalising the cost of obtaining customer contracts. As described below, the adoption of IFRS 15 has not had a significant impact on the Group's revenue recognition accounting policy.

Portfolio management fee income and fund management fees

The core portfolio management fee income is contracted with customers and is in relation to the continued management of their portfolio during a defined period. As a result, the performance obligation is ongoing over the contract resulting in no impact on revenue recognition as a result of IFRS 15.

Portfolio management fee income includes income earned on supporting activities and revenue that are part of the overall service provided, and as a result do not present a separate and stated performance obligation. These supporting activities are for one off services and revenue is recognised once the service has occurred, therefore IFRS 15 has no impact on the supporting activities for portfolio management fee income.

Financial services commission

The revenue is earned as a result of the core services provided in the Financial Planning segment through advisory fees (see below). The revenue is earned as a result of a past service being satisfied resulting in no impact to revenue recognition due to IFRS 15.

Advisory fees

Advisory fees are earned by the Financial Planning segment and are subject to client agreements to provide financial advice and assistance and clients are charged based on an agreed rate of funds under advice, invoiced over the period the service is provided. Under IFRS 15 the Group is required to identify distinct performance conditions in order to recognise 'work in progress' relating to unbilled revenue earned by an advisor. The client contracts do not include any distinct performance conditions meaning this work in progress revenue cannot be recognised under IFRS 15. The work in progress balance and movement from year to year is consistently immaterial, and therefore the adoption of IFRS 15 has not had a material impact on advisory fee revenue.

Costs of obtaining or fulfilling a contract

Under IFRS 15 the scope requirements for recognising an asset in relation to costs of obtaining or fulfilling a contract are broader such that costs to obtain any contract with a customer should be capitalised if those costs are incremental and the Group expects to recover them. Amortisation should then be charged on a basis that is consistent with the transfer to the customer of the services to which the capitalised costs relate.

The Group's policy for capitalising contract costs currently recognises the fair value of the future benefits accruing to the Group from the 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 of 15 to 20 years. The Group has assessed the impact of

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

2. Accounting policies *continued*

b) Changes in accounting policies *continued*

IFRS 15 on these and concluded that the current policies in place are sufficient and therefore will remain unchanged.

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.

Standard, Amendment or Interpretation	Effective date
Annual improvements to IFRS standards 2014-2017 cycle (IFRS 1 and IAS 28)	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

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 2018:

Standard, Amendment or Interpretation	Effective date
Leases (IFRS 16)	1 January 2019
Uncertainty over Income Tax Treatments (IFRIC 23)	1 January 2019
Annual improvements to IFRS standards 2015-2018 cycle (IFRS 3, IFRS 11, IAS 12, IAS 23)	1 January 2019†
Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures	1 January 2019†
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020†
Amendment to IFRS 3 Business Combinations	1 January 2020†
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020†
Insurance Contracts (IFRS 17)	1 January 2021

† 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.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

2. Accounting policies *continued*

b) Changes in accounting policies *continued*

IFRS 16 'Leases'

IFRS 16 is effective for periods commencing on or after 1 January 2019. The standard was endorsed by the EU during 2017. The Group has decided not to early adopt this standard and as a lessee, the Group can apply the standard using either a retrospective approach, or a modified retrospective approach with optional practical expedients. The Group has considered the impact of both applications in relation to its existing contracts and expects to apply the modified retrospective approach.

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. As a result, the Group's total assets and liabilities will be increased by the recognition of lease assets and liabilities.

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 activities are organised into three operating divisions: UK Investment Management, 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 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 of Directors 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 operating business segment are reported as 'all other segments & 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. Segmental assets and liabilities comprise operating assets and liabilities, those being the majority of the Condensed Consolidated Statement of Financial Position.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

3. Segmental information *continued*

Six months ended 31 Dec 2018 (unaudited)	UK Investment Management £'000	Financial Planning £'000	International £'000	All other segments & consolidation adjustments £'000	Total £'000
Total segment revenue	42,450	1,801	7,423	461	52,135
Inter segment revenue	(122)	–	–	–	(122)
External revenues	**42,328**	**1,801**	**7,423**	**461**	**52,013**
Underlying administrative costs	(21,357)	(1,374)	(4,937)	(15,273)	(42,941)
Operating contribution	**20,971**	**427**	**2,486**	**(14,812)**	**9,072**
Allocated costs	(9,731)	(1,214)	(1,533)	12,478	–
Underlying other gains and losses, finance income and finance costs	7	–	(85)	(9)	(87)
Underlying profit / (loss) before tax	11,247	(787)	868	(2,343)	8,985
Goodwill impairment	–	–	–	(4,756)	(4,756)
Client relationship contracts impairment	–	–	–	(2,328)	(2,328)
Amortisation of client relationships and contracts acquired with fund managers	(398)	–	(210)	(519)	(1,127)
Restructuring charge	(431)	–	(3)	(181)	(615)
Changes in fair value of deferred consideration	–	–	–	419	419
Finance cost of deferred consideration	–	–	–	(63)	(63)
Disposal costs	–	(21)	–	–	(21)
Changes in fair value of contingent consideration	–	–	–	(15)	(15)
Finance income from contingent consideration	–	–	–	13	13
Profit / (loss) before tax	**10,418**	**(808)**	**655**	**(9,773)**	**492**
Taxation					(1,503)
Profit from discontinued operations					196
Loss for the period attributable to equity holders of the Company					**(815)**

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

3. Segmental information *continued*

The below segmental analysis has been restated to reflect the previously reported Funds segment which was integrated into UK Investment Management on 1 July 2018. Property Funds have been included in the 'All other segments & consolidation adjustments' along with the non-reportable Group segment. The analysis has also been restated to reflect the additional discontinued operation recognised in the six months ended 31 December 2018 (note 9) and a change in presentation to disclose administrative expenses, allocated costs and underlying other gains and losses, finance income and finance costs by segment.

Six months ended 31 Dec 2017 (unaudited)	UK Investment Management £'000	Financial Planning £'000	International £'000	All other segments & consolidation adjustments £'000	Total £'000
Total segment revenue	39,794	2,152	6,720	457	49,123
Inter segment revenue	(642)	(173)	–	–	(815)
External revenues	**39,152**	**1,979**	**6,720**	**457**	**48,308**
Underlying administrative costs	(22,471)	(1,006)	(5,169)	(11,749)	(40,395)
Operating contribution	**16,681**	**973**	**1,551**	**(11,292)**	**7,913**
Allocated costs	(6,876)	(866)	(1,024)	8,766	–
Underlying other gains and losses, finance income and finance costs	1	–	12	389	402
Underlying profit / (loss) before tax	9,806	107	539	(2,137)	8,315
Exceptional costs of resolving legacy matters	–	–	(5,505)	–	(5,505)
Amortisation of client relationships and contracts acquired with fund managers	(454)	–	(210)	(532)	(1,196)
Changes in fair value of deferred consideration	–	–	–	(985)	(985)
Finance cost of deferred consideration	–	–	–	(88)	(88)
Disposal costs	–	–	–	(81)	(81)
Finance income from contingent consideration	–	–	–	4	4
Profit / (loss) before tax	**9,352**	**107**	**(5,176)**	**(3,819)**	**464**
Taxation					(1,129)
Profit from discontinued operations					681
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 2018 | *continued*

3. Segmental information *continued*

Year ended 30 Jun 2018 (audited)	UK Investment Management £'000	Financial Planning £'000	International £'000	All other segments & consolidation adjustments £'000	Total £'000
Total segment revenue	82,593	4,226	14,170	977	101,966
Inter segment revenue	(832)	(314)	-	-	(1,146)
External revenues	**81,761**	**3,912**	**14,170**	**977**	**100,820**
Underlying administrative costs	(46,302)	(2,080)	(10,375)	(24,368)	(83,125)
Operating contribution	**35,459**	**1,832**	**3,795**	**(23,391)**	**17,695**
Allocated costs	(16,460)	(1,974)	(2,400)	20,834	-
Underlying other gains and losses, finance income and finance costs	6	-	54	124	184
Underlying profit / (loss) before tax	19,005	(142)	1,449	(2,433)	17,879
Exceptional costs of resolving legacy matters	-	-	(5,530)	-	(5,530)
Software impairment	(2,518)	-	-	-	(2,518)
Amortisation of client relationships and contracts acquired with fund managers	(890)	-	(420)	(1,051)	(2,361)
Changes in fair value of deferred consideration	-	-	-	(1,191)	(1,191)
Finance cost of deferred consideration	-	-	-	(152)	(152)
Disposal costs	-	-	-	(89)	(89)
Finance income from contingent consideration	-	-	-	26	26
Changes in fair value of contingent consideration	-	-	-	(16)	(16)
Profit / (loss) before tax	**15,597**	**(142)**	**(4,501)**	**(4,906)**	**6,048**
Taxation					(1,328)
Profit from discontinued operations					674
Profit for the period attributable to equity holders of the Company					**5,394**

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

4. Revenue

	Six months ended 31 Dec 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited)[1] £'000	Year ended 30 Jun 2018 (audited)[1] £'000
Portfolio management fee and transactional income	**45,173**	42,075	87,908
Financial services commission	**72**	85	151
Advisory fees	**2,307**	2,473	4,937
Fund management fees	**4,461**	3,675	7,824
Total revenue from continuing operations	**52,013**	48,308	100,820

[1] Prior periods have been restated to separate the results of discontinued operations, consistent with the presentation in the current period. Refer to note 9 for details of the results of discontinued operations.

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 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited)[1] £'000	Year ended 30 Jun 2018 (audited)[1] £'000
United Kingdom	**44,590**	41,588	86,650
Channel Islands	**7,423**	6,720	14,170
Total revenue from continuing operations	**52,013**	48,308	100,820

[1] Prior periods have been restated to separate the results of discontinued operations, consistent with the presentation in the current period. Refer to note 9 for details of the results of discontinued operations.

b) Major clients

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

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 credit of £131,000 was recognised in respect of Financial Services Compensation Scheme ('FSCS') levies in the six months ended 31 December 2018 following final confirmation by the FSCS of the supplementary levy for 2018/19 scheme year (six months ended 31 December 2017: charge of £3,000; year ended 30 June 2018: charge of £664,000).

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

6. 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 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited) £'000	Year ended 30 Jun 2018 (audited) £'000
Impairment of goodwill (note 12)	**(4,756)**	–	–
Impairment of client relationship contracts (note 12)	**(2,328)**	–	–
Impairment of software	**–**	–	(2,518)
(Loss) / gain from changes in fair value of financial assets at fair value through profit or loss (note 16)	**(33)**	53	82
Loss from changes in fair value of contingent consideration receivable (note 16)	**(15)**	–	(16)
Gain / (loss) from changes in fair value of deferred consideration payable (note 17)	**419**	(985)	(1,191)
Impairment of financial assets at fair value through profit or loss (note 15)	**(150)**	–	–
Other gains and losses	**(6,863)**	(932)	(3,643)

7. Finance income and finance costs

	Six months ended 31 Dec 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited) £'000	Year ended 30 Jun 2018 (audited) £'000
Finance income			
Dividends on preference shares	**26**	20	50
Bank interest on deposits	**70**	12	52
Finance income from contingent consideration	**13**	4	26
Total finance income	**109**	36	128
Finance costs			
Finance cost of deferred consideration	**62**	88	152
Total finance costs	**62**	88	152

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

8. Taxation

The current tax expense for the six months ended 31 December 2018 was calculated based on the Corporation Tax rate of 19.0%, applied to the taxable profit for the period ended 31 December 2018 (six months ended 31 December 2017: 19.0%; year ended 30 June 2018: 19.0%).

	Six months ended 31 Dec 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited) £'000	Year ended 30 Jun 2018 (audited) £'000
UK Corporation Tax	**1,754**	1,808	3,396
(Over) / under provision in prior years	**–**	–	(613)
Total current taxation	**1,754**	1,808	2,783
Deferred tax credits	**(251)**	(679)	(600)
Research and development tax credit	**–**	–	(855)
Total income tax expense on continuing operations	**1,503**	1,129	1,328
Capital gains tax on discontinued operations	**49**	–	–
Total income tax expense	**1,552**	1,129	1,328

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

During the six months ended 31 December 2018, the Group disposed of its Employee Benefits business (note 9), resulting in a capital gains tax of £49,000.

The Finance (No.2) Act 2015, which was substantively enacted in October 2015, will reduce the main rate of Corporation Tax to 17.0% 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 determine the deferred tax assets and liabilities is therefore 17.0% (six months ended 31 December 2017: 17.0%; year ended 30 June 2018: 17.0%) and will be reviewed in future years subject to new legislation.

During the year ended 30 June 2018, 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 2016 and 30 June 2017. This resulted in a reduction in the Corporation Tax liabilities of the respective years, and a repayment of £855,000 from HM Revenue & Customs. The Group will consider whether further claims can be made for qualifying expenditure in the year ended 30 June 2018 and thereafter in due course.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

9. Discontinued operations

On 31 December 2018, the Group disposed of its Employee Benefits operations within the Financial Planning segment. Profit from discontinued operations is disclosed separately in the Condensed Consolidated Statement of Comprehensive Income, being the results of the disposal to 31 December 2018 and the gain on disposal. Initial cash consideration of £50,000 was received on completion. Additional cash consideration will also be receivable in the first calendar quarter of 2020, being a multiple of revenue earned by the disposed business for the year ended 31 December 2019. On disposal the contingent consideration receivable was estimated at £282,000, which was recognised at its fair value of £219,000 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 2018. Disposal costs of £21,000 were incurred by the Group in relation to the sale.

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. 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. For further details on this disposal please see the Brooks Macdonald Group Plc Annual Report & Accounts for the year ended 30 June 2018. During the six months ended 31 December 2018 the Group received £483,000 of contingent consideration (note 16), and a further £60,000 as additional post-completion consideration.

The presentation of prior periods below have been restated to separate the results of the additional discontinued operations, consistent with the presentation in the current period. The previously reported discontinued operations recognised the operations of Braemar Estates (Residential) Limited and Braemar Facilities Management Limited however the Employee Benefits operation has now been included.

	Six months ended 31 Dec 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited)[1] £'000	Year ended 30 Jun 2018 (audited)[1] £'000
Loss of discontinued operations	**(84)**	(142)	(188)
Gain on disposal of discontinued operations	**329**	823	862
Profit before tax from discontinued operations	**245**	681	674
Taxation	**(49)**	–	–
Profit from discontinued operations	**196**	681	674

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

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

9. Discontinued operations *continued*

a) Profit or loss of discontinued operations

	Six months ended 31 Dec 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited)[1] £'000	Year ended 30 Jun 2018 (audited)[1] £'000
Revenue	**224**	1,682	1,931
Administrative costs	**(308)**	(1,826)	(2,121)
Operating loss	**(84)**	(144)	(190)
Finance income	**–**	2	2
Loss before tax	**(84)**	(142)	(188)

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

b) Gain on disposal of discontinued operations

	Six months ended 31 Dec 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited)[1] £'000	Year ended 30 Jun 2018 (audited)[1] £'000
Initial consideration received	**50**	966	966
Additional consideration received	**60**	–	39
Fair value of contingent consideration (note 16)	**219**	913	913
Total disposal consideration	**329**	1,879	1,918
Net assets on disposal	**–**	(1,056)	(1,056)
Gain on disposal of discontinued operations	**329**	823	862

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

10. 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 is defined as earnings before finance costs of deferred consideration, finance income of contingent consideration, changes in the fair value of deferred consideration, changes in fair value of contingent consideration, goodwill impairment, client relationship contracts impairment, amortisation of client relationships and contracts acquired with fund managers, finance income from contingent consideration, exceptional costs of resolving legacy matters, business disposal costs and profit or loss from discontinued operations. The tax effect of these adjustments has also been considered.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

10. Earnings per share *continued*

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 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited)[1] £'000	Year ended 30 Jun 2018 (audited)[1] £'000
(Loss) / earnings from continuing operations	**(1,011)**	(665)	4,720
Profit from discontinued operations	**196**	681	674
(Loss) / earnings attributable to ordinary shareholders	**(815)**	16	5,394
Goodwill impairment (note 12)	**4,756**	-	-
Client relationship contracts impairment (note 12)	**2,328**	-	-
Amortisation of acquired client relationship contracts (note 12)	**1,072**	1,084	2,156
Restructuring charge	**615**	-	-
Changes in fair value of deferred consideration (note 17)	**(419)**	985	1,191
Underlying profit from discontinued operations	**(245)**	(681)	(536)
Finance cost of deferred consideration (note 17)	**63**	88	152
Amortisation of contracts acquired with fund managers (note 12)	**55**	111	206
Disposal costs (note 9)	**21**	82	89
Changes in fair value of contingent consideration (note 16)	**15**	-	16
Finance income from deferred consideration (note 7)	**(13)**	(4)	(26)
Exceptional costs of resolving legacy matters	**-**	5,506	5,531
Software impairment (note 12)	**-**	-	2,518
Tax impact of adjustments	**(283)**	(864)	(588)
Underlying earnings for the period	**7,150**	6,323	16,103

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

10. Earnings per share *continued*

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

	Six months ended 31 Dec 2018 (unaudited) Number of shares	Six months ended 31 Dec 2017 (unaudited) Number of shares	Year ended 30 Jun 2018 (audited) Number of shares
Weighted average number of shares in issue	**13,765,991**	13,641,290	13,677,910
Effect of dilutive potential shares issuable on exercise of employee share options	**18,880**	58,046	28,318
Diluted weighted average number of shares in issue	**13,784,871**	13,699,336	13,706,228

	Six months ended 31 Dec 2018 (unaudited) p	Six months ended 31 Dec 2017 (unaudited)[1] p	Year ended 30 Jun 2018 (audited)[1] p
Based on reported earnings:			
Basic (loss) / earnings per share from:			
– Continuing operations	**(7.3)**	(4.9)	35.5
– Discontinued operations	**1.4**	5.0	3.9
Total basic (loss) / earnings per share	**(5.9)**	0.1	39.4
Diluted (loss) / earnings per share from:			
– Continuing operations	**(7.3)**	(4.9)	35.4
– Discontinued operations	**1.4**	5.0	3.9
Total diluted (loss) / earnings per share	**(5.9)**	0.1	39.3
Based on underlying earnings:			
Basic earnings per share	**51.9**	46.4	117.7
Diluted earnings per share	**51.9**	46.2	117.5

[1] Prior periods have been restated to separate the results of discontinued operations, consistent with the presentation in the current period. Refer to note 9 for details of the results of discontinued operations.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

11. Dividends

	Six months ended 31 Dec 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited) £'000	Year ended 30 Jun 2018 (audited) £'000
Final dividend paid on ordinary shares	**4,123**	3,524	3,524
Interim dividend paid on ordinary shares	**–**	–	2,319
Total dividends	**4,123**	3,524	5,843

An interim dividend of 19.0p (six months ended 31 December 2017: 17.0p) per share was declared by the Board of Directors on 13 March 2019. It will be paid on 23 April 2019 to shareholders who are on the register at the close of business on 22 March 2019. In accordance with IAS 10, this dividend has not been included as a liability in the condensed consolidated financial statements at 31 December 2018.

A final dividend for the year ended 30 June 2018 of 30.0p (year ended 30 June 2017: 26.0p) per share was paid on 2 November 2018.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

12. Intangible assets

	Goodwill £'000	Computer Software £'000	Acquired client relationship contracts £'000	Contracts acquired with fund managers £'000	Total £'000
Cost					
At 1 July 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
Additions	–	3,370	–	–	3,370
Impairment	–	(4,013)	–	–	(4,013)
At 30 June 2018	35,776	7,768	32,161	3,521	79,226
Additions	–	200	–	–	200
At 31 December 2018	**35,776**	**7,968**	**32,161**	**3,521**	**79,426**
Accumulated amortisation & impairment					
At 1 July 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
Amortisation charge	–	595	1,072	95	1,762
Disposals	–	(2)	–	–	(2)
Impairment	–	(1,495)	–	–	(1,495)
At 30 June 2018	1,986	1,027	12,254	3,403	18,670
Amortisation charge	–	1,072	1,072	55	2,199
Impairment	4,756	–	2,328	–	7,084
At 31 December 2018	**6,742**	**2,099**	**15,654**	**3,458**	**27,953**
Net book value					
At 1 July 2017	34,020	5,874	22,430	324	62,648
At 31 December 2017	33,790	6,482	20,979	213	61,464
At 30 June 2018	33,790	6,741	19,907	118	60,556
At 31 December 2018	**29,034**	**5,869**	**16,507**	**63**	**51,473**

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

12. 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 2018 (unaudited) £'000	31 Dec 2017 (unaudited) £'000	30 Jun 2018 (audited) £'000
Funds			
Braemar Group Limited ('Braemar')	**3,320**	3,320	3,320
Levitas Investment Management Services Limited ('Levitas')	**4,471**	9,227	9,227
	7,791	12,547	12,547
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	**29,034**	33,790	33,790

At the reporting date, there were some impairment indicators present for the Levitas CGU and based on a value-in-use calculation, the recoverable amount at 31 December 2018 was £5,152,000. This was lower than the carrying amount of the CGU, reflecting both a reduction in forecast revenue growth and an increase in the discount rate applied, indicating that it should be impaired. An impairment loss of £4,756,000 has been recognised against the goodwill attributable to the CGU and is shown in the Consolidated Statement of Comprehensive Income within other gains and losses.

The key underlying assumptions of the calculation are the discount rate, the growth in funds under management of the Levitas funds and the long-term growth rate of the business. A pre-tax discount rate of 12% (30 June 2018: 11%) has been used, based on the Group's assessment of the risk-free rate of interest and specific risks pertaining to Levitas. Annual funds under management growth rates of between 8% and 36% are forecast in the next five financial years, the period covered by the most recent forecasts, which reflect historic actual growth and planned management activities, which are considered to be achievable given current market and industry trends. A 2% long-term growth rate is applied to cash flows beyond the forecast period and is considered prudent in the context of the long-term average growth rate for the funds industry in which the CGU operates.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

12. Intangible assets *continued*

a) Goodwill *continued*

Reasonable possible changes in the key assumptions and the impact of these changes on the calculated recoverable amount are:

- A 1% change in the pre-tax discount rate which would result in an increase of £628,000 or a decrease of £512,000 in the recoverable amount.
- A 10% change in the forecast funds under management which would result in a £329,000 change in the recoverable amount.
- A 0.5% change in the long-term average growth rate which would result in an increase of £210,000 or a decrease of £190,000 in the recoverable amount.

At the reporting date there were some impairment indicators present for the Brooks Macdonald International CGU, however based on a value-in-use calculation the recoverable amount at 31 December 2018 was £32,813,000, indicating that there is no impairment.

There were no impairment indicators present for the Braemar CGU at 31 December 2018.

b) Computer software

Computer software costs are amortised on a straight line basis over an estimated useful life of 4 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 4 years.

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).

During the six months ended 31 December 2018, an impairment charge of £2,328,000 was recognised in relation to one of the Group's acquired relationship contracts due to a reduction in the expected useful economic life from 15 to 12 years.

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 5 years.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

13. Property, plant and equipment

	Leasehold improvements £'000	Motor Vechicles £'000	Fixtures, fittings & office equipment £'000	IT equipment £'000	Total* £'000
Cost					
At 1 July 2017	2,053	8	8,125	1,323	11,509
Additions	428	–	89	658	1,175
Disposals	–	(8)	(53)	(3)	(64)
Reclassification from intangible assets	–	–	–	943	943
At 31 December 2017	2,481	–	8,161	2,921	13,563
Additions	400	–	55	199	654
At 30 June 2018	2,881	–	8,216	3,120	14,217
Additions	153	–	80	187	420
At 31 December 2018	**3,034**	**–**	**8,296**	**3,307**	**14,637**
Accumulated depreciation					
At 1 July 2017	737	8	7,175	386	8,306
Depreciation charge	99	–	276	184	559
Depreciation on disposals	–	(8)	(53)	(1)	(62)
Reclassification from intangible assets	–	–	–	791	791
At 31 December 2017	836	–	7,398	1,360	9,594
Depreciation charge	162	–	241	224	627
At 30 June 2018	998	–	7,639	1,584	10,221
Depreciation charge	193	–	230	351	774
At 31 December 2018	**1,191**	**–**	**7,869**	**1,935**	**10,995**
Net book value					
At 1 July 2017	1,316	–	950	937	3,203
At 31 December 2017	1,645	–	763	1,561	3,969
At 30 June 2018	1,883	–	577	1,536	3,996
At 31 December 2018	**1,843**	**–**	**427**	**1,372**	**3,642**

* During the six months ended 31 December 2018, property, plant and equipment non-current assets were reviewed in terms of useful economic life and classification of assets. The outcome was that the useful economic lives have been updated in line with Group's revised expectations from 1 July 2018. The Group has also amended the property, plant and equipment non-current asset classifications to present the property, plant and equipment non-current assets in clearly defined classifications.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

13. Property, plant and equipment *continued*

The following table summarises and shows the changes to the Group's new property, plant and equipment non-current asset classifications and useful economic lives.

As at 30 June 2018		**As at 1 July 2018**	
Classification	Useful economic life	**Classification**	**Useful economic life**
Fixtures and fittings	3 to 6.67 years	**Fixtures, fittings & office equipment**	**5 years**
Equipment	5 years	**IT equipment**	**4 or 5 years***
Leasehold improvements	Over the term of the lease	**Leasehold improvements**	**Over the term of the lease**
Motor vehicles	4 years	**Motor vehicles**	**4 years**

* IT equipment includes hardware, which has a useful economic life of 4 years and servers and networks, which have a useful economic life of 5 years.

14. Available for sale financial assets

	Six months ended 31 Dec 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited) £'000	Year ended 30 Jun 2018 (audited) £'000
At 30 June 2018	**1,578**	–	–
IFRS 9 reclassification to FVOCI	**(650)**	–	–
IFRS 9 reclassification to FVPL	**(928)**	–	–
At beginning of period	**–**	658	658
Additions	**–**	913	913
Finance income of contingent consideration	**–**	4	26
Net loss from changes in fair value	**–**	(3)	(19)
At end of period	**–**	1,572	1,578

The Group adopted IFRS 9 'Financial instruments' on 1 July 2018 resulting in the available for sale financial assets category being no longer available. As a result, the available for sale assets were reclassified to fair value through other comprehensive income (note 15) and fair value through profit or loss (note 16). For further details on the adoption and impact to the financial statements, please see note 2(b).

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

15. Financial assets at fair value through other comprehensive income

	Six months ended 31 Dec 2018 (unaudited) £'000
IFRS 9 reclassification from AFS (note 14)	650
Impairment	(150)
At end of period	500

At 31 December 2018, the Group held an investment of 500,000 redeemable £1 preference shares in an unlisted company incorporated in the UK. 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 the Group impaired its £150,000 investment in preference share capital in an unlisted company incorporated in the Channel Islands to a net book value of £nil as the Group does not expect to recover its investment.

16. Financial assets at fair value through profit or loss

	Six months ended 31 Dec 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited) £'000	Year ended 30 Jun 2018 (audited) £'000
At 30 June 2018	1,267	–	–
IFRS 9 reclassification from AFS (note 14)	928	–	–
At beginning of period	2,195	1,185	1,185
Additions	219	–	–
Finance income of contingent consideration	13	–	–
Net (loss) / gain from changes in fair value	(48)	53	82
Payments received	(483)	–	–
Disposals	(1,229)	–	–
At end of period	667	1,238	1,267
Analysed as:			
Amounts falling due within one year	662	1,238	1,267
Amounts falling due after more than one year	5	–	–
At end of period	667	1,238	1,267

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

16. Financial assets at fair value through profit or loss *continued*

The Group disposed of their 563,689 class A units in the IFSL Brooks Macdonald Balanced Fund in November 2018 at their fair value of £1,229,000. In the period from 1 July 2018 to disposal, the Group recognised a reduction in fair value of £33,000.

At 31 December 2018, the offshore bond had a market value of £5,000 (31 December 2017: £8,000; 30 June 2018: £5,000 recognised as available for sale financial assets; note 14).

During the six months ended 31 December 2018, the Group disposed of its Employee Benefits business (note 9). On disposal, the Group recognised contingent consideration receivable from the purchaser at its fair value of £219,000.

During the six months ended 31 December 2018, the Group received £483,000 of the contingent consideration receivable recognised on disposal of Braemar Estates (Residential) Limited in December 2017. At 31 December 2018, the contingent consideration receivable was £437,000 including finance income of £13,000 and a reduction in fair value of £15,000 was recognised during the period.

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 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited) £'000	Year ended 30 Jun 2018 (audited) £'000
At beginning of period	**2,875**	3,384	3,384
Finance cost of deferred consideration	**63**	88	152
Fair value adjustments	**(419)**	985	1,191
Payments made during the period	**(1,251)**	(1,852)	(1,852)
At end of period	**1,268**	2,605	2,875
Analysed as:			
Amounts falling due within one year	**919**	1,323	1,396
Amounts falling due after more than one year	**349**	1,282	1,479
At end of period	**1,268**	2,605	2,875

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

17. Deferred consideration *continued*

No additions to deferred consideration payable were recognised in the period. Payments totalling £1,251,000 (six months ended 31 December 2017: £1,852,000; year ended 30 June 2018: £1,852,000) 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.

A decrease in the fair value of deferred consideration of £419,000 (six months ended 31 December 2017: increase of £985,000; year ended 30 June 2018: increase of £1,191,000) was recognised during the period, all in respect of Levitas, with a corresponding gain 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 not achieved during the period, the FUM forecast was subsequently revised and the estimated future deferred consideration payments decreased accordingly. The outstanding deferred consideration liability at 31 December 2018 relates entirely to the present value of fixed amounts owed to the vendors of Levitas.

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 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited) £'000	Year ended 30 Jun 2018 (audited) £'000
At beginning of period	**1,479**	1,720	1,720
Finance cost of deferred consideration	**62**	88	152
Fair value adjustments	**(419)**	985	1,191
Transfer to current liabilities	**(773)**	(1,511)	(1,584)
At end of period	**349**	1,282	1,479

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

18. Provisions

	Client compensation £'000	Exceptional costs of resolving legacy matters £'000	Deferred consideration £'000	FSCS levy £'000	Total £'000
At 1 July 2017	807	6,500	1,664	621	9,592
(Release) / 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
Charge to the Statement of Comprehensive Income	92	25	–	624	741
Transfer from non-current liabilities	–	–	73	–	73
Utilised during the period	(271)	(4,541)	–	(38)	(4,850)
At 30 June 2018	22	6,225	1,396	689	8,332
Adjustment in respect of prior periods	–	–	1	–	1
Charge / (Release) to the Statement of Comprehensive Income	88	–	–	(131)	(43)
Transfer from non-current liabilities	–	–	773	–	773
Utilised during the period	(21)	(1,446)	(1,251)	(557)	(3,275)
At 31 December 2018	**89**	**4,779**	**919**	**1**	**5,788**

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. The amount recognised within provisions for client compensation represents management's best estimate of the potential liability. The timing of the corresponding outflows is uncertain as these are made as and when claims arise.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *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 was recognised for costs of resolving these including associated expenses in the years ended 30 June 2017 and 30 June 2018. 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. During the six months ended 31 December 2018 no further provisions were made (six months ended 31 December 2017: £5,506,000; year ended 30 June 2018: £5,531,000). The amount utilised during the period of £1,446,000 represented goodwill payments made to clients of £871,000, legal fees of £330,000 and related expenses of £245,000. During the period, a contingent liability was recognised in relation to potential claims related to the legacy matters (note 22).

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 2018 provisions include an amount of £1,000 (at 31 December 2017: £103,000; at 30 June 2018: £689,000) in respect of expected levies by the Financial Services Compensation Scheme. The expected levy for the 2019/20 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 2018 | *continued*

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

	Six months ended 31 Dec 2018 (unaudited) £'000	Six months ended 31 Dec 2017 (unaudited)[1] £'000	Year ended 30 Jun 2018 (audited)[1] £'000
Operating profit / (loss) from:			
– Continuing operations	**445**	516	6,072
– Discontinued operations (note 9)	**(84)**	(144)	(190)
Operating profit	**361**	372	5,882
Depreciation of property, plant and equipment	**774**	573	1,186
Amortisation of intangible assets	**2,199**	2,118	3,880
Other gains & losses	**6,863**	932	3,643
Decrease / (increase) in trade and other receivables	**493**	(2,442)	(3,323)
(Decrease) / increase in trade and other payables	**(9,292)**	(2,010)	2,122
(Decrease) / increase in provisions	**(2,067)**	3,117	(992)
Decrease in other non-current liabilities	**(20)**	(69)	–
Reduction in net assets due to disposal of discontinued operations	**–**	(457)	(457)
Share-based payments charge	**1,144**	820	1,669
Net cash inflow from operating activities	**455**	2,954	13,610

[1] Prior periods have been restated to separate the results of discontinued operations, consistent with the presentation in the current period. Refer to note 9 for details of the results of discontinued operations.

20. Related party transactions

There were no related party transactions during the period and no balances outstanding at 31 December 2018 owed to or from related parties.

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
Long Term Incentive Scheme	nil	1,149 – 1,708	163,501

No options were granted in respect of the Company's other equity-settled share-based payment schemes during the six months ended 31 December 2018. The charge to the Condensed Consolidated Statement of Comprehensive Income for the six months ended 31 December 2018 in respect of all equity settled share-based payment schemes was £646,000 (six months ended 31 December 2017: £820,000; year ended 30 June 2018: £1,653,000).

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018 | *continued*

22. Contingent liabilities

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

During the six months ended 31 December 2018, the Group has discovered a possible liability to HM Revenue & Customs in relation to a PAYE settlement agreement. The Group has made contact with HM Revenue & Customs, but at this stage it is unknown if and how much the possible liability is and therefore no provision has been made at 31 December 2018.

During the six months ended 31 December 2018, a small number of clients rejected goodwill offers made by Brooks Macdonald Asset Management (International) Limited in connection with the exceptional costs of resolving legacy matters (note 18), which have been released from the provision. It is possible that one or more of these clients might issue claims against Brooks Macdonald Asset Management (International) Limited but no such claims have been issued as at 31 December 2018. As a result, it is not possible to estimate the potential outcome of claims or to assess the quantum of any liability with any certainty at this stage.

23. Events since the end of the period

Since the end of the period, the Group announced efficiency improvements to increase margins in the medium term. The Group has identified a range of opportunities to streamline and remove duplication from core processes. The changes will result in a material headcount reduction and the Group expects the cost of the changes to be up to £3,000,000, incurred in relation to redundancy, payment in lieu of notice, settlement and other restructuring-related costs. During the six months ended 31 December 2018, the Group had expensed £615,000 in relation to this, with the remaining balance expected to be expensed during the six months ending 30 June 2019.

Since the end of the period, the Group have reached an agreement in principle with the Board of directors of the Dublin-based fund in relation to the exceptional costs of resolving legacy matters (note 18), who informed shareholders on 12 March that they had agreed Brooks Macdonald Asset Management (International) Limited's goodwill offer of £3,400,000 and that they would call an Extraordinary General Meeting to seek shareholder approval.

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 44.

By order of the Board of Directors

B L Thorpe
Finance Director

13 March 2019

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 six month period ended 31 December 2018. 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 2018;
- 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

13 March 2019

Directors and advisers

Directors

C J Knight	Chairman
C M Connellan	Chief Executive
C R Harris	Senior Independent Director
J Linwood	Non-Executive Director
R S Price	Non-Executive Director
D Seymour-Williams	Non-Executive Director
A W Shepherd	Deputy Chief Executive
D Stewart	Non-Executive Director
B L Thorpe	Group Finance Director

Company information

Company Secretary	S P Broomfield
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Registered Office	72 Welbeck Street, London, W1G 0AY
Website	www.brooksmacdonald.com

Officers and advisers

Independent auditors

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