Annual Report & Accounts

for the year ended 30 June 2018

BROOKS MACDONALD

Contents

Highlights of the year

Financial highlights

18.7%

Discretionary funds under management
30 June 2018: £12.4 billion
30 June 2017: £10.5 billion

6.1%

Underlying[1] profit before tax
2018: £18.0 million
2017[2]: £17.0 million

-16.4%

Statutory profit before tax
2018: £6.7 million
2017: £8.0 million

14.6%

Total dividends per share
2018: 47.0p[3]
2017: 41.0p

12.0%

Underlying[1] basic earnings per share
2018: 117.7p
2017[2]: 105.1p

-8.2%

Statutory basic earnings per share
2018: 39.4p
2017: 43.0p

Business highlights

- Discretionary funds under management ("FUM") reached £12.4bn with market leading organic growth and strong investment performance
- Crossed the £100m revenue threshold
- An increased dividend and commitment to a progressive dividend policy, reflecting the Board's continued confidence in the strength of the business
- Continued to invest for the future in our risk management and operating framework, as well as completing delivery of both MiFID II and GDPR
- Channel Islands legacy issues resolution progressing broadly as planned, we continue to discuss with all stakeholders and the relevant regulators
- Extended our UK regional footprint with the opening of a new Wales investment management office in Cardiff
- Retained our Defaqto five star ratings for each of our main discretionary services and received the prestigious industry Gold Standard Award for service in discretionary fund management with top of the class satisfaction scores
- Our Leamington Spa, York and Hampshire offices won their geographical categories in the 2018 Citywire Regional Star Awards

[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 software; the exceptional costs of resolving legacy matters; business disposal costs; and profit from discontinued operations. A reconciliation between underlying and statutory profit before tax is shown in the Strategic Report on page 13.

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

[3] Including a final dividend of 30.0p per share.

Note: figures presented are rounded to one decimal place and percentage changes used to three decimal places in the calculation.

Chairman's statement

> We have maintained strong commercial performance and strengthened our business for future growth.

Christopher Knight Chairman

I am pleased to report that the Group continues to make strong progress.

Our funds under management increased during the financial year from £10.5bn to £12.4bn, an increase of 18.7%. Our revenues have exceeded £100m for the first time, and after absorbing £4m of additional cost in our risk management and operational framework (£2m one-off, £2m ongoing) we have reported an increase in underlying profit before tax from £17.0m to £18.0m. Underlying earnings per share have risen 12.0% from 105.1p to 117.7p, partly driven by a reduced tax charge due to a research and development credit.

Statutory profit before tax has fallen from £8.0m in FY17 to £6.7m in FY18, the reduction principally due to a write down of capitalised software assets and a charge related to the deferred consideration for the Levitas transaction. Statutory earnings per share were 39.4p (FY17: 43.0p).

I am pleased to highlight that our investment performance continues to be ahead of the Asset Risk Consultants ("ARC") Private Client Index benchmarks across all risk mandates, over one, three and five years.

We opened an office in Wales during the financial year, underscoring the importance of our regional network which is responsible for over half of the Group's UK FUM.

The Board has recommended a final dividend of 30.0p (FY17: 26.0p) which, subject to approval by shareholders, will result in total dividends for the year of 47.0p (FY17: 41.0p). This represents an increase of 14.6% on the previous year and reaffirms the Board's confidence in the strength of the business and our commitment to a progressive dividend policy. The final dividend will be paid on 2 November 2018 to shareholders on the register at the close of business on 28 September 2018.

There have been several changes to the Board during the last year. Chris Macdonald retired as a Non-Executive director in March but remains an adviser to the business he co-founded twenty seven years ago. Ben Thorpe has joined us as Finance Director since the year end, succeeding Simon Jackson who resigned in April. We have been pleased to appoint two Non-Executive directors – David Stewart, a former Chief Executive of the Coventry Building Society, who joined the Board in May, and John Linwood, a former Chief Technology Officer for the BBC, whose appointment takes effect today.

In Caroline Connellan's first full year as Chief Executive, we have maintained strong commercial performance and strengthened our business for future growth. We have invested in risk management and delivered major regulatory projects. In parallel we have upgraded our functional capability more broadly, adding key skills to the leadership team to complement our existing client focused leadership and investment expertise. We recognise that there is more to do to take Brooks Macdonald to a position where we can fully realise economies of scale which are commensurate with our growth, and Caroline and her team will continue to drive forward that programme of work.

Looking ahead, there is material uncertainty in the UK's macroeconomic outlook, especially given that the nature of the UK's future relationship with the EU remains unclear with only six months left before Brexit. Further, global geopolitical risks, in particular the emerging risk of trade wars, are weighing on market sentiment, and we remain cautious in our external outlook. However, we are confident that the Group is well positioned for most scenarios, supported by a strong balance sheet with net cash of £30.9m at year end. We expect to deliver both enhanced profit margins in the medium term and strong future growth driven by our continued focus on meeting client and adviser expectations and our robust investment performance.

Christopher Knight
Chairman

19 September 2018

Chief Executive's review

> We remain focused on meeting the needs of our clients and advisers, while delivering business efficiency and effectiveness to improve margins in the medium term.

Caroline Connellan Chief Executive

Introduction

I am pleased that my first full year as Chief Executive of Brooks Macdonald has seen the business continue its market-leading levels of organic growth which is testament to the strength of our core offerings and our client and adviser relationships. During the year, we have also invested to support future growth, driven a renewed focus on cost discipline and taken steps to ensure a strong pipeline of growth opportunities. I would like to thank all our teams, who have worked hard in these areas throughout the year, while maintaining focus on supporting our clients and advisers.

We have reinforced our strong foundations through developing a clear articulation of the guiding principles underpinning our client-centric culture, by ensuring that the benefits of our Group Centralised Investment Process are delivered consistently to all our clients, and undertaking a review of how we best serve our major strategic adviser partners, present and future, building on the strength of our existing relationships. We have taken the first steps to achieve our medium-term goal of increasing margins through cost discipline, made progress in addressing the Channel Islands legacy matters and upgraded the Group's functional capabilities, both through senior appointments and the investment in our risk and operational framework. As announced at the half year, we completed the sale of Braemar Estates, our Property Management business, in line with the emphasis on our core offerings and margin improvement.

Looking forward, our focus remains on meeting client and adviser needs and delivering market-leading levels of organic growth, with work underway to enhance our offering. For example, our revamped Court of Protection service and our Responsible Investing proposition will be launched in the coming months.

Our core business is discretionary fund management and financial planning both in the UK and internationally through our Channel Islands subsidiaries. Building on our improved cost discipline, we are now moving to develop our operating model to make Brooks Macdonald easier to deal with for both clients and advisers, make it easier for our people to perform their roles efficiently and effectively, and deliver increased value from our growth. This will involve re-engineering of core processes, eliminating duplication and accumulated inefficiencies, and capturing digital opportunities to support our current offering. We recognise that what we have achieved this year is only a first step and there is some way to go – but we have made a good start and we are confident of delivering the full potential inherent in the Brooks Macdonald business over the coming years.

Growth in funds under management, revenue and underlying profit

At the start of 2018 the 'goldilocks' environment seen in the second half of 2017 was called into question as the effects of quantitative tightening from the US Federal Reserve began to be felt. This shortage of USD liquidity led to several bouts of volatility, initially catalysed by inflation concerns in February then concerns about the viability of emerging market debt burdens in May. The corporate earnings backdrop however has been strong and this has supported sentiment. These earnings, together with largely range bound equity markets, have brought equity valuations closer to their longer term averages in the US as well as the rest of the world. In light of this we have retained our weightings to equity sectors, particularly our preferred themes of Technology and Healthcare, whilst making some changes to the non-equity portion of the portfolio. We have cut our exposure to the UK commercial property sector given the lower yields and possibility of higher volatility from the asset class should we see a downturn in the UK economic outlook. In addition we have gradually been reducing our exposure to corporate credit in favour of gilts as we have concerns over the deteriorating quality of this asset class at a time when spreads are very low and leverage is rising.

Chief Executive's review

continued

Growth in funds under management, revenue and underlying profit *continued*

Against this backdrop, the Group maintained momentum throughout the financial year, achieving annual growth in our discretionary funds under management of 18.7%, to stand at a new record of £12.4bn at 30 June 2018 (FY17: £10.5bn). Of the £2.0bn increase, £1.4bn was net new business (13.1% of opening FUM) and £0.6bn came from investment performance (5.7%, compared to a 4.2% increase in the MSCI Wealth Management Association ("WMA") UK Private Investor Balanced Index over the year).

Revenue crossed the £100m threshold for the first time, reaching £101.6m (FY17: £88.8m), with all four businesses contributing strongly. Revenue yield in our core UK Investment Management business stabilised over the financial year after declining in the second half of FY17 and into early FY18.

Underlying profit before tax for the year was £18.0m (FY17: £17.0m), an increase of 6.1% on the previous year, representing an underlying profit margin of 17.7% (FY17: 19.1%). The margin decline was driven by the one-off £2.0m investment in our risk management and operational framework, without which the margin would have been 19.7%. This increase has been achieved while absorbing an increased level of regulatory and functional spend. Underlying earnings per share increased by 12.0% to 117.7p (FY17: 105.1p). While this is a strong result for the underlying business, statutory profit before tax for the year fell by 16.4% to £6.7m (FY17: £8.0m) held back by a write-down in the value of software intangible assets, as well as an increase in the fair value of the deferred consideration relating to the Levitas business. A full reconciliation of underlying and statutory profit can be found in the Strategic Report.

Review of business performance

UK Investment Management ("UKIM") continues to be our largest and most profitable business. Over the year, we maintained strong new business flows, despite a short setback in the markets around March which temporarily affected investor sentiment. UKIM profit margins were affected by the costs of regulatory change and investment in our risk management and operational framework. Our success in maintaining market-leading levels of organic growth is driven by the strength of our relationships with advisers and we continue to work to maintain and improve these through high service levels and ongoing enhancements to our offering. The level of penetration of the adviser community by discretionary fund managers remains low and we are confident that regulatory and commercial trends mean that the flow of firms looking to outsource investment management will remain strong.

Our Centralised Investment Process continues to deliver consistently strong investment performance, notably during the brief market setback earlier this year. Our portfolios across all risk mandates are delivering above benchmark returns according to ARC private client indices over one, three and five year periods. In May this year we were, for the third consecutive year, awarded the prestigious industry Gold Standard Award for service in discretionary fund management and we were once again proud to receive five star ratings from Defaqto for each of the main discretionary offerings: our Bespoke Portfolio Service ("BPS"), direct Managed Portfolio Service ("MPS") and our platform MPS. In addition, we came top for adviser satisfaction across the 14 aspects of service covered in the survey.

We were successful at the Citywire Regional Star Awards in 2018, with professional advisers voting our York, Hampshire and Leamington Spa offices as winners of their respective geographical categories. We thank all our adviser partners for their continued support.

BPS is a premium and fully personalised service for private clients, charities and pension funds, and remains our principal offering, representing £7.7bn of FUM in the UK (62.0% of Group FUM). The pension opportunity, in particular Self-Invested Personal Pensions ("SIPPs"), continues to be significant, as does the growth of ISAs and our AIM Portfolio Service. In line with the industry we have seen a reduction in demand for Defined Benefit transfers in recent months as the sector adjusts to the servicing and suitability assessment demands of the product. However, although not reaching the highs of recent years, we expect this to improve over time, given the ongoing and growing need for individuals to seek financial planning advice before and through retirement.

MPS consists of ten model portfolios with distinct risk profiles and objectives, and is available to those investing smaller amounts, allowing our investment management capabilities to be accessed by a wider range of individuals through their financial advisers. Assets in the UK now stand at £1.5bn (FY17: £1.2bn), which accounts for 12.0% of total FUM, having seen rapid growth (22.9%) over the year. These assets are held either directly with us or through a third party platform, with platform assets seeing particularly strong growth in the year. We expect asset accumulation in MPS to continue as the popularity of model multi-asset portfolios continues to grow due to their lower charges and ease of access.

Chief Executive's review

continued

Review of business performance *continued*

Our Funds business grew to £1.5bn FUM, an increase of 32.4% over the year (FY17: £1.2bn). We have now completed the previously announced move of this business into UK Investment Management, with the exception of our property funds (the Ground Rents Income Fund and UK Agricultural Land Fund) and we will report on that basis going forward. The IFSL Brooks Macdonald Defensive Capital Fund, within the targeted absolute return sector, had another strong year with 38.1% growth in FUM and our Multi-Asset Funds also saw 20.4% growth during the year. The fastest growing part of our Funds business in this year was our third party investment solution funds, which grew by 50.9%. We expect this white labelling approach to be a major focus for growth going forward as we explore new routes to bring the benefits of our Centralised Investment Process to advisers in a way that best suits their business model.

Our International business based in the Channel Islands delivered net organic growth well up on last year at 6.4% (FY17: 1.3%). Since the financial year end, the business has experienced an increase in attrition, as expected following the departure of one of our client-facing teams.

Financial Planning also had a good year, with revenue slightly below last year's record levels. 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.

Legacy matters arising from the former Spearpoint business

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

As subsequently announced with our interim results in March 2018, it became apparent that the calculation of the goodwill offers for the discretionary portfolio clients was affected by quality issues with data derived from legacy systems. To ensure that the calculation was fair to clients, we therefore initiated a comprehensive review of the data sources, calculations and methodology, requiring extensive use of third party expertise to extract the data, and to provide advice and quality assurance. Having concluded this review, we issued final goodwill offer letters by the end of March 2018. 75% of the clients receiving a goodwill offer have now accepted, with these acceptances accounting for 66% of the offers by value.

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

The effect of movements in the expected total cost of goodwill offers and associated expenses is an increase of £5.5m from the previous provision to £12.0m. We provided for the additional amount as an exceptional item in the financial report for the six months to 31 December 2017; as such, it reduces statutory profit but does not affect underlying profit. To date, £5.8m of the provision has been utilised.

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

Delivering our strategy

We have worked over this year to refine our strategy in the context of the market opportunity and external trends, and will continue to build out over coming months. Our strategy is based on three pillars:

- Build on a foundation of success, leveraging our strengths;
- Focus our business to deliver increased value from our future growth, through greater efficiency and effectiveness, delivering improved profit margins over the medium term;
- Seek new opportunities for growth, continuing to grow FUM organically with new segments, propositions and partnerships.

For the business to remain competitive, maximise the opportunity from our market positioning and deliver greater value to shareholders, successful delivery across all three pillars is critical. We see several phases in delivering the strategy, with the emphasis across the three pillars changing as we move forward.

Our success to date has been built on our commitment to the adviser community and strength of relationships, our consistent investment performance and our client-centric culture. In the past year,

Chief Executive's review

continued

Delivering our strategy *continued*

as a first phase, we have reinforced these foundations through a series of actions. We have built functional capability and bolstered the leadership team, complementing the existing client and investment management expertise which has brought the business to where it is today. Secondly, we have articulated the guiding principles which underpin our client-centric, "can do" culture. We have placed further emphasis on ensuring the benefits of our Centralised Investment Process are delivered consistently to all our clients. We have upgraded our risk management and operational framework, in parallel with delivering a demanding regulatory change agenda. And we have driven greater cost discipline through the business. All of this has contributed to the improved margin (excluding one-offs) we have delivered in FY18.

The changes we have made so far have resulted in a stronger platform to support future growth but we recognise there is more to do to ensure we are easy to do business with and to deliver increased value from our franchise. We are moving into a phase of driving for efficiency and effectiveness – streamlining processes, eliminating duplication and making sure the overall business is scalable, enabling us to capture economies of scale commensurate with our growth and delivering increased profit margins in the medium term. In parallel, we will expand the pipeline of growth opportunities through product proposition development, deepening and widening our adviser relationships, capturing digital opportunities to support our current offering, and identifying opportunities in new or under-served client segments where we can leverage our expertise and proposition.

Outlook

We are pleased to report another strong year, and we look forward to building on our success to date and continuing to position the business to deliver sustainable growth into the future. Throughout this journey we remain focused on meeting the needs of our clients and advisers, while delivering business efficiency and effectiveness to improve margins in the medium term and achieve increased value from our growth opportunities.

We have started our new financial year dealing with the industry-wide impact of macroeconomic uncertainty and regulatory trends. Notwithstanding our relative short-term caution around markets and client sentiment, we are confident in the strength of our client and adviser relationships and our core offerings.

Finally, I would like to reiterate my thanks to everyone at Brooks Macdonald for their passion, energy and commitment to our business.

Caroline Connellan
Chief Executive

19 September 2018

Strategic report

Brooks Macdonald, our services and strategy

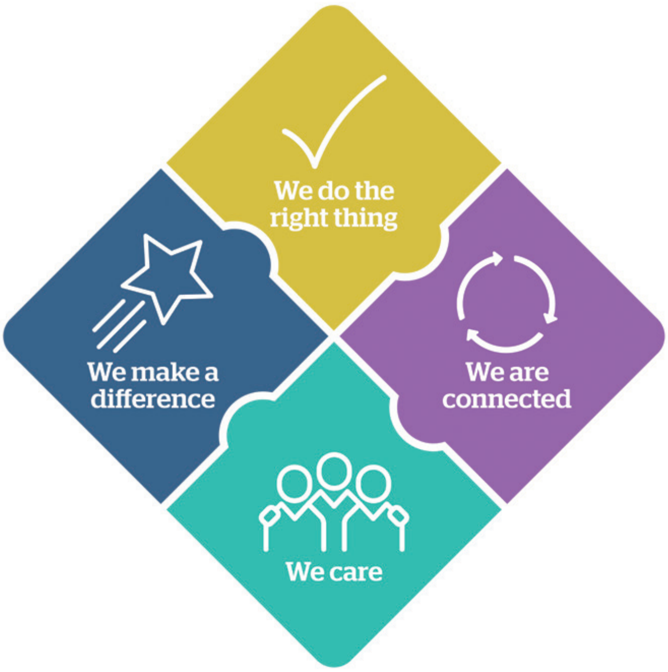
We are an independent investment management firm providing a wide range of investment and wealth management services to private clients, pension funds, charities, professional intermediaries and trustees through our three businesses:

- *UK Investment Management (including Funds[1])* – providing discretionary fund management services and open-ended investment company products to clients and their introducers as well as other discretionary managers from 10 offices across the UK
- *Financial Planning* – providing wealth management services to UK clients from our London office
- *International* – providing discretionary fund management and wealth management services to clients and their introducers across Europe, South Africa and the UAE from offices in Jersey and Guernsey.

What we stand for

Our belief is that our clients and their advisers benefit most from our services over the long term and we are focused on providing high quality service as well as investment performance over that timeframe. We are proud of our strong client-centric culture and we are driven by the following guiding principles:

Our guiding principles



We do the right thing

- We are worthy of our clients', advisers', partners' and one another's trust
- We act with integrity, honesty and fairness and we value diversity
- We take responsibility for our actions and decisions
- We deal with issues and tackle hard decisions head on

We are connected

- We collaborate and work as one team to bring the best of Brooks Macdonald to all we do
- We actively seek opportunities to learn from others and share our expertise
- We actively listen and communicate with clarity
- We look externally, challenge ourselves and are open to new ways of doing things

We care

- Our clients, advisers and partners are at the heart of everything we do
- We support our people to be the best they can be
- We treat our clients, advisers, partners and each other with respect
- We ask for help and we offer support to one another

We make a difference

- We focus on delivering value for clients, advisers, partners and shareholders
- We are ambitious and constantly strive to be the best at what we do
- We innovate, learn from our actions and actively gather feedback to improve
- We develop our skills and nurture our relationships to ensure we remain relevant

[1] In the segmental reporting (note 3), four businesses are listed with Funds shown separately. However, this is an historic view, since the Funds business has now integrated into UK Investment Management from 1 July 2018 and will not be reported separately going forward.

Strategic report

continued

Our services

Brooks Macdonald manages £12.4 billion for its clients as of 30 June 2018, making us one of the leading private client investment managers. We provide discretionary investment management solutions to private clients, families, charities and trustees. We also provide financial planning advice to high net-worth individuals and families, and through our funds we provide multi-asset and specialist fund products to the retail sector.

UK Investment Management

Within our UK Investment Management business, we have six distinct service lines:

Bespoke Portfolio Service

Bespoke Portfolio Service ("BPS") is our flagship offering, designed for clients who want an individual investment portfolio constructed to meet their specific requirements. The investment manager maintains a detailed knowledge of the client's investment requirements, including their risk appetite, allowing the manager to construct focused, efficient portfolios supporting the delivery of risk-adjusted investment returns appropriate to the client's needs. The range of investments includes unit trusts, open-ended investment companies, exchange-traded funds, investment trusts and cash, as well as individual equity and bond securities. Investment managers for the BPS service follow our Group-level Centralised Investment Process, which is based on the three key principles of our investment philosophy:

- Using a proven active investment process – we have central asset allocation and investment committees which combine strategic and tactical approaches to asset allocation with rigorous individual security selection, leveraging the broad expertise and experience of the Committee members as well as the in-depth knowledge of our specialist sector research teams
- Effective risk management – we seek to produce strong "risk-adjusted" returns, not just generating profits but also working to limit the potential for losses. We have embedded qualitative and quantitative risk controls into our investment process
- Maintaining a portfolio focus – we give our individual investment managers a level of discretion in managing client portfolios to their individual mandates, within defined boundaries set by our investment and asset allocation committees, ensuring that the benefit of the Centralised Investment Process is delivered to all our clients

AIM Portfolio Service

Our AIM Portfolio Service ("APS") provides clients with access to a carefully selected portfolio of AIM-listed companies, with preference given to companies that we judge to have attractive long-term investment potential. We restrict our investment universe to companies that we believe qualify for Business Property Relief ("BPR"), allowing investors to benefit from Inheritance Tax ("IHT") exemptions. As APS portfolios are typically invested in a concentrated group of small-to-medium sized UK companies, we consider APS to be "high risk". While APS is monitored and overseen by the central investment committee, it does not follow the Centralised Investment Process.

Managed Portfolio Service

Managed Portfolio Service ("MPS") provides a choice of investment into a range of risk-managed model portfolios, each investing in an array of different assets. Each model portfolio is designed to achieve specific investment objectives within a specific risk profile. MPS portfolios are managed by a dedicated team of investment managers, applying our Centralised Investment Process.

Multi-Asset Funds

Our Multi-Asset Fund ("MAF") range allows investors to gain access to our discretionary management expertise and proven Centralised Investment Process through a pooled fund solution. We offer a range of four risk-managed multi-asset funds: Defensive Income, Cautious Growth, Balanced and Strategic Growth. By differing their levels of equity exposure, the range caters for both investors seeking capital growth and more cautious investors looking to generate income while preserving their capital.

Third Party Funds

We design specific investment propositions for advisers and intermediaries who are looking for investment solutions meeting specific investment objectives for their clients. These are delivered in pooled fund formats to which we provide investment management, leveraging our broad investment management and asset allocation expertise. This capability and the associated intellectual capital were developed initially to support the Levitas relationship.

Strategic report

continued

Our services *continued*

UK Investment Management *continued*

Specialist funds

We also provide investment management to a small number of specialist funds. The largest is our highly successful Defensive Capital Fund ("DCF") which has grown to £543 million at 30 June 2018. We also provide investment management to the Ground Rents Income Fund (FUM at 30 June 2018: £103 million) and the UK Agricultural Land Fund (FUM at 30 June 2018: £4 million).

Financial Planning

Our Financial Planning business provides wealth management services to high net worth individuals and families. We provide independent "whole of market" financial advice, enabling clients to build, manage and protect their wealth. Our service is advice-driven, rather than product-driven, providing clients with a coherent, affordable strategy, aimed at achieving their long-term goals. In addition to our financial planning service, we work in collaboration with other professional advisers, such as solicitors, accountants and wealth managers, to help them provide a comprehensive service to their clients. We provide a comprehensive fee-based service, encompassing both financial advice and mortgage services.

International

Our International business, based in the Channel Islands, has a similar range of investment management and financial planning services. The services are designed to meet the particular requirements of the offshore and international markets and the investment management follows our Group-level Centralised Investment Process. We provide a comprehensive range of investment services to private clients, trusts and advisers, available in sterling, euros or US dollars:

- International Bespoke Portfolio Service
- International Managed Portfolio Service
- International Multi-Asset Funds (also available in Singapore dollars)
- Single-strategy solutions, which invest directly in the traditional asset classes of bonds and equities for ultra high net worth clients, with higher entry thresholds. Our Corporate Bond Strategy invests in a diversified portfolio of investment-grade bonds to provide a balance of income, security and liquidity, while the Direct Equity Strategy is structured to provide capital appreciation and income growth through direct investment in high quality stocks.

The International business also has a financial planning arm, Brooks Macdonald Retirement Services, where we provide a comprehensive service for private clients who require wider planning around their investments, also focusing on financial protection, pensions and investments.

Strategic report

continued

Our business model

Our successful business model works to provide bespoke investment solutions with high-quality professional staff delivering outstanding client and adviser propositions, investment excellence and value for money. We aim to add value to:

- Investment Management clients, through strong investment performance and excellent service;
- Advisers and introducers, through bespoke propositions designed to add value to their business models; and
- Financial Planning clients, through robust holistic financial planning and relationship management.

Adding value to our clients and professional adviser partners through these services is of benefit not just to them but ultimately also to employees and shareholders.

Our strategy

Our strategy is based on the three pillars of foundation, focus and growth. We plan to

- Build on a *foundation* of success, leveraging our strengths:
    - Unparalleled relationships with advisers, particularly our strategic partners
    - A client-centric, "can do" culture
    - Level of service to clients and intermediaries
    - Strong Centralised Investment Process
- *Focus* our business to deliver increased value, through greater efficiency and effectiveness, thereby delivering improved profit margins over the medium term:
    - Making Brooks Macdonald easy to do business with
    - Maintaining robust risk management
    - Delivering high quality technology and using digital
    - Making the operating platform scalable
    - Attracting and retaining talent, and providing opportunities through thorough succession planning
- Seek new opportunities for *growth,* continuing to grow FUM organically with new segments, propositions and partnerships:
    - Building on our strong branding and reputation
    - Leveraging our core capabilities and strong relationships
    - Bringing the "best of BM" to all our clients through improved cross-business collaboration
    - Selectively expanding the UK geographic footprint

Strategic report

continued

Group performance

Results

The Group's underlying profit before tax increased by 6.1% in the year to £18.0m (FY17: £17.0m). Total revenue increased 14.4% to £101.6m (FY17: £88.8m). Total underlying costs increased by 16.4% to £83.7m (FY17: £71.9m). Underlying earnings per share were 117.7p (FY17: 105.1p), an increase of 12.0%. The Group's underlying profit margin fell to 17.7% (FY17: 19.1%).

Profit before tax from continuing operations fell 22.0% to £6.2m (FY17: £7.9m) and underlying adjustments increased by 29.7% to £11.8m (FY17: £9.1m). Statutory basic earnings per share from continuing operations fell 15.7% to 35.5p (FY17: 42.1p). Statutory profit before tax fell 16.4% to £6.7m (FY17: £8.0m) which includes profit from discontinued operations which was £0.5m (FY17: £0.1m).

Table 1

	2018 £m (unless stated)	2017 restated[1] £m (unless stated)
Total revenue	**101.6**	88.8
Underlying costs	**(83.7)**	(71.9)
Underlying net finance income	**0.1**	0.1
Underlying profit before tax[2]	**18.0**	17.0
Underlying margin[3]	*17.7%*	*19.1%*
Underlying adjustments	**(11.8)**	(9.1)
Profit before tax from continuing operations	**6.2**	7.9
Profit from discontinued operations	**0.5**	0.1
Statutory profit before tax	**6.7**	8.0
Taxation	**(1.3)**	(2.2)
Profit after tax	**5.4**	5.8
Underlying basic earnings per share[4]	**117.7p**	105.1p
Statutory basic earnings per share from continuing operations	**35.5p**	42.1p
Statutory basic earning per share	**39.4p**	43.0p
Dividends per share[5]	**47.0p**	41.0p

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

2 A reconciliation between underlying profit before tax and profit before tax is shown in Table 2 on page 13

3 Underlying profit as a percentage of total revenue

4 Underlying earnings per share for comparative periods have been restated to include software amortisation and exclude discontinued operations, consistent with the treatment in the current period

5 The total interim dividend and the final dividend for the financial year.

Underlying performance measures

We use underlying profit before tax, underlying costs, underlying earnings per share and underlying margin to measure and report on the financial performance of the Group, in order to aid comparability between periods. These underlying measures are used by both the Board and management for planning and reporting, whilst also providing useful insight for investors and analysts.

The underlying profit figure is calculated based on statutory profit before tax adjusted to exclude any items of income or expense that are infrequent or unusual and exclude the impact of discontinued operations. These items are considered to be outside the ordinary course of business.

Other adjusted-for items of income or expense may recur from one period to the next. Although they recur over multiple periods they are the result of events or decisions which the directors consider to be outside the ordinary course of business. Income or expenditure adjusted for historically has included impairment of carrying value of intangible assets and changes

Strategic report

continued

Group performance *continued*

Underlying performance measures *continued*

in fair value of deferred consideration and contingent consideration which are not considered to be reflective of the Group's underlying business performance. Provisions made to cover costs of resolving legacy matters are also adjusted for on this basis.

Additionally, the amortisation expense of acquired client relationships and contracts acquired with fund managers is an expense which investors and analysts typically add back when considering profit before tax or earnings per share ratios.

In previous years, the amortisation expense of software was excluded when calculating underlying profit. This has now become material and continuing in nature resulting in the amortisation expense of software now included when calculating underlying profit.

Funds Under Management

As at 30 June 2018, discretionary FUM totalled £12,414m (FY17: £10,456m). Over the year, FUM grew by £1,958m (18.7%). Of this, £1,365m (13.1%) was net new business and £594m (5.7%) was investment performance. As a comparison, the MSCI WMA Private Investor Balanced Index grew by 4.2% over the year.

	2018 £m	2017 £m
Opening discretionary FUM	**10,456**	8,301
Net new discretionary business	**1,365**	951
Investment growth	**594**	1,204
Total FUM growth	**1,958**	2,155
Closing FUM	**12,414**	10,456
Organic growth (net of markets) %	**13.1**	11.5
Total growth %	**18.7**	25.9

Revenue

Total Group revenue grew by 14.4% (FY17: 12.7%), passing the £100m threshold at £101.6m (FY17: £88.8m).

Portfolio management fees and associated transactional income increased by 13.6% to £87.9m (FY17: £77.4m). Fee income increased in line with FUM. However, the first half of the year saw slower transactional volumes due to lower portfolio turnover rates with activity stabilising in the second half of the financial year.

Fund management fees increased 42.1% to £7.8m (FY17: £5.5m) due to higher average FUM as the business continued to build scale.

Advisory fees and financial services commission were flat at £5.7m (FY17: £5.8m).

Underlying costs

Underlying costs increased by £11.8m (16.4%) to £83.7m (FY17: £71.8m). These costs represent 82.4% (FY17: 80.8%) of income and increased in the year due to our focus on enhancing and embedding our risk management framework, strengthening the leadership team and delivering key regulatory requirements (MiFID II and GDPR).

The largest driver of underlying costs are our permanent staff and during the year we saw an increase in the average number of employees from 452[1] to 470 (4.0%) and we finished the year with 480 employees (full time equivalent). We continue to operate in an increasingly regulated environment and in particular strengthened our risk, compliance and change functions. The Group operates an annual review cycle for salaries and benefits with annual inflationary and performance based increases being effective from August each year.

[1] Restated to exclude employees of discontinued operations.

Strategic report

continued

Group performance *continued*

Underlying costs *continued*

There was an increase in the number of temporary staff working to assist in the successful delivery of our regulatory and strategic change agenda. In addition to this we also saw higher recruitment costs relating to the now complete build out of our executive leadership team and the changing composition of the Board with two additional Non-Executive directors joining the Board. Variable staff costs continued to be tightly controlled at a group level with the majority of the increase in the year due to client facing teams.

Non staff related costs include costs relating to information technology, property, depreciation, custody and dealing, marketing and the use of professional advisers and delivery partners. They now also include the cost of software amortisation which was historically reported outside of underlying performance measures. Prior year comparatives have been restated for this change.

In order to accelerate the delivery of our risk management and controls framework we saw higher costs relating to external delivery partners in the year. We also had higher property costs as we opened a new office in Cardiff and absorbed above inflationary increases in business rates. We further invested in the core IT platform to enhance resilience and meet business and regulatory requirements.

Underlying profit before tax

Underlying profit before tax excludes expenditure and income falling into the categories explained below and a reconciliation between underlying profit and the profit attributable to shareholders is provided in the following table:

Table 2: Reconciliation of underlying profit before tax to statutory profit before tax

	2018 £m	2017 restated[1] £m
Underlying profit before tax	**18.0**	17.0
Exceptional costs of resolving legacy matters	**(5.5)**	(6.5)
Software impairment	**(2.5)**	–
Amortisation of client relationship contracts and contracts acquired with fund managers	**(2.4)**	(2.5)
Changes in fair value of deferred consideration	**(1.2)**	2.2
Finance cost of deferred consideration	**(0.2)**	(0.3)
Disposal costs	**(0.1)**	–
Impairment of carrying value of goodwill	**–**	(2.0)
Results of discontinued operations	**0.5**	0.1
Statutory profit before tax	**6.7**	8.0

[1] Underlying profit before tax for 2017 has been restated to include software amortisation and exclude discontinued operations, consistent with the treatment in the current period.

* Note that rounded numbers are used above, see note 3 in the financial statements for detailed amounts

Exceptional costs of resolving legacy matters

As detailed in note 24 to the consolidated financial statements we have continued to deal with two legacy matters arising from the former Spearpoint business in the Channel Islands which we acquired in 2012. These matters relate to the investment management of a number of discretionary client portfolios and a Dublin-based fund and we have decided to make a further provision of £5.5m (FY17: £6.5m) in order to resolve them. Progress has been made and two thirds of the offers by value have now been accepted and the Group continues to work with all stakeholders and the relevant regulators to move matters forward. The Group also continues to be in dialogue with the directors of the Dublin based fund. The Board consider that this is an exceptional item relating to historic matters and its impact on statutory profit does not give a true reflection of the underlying performance of the Group.

Strategic report

continued

Group performance *continued*

Software impairment (note 14)

The current year includes an impairment of £2.5m relating to software intangible assets (FY17: £nil). As part of the year end process we conducted a review of our software assets as at 30 June 2018 and concluded that one component was now obsolete post implementation of the Group common operating platform.

Amortisation of client relationship contracts and contracts acquired with fund managers (note 14)

As explained in notes 2(d) and 2(m), client relationship intangible assets and contracts acquired with fund managers are created in the course of acquiring funds under management. The total amortisation charge for the year of £2.4m (FY17: £2.5m) associated with these intangible assets has been excluded from underlying profit as the directors consider these costs can distort the results of a particular period.

Finance cost and changes in fair value of deferred consideration (note 21)

The Group acquired Levitas in 2014 which involved acquiring funds under management and in order to continue to incentivise and motivate the vendors, the sale proceeds included deferred payments over a period of time based on the retention and growth in funds under management. The initial estimated fair value of the deferred payments were based on future projections of funds under management and where the actual payment is different from the original estimates then charges or credits are made in arriving at the profit before tax. The directors consider that the effect of these changes to the original projected payments can distort the results of a particular period and have therefore excluded them from underlying profit.

Initial estimates of the deferred cash payments are recognised in the financial statements at their present value based on an inherent rate of implied interest. The difference between the discounted present value of deferred consideration and the estimated future cash payment is recognised as a charge over the duration of the deferral period in arriving at profit before tax. The directors consider that this charge, which is a non-cash item, can distort the results of a particular period and have therefore excluded the charge from underlying profit.

Impairment in carrying value of goodwill (note 14)

Goodwill is reviewed annually for impairment based on the carrying value of the asset compared to its expected recoverable amount. The value in use of each of the three cash generating units exceeds their expected recoverable amount and therefore there was no impairment loss recognised in the year. In the year ended 30 June 2017, an impairment charge of £2.0m was recognised in relation to the goodwill associated with the Levitas acquisition. Further details are provided in note 14 to the consolidated financial statements.

In the event of an impairment loss, the directors consider that this charge, which is a non-cash item, can distort the results of a particular period and have therefore excluded the charge from underlying profit.

Discontinued operations (note 11)

The Group disposed of two subsidiaries during the year: Braemar Estates (Residential) Limited and Braemar Facilities Management Limited ("discontinued operations"). As a result, the loss of the discontinued operations and gain recognised on disposal has been split out in the Group's financial statements for both the years ended 30 June 2018 and 2017. The sale proceeds included an element of contingent consideration receivable based on certain performance criteria. Initial estimates of the contingent consideration are recognised in the financial statements at their discounted present value based on an inherent rate of implied interest. As a result, the directors consider that the results of discontinued operations are not part of the Group's underlying business and therefore the Group's underlying profit excludes: the loss from discontinued operations, gain on disposal, disposal costs, finance income of contingent consideration and changes in fair value of contingent consideration.

Strategic report

continued

Group performance *continued*

Segmental review

For the year ended 30 June 2018, the Group reported its results in four key operating segments: Investment Management; Funds; Financial Planning; and International. From 1 July 2018 the Funds business has been integrated into the Investment Management segment.

Investment Management

The UK based Investment Management service continues to remain the core part of the Group, contributing 73.7% (FY17: 71.7%) of the Group revenue. Investment Management principally provides discretionary investment management to private investors, pension funds, charities and trusts through BPS and MPS. Despite considerable changes within the industry and volatility within the financial markets we have continued to grow FUM as shown in the table on page 12.

Financial Planning

The Financial Planning business continues to deliver both fee based financial advice to high net-worth families, and employee benefits consultancy to small and medium sized employers throughout the UK. The division remains a major introducer of new investment management funds to the Investment Management segment of the Group. The segment broke even for the year (FY17: profit £0.3m).

Funds

The Funds business continues to grow in scale as total FUM increased by 32.4% to £1,534m (FY17: £1,159m) at 30 June 2018. This growth was achieved organically through net new investment across the range of funds with the Defensive Capital Fund now over £500m FUM and investment solutions successfully grew by 50.9% to £587m.

International

The business saw an increase of FUM during the year of 10.7% to £1,693m (FY17: £1,529m) with new business from a number of sources and the first strategic alliance with an overseas introducer in Dubai together with increased flows from South Africa.

Revenue in the year increased by 12.6% which has driven an increase in underlying profit to £1.4m (FY17: £0.4m).

We have continued to deal proactively with certain legacy matters where the former Spearpoint business acted as investment manager to a number of discretionary clients and to a Dublin based fund. During the year it became apparent that the calculation of the goodwill offers for the discretionary portfolio clients was affected by quality issues with data derived from legacy systems. To ensure that the calculation was fair to clients, we therefore initiated a comprehensive review of the data sources, calculations and methodology, requiring extensive use of third party expertise to extract the data, and to provide advice and quality assurance. As a result we have made an additional provision during the year of £5.5m (FY17: £6.5m) in order to resolve these matters, resulting in a statutory loss before tax for the year of £4.5m (FY17: £6.6m loss).

Group and consolidation adjustments

The costs charged through this segment represent the costs of running the Group's parent company, including the costs of the Board members and other central costs which are not directly related to the trading segments of the Group.

Consolidation adjustments, impairment of goodwill, amortisation of client relationship intangible assets and changes in the fair value of deferred consideration in respect of the Group's assets are included within this segment.

Dividend Policy

The Group's dividend policy is to grow dividends in line with the Group's adjusted earnings. Its aim is to ensure that shareholders benefit from the growth of the Group. The Board recognises the importance of dividends to shareholders and the benefit of providing sustainable shareholder returns.

In determining the level of dividend in any year the Board considers a number of factors such as the level of retained earnings, future cash commitments, statutory profit cover, capital and liquidity requirements and the level of profit retention required to sustain the growth of the Group.

Strategic report
continued

Group performance *continued*

Dividend Policy *continued*

The retained earnings of the Group at 30 June 2018 were £46.3m (FY17: £42.0m).

The Group is well positioned to continue funding dividend payments in accordance with its policy.

Cash resources and regulatory capital

The Group's financial position remains strong with net assets increasing to £88.0m (FY17: £85.7m) and tangible net assets (net assets excluding intangibles) up to £27.4m (FY17: £23.1m). Regulatory capital resources are £30.4m (FY17: £26.5m) after taking into account deductions for current and non-current deferred tax liabilities of £3.0m (FY17: £3.4m).

The Group had net cash outflows of £1.2m during the year. This includes payments made in relation to the exceptional costs of resolving legacy matters of £5.8m (FY17: £nil). Total cash resources at the end of the year were £30.9m (FY17: £32.2m). The Group had no borrowings at 30 June 2018 (FY17: £nil).

As required under Financial Conduct Authority ("FCA") rules and those of both Jersey and Guernsey Financial Services Commissions we perform a regular Internal Capital Adequacy Assessment Process ("ICAAP") and Adjusted Net Liquid Asset ("ANLA") calculation which includes performing a range of stress tests to determine the appropriate level of regulatory capital and liquidity that the Group needs to hold. Surplus levels of capital are forecast taking into account investment requirements and proposed dividends to ensure that appropriate buffers are maintained. The Group's Pillar 3 disclosures are published annually on our website (www.brooksmacdonald.com).

Going Concern

The directors believe the Group is well positioned to manage its business risks successfully. The Group's forecasts containing potential adverse changes in trading performance show the Group has adequate resources to continue operations for the foreseeable future. Having considered the Group's prospects for a period exceeding 12 months from the date the financial statements are approved, the directors continue to adopt the going concern basis for the preparation of the consolidated financial statements.

Strategic report

continued

Corporate governance

The main objective of the Board is to ensure the long-term success of the Group for the benefit of its shareholders and other stakeholders. The Board is responsible for providing entrepreneurial leadership, setting the Group's strategic objectives, ensuring the Group has adequate human and financial resources available to meet its objectives, monitoring and reviewing the performance of senior managers, setting the Group's culture and values, and ensuring the Group meets its obligations to its shareholders and other stakeholders.

The Board comprised the following Executive and Non-Executive directors during the year:

Composition of the Board

Name	Appointments as at 30 June 2018	Notes
Non-Executive directors		
Christopher Knight	Chairman; Chair of the Nominations Committee	
Colin Harris	Senior Independent Director; Chair of the Risk and Compliance Committee	
Richard Price	Chair of the Audit Committee	
Diane Seymour-Williams	Chair of the Remuneration Committee	
Chris Macdonald		Resigned on 31 March 2018
David Stewart	Non-Executive director	Appointed on 25 May 2018
Executive directors		
Caroline Connellan	Chief Executive	
Simon Jackson		Resigned on 30 April 2018
Andrew Shepherd	Deputy Chief Executive	
Nick Holmes	Executive Director	
Richard Spencer		Resigned as a director on 24 October 2017
Simon Wombwell		Resigned as a director on 24 October 2017

The Board considers that Colin Harris, Richard Price, Diane Seymour-Williams and David Stewart are independent directors.

Though they resigned from the Board of directors on 24 October 2017, Richard Spencer and Simon Wombwell remain employees of the Group.

Since the end of the financial year:

- Ben Thorpe was appointed as the Group's Finance Director and joined the Board on 6 August 2018; and
- John Linwood joined the Board on 19 September 2018 as an independent Non-Executive director.

There have been a number of changes to the composition of the Board over the year, as set out in the table above. During the year ended 30 June 2018, the Board comprised an appropriate combination of Executive and Non-Executive directors, including independent Non-Executive directors such that no individual or small group of individuals could dominate decision making.

Biographies of all current board members are provided on the Group's website at www.brooksmacdonald.com.

The UK Corporate Governance Code ("the Code") requires that, except for smaller companies, at least half the Board, excluding the Chairman, should comprise Non-Executive directors determined by the Board to be independent. The Code requires that smaller companies should have at least two independent Non-Executive directors. Brooks Macdonald Group plc is a 'smaller company' within the meaning of the Code (having been below the FTSE 350 throughout the year ended 30 June 2018). As at 30 June 2018, the Board, excluding the Chairman, comprised four Non-Executive directors, determined by the Board to be independent, and three Executive directors.

Strategic report
continued

Corporate governance *continued*

Composition of the Board *continued*

The Board held formal meetings on 10 occasions during the year and also met informally on a number of occasions. The Chairman and Non-Executive directors also held a number of meetings without Executive directors present. The following table sets out directors' attendance at board meetings:

Attendance at board meetings

Name	Maximum possible attendance	Actual attendance
Christopher Knight	10	10
Colin Harris	10	10
Richard Price	10	10
Diane Seymour-Williams	10	9
Chris Macdonald	8	7
David Stewart	1	1
Caroline Connellan	10	10
Simon Jackson	8	6
Andrew Shepherd	10	9
Nick Holmes	10	10
Richard Spencer	2	2
Simon Wombwell	3	2

The Board is supported by five committees: Audit Committee; Disclosure Committee; Nominations Committee; Remuneration Committee; and Risk and Compliance Committee. The terms of reference for each of these are provided on the Group's website. Commentary on the work of each of the Committees is set out below.

Audit Committee

Role and responsibilities

The purpose of the Committee is to assist the Board in meeting responsibilities for matters including review and challenge of the consistency of the Group's accounting policies and standards and of the integrity of its financial statements; oversight and monitoring of the internal audit function; and assessing the independence of the external auditors.

The Committee provides oversight, review and challenge of the Group's consolidated financial reporting and accounting policies. The responsibilities of the Committee in respect of internal controls and risk management, internal audit and the external auditors encompass the Group as a whole, including responsibilities carried out on behalf of subsidiary legal entity boards as appropriate.

The full responsibilities of the Committee are outlined in the Committee's Terms of Reference, a copy of which can be found at www.brooksmacdonald.com/investor-relations/shareholder-services.

Composition

The Committee comprises Richard Price (Chair), Colin Harris and David Stewart. On 25 May 2018, Christopher Knight resigned from the Committee and David Stewart joined the Committee on the same date. Membership of the Committee is restricted to independent Non-Executive directors with recent and relevant financial experience. The Group Finance Director, Chief Risk Officer and, by way of invitation, representatives of the external auditors shall also routinely attend meetings. The Committee meets with representatives of the external auditors without management present at least once a year.

Strategic report
continued

Corporate governance *continued*

Audit Committee *continued*

The composition of the Committee and attendance during the year ended 30 June 2018 is set out in the table below.

Attendance at Audit Committee

Name	Maximum possible attendance	Actual attendance
Richard Price	7	7
Colin Harris	7	7
Christopher Knight	7	7
David Stewart	–	–

Colin Harris resigned from the Committee on 19 September 2018 and John Linwood joined the Committee on the same date.

Activities during the year
The Committee met on seven occasions during the year with meetings structured around the financial calendar of the Group. The Committee considered the significant financial and audit issues, the judgements made in connection with the financial statements and reviewed the narrative within the Annual Report and Accounts and the Half Yearly Financial Report.

Specifically, the Committee conducted a review of the Group's third-line controls with a particular focus on internal audit. Working with the Group's Head of Compliance and executive management, they considered a number of options for the improvement of third-line controls before proposing that the Group's internal audit function should be outsourced to a service provider. The Committee considered that an outsourced service provider could deliver a cost-effective but robust internal audit function that would be able to conduct a more comprehensive programme of review than an in-house function. The Committee led the search for an appropriate service provider, devising a scope of work and seeking proposals from a number of providers before appointing KPMG to provide outsourced internal audit services.

The Committee also discussed the provision of £5.5m for the exceptional costs relating to the resolution of legacy matters in the International business summarised in note 24 to the consolidated financial statements, and reviewed the audit engagement letter and agreed the audit fee shown in note 7 to the financial statements.

Disclosure Committee
The Disclosure Committee was established as a committee of the Board on 24 July 2018. The Committee members are: the Chairman, who chairs the Committee; the Chair of the Audit Committee; the Chief Executive; and the Finance Director. The Group General Counsel is an attendee. The purpose of the Committee is to determine whether specified information relating to the Group is inside information in terms of the Market Abuse Regulation or price sensitive information in terms of the AIM Rules for Companies, which should therefore be disclosed to the market. It meets on an ad hoc basis as required. Any member of the Board has the right to attend meetings.

Nominations Committee
The Nominations Committee comprises Christopher Knight (Chair), Colin Harris, Diane Seymour-Williams and Richard Price. Only members of the Committee may vote on Committee business but other members of the Board and the Head of HR may attend all or part of a meeting by invitation. The purpose of the Committee is to help the Board to monitor the balance of skills, knowledge, experience and diversity on the Board, to recommend Board and Board Committee appointments, and to monitor succession planning at the senior management level.

Strategic report
continued

Corporate governance *continued*

Nominations Committee *continued*

The composition of the Committee and attendance during the year ended 30 June 2018 is set out in the table below.

Attendance at Nominations Committee

Name	Maximum possible attendance	Actual attendance
Christopher Knight	4	4
Colin Harris	4	4
Diane Seymour-Williams	4	4
Richard Price	4	4

There have been several changes to the Group Board over the course of the year ended 30 June 2018 and the Nominations Committee has sought to ensure that the Board is composed of an appropriate combination of Executive and Non-Executive (particularly independent Non-Executive) directors with an appropriate balance of skills, knowledge, experience and diversity.

Chris Macdonald retired as a Non-Executive director on 31 March 2018 and Simon Jackson resigned as an Executive director on 30 April 2018. One new independent Non-Executive director, David Stewart, was appointed during the year and, since the end of the financial year, one further independent Non-Executive director, John Linwood, and one Executive director, Ben Thorpe, have been appointed.

The search for new Non-Executive directors was led by Christopher Knight (Non-Executive Chairman). Recruitment consultants, Korn Ferry, were appointed to assist with the search. Korn Ferry provided the Nominations Committee with a long-list of candidates who were put through a process of initial screening before attending interviews with members of the Nominations Committee. Further interviews were then held with Executive directors and other senior employees, as appropriate, before recommendations were made by the Nominations Committee. David Stewart was appointed as a Non-Executive director on 25 May 2018, and John Linwood was appointed on 19 September 2018.

Following Simon Jackson's notice of resignation, the search for a new Finance Director was commenced. Korn Ferry were again appointed to assist with the search. Korn Ferry provided a long-list of candidates, from which a short-list was identified for interview following initial screening. A series of interviews were then held with Non-Executive and Executive directors, and other members of the senior management team, as appropriate. Members of the Finance team were also involved in the process before an offer was made. Following the search process, Ben Thorpe was appointed as Finance Director on 6 August 2018.

Caroline Connellan's husband was formerly employed by Korn Ferry but gave notice of his intention to resign and was on gardening leave from May 2017, finally leaving his role in November 2017. This potential conflict was registered on the Group's conflicts register. The potential conflict was managed in that Caroline Connellan was not involved in the appointment of Korn Ferry for these searches. Further, Mrs Connellan's husband did not participate in the exercises. Korn Ferry was first engaged by the Group before Mrs Connellan's appointment as Chief Executive. Aside from this, Korn Ferry does not have and has never had any connection with the Group other than as a recruitment consultant engaged to assist with senior appointments.

The Nominations Committee is responsible for maintaining an effective policy on diversity (including but not limited to gender diversity). In March 2018 the Group published its gender pay gap and narrative connected to the data. Diversity has been a topic of discussion at board and executive level, and a key focus of the Executive People Committee. Since the end of the financial year, the Group has signed up to the Women in Finance Charter, and will publish a gender diversity target before the end of September. A number of initiatives are also in progress to improve diversity in the organisation.

Strategic report
continued

Corporate governance *continued*

Remuneration Committee
The Remuneration Committee comprises Diane Seymour-Williams (Chair) and Colin Harris. Since the year end Christopher Knight resigned from the Committee on 11 September 2018 and John Linwood joined the Committee on 19 September 2018.

The composition of the Committee and attendance during the year ended 30 June 2018 is set out in the table below.

Attendance at Remuneration Committee

Name	Maximum possible attendance	Actual attendance
Diane Seymour-Williams	9	9
Christopher Knight	9	9
Colin Harris	9	9

The Committee exercises independent judgment in the determination, implementation and operation of the overall Remuneration Policy for the Group. The Committee also:

- Provides oversight of the design and application of the Remuneration Policy and recommendation to the Board of the overarching principles for all Group employees;
- Ensures the policy is consistent with the risk appetite of the Group and its strategic goals;
- Reviews and approves the remuneration policies and remuneration for Executive directors, members of the executive committee and any other employees for whom enhanced oversight is either appropriate or a regulatory requirement.

Full terms of reference for the Committee are reviewed annually and are available on the Group's website.

Development of our Executive director remuneration policy
As detailed in last year's Annual Report, the Committee introduced a number of changes to the remuneration policy for our senior executive directors for the year ended 30 June 2018. The changes were designed to improve alignment of the policy with the Group's strategy and the interests of shareholders, and to take account of best practice principles. The changes included:

- Replacement of the previous profit-sharing arrangement with a capped annual bonus scheme, with a maximum of 150% of base salary, payable for outstanding performance;
- Introduction of a transparent scorecard of performance metrics for annual bonus, which, for the year ended 30 June 2018, included underlying profit before tax (40% weighting); net organic growth in funds under management (20% weighting); and non-financial objectives (40% weighting);
- Deferral of one third of the annual bonus in Company shares for two years (as a transition towards a longer deferral in future); and
- The application of robust malus and clawback arrangements.

During the course of the year ended 30 June 2018, the Committee reviewed the existing Long Term Incentive Scheme ("LTIS"). The Committee Chair consulted with key shareholders on proposed changes to the scheme for future awards. After taking account of feedback, the Committee proposed replacing the existing long-term incentive scheme (which was not individually capped) with a new 'restricted share plan' based on the following clear principles:

- Executive directors will be considered each year for a conditional award of shares of up to 50% of base salary;
- The award will vest after three years subject to continued service and the achievement of three key underpinning performance criteria relating to: funds under management; maintenance of the dividend; and a satisfactory risk, compliance, internal control and governance environment over the period;
- Post-vesting, recipients will be required to hold the shares, net of sales to settle income tax and National Insurance contributions due on vesting, for a further two years. This will create further long-term alignment with shareholders' interests by creating a combined vesting and holding period of five years; and
- Robust malus and clawback principles will apply.

Strategic report
continued

Corporate governance *continued*

Remuneration Committee *continued*

The proposed plan rules will be submitted in a resolution to shareholders at the forthcoming AGM for approval.

The Committee has also decided to make a number of other important changes to executive remuneration policy, to accompany the introduction of the replacement long-term incentive plan:

- A minimum shareholding requirement will be introduced for Executive directors of at least 200% base salary for the CEO, and 150% of base salary for other Executive directors;
- The weighting on non-financial performance metrics for the year ending 30 June 2019 annual bonus plan for Executive directors will be reduced from the current 40% to 30% of the maximum bonus. For this element, the Committee will set challenging non-financial performance targets for the executive team members, aligned to the strategic goals of the Group, including the areas of strategy delivery, client service, risk management, people and leadership. This element will be further reduced in future years; and
- With the increase in the weighting on financial performance in the annual bonus, the Committee will introduce operating margin as an important additional metric to accompany the existing underlying profit before tax and FUM growth metrics.

The changes referred to above have a number of benefits for the Group and its shareholders:

- It strengthens the alignment of our Executive directors with the interests of shareholders;
- It provides a focus on long-term, sustained performance, through post-vesting holding of Long Term Investment ("LTI") shares and a minimum shareholding requirement;
- It reinforces our focus on achieving our annual financial targets;
- It places clear caps on the maximum level of annual bonus and LTI that can be awarded. The cap on the level of LTI award at 50% of base salary is around half the level that would normally apply in a performance share plan – this takes account of the types of performance criteria that will apply under the new plan;
- It simplifies remuneration; and
- It facilitates the retention of our senior management team, for the benefit of shareholders.

Further information on the proposed policy changes is provided later in this remuneration report.

Other Committee activities during year ended 30 June 2018

The Committee has overseen significant enhancements to our remuneration structures and practices over the year. This activity included:

- Reviewing regulatory and market practice analysis;
- Gaining insight through a firm-wide feedback exercise into which elements of reward are key in motivating, engaging and retaining our employees;
- Reviewing market alignment of roles across the organisation; and
- Reviewing our benefits package and its competitiveness.

During the year, the Committee received advice from PwC and Aon.

Following this analysis, enhancements were introduced to the Group's benefits package for all employees which included increased pension provision to encourage our staff to save more for retirement. Benefits have been more closely aligned across the Group to ensure that they are fair, transparent, and encourage a diverse workforce.

Strategic report

continued

Corporate governance *continued*

Remuneration Committee *continued*

The mix between fixed and variable pay was also analysed and imbalances addressed. Further work will be undertaken this year with the aim of ensuring our compensation structures are aligned to strategic outcomes, regulation and shareholder interests, and to enable the Group to attract and retain talent.

Overall, significant progress has been made in evolving our compensation and benefit structures and the work undertaken has been welcomed by employees. The Committee intends to develop further our remuneration approach to ensure that firm-wide, it supports the Group's strategic objectives and creates long-term shareholder value.

Single figure of directors' total remuneration

£'000		Salary and fees	Taxable benefits	Pension related benefits	Annual bonus[1]	Long term incentives[2]	Sharesave[3]	Other payment[4,5]	Total
Executives									
C M Connellan	**2018**	**298**	**2**	**45**	**407**	**83**	**–**	**100**	**935**
	2017	62	1	9	150	–	–	100	322
N I Holmes	**2018**	**198**	**2**	**10**	**148**	**98**	**5**	**–**	**461**
	2017	184	3	24	200	44	–	–	455
A W Shepherd	**2018**	**183**	**2**	**–**	**223**	**98**	**5**	**–**	**511**
	2017	204	4	–	200	66	–	–	474
S J Jackson[a]	**2018**	**278**	**3**	**–**	**100**	**77**	**–**	**93**	**551**
	2017	195	7	–	120	44	4	–	370
R H Spencer[b]	**2018**	**62**	**3**	**–**	**65**	**46**	**5**	**–**	**181**
	2017	195	5	–	170	38	–	–	408
S P Wombwell[b]	**2018**	**64**	**3**	**–**	**60**	**81**	**–**	**–**	**208**
	2017	201	6	–	120	44	–	–	371
C A J Macdonald[c]	**2018**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2017	203	1	–	150	–	–	–	354
Total Executive remuneration	**2018**	**1,083**	**15**	**55**	**1,003**	**483**	**15**	**193**	**2,847**
	2017	1,244	27	33	1,110	236	4	100	2,754
Non-Executives									
C J Knight (Chairman)	**2018**	**141**	**–**	**–**	**–**	**–**	**–**	**–**	**141**
	2017	109	–	–	–	–	–	–	109
C R Harris	**2018**	**67**	**–**	**–**	**–**	**–**	**–**	**–**	**67**
	2017	58	–	–	–	–	–	–	58
R S Price	**2018**	**57**	**–**	**–**	**–**	**–**	**–**	**–**	**57**
	2017	49	–	–	–	–	–	–	49
D Seymour-Williams	**2018**	**57**	**–**	**–**	**–**	**–**	**–**	**–**	**57**
	2017	49	–	–	–	–	–	–	49
C A J Macdonald[c]	**2018**	**46**	**–**	**–**	**–**	**–**	**–**	**–**	**46**
	2017	17	–	–	–	–	–	–	17
D Stewart[d]	**2018**	**4**	**–**	**–**	**–**	**–**	**–**	**–**	**4**
	2017	–	–	–	–	–	–	–	–
Total Non-Executive remuneration	**2018**	**372**	**–**	**–**	**–**	**–**	**–**	**–**	**372**
	2017	282	–	–	–	–	–	–	282
Total remuneration	**2018**	**1,455**	**15**	**55**	**1,003**	**483**	**15**	**193**	**3,219**
	2017	1,526	27	33	1,110	236	4	100	3,036

Strategic report
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Corporate governance *continued*

Remuneration Committee *continued*

Notes to the total remuneration table

[1] The amounts represent the total annual bonus value awarded in respect of the relevant financial year, comprising both cash and share awards. For FY18 the cash payment comprised 66.7% (FY17: 80.0%) of total annual bonus value and the share option award 33.3% (FY17: 20.0%)

[2] The amounts represent the value at vesting of the three-year Long Term Incentive Scheme granted on 14 October 2014. These awards satisfied the performance conditions requiring an increase in the diluted earnings per share of the Company of at least 2% per annum more than the increase in the RPI over the period of three financial years starting with the financial year in which the date of the grant falls and ending with the financial year in which the third anniversary of the date of the grant falls. The value of any vesting annual bonus deferrals awarded in FY14 is excluded from this view.

[3] Value of benefit associated with discount of the 2018 scheme.

[4] The amount for C M Connellan in the years ended 30 June 2017 and 2018 represents delivery of a non-recurring cash payment agreed at hire.

[5] Payments to S J Jackson reflects an ex gratia payment made at the time of leaving the Group.

[a] Resigned 30 April 2018.

[b] Resigned 24 October 2017 (remains in the employment of the Group).

[c] Resigned as an Executive director on 10 April 2017 and as a Non-Executive director on 31 March 2018.

[d] Appointed 25 May 2018.

The current total remuneration for an Executive director has four main elements: base salary and benefits, performance related annual bonus, long-term equity-based incentives and pension. The total reward is designed to include a balance of fixed and variable pay with an element of deferral.

Base salary

The core, fixed component of the package is paid monthly via payroll and determined by the Committee. Fixed pay levels are reviewed annually with increases effective 1 August. Other, exceptional increases may be made at other times of the year where it is deemed appropriate by the Committee.

In deciding appropriate levels the Committee considers salaries throughout the Group and information on comparable companies of a similar size and complexity provided by advisers to the Committee. The views of the Chief Executive are taken into consideration when setting the salary of other directors. The base salaries of Executive directors were increased on 1 August 2017 by a total of 2.7% compared to an overall average increase for all employees of 2.7%. This component of directors' salaries is designed to attract and retain high calibre individuals.

Through the base salary review, it has been necessary to address some inconsistencies in the pension payments of directors which were impacting the calculation of bonus payments. From 1 August 2018, all Executive directors have a base salary plus a fixed pension contribution of 10%, which they may either have paid into the Group's defined contribution pension scheme or received as a taxable cash allowance. In aligning pension contributions, some adjustments to base salaries were effected to ensure that Executives' total compensation opportunity under the annual bonus was not impacted.

Annual bonus

Awards to Executive directors and some other senior employees of the Group of performance related bonuses are made annually and a new incentive structure was implemented for the year ended 30 June 2018. The annual bonus rewards annual financial performance and the achievement of key non-financial strategic objectives.

Awards to individual Executive directors are determined by the Committee taking into account a balanced scorecard of metrics and targets. Under the incentive structure, all participants have a defined maximum opportunity, set as a percentage of fixed pay, which will not exceed 150% of fixed pay for any Executive. Individual Executive director targets are as follows, wherein Threshold, Target and Maximum are expressed as a percentage of pay-out at target:

Strategic report

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Corporate governance *continued*

Remuneration Committee *continued*

	Threshold	Target	Maximum
C M Connellan	75%	100%	150%
N I Holmes	75%	100%	125%
A W Shepherd	75%	100%	125%

Annual bonus performance targets

The bonus was based on the following three metrics (% weighting within total bonus opportunity indicated):

- Underlying profit before tax ("UPBT") compared to the budget (40%);
- Net organic growth in funds under management ("Net FUM") compared to the target (20%); and
- Strategic and personal objectives (40%).

For both financial metrics, a sliding scale of targets was set around the budget for the year and account was taken of market consensus. A number of Group objectives were set for each Executive director's strategic objectives with a focus on strategic, financial, customer, people, risk and leadership.

In addition, individual objectives were set around specific personal projects and deliverables and role requirements. These measures were intended to give a broad assessment of the annual performance objectives of each director, including the results of the business, investment performance, net new business, management of risks facing the Group, leadership of their teams, and cost control within each individual's area of responsibility.

The targets and target ranges were as follows:

	Threshold	Target	Maximum
UPBT (£'000s)	12,114	16,152	20,190
Net FUM (£'000s)	486,500	973,000	1,459,500
Strategic and personal objectives	Discretionary range: 0% to 50%		

The following performance was achieved:

	Performance achieved	
	£	% of total bonus
UPBT ('000s)	16,152*	40%*
Net FUM ('000s)	1,364,811	24% to 28%
Strategic and personal objectives	15% to 50%	

*actual UPBT performance was delivered at £18,018,000, 11.6% higher than target. However the pay-out was reduced to Target (£16,152,000) to reflect external market influence in UPBT delivery. This discretionary adjustment was approved by the Committee.

Following the calculation of bonus awards against the stated performance measures, additional ex-ante risk adjustments were considered by the Committee and implemented for some Executive directors.

In respect of the application of deferral into shares, the Committee determined that as a transitional measure towards a three year deferral period, 33.3% of the annual bonus awarded will be made in shares deferred for a period of two years vesting in two tranches, half after 12 months and the remaining half after a further 12 months.

Strategic report
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Corporate governance *continued*

Remuneration Committee *continued*

Long Term Incentive Scheme

The amounts in the total remuneration table represent the value vested in the year from three-year LTIS awards arising from the deferred element of the 2014 annual bonus, which was subject to a post-award performance condition together with any additional awards made on similar terms. The awards satisfied the performance conditions, requiring an increase in the diluted earnings per share of the Company of at least 2% per annum more than the increase in the RPI, over the period of three financial years starting with the financial year in which the date of the grant falls.

In October 2017 the Remuneration Committee made annual awards under the LTIS to certain Executive directors and senior employees. These represented amounts in respect of the deferred element of the profit-related annual bonus, and annual LTIS awards. The awards vest after three years in a single tranche, subject to continued service and an increase in the diluted earnings per share of the Company of at least 2% per annum more than the increase in the RPI over the period of three financial years starting with the financial year in which the date of the grant falls and ending with the financial year in which they vest. To the extent that they vest, these awards will be shown in the total remuneration table for the financial year ending 30 June 2021.

The Remuneration Committee intends to make awards under the proposed restricted share plan in October 2018. The plan will be submitted to shareholders at the AGM, and has the following features:

- the maximum annual award under the scheme will be 50% of base salary in terms of the face value of the shares at grant. The Remuneration Committee may in any year make awards at a lower level by taking into account prior year performance and the share price at the time of grant;
- the awards will vest in one tranche, three years from the date of award, subject to achievement of the underpinning performance conditions;
- post vesting, recipients will be required to hold the net of tax vested shares for a further two years; and
- malus and clawback provisions will ensure that ex-post adjustments may be executed in accordance with defined scenarios and relevant events. These would include, but would not be limited to reputational damage, material financial loss, misstatement of performance, failure of risk management or serious misconduct.

Performance conditions will be introduced to underpin the awards over the three-year period. These will be:

- a requirement for the dividend to be at least maintained throughout the period above that paid for the last financial year prior to award;
- a requirement for average funds under management in the last complete financial year to be above the average level of the last complete financial year prior to award; and
- maintenance of a satisfactory risk, compliance, governance and internal control environment across the plan period.

In the case of a ‘bad’ leaver, all unvested awards would normally lapse. A ‘bad’ leaver is an Executive who leaves other than on retirement, redundancy, due to ill health or on the sale of the business, or for another reason at the discretion of the Remuneration Committee.

The Committee can seek the recovery of awards at any time before the vesting of awards (malus) or after the vesting of awards (clawback) if it determines that the financial results of the Group were materially misstated if; the Group is subject to a material adverse event (for example regulatory censure) or if an error was made in the calculation of the awards.

The Group established an employee benefit trust (“EBT”) on 3 December 2010 in order to acquire ordinary shares in the Group in connection with the deferred annual bonus. The EBT is also used for other long-term awards to members of the Board and senior employees of the Group.

Strategic report
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Corporate governance *continued*

Remuneration Committee *continued*

Pension benefits
Executive directors may participate in the pension arrangements of the Group or receive cash in lieu of pension. The Group's contributions in respect of Executive directors have been 15% of base salary but will reduce to 10% of base salary for the financial year ending 30 June 2019 which more closely aligns to other employees' entitlements within the Group. Base salary adjustments have been made in relation to the changes to this contractual benefit.

Other benefits
Benefits are provided to Executive directors to complement their remuneration package and are broadly aligned to the wider employee population, with some enhancements. The benefits package includes private medical insurance for Executive directors and their dependants, death-in-service cover, critical illness and permanent health insurance, annual medical assessments, and the Sharesave scheme ("SAYE").

Sharesave
This benefit shown in the total remuneration table is the value of the discount on the Sharesave options granted in the year.

Non-Executive directors' fees
The Non-Executive directors' fees were reviewed in October 2017 following analysis by our third party advisers. The fees were increased with the approval of the Executive Board members to reflect their additional responsibilities and commitments as the Group grows and to reflect the time commitment required during a period of significant change for the Group.

Directors' interests in shares
At 30 June 2018, active directors' shareholdings were as set out in Table 3.

Table 3: Directors' shareholdings

Number of shares or options	Beneficially owned shares	LTIS[1]	Sharesave	CSOP	Total options and shares
Executives					
C M Connellan	2,081	11,295	–	1,491	14,867
N I Holmes	59,655	21,279	1,204	2,067	84,205
A W Shepherd	47,880	22,655	1,204	2,067	73,806
Non-executives					
C J Knight (Chairman)	71,585	–	–	–	71,585
C R Harris (Senior Independent Director)	6,086	–	–	–	6,086
R S Price	–	–	–	–	–
D Seymour-Williams	4,000	–	–	–	4,000
D Stewart	–	–	–	–	–
Total	**191,287**	**55,229**	**2,408**	**5,625**	**254,549**

Notes

[1] In the year ended 30 June 2018 further awards were made to the Executive directors under the LTIS together with the deferred element of the annual bonus award. The cash value of the awards are shown in Table 4 and the actual number of shares awarded will be determined based on the share price at the grant date in October 2018.

Strategic report

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Corporate governance *continued*

Remuneration Committee *continued*

Table 4: Monetary value of awards made under LTIS and deferred element of annual bonus

	Deferred bonus £'000	Additional awards £'000	Total £'000
Executives			
C M Connellan	136	173	309
N I Holmes	49	21	70
A W Shepherd	74	86	160
Total	**259**	**280**	**539**

Table 5: Share Awards

		Maximum receivable at 30 June 2018	FY19 Options Vesting	FY20 Options Vesting	FY21 Options Vesting
C M Connellan	LTIS[2]	11,295	2,312	7,458	1,525
	CSOP	1,491	–	–	1,491[3]
	Sharesave	–	–	–	–
N I Holmes	LTIS[2]	21,279[1]	4,527	5,197	4,069
	CSOP	2,067[1,4]	–	–	–
	Sharesave	1,204	–	–	1,204[5]
A W Shepherd	LTIS[2]	22,655[1]	4,876	4,961	4,069
	CSOP	2,067[1,4]	–	–	–
	Sharesave	1,204	–	–	1,204[5]

Notes

[1] Includes shares vested before and during the year ended 30 June 2018.

[2] Exercise price of all LTIS options is nil.

[3] Exercise price £20.11.

[4] Exercise price £14.52.

[5] Exercise price £14.94.

Sharesave Scheme

All directors are entitled to take part in the HMRC-approved Brooks Macdonald Group Sharesave Scheme on the same terms as all other employees. Annual invitations to participate in the scheme, which commences each year on 1 June, are sent to directors and option grants are made at 80% of the closing mid market price on the day of the offer.

Company Share Option Plan ("CSOP")

The CSOP was approved by shareholders at the annual general meeting on 17 October 2013 and by HMRC on 21 November 2013.

The scheme is a discretionary scheme whereby employees or directors are granted an option to purchase the Company's shares in the future at a price set on the date of the grant. The maximum award under the terms of the scheme for an individual at any one time is a total market value of £30,000. There are performance conditions attaching to the scheme similar to those in place for the Enterprise Management Incentive ("EMI") Scheme whereby there must be an increase in the diluted earnings per share of the Company of 2% more than the increase in the RPI over the three years starting with the financial year in which the option is granted.

Strategic report
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Corporate governance *continued*

Remuneration Committee *continued*

Policy on share ownership
From the financial year ended 30 June 2019, Executive directors are required to build up a minimum shareholding through the retention of shares vesting under the Group's incentive plans, within 5 years of commencing in role. The CEO and Executive directors are required to build up share ownership equal to 200% and 150% of base salary respectively. The CEO and Finance Director are newer to their roles and will however have the opportunity to build up a holding within the required time period.

Dilution
Not more than 15% of the issued ordinary share capital of the Company (adjusted for bonus and rights issues) will be issued for all share incentive schemes operated by the Company in any ten year rolling period. The Company satisfies the various equity-based schemes it operates using a combination of market purchased, newly issued and treasury shares.

Service contracts for Executive directors
The Group has service contracts with its Executive directors with a notice period of 12 months and it is Group policy that such contracts should not normally contain periods of more than 12 months.

External appointments
Executive directors are normally permitted to take on an external appointment as a Non-Executive director. Prior board approval is required for any new appointment. Fees in excess of £15,000 per annum are paid to the Group.

Non-Executive directors
Non-Executive directors have a letter of appointment rather than contracts of employment. The Committee Chair and the Executive directors are responsible for reviewing and approving recommendations in respect of the amount of fees payable to Non-Executive directors; such recommendations being proposed on the basis of independent, market-based advice.

Changes to policy for the year ended 30 June 2019
The remuneration policy, which applies to Executive directors and other employees of the Group, continues to be based on the following key principles:

- linked to our strategy and designed to drive commercial outcomes aligned with shareholders' and clients' interests;
- designed to attract, retain and motivate high-calibre staff at the appropriate level of pay to meet business objectives;
- to place a strong link between pay, performance and behaviours and differentiate on this basis;
- maintain appropriate proportions of fixed and variable incentives to drive performance over the short and longer term;
- to ensure a market competitive, balanced package of benefits;
- inclusion of both annual and long term elements aligned to the interests of shareholders and clients, with significant long term equity participation at senior levels;
- fair for both the Executive director / employee and the Group with some element of discretion;
- an emphasis on variable, performance driven remuneration bonus payments funded from retained profits, with an element of discretion;
- clarity, transparency and fairness of process; and,
- flexible to recognise the evolving nature of the business.

The Committee continues to monitor the remuneration regulatory requirements applicable to the Group. In response to relevant regulations, the Group is transitioning certain aspects of its remuneration practices, where appropriate. In accordance with the FCA's guidance, and taking account of the Group's business characteristics and risk profile, the Group has dis-applied certain remuneration principles relating to variable pay on the grounds of proportionality, such as certain 'pay-out process rules'.

Strategic report
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Corporate governance *continued*

Remuneration Committee *continued*

As outlined earlier in the Remuneration Committee report, the Committee plans to implement a number of changes to the remuneration policy for Executive directors, designed to further align the policy with the principles above. The table below summarises the key changes that have been made between the years ended 30 June 2017 and 2018, and the changes planned for the year ended 30 June 2019.

Element of pay	Year ended 30 June 2017 policy	Year ended 30 June 2018 policy	Year ended 30 June 2019 proposed policy
Annual Bonus	**Structure:** awards based on a share of profits. **Maximum award:** awards were made from a pool of profits. **Deferral:** 20% of any bonus was subject to compulsory deferral.	**Type of plan:** profit share was replaced with a capped bonus plan, with a performance scorecard. **Maximum award:** 150% of base salary. **Performance measures and weightings:** 40% Profit Before Tax, 20% Net Organic Growth in Funds under Management, and 40% strategic and personal objectives. **Deferral:** Increase in mandatory deferral: one third of any bonus awarded is deferred in shares for two years. **Malus and clawback:** rules apply.	**Type of plan:** no change. **Maximum award:** no change. **Performance measures:** rebalanced so that there is a greater weighting on financial measures. Weightings are as follows: 30% Profit Before Tax, 25% Net Organic Growth in Funds under Management, 15% Net Operating Margin, and 30% strategic and personal objectives. **Deferral:** One-third of bonus deferred over three years, with tranche vesting. **Malus and clawback:** requirements have been expanded.
Long Term Incentive	**Type of plan:** annual award of performance shares, with modest performance. **Maximum award:** No maximum in the plan rules. **Performance conditions:** EPS hurdle only, with a hurdle growth rate of RPI+2% per annum. **Performance and vesting periods:** three years. **Post-vesting holding period:** none. **Malus and clawback provisions:** only for material misstatement or error.	**Type of plan:** annual award of restricted shares. **Maximum award:** 50% of base salary. **Performance conditions:** underpins apply to ensure pay for performance alignment. These include dividend stream, funds under management and risk and conduct. **Performance and vesting periods:** three years. **Post-vesting holding period:** a two-year post-vesting holding period will apply. This will result in a combined vesting and holding period of five years. **Malus and clawback:** provisions have been expanded.	No changes are currently proposed.

Strategic report
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Corporate governance *continued*

Risk and Compliance Committee

The Group's risk management framework is designed to ensure risks are identified, managed and reported effectively at every level. At business-unit level, first line systems and controls are employed to ensure business activities are conducted in compliance with internal policies and procedures. In the second line of defence, independent Group-level Compliance and Risk teams carry out further monitoring.

The Group Compliance function consists of Advisory and Monitoring teams; Advisory supports the business and Monitoring challenges the business.

The Group Risk function works with each business unit and central functions to implement a programme of risk and control self assessments to improve the identification and understanding of risk in the first line. Identified risks at each business unit are tracked in a business-level risk register and used as the basis for a consolidated risk register that provides the Group-level Risk and Compliance Committee with an overview of the key risks across the organisation.

Output from both first and second line monitoring is reported to relevant committees. Risks and issues are escalated through the business-level risk committees, the Executive Risk Management Committee, and the Group Level Risk & Compliance Committee.

The membership of the Risk and Compliance Committee comprises: David Stewart (Chair), Colin Harris, Richard Price and Diane Seymour-Williams. Christopher Knight resigned from the Committee on 25 May 2018 and David Stewart joined the Committee on this date. Business managers and representatives from the Legal, Risk and Compliance functions attend committee meetings as necessary to report on the results of risk and control assessments, changes to the risk register, monitoring output as well as key regulatory changes and developments. The Group-level Risk and Compliance Committee is principally responsible for monitoring identified risks and the effectiveness of mitigating actions, keeping risk assessment processes under review, reviewing the impact of key regulatory changes on the Group, assessing material breaches of risk limits and regulations as well as reviewing client complaints.

The composition of the Committee and attendance during the year ended 30 June 2018 is set out in the table below.

Attendance at Risk and Compliance Committee

Name	Maximum possible attendance	Actual attendance
David Stewart	–	–
Colin Harris	6	6
Christopher Knight	6	6
Richard Price	6	6
Diane Seymour-Williams	6	6

Since the year end, Colin Harris stepped down as Chair, but still remained on the Committee and David Stewart was appointed Chair of the Committee on 19 September 2018.

The Risk and Compliance Committee met on six occasions during the year ended 30 June 2018.

The principal risks identified as having a potential material impact on the Group are detailed below, together with the principal means of mitigation.

Financial risks

The Group's principal financial risks relate to credit risk, liquidity risk and market risk and the measures and policies for the management of those risks are set out in note 31 to the consolidated financial statements. Further details on capital management processes can be found in note 32.

Strategic report
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Corporate governance *continued*

Risk and Compliance Committee *continued*

Non-financial risks
The significant non-financial risks faced by the Group have been reviewed by the Committee, which believes they remain broadly the same as in previous years and are as follows:

Reputational risk

Impact	Mitigation
The Group has a growing reputation as a provider of high quality investment and wealth management services. There is a risk that significant damage to reputation could lead to the loss of existing clients as well as impacting on the ability to attract new clients, which would lead to a fall in financial income. Such risk could arise from events such as poor investment performance, poor client service or regulatory censure.	This risk is minimised by ensuring the Group maintains a culture of high ethical and professional standards whilst focussing on delivering a first class service to all of our clients and intermediaries. The Group maintains separate, independent Risk and Compliance departments which ensure conformity with the regulations of the Group's regulators, as well as relevant statutes, in all of our dealings with our clients.

Regulatory risk

Impact	Mitigation
The sector in which the Group operates is heavily regulated and any breach of regulations could lead to fines or disciplinary action against the Group or its staff. There is also a risk of missing emerging regulations and / or misinterpreting existing ones.	The Group monitors compliance with existing law and regulations and keeps abreast of future changes to assess the likely business impact and to ensure that the Group has sufficient resources to implement any necessary changes. The Group continued to invest in its Risk and Compliance functions during the year and is committed to further adding to the capabilities of these functions, in order to meet the challenges posed by future regulatory changes.

People risk

Impact	Mitigation
Our business is dependent on client relationships with our staff. Operating in a competitive market there is a risk of loss of existing clients due to the loss of key investment professionals. The retention of staff who are not investment professionals e.g. those in Group and central functions is also a risk for the organisation.	To minimise this risk, the Group continues to invest in its employees and monitors developments in the marketplace in which it operates to ensure that the Group continues to offer a wide range of relevant services. Recruitment policies are designed to attract high quality staff and the Group regularly reviews and validates its remuneration packages and contractual arrangements and motivation is measured through a sentiment index. Structured training is also provided by the Group's Learning and Development team.

Cyber and data security risk

Impact	Mitigation
The Group holds approximately 40,000 client records in its systems containing personal data and financial data related to these clients. The Group therefore represents a target for hackers and is at risk of attack.	The Group's employs firewalls and other technological security features to prevent unauthorised access. User identification and password details are required in order to access the Group's network and systems. Individual user access is restricted to specific areas of the network relevant to the user's role profile. As such, any access would be limited to specific areas of the network. Regular technological security checks are undertaken to validate the access rights of existing users. The IT system is duplicated in two remote data centres and data is carried over secure connections. Data records are updated to provide a recovery point and objective of one hour.

Strategic report
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Corporate governance *continued*

Risk and Compliance Committee *continued*

Outsourcing risk

Impact	Mitigation
Where key systems are provided by outsourced providers, there is a risk of failure of the third party or external supplier. There are further risks in the on-boarding of outsourcing partners and ongoing support from them. The Group's most significant outsourcing risk relates to its IT network infrastructure, which is provided by an outsourced service provider.	Due diligence takes place prior to the commencement of any outsourcing or material supplier relationship, to maintain a robust procurement process and good contract governance. The Group keeps key outsourcing partners under review and has in place procedures to regularly assess the performance of such suppliers as well as identifying suitable and viable alternatives. The Group has required that its outsourced IT service provider agrees contracts with third-party service providers that would allow for contracts to be novated immediately to Brooks Macdonald in the event of a business failure of the outsourced service provider.

Operational risk

Impact	Mitigation
There is a risk that the Group suffers a loss resulting from inadequate systems or controls, failed internal processes or human error.	The Group's risk management framework comprises ongoing monitoring, the application of detective and preventative controls and reporting of operational incidents by both the first and second line teams. The risk function works with businesses to conduct risk and control assessments that identify operational risks and auditors and third party consultancies provide further assurance.

Portfolio mandate risk

Impact	Mitigation
There is a risk that the Group breaches investment objectives or client specified restrictions for its discretionary investment management clients.	The Group uses a Centralised Investment Process through which asset allocation is determined for a range of risk profiles. Investment managers have some flexibility within the asset allocation model but are monitored to ensure individual portfolios do not fall outside the model. Portfolios are also monitored by a dedicated team using specialist portfolio risk management tools.

By order of the Board of directors,

S P Broomfield
Company Secretary

19 September 2018

Report of the directors

The directors present herewith their annual report, together with the audited financial statements of the Group for the year ended 30 June 2018. See page 100 for statutory Group information.

Results and dividends

The statutory profit before taxation for the year ended 30 June 2018 was £6,722,000 (FY17: £8,044,000) and the profit after taxation was £5,394,000 (FY17: £5,814,000).

The Group paid an interim dividend during the year of 17.0p (FY17: 15.0p) per share. The directors recommend a final divided of 30.0p (FY17: 26.0p) per share. This results in total dividends for the year ended 30 June 2018 of 47.0p (FY17: 41.0p) per ordinary share. These dividends amount to a total distribution to shareholders of £6,435,000 for the year ended 30 June 2018 (FY17: £5,545,000).

Retirement and re-appointment of directors

All of the directors of the Group Board will retire at the annual general meeting and are eligible to nominate themselves for re-election.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors and these remain in force at the date of this report.

Employment policies

Employees are encouraged to contribute to the financial performance of the Group as well as to risk identification and mitigation.

Employee performance is assessed on the basis of a 'balanced scorecard' and share in the success of the Group. Employees also have an opportunity to participate in the Group's share incentive plans.

The Group considers that employee engagement is extremely important to the long-term success of the business. Employees are engaged actively in discussions on important issues and their views are sought on key strategy decisions. Employees are engaged through a number of means, including large-group forums and 'town-hall' meetings, smaller group meetings, 'cascade' calls, employee surveys, team meetings and one-to-one meetings.

The Group seeks to engage actively in the training and development of employees. Training is delivered in-house and through externally-facilitated courses, and the Learning and Development team provide a number of continuing professional development ("CPD") activities. All employees are encouraged to use the Group's CPD planning and reporting tools and to log CPD activities centrally. Staff discuss specific training and development needs with line managers, who liaise with the Learning and Development team to facilitate appropriate courses. A programme of compulsory training courses is also delivered through a mix of online and in-person seminars and e-learning modules.

The Group provides a graduate training scheme for trainee investment fund managers and trainee financial planning consultants. It also offers apprenticeships and traineeships to trainees employed in business functional areas.

The Group is an equal opportunities employer. It aims to be inclusive and to treat all applicants, employees and contractors fairly and on merit, regardless of race, gender, age,

Directors and their interests

The directors of the Company, who were in office during the year and up to the date of signing the financial statements, are listed below together with their beneficial interests in the share capital of the Company.

	At 30 June 2018 Number of shares	At 30 June 2017 Number of shares
Chairman		
C J Knight	**71,585**	71,585
Executives		
C M Connellan	**2,081**	-
N I Holmes	**59,655**	62,293
A W Shepherd	**47,880**	50,153
B L Thorpe (appointed 6 August 2018)	**-**	-
S J Jackson (resigned 30 April 2018)	**6,840**	30,534
R H Spencer (resigned 24 October 2017)	**229,848**	229,848
S P Wombwell (resigned 24 October 2017)	**63,093**	54,189
Non-Executives		
C A J Macdonald (resigned 31 March 2018)	**248,177**	239,248
C R Harris	**6,086**	6,086
R S Price	**-**	-
D Seymour-Williams	**4,000**	5,000
D Stewart (appointed 25 May 2018)	**-**	-

Details of share options held by the directors at the beginning and end of the year can be found in the Remuneration Committee report on pages 21 to 30.

Report of the directors

continued

Substantial shareholdings

As at 31 August 2018, the Company had received notification of substantial interests in its shares of 3% or more as follows:

Substantial shareholdings	Number of shares	Percentage holding
Liontrust Asset Management	2,894,504	20.81
Octopus Investments	1,558,119	11.20
Canaccord Genuity Wealth Management	1,378,925	9.92
Brooks Macdonald Asset Management	1,045,715	7.52
J M Gumpel	626,760	4.51
Aberdeen Standard Investments	523,777	3.83
Artemis Investment Management	504,504	3.63
Invesco Perpetual Asset Management	480,393	3.45

Employment policies *continued*

disability, religious belief, sexual orientation or marital status. Applications from disabled persons are always considered and, where employees become disabled, efforts are made to continue their employment within the Group by providing the training and equipment necessary to enable them to continue in their role.

Wellness and wellbeing are important to the Group, which aims to provide an appropriate work-life balance to all staff and to keep all employees engaged, motivated and performing well. A comprehensive and flexible benefits package is offered to all employees. Employees are consulted on the range of benefits offered to ensure the package continues to offer benefits that are important and meaningful to employees.

Further information about activities to improve diversity are set out in the Nominations Committee report on page 19.

Events since the end of the year

Details of events after the reporting date are set out in note 36 to the consolidated financial statements.

Main business activities and indication of future developments

The main business activities of the Group over the financial year ended 30 June 2018 are set out in the Strategic Report on pages 7 to 33.

The directors consider that the best opportunities for the business lie in its core investment management services, which are based on its Centralised Investment Process, and on its financial planning services. The directors intend to focus on these areas, which have been successful in the past, and to build on them, promoting the core services through the business's key distribution channels: the intermediary market, professional relationships and international intermediaries. More information about the strategic outlook and future developments for the business is set out in the Strategic Report on pages 7 to 33.

Independent auditors

The Audit Committee has recommended to the Board that the incumbent auditor, PricewaterhouseCoopers LLP, is reappointed for a further term. PricewaterhouseCoopers LLP have expressed their willingness to continue in office as the Group's appointed auditor and a resolution to reappoint them will be proposed at the forthcoming general meeting.

Each of the directors in office at the date of the signing of this report confirms that, so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware. Each director has taken all reasonable steps that he or she ought to have taken as a director in order to make him or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Annual general meeting

The 2018 annual general meeting will be held on 31 October 2018 at 72 Welbeck Street, London, W1G 0AY. The notice of the meeting together with details of the resolutions proposed and explanatory notes are enclosed with this report and can also be found on the Group's website.

By order of the Board of directors,

S P Broomfield
Company Secretary

19 September 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Company financial statements in accordance with IFRSs as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the Report of the directors is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Financial statements

Independent auditors' report

to the members of Brooks Macdonald Group plc

Report on the audit of the financial statements

Opinion

In our opinion, Brooks Macdonald Group plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the Group and Company Statements of Financial Position as at 30 June 2018; the Group Consolidated Statement of Comprehensive Income for the year ended 30 June 2018, the Group and Company Statements of Cash Flows for the year ended 30 June 2018, and the Group and Company Statements of Changes in Equity for the year ended 30 June 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall Group materiality: £711,900 (FY17: £727,000), based on 5% of profit before tax, adjusted for the provision for exceptional costs of resolving legacy matters and the software impairment.
- Overall Company materiality: £478,500 (FY17: £502,000), based on 1% of net assets.
- The Group has four business segments, Investment Management, Financial Planning, Funds, and International, consisting of 10 legal entities that operated in the UK and Channel Islands during the reporting period.
- We audited the complete financial information of three legal entities, due to their size and specific scope on a further two legal entities.
- Taken together, our audit work accounted for more than 88% of Group revenues and 87% of Group profit before tax and 87% of Group total assets.
- Completeness of the provision for exceptional costs of resolving legacy matters
- Recognition of investment management fee revenue

Independent auditors' report

to the members of Brooks Macdonald Group plc | *continued*

Report on the audit of the financial statements *continued*

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditors' report

to the members of Brooks Macdonald Group plc | *continued*

Key audit matter	How our audit addressed the key audit matter
Completeness of the provision for exceptional costs of resolving legacy matters *Refer to note 2 Principal accounting policies and note 24 Provisions.* The Group recognised an additional provision of £5.5m in the year in relation to the legacy matters in the International business, bringing the total provision to £12.0m. A total of £5.8m has been utilised during the year resulting in a provision of £6.2m as at 30 June 2018. The size of the provision makes this a key audit matter. Management is required to make estimates in respect of the completeness of the provision in accordance with IAS 37 'provisions, contingent liabilities and contingent assets'.	We performed the following procedures in relation to the completeness of the provision for legacy matters: • We understood the nature of the legacy matters and assessed management's accounting treatment in line with the IAS 37 conditions to recognise a provision. • We understood from management and Board members the rationale for estimating the amount of provision to be recognised. • We evaluated the methodology used, and the supporting evidence to calculate the additional provision raised in the year. • We re-performed the calculation of goodwill offers at the underlying client level to ensure calculations have been performed in line with the documented methodology. • We agreed a sample of goodwill payments to clients to supporting documentation and bank statements. • We reviewed the number and value of unsettled cases and assessed the reasonableness of the outstanding provision. • We obtained support for the level of legal and professional expenses accrued, and agreed a sample of payments to supporting documentation. • We reviewed the disclosures made in the financial statements to determine their adequacy. Our testing did not identify any evidence of material misstatement.

Independent auditors' report

to the members of Brooks Macdonald Group plc | *continued*

Key audit matter	How our audit addressed the key audit matter
Recognition of investment management fee revenue *Refer to note 2 Principal accounting policies and note 4 Revenue.* Investment management fee income is generated by the Brooks Macdonald Asset Management Limited ("BMAM") and Brooks Macdonald Asset Management (International) Limited ("BMI") entities and is included within portfolio management fee income in the notes to the financial statements. The investment management fee income component represents 64% of the Group's £101.6m total revenue. This is a key audit matter due to its size and the significant audit effort involved in testing this revenue stream. The fees are calculated by applying each client's fee rate to their FUM. The calculation is largely automated, however there are a number of inherent risks including the manual input of key contractual terms and the completeness and valuation of funds under management, which could result in errors.	We performed the following procedures in relation to BMAM and BMI investment management fee income: • We understood and evaluated the design and implementation of key controls, including relevant Information Technology ("IT") controls, in place around the investment management fee process. • Whilst we did not rely on access controls over the system, we tested relevant automated controls over the mathematical accuracy of the investment management fee calculation and the pricing data feed used to value FUM. • We tested management's control over the performance of external client cash and unit reconciliations. • We tested, on a sample basis, cash and unit holding positions to external custody confirmations. • We agreed, for a sample, fee rates to client contracts. • We tested the valuation of a sample of assets against independent market prices. • We tested the accuracy of fees, by recalculating the quarterly fee for a sample of clients. • We reconciled the fees calculated by the portfolio management system to the general ledger postings. Our testing did not identify any evidence of material misstatement.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is composed of the Company, incorporated in the UK, and subsidiary entities in the UK and Channel Islands. The Group's accounting process is structured around a centralised finance function in the UK. In establishing the overall approach to the audit of the Group, we considered our assessment of the risk of material misstatement. We determined that three entities (Brooks Macdonald Group plc, Brooks Macdonald Asset Management Limited and Brooks Macdonald Asset Management (International) Limited) generated significant activities or balances to the results of the Group through the consideration of various factors such as their contribution to the Group's profit before tax and to provide sufficient evidence over each line item in the Group's financial statements. We supplemented this with additional testing over certain balances (such as property, plant and equipment, trade and other receivables & payables, available for sale financial assets, and expenses) which were recognised within entities not fully in scope of the Group audit. Taken together, our audit work accounted for more than 88% of Group revenues, 87% of Group profit before tax and 87% of Group total assets.

Independent auditors' report

to the members of Brooks Macdonald Group plc | *continued*

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£711,900 (FY17: £727,000).	£478,500 (FY17: £502,000).
How we determined it	5% of profit before tax ("PBT"), adjusted for the provision for exceptional costs of resolving legacy matters and the software impairment.	1% of net assets.
Rationale for benchmark applied	As with prior years, the most appropriate metric to apply to Group materiality is PBT on the basis that the Group is primarily measured on its financial performance via its Income Statement. We have adjusted PBT for exceptional costs of resolving legacy matters and the software impairment due to the non-recurring nature and size of these items.	1% of net assets is a commonly used industry benchmark for holding entities such as the Company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £97,000 and £615,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £34,100 (Group audit) (FY17: £36,000) and £23,900 (Company audit) (FY17: £25,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial

Independent auditors' report

to the members of Brooks Macdonald Group plc | *continued*

Report on other information *continued*

statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the directors
In our opinion, based on the work undertaken in the course of the audit, the information given in the strategic report and report of the directors for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the strategic report and report of the directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 36, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Independent auditors' report

to the members of Brooks Macdonald Group plc | *continued*

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Natasha McMillan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
19 September 2018

Consolidated statement of comprehensive income

for the year ended 30 June 2018

	Note	2018 £'000	2017 restated* £'000
Revenue	4	101,556	88,794
Administrative costs		(91,703)	(80,878)
Realised gain on investments	5	–	4
Other gains and losses	6	(3,643)	266
Operating profit	7	6,210	8,186
Finance income	9	128	56
Finance costs	9	(152)	(263)
Share of results of joint venture†		–	(45)
Profit before tax		6,186	7,934
Taxation	10	(1,328)	(2,230)
Profit for the period from continuing operations		4,858	5,704
Profit from discontinued operations	11	536	110
Profit for the period attributable to equity holders of the Company		5,394	5,814
Other comprehensive (expense) / income:			
Items that may be reclassified subsequently to profit or loss			
Revaluation of available for sale financial assets	16	(2)	3
Revaluation reserve recycled to profit or loss	16	–	6
Total other comprehensive (expense) / income		(2)	9
Total comprehensive income for the year		5,392	5,823
Earnings per share			
Basic	12	39.4p	43.0p
Diluted	12	39.3p	42.8p

The accompanying notes on pages 49 to 88 form an integral part of the consolidated financial statements.

* Prior periods have been restated to separate the results of discontinued operations, consistent with the presentation in the current period. Refer to note 11 for details of the results of discontinued operations.

† Brooks Macdonald Funds Limited, a subsidiary of Brooks Macdonald Group plc, held a 60% interest in North Row Capital LLP, a UK Limited Liability Partnership. The investment was fully impaired in the year ended 30 June 2017 and the partnership was dissolved in April 2018.

Consolidated statement of financial position

as at 30 June 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Intangible assets	14	**60,556**	62,648
Property, plant and equipment	15	**3,996**	3,203
Available for sale financial assets	16	**1,578**	658
Deferred tax assets	17	**1,176**	1,271
Total non-current assets		**67,306**	67,780
Current assets			
Trade and other receivables	18	**26,019**	22,693
Financial assets at fair value through profit or loss	19	**1,267**	1,185
Cash and cash equivalents	20	**30,939**	32,183
Total current assets		**58,225**	56,061
Total assets		**125,531**	123,841
Liabilities			
Non-current liabilities			
Deferred consideration	21	**(1,479)**	(1,720)
Deferred tax liabilities	17	**(2,565)**	(3,415)
Other non-current liabilities	22	**(157)**	(157)
Total non-current liabilities		**(4,201)**	(5,292)
Current liabilities			
Trade and other payables	23	**(23,291)**	(21,169)
Current tax liabilities		**(1,325)**	(2,082)
Deferred tax liabilities	17	**(425)**	-
Provisions	24	**(8,332)**	(9,592)
Total current liabilities		**(33,373)**	(32,843)
Net assets		**87,957**	85,706
Equity			
Share capital	26	**138**	138
Share premium account	26	**38,404**	37,101
Other reserves	27	**3,114**	6,480
Retained earnings	27	**46,301**	41,987
Total equity		**87,957**	85,706

The consolidated financial statements on pages 45 to 88 were approved by the Board of directors and authorised for issue on 19 September 2018, signed on their behalf by:

C M Connellan
Chief Executive

B L Thorpe
Finance Director

Company registration number: 4402058

The accompanying notes on pages 49 to 88 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2018

	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2016	137	35,997	5,517	41,357	83,008
Comprehensive income					
Profit for the year	–	–	–	5,814	5,814
Other comprehensive income:					
Revaluation of available for sale financial asset	–	–	3	–	3
Revaluation reserve recycled	–	–	6	–	6
Total comprehensive income	–	–	9	5,814	5,823
Transactions with owners					
Issue of ordinary shares	1	1,104	–	–	1,105
Share-based payments	–	–	1,237	–	1,237
Share-based payments transfer	–	–	(724)	724	–
Purchase of own shares by employee benefit trust	–	–	–	(786)	(786)
Tax on share options	–	–	441	–	441
Dividends paid (note 13)	–	–	–	(5,122)	(5,122)
Total transactions with owners	1	1,104	954	(5,184)	(3,125)
Balance at 30 June 2017	138	37,101	6,480	41,987	85,706
Comprehensive income					
Profit for the year from continuing operations	–	–	–	4,858	4,858
Loss for the year from discontinued operations	–	–	–	(326)	(326)
Gain on disposal of discontinued operations	–	–	–	862	862
Other comprehensive income:					
Revaluation of available for sale financial asset	–	–	(2)	–	(2)
Total comprehensive income	–	–	(2)	5,394	5,392
Transactions with owners					
Issue of ordinary shares	–	1,303	–	–	1,303
Share-based payments	–	–	1,669	–	1,669
Share-based payments transfer	–	–	(4,763)	4,763	–
Tax on share options	–	–	(270)	–	(270)
Dividends paid (note 13)	–	–	–	(5,843)	(5,843)
Total transactions with owners	–	1,303	(3,364)	(1,080)	(3,141)
Balance at 30 June 2018	**138**	**38,404**	**3,114**	**46,301**	**87,957**

The accompanying notes on pages 49 to 88 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations	25	**13,610**	24,521
Taxation paid		**(2,673)**	(3,186)
Net cash generated from operating activities		**10,937**	21,335
Cash flows from investing activities			
Purchase of property, plant and equipment	15	**(1,829)**	(892)
Purchase of intangible assets	14	**(5,069)**	(2,651)
Purchase of available for sale financial assets	16	**–**	(5)
Deferred consideration paid	21	**(1,852)**	(1,580)
Proceeds from sale of subsidiaries	11	**1,005**	–
Finance income	9	**102**	56
Proceeds of sale of property, plant and equipment		**–**	13
Proceeds of sale of available for sale financial asset	16	**–**	1,219
Investment in joint venture		**–**	(1)
Cash flows from investing activities of discontinued operations	11	**2**	14
Net cash used in investing activities		**(7,641)**	(3,827)
Cash flows from financing activities			
Proceeds of issue of shares		**1,303**	1,105
Purchase of own shares by employee benefit trust		**–**	(786)
Dividends paid to shareholders	13	**(5,843)**	(5,122)
Net cash used in financing activities		**(4,540)**	(4,803)
Net (decrease) / increase in cash and cash equivalents		**(1,244)**	12,705
Cash and cash equivalents at beginning of year		**32,183**	19,478
Cash and cash equivalents at end of year	20	**30,939**	32,183

The accompanying notes on pages 49 to 88 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 30 June 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 Company is a public limited company, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and listed on AIM. The address of its registered office is 72 Welbeck Street, London, W1G 0AY.

2. Principal accounting policies

The general accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

a) Basis of preparation

The Group's consolidated financial statements 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 financial statements have been prepared on the historical cost basis, except for the revaluation of available for sale financial assets and financial liabilities at fair value through profit or loss and deferred consideration such that they are measured at their fair value.

During the year, the Group disposed of two subsidiary companies, Braemar Estates (Residential) Limited and Braemar Facilities Management Limited ("discontinued operations"). As a result, prior periods have been restated to separate the results of discontinued operations, consistent with the presentation in the current period. Refer to note 11 for details of discontinued operations.

At the time of approving the 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 financial statements.

b) Basis of consolidation

The Group's financial statements are a consolidation of the financial statements of the Company and its subsidiaries. The underlying financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. Subsidiaries and structured entities are all entities controlled by the Company, deemed to exist where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included from the date on which control is transferred to the Group to the date that control ceases.

All intercompany transactions and balances between group companies are eliminated on consolidation.

The Group has disclosed all of its subsidiary undertakings in note 42 of the Company's financial statements.

c) Changes in accounting policies

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

New accounting standards, amendments and interpretations adopted in the period

In the year ended 30 June 2018, the Group did not adopt any new standards or amendments issued by the International Accounting Standards Board ("IASB") or interpretations issued by the IFRS IC that have had a material impact on the consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

2. Principal accounting policies *continued*

c) Changes in accounting policies *continued*

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

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

New accounting standards, amendments and interpretations not yet adopted

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

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

† Not yet endorsed for use in the EU.

The impact of these changes is currently being reviewed and there is no intention to early adopt.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 is effective from 1 January 2018 and replaces existing revenue recognition guidance. The Group has not adopted this standard in preparing these consolidated financial statements.

IFRS 15 changes how and when revenue is recognised from contracts with customers. The Group has assessed the impact of adopting the standard, on its existing revenue streams, as well as on its policy of capitalising the cost of obtaining customer contracts.

Performance fees

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

The Group currently recognises these when the probability of meeting the performance criteria is virtually certain. Some client agreements have been amended to ensure that any performance criteria are fully documented, but after making its assessment the Group does not expect any material change to the recognition of its revenue arising from these revenue streams.

After the Group has assessed the impact of the changes required under IFRS 15 it has concluded that there is no quantifiable impact on recognition of revenue to disclose.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

2. Principal accounting policies *continued*

c) Changes in accounting policies *continued*

Contract costs

Under IFRS 15 the scope requirements are broader such that costs to obtain any contract with a customer should be capitalised if those costs are incremental and the entity expects to recover them. 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 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 the new standard and concluded that the current policies in place are sufficient and therefore will remain unchanged.

Impact of adoption of IFRS 15

The Group has assessed the impact that the initial application of IFRS 15 will have on its consolidated financial statements across its four principal revenue streams:

Portfolio management fee income

The only performance condition identifiable for such contracts with customers is the continued management of the clients' assets. The Group does not envisage any change in the recognition of such revenues.

Financial services commission

Commission is charged to clients based on an hourly rate and is recognised 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' commission revenue. The Group is reviewing the agreements in place with its clients to identify performance conditions for part-completion of advisory services. If no such performance conditions exist, all 'work in progress' revenue would be deferred until completion of the services, which is typically two weeks to one month later. However, the 'work in progress' revenue year to year is relatively consistent, so the Group does not expect this to cause a material restatement.

Advisory fees

Advisory fees are billed on completion. There are no other performance conditions and so the treatment of such revenues is not expected to change.

Fund management fees

The treatment of fund management fees is expected to follow that of portfolio management fee income. The Group does not anticipate a material impact on this revenue stream.

IFRS 9 'Financial Instruments'

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

The Group has reassessed the treatment of its available for sale financial assets (note 16) on an individual basis. The Group's investments in preference shares, totalling £650,000 at 30 June 2018 (2017: £650,000), would generally fall under the FVTPL class of asset under IFRS 9. However, the Group intends to make use of the irrevocable election to classify these assets as FVOCI, as the Group's intention is to collect all contractual cash flows, being solely payments of principal and interest. IFRS 9 does not allow the Group to recycle accumulated fair value adjustments for such assets through profit or loss upon sale and any such gains or losses will instead be reclassified within equity to retained earnings upon sale. The Group has made this election as such investments are not considered to reflect the trading activities of the Group and such fair value adjustments are excluded from trading profits.

The Group's trade and other receivables (note 18) have historically been held at cost and the Group will continue with this treatment under IFRS 9 as any differences between cost and fair value are immaterial.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

2. Principal accounting policies *continued*

c) Changes in accounting policies *continued*

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.

Under the ECL model, a dual measurement approach applies whereby a financial asset will attract a loss allowance equal to either:

- 12 month expected credit losses: losses resulting from defaults within the next 12 months; or
- lifetime expected credit losses: losses resulting from possible defaults over the remaining life of the financial asset.

Measuring the ECL model estimate of credit losses is the difference between the present value of cash flows that are due to the entity in accordance with the contract and the present value cash flows that the Group expects to receive. The difference between the two measurements has been assessed and no material difference is expected.

Impact of adoption of IFRS 9
The Group has assessed the initial impact of IFRS 9 on the consolidated financial statements and based on the profile of its financial instruments, and after assessing the ECL credit loss measurement of the Group's cash flows, it is concluded that the adoption of IFRS 9 will not result in any material adjustments to equity or the carrying amount of financial assets and liabilities in the Consolidated Statement of Financial Position.

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 not adopted this standard early.

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

This accounting treatment contrasts with the current treatment for operating leases, where no asset or liability is recognised and the lease payments are charged to the 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.

d) Critical accounting estimates and judgements

The preparation of financial information requires the use of assumptions, estimates and judgements about future conditions. Use of currently available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, the directors believe that the accounting policies where judgement is necessarily applied are those that relate to the measurement of intangible assets, deferred consideration, contingent consideration receivable, the estimation of the fair value of share-based payments and client compensation provisions.

The underlying assumptions made are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised only if the revision affects both current and future periods.

Further information about key assumptions and sources of estimation uncertainty are set out below.

Intangible assets

The Group has acquired client relationships and the associated investment management contracts as part of business combinations, through separate purchase or with newly employed teams of fund managers (as described in note 14). In assessing the fair value of these assets the Group has estimated their finite life based on information about the typical length of existing client relationships. Contracts acquired with fund managers and acquired client relationship contracts are amortised on a straight line basis over their estimated useful lives, ranging from 5 to 20 years.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

2. Principal accounting policies *continued*

d) Critical accounting estimates and judgements *continued*

Goodwill recognised as part of a business combination is reviewed annually for impairment, or when a change in circumstances indicates that it might be impaired. The recoverable amounts of cash generating units are determined by value in use calculations, which require the use of estimates to derive the projected future cash flows attributable to each unit. Details of the more significant assumptions are given in note 14.

Deferred consideration

As described in note 21, the Group has a deferred consideration balance in respect of the acquisition of Levitas Investment Management Services Limited in July 2014. Deferred consideration is recognised at its fair value, being an estimate of the amount that will ultimately be payable in future periods. This has been calculated allowing for estimated growth in the acquired funds, discounted by the estimated interest rate.

Contingent consideration

As described in note 11, the Group has a contingent consideration balance in respect of the disposal of Braemar Estates (Residential) Limited and Braemar Facilities Management Limited in December 2017. Contingent consideration is recognised at its fair value, being an estimate of the amount that will ultimately be receivable in future periods. This has been calculated from forecast revenue of the business disposed, discounted by the estimated interest rate.

Share-based payments

The Group operates various share-based payment schemes in respect of services received from certain employees. Estimating the fair value of these share-based payments requires the Group to apply an appropriate valuation model and determine the inputs to that model (note 28). The charge to the Consolidated Statement of Comprehensive Income in respect of share-based payments is calculated using assumptions about the number of eligible employees that will leave the Group and the number of employees that will satisfy the relevant performance conditions. These estimates are reviewed regularly.

Provisions

The Group may receive complaints from clients in relation to the services provided. Complaints are assessed on a case-by-case basis and provisions are made where it is judged to be likely that compensation will be paid. The accounting policy for provisions and contingent liabilities is outlined in note 2(p).

As described in note 24, the Group has recognised a provision in respect of exceptional costs of resolving legacy matters. The Group has a present obligation relating to a number of discretionary portfolios formerly managed by Spearpoint which was acquired by the Group in 2012 and the provision has been reliably measured at the value of expenditures expected to be required to settle the obligation.

e) Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the underlying financial performance of the Group. These include material items of income or expense that are shown separately due to the significance of their nature and amount.

f) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the aggregate amount of the consideration transferred at the acquisition date, irrespective of the extent of any minority interest. Acquisition costs are charged to the Consolidated Statement of Comprehensive Income in the year of acquisition.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. If the business combination is achieved in stages, the fair value of the Group's previously held equity interest is re-measured at the acquisition date and the difference is credited or charged to the Consolidated Statement of Comprehensive Income. Identifiable assets and liabilities assumed on acquisition are recognised in the Consolidated Statement of Financial Position at their fair value at the date of acquisition.

Any contingent consideration to be paid by the Group to the vendor is recognised at its fair value at the acquisition date.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

2. Principal accounting policies *continued*

f) Business combinations *continued*

Subsequent changes to the fair value of contingent consideration are recognised in accordance with IAS 39 in the Consolidated Statement of Comprehensive Income.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the acquired company's net identifiable assets and liabilities assumed. If the consideration is lower than the fair value of the net assets acquired, the difference is recognised as a gain on a bargain purchase in the Consolidated Statement of Comprehensive Income.

Impairment

Goodwill and other intangible assets with an indefinite life are tested annually for impairment. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquisition are assigned to those units. The carrying amount of each cash generating unit is compared to its recoverable amount, which is determined using a discounted future cash flow model.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

g) Fees, commissions and interest

Portfolio management fees and financial services commission

Portfolio management and other advisory and custody services are billed in arrears but are recognised over the period the service is provided. Fees are calculated on the basis of a percentage of the value of the portfolio over the period. Dealing charges are levied at the time a deal is placed for a client. Fees are only recognised when the fee amount can be estimated reliably and it is probable that the fee will be receivable. Amounts are shown net of rebates paid to significant investors.

Performance fees are earned from some clients when contractually agreed performance levels are exceeded within specified performance measurement periods. They are only recognised, at the end of these performance periods, when a reliable estimate of the fee can be made and is virtually certain that it will be received.

Advisory fees

Advisory fees are charged to clients using an hourly rate or by a fixed fee arrangement and are recognised over the period the service is provided. Commissions receivable and payable are accounted for in the period in which they are earned.

Fund management fees

Where amounts due are conditional on the successful completion of fund raising for investment vehicles, revenue is recognised where, in the opinion of the directors, there is reasonable certainty that sufficient funds have been raised to enable the successful operation of that investment vehicle. Amounts due on an annual basis for the management of third party investment vehicles are recognised on a time apportioned basis.

Interest

Interest receivable is recognised on an accruals basis.

h) Cash and cash equivalents

Cash comprises cash in hand and call deposits held with banks. Cash equivalents comprise short-term, highly liquid investments, with a maturity of less than three months from the date of acquisition.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

2. Principal accounting policies *continued*

i) Share-based payments

Equity-settled schemes

The Group engages in equity-settled share-based payment transactions in respect of services received from certain employees. The fair value of the services received is measured by reference to the fair value of the shares or share options on the grant date. This cost is then recognised in the Consolidated Statement of Comprehensive Income over the vesting period, with a corresponding credit to equity.

The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free rate of interest, the expected volatility of the Company's share price over the life of the award and other relevant factors.

j) Segmental reporting

The Group determines and presents operating segments based on the information that is provided internally to the Group board of directors, which is the Group's chief operating decision maker.

k) Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

The Group holds money on behalf of some clients in accordance with the client money rules of the Financial Conduct Authority. Such monies and the corresponding liability to clients are not included within the Consolidated Statement of Financial Position as the Group is not beneficially entitled thereto.

l) Property, plant and equipment

All property, plant and equipment is included in the Consolidated Statement of Financial Position at historical cost less accumulated depreciation and impairment. Costs include the original purchase cost of the asset and the costs attributable to bringing the asset into a working condition for its intended use.

Provision is made for depreciation to write off the cost less estimated residual value of each asset, using a straight line method, over its expected useful life as follows:

Fixtures and fittings	3 to 6.67 years
Equipment	5 years
Leasehold improvements	over the term of the lease
Motor vehicles	4 years

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses arising on disposal are determined by comparing the proceeds with the carrying amount. These are included in the Consolidated Statement of Comprehensive Income.

m) Intangible assets

Amortisation of intangible assets is charged to administrative expenses in the Consolidated Statement of Comprehensive Income on a straight line basis over the estimated useful lives of the assets (4 to 20 years).

Acquired client relationship contracts and contracts acquired with fund managers

Intangible assets are recognised where client relationship contracts are either separately acquired or acquired with investment managers who are employed by the Group. These are initially recognised at cost and are subsequently amortised on a straight line basis over their estimated useful economic life. Separately acquired client relationship contracts are amortised over 15 to 20 years and those acquired with investment managers over 5 years. Both types of intangible asset are reviewed annually to determine whether there exists an indicator of impairment or an indicator that the assumed useful economic life has changed.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

2. Principal accounting policies *continued*

m) Intangible assets *continued*

Computer software

Costs incurred on internally developed computer software are initially recognised at cost and when the software is available for use, the costs are amortised on a straight line basis over an estimated useful life of four years. Initial research costs and planning prior to a decision to proceed with development of software are recognised in the Consolidated Statement of Comprehensive Income when incurred.

Goodwill

Goodwill arising as part of a business combination is initially measured at cost, being the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the separately identifiable assets, liabilities and contingent liabilities of the subsidiary at date of acquisition. In accordance with IFRS 3 'Business Combinations', goodwill is not amortised but is reviewed annually for impairment and is therefore stated at cost less any provision for impairment of value. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. On acquisition, any goodwill acquired is allocated to cash generating units for the purposes of impairment testing. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Statement of Comprehensive Income.

n) Investments in joint ventures

A joint venture is an entity in which the Group holds a long-term interest and is jointly controlled by the Group and one or more third parties under a contractual agreement. Under the equity method of accounting, interests in joint ventures are initially recognised at cost in the Consolidated Statement of Financial Position and subsequently adjusted to reflect changes in the Group's share of the net assets of the entities. The Group's share of the results of joint ventures is included in the Consolidated Statement of Comprehensive Income.

If the Group's share of the losses of a joint venture equals or exceeds its investment, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

o) Financial investments

The Group classifies financial assets in the following categories: fair value through profit or loss; available for sale; loans and receivables; and held-to-maturity. The classification is determined by management on initial recognition of the financial asset, which depends on the purpose for which it was acquired.

Fair value through profit or loss

Financial instruments are classified as fair value through profit or loss if they are either held for trading or specifically designated in this category on initial recognition. Assets in this category are initially recognised at fair value and subsequently re-measured, with gains or losses arising from changes in fair value being recognised in the Consolidated Statement of Comprehensive Income.

Available for sale

Available for sale financial assets are non-derivatives that are either specifically designated in this category or are not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available for sale financial assets are initially recognised at fair value and are subsequently revalued based on the current bid prices of the assets as quoted in active markets. Changes in fair value are recognised directly in equity, through the Consolidated Statement of Changes in Equity, with the exception of impairment losses which are recognised in the Consolidated Statement of Comprehensive Income. The cumulative gain or loss recognised in equity is recycled to the Consolidated Statement of Comprehensive Income when an available for sale financial asset is derecognised or impaired.

Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except where they have maturities of more than 12 months after the end of the reporting

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

2. Principal accounting policies *continued*

o) Financial Investments *continued*

period, in which case they are classified as non-current assets. The Group's loans and receivables are recognised within 'trade and other receivables'.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinate payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortised cost.

p) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event, where it is probable that it will result in an outflow of economic benefits and can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Where the outflow is not probable or cannot be reliably measured, the potential obligation is disclosed as a contingent liability in the financial statements.

Insurance recoveries relating to legal fees are recognised when, and only when, it is virtually certain that reimbursement will be received if the corresponding obligation is settled. Reimbursements received are disclosed net in the Consolidated Statement of Comprehensive Income and gross in the Consolidated Statement of Financial Position.

Client compensation

Complaints are assessed on a case-by-case basis and provisions for compensation are made where it is judged necessary.

q) Foreign currency translation

The Group's functional and presentational currency is the Pound Sterling. Foreign currency transactions are translated using the exchange rate prevailing at the transaction date. At the reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the prevailing rates on that date. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of period-end monetary assets and liabilities are recognised in the Consolidated Statement of Comprehensive Income.

r) Retirement benefit costs

Contributions in respect of the Group's defined contribution pension scheme are charged to the Consolidated Statement of Comprehensive Income as they fall due.

s) Taxation

Tax on the profit for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled based on tax rates (and laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

t) Trade receivables

Trade receivables are initially recognised and subsequently measured at the original invoice amount less an allowance for any amounts that are expected to be uncollectable. Doubtful debts are provided for when the collection of the full amount is no longer probable, whilst bad debts are immediately written off when identified.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

2. Principal accounting policies *continued*

u) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities in the Consolidated Statement of Financial Position.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

v) Operating lease payments

Rent payments due under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the lease. Where leases include lease incentives such as rent-free periods, the benefit of these incentives is recognised over the lease term as a reduction in the rental expense.

w) Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised in the Consolidated Statement of Financial Position at fair value when the Group becomes a party to the contractual provisions of the instrument.

x) Employee Benefit Trust ("EBT")

The Company provides finance to an EBT to purchase the Company's shares on the open market in order to meet its obligation to provide shares when an employee exercises certain options or awards made under the Group's share-based payment schemes. The administration and finance costs connected with the EBT are charged to the Consolidated Statement of Comprehensive Income. The cost of the shares held by the EBT is deducted from equity. A transfer is made between other reserves and retained earnings over the vesting periods of the related share options or awards to reflect the ultimate proceeds receivable from employees on exercise. The trustees have waived their rights to receive dividends on the shares.

The EBT is considered to be a Structured Entity, as defined in note 35. In substance, the activities of the trust are being conducted on behalf of the Group according to its specific business needs, in order to obtain benefits from its operation. On this basis, the assets held by the trust are consolidated into the Group's financial statements.

y) Share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its own equity share capital (treasury shares) the consideration paid, including any directly incremental costs (i.e. net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included within equity attributable to the Company's equity holders.

z) Dividend distribution

The dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is authorised and no longer at the discretion of the Company. Final dividends are recognised when approved by the Company's shareholders at the annual general meeting and interim dividends are recognised when paid.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

3. Segmental information

For management purposes the Group's activities are organised into four operating divisions: Investment Management, Funds, Financial Planning and International. The Group's other activity, offering nominee and custody services to clients, is included within 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 business segment are reported as Group and consolidation adjustments. Sales between segments are carried out at arm's length. Centrally incurred expenses are allocated to business segments on an appropriate pro-rata basis. Segmental assets and liabilities comprise operating assets and liabilities, those being the majority of the Statement of Financial Position.

Year ended 30 June 2018	Investment Management £'000	Funds £'000	Financial Planning £'000	International £'000	Group & consolidation adjustments £'000	Total £'000
Total segment revenue	75,746	7,824	4,962	14,170	–	102,702
Inter segment revenue	(832)	–	(314)	–	–	(1,146)
External revenue	74,914	7,824	4,648	14,170	–	101,556
Underlying profit / (loss) before tax	17,790	3,141	(5)	1,448	(4,356)	18,018
Finance cost of deferred consideration	–	-	–	–	(152)	(152)
Finance income of contingent consideration	–	26	–	–	–	26
Changes in fair value of deferred consideration	–	-	–	–	(1,191)	(1,191)
Changes in fair value of contingent consideration	–	(16)	–	–	–	(16)
Amortisation of client relationships and contracts acquired with fund managers	(890)	–	–	(420)	(1,051)	(2,361)
Software impairment	(2,518)	–	–	–	–	(2,518)
Disposal costs	–	–	–	–	(89)	(89)
Exceptional costs of resolving legacy matters	–	–	–	(5,531)	–	(5,531)
Profit / (loss) before tax	14,382	3,151	(5)	(4,503)	(6,839)	6,186
Taxation						(1,328)
Profit for the year from continuing operations						**4,858**
Profit from discontinued operations						536
Profit for the year attributable to equity holders of the Company						**5,394**

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

3. Segmental information *continued*

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

* Re-presented to show the restated segmental underlying profit before tax and a reconciliation between underlying profit and statutory profit by segment.

[1] Underlying profit before tax has been restated to include computer software amortisation and exclude discontinued operations, consistent with the treatment in the current period.

4. Revenue

	2018 £'000	2017 restated* £'000
Portfolio management fee income	**87,908**	77,352
Financial services commission	**151**	94
Advisory fees	**5,673**	5,843
Fund management fees	**7,824**	5,505
Total revenue	**101,556**	88,794

* Restated to exclude revenue from discontinued operations (note 11).

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

4. Revenue *continued*

a) Geographic analysis

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.

	2018 £'000	2017 restated* £'000
United Kingdom	**87,386**	76,211
Channel Islands	**14,170**	12,583
Total revenue	**101,556**	88,794

* Restated to exclude revenue from discontinued operations (note 11).

b) Major clients

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

5. Realised gain on investments

During the year ended 30 June 2018, the Group had no realised gains on investments. In the year ended 30 June 2017, the Group realised a gain of £4,000 on the final disposal of its investment in Sancus Holding Limited through the voluntary winding up of the company.

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 Consolidated Statement of Comprehensive Income.

	2018 £'000	2017 £'000
Impairment of goodwill (note 14)	**–**	(1,986)
Impairment of investment in joint venture	**–**	(163)
Impairment of software (note 14)	**(2,518)**	–
Gain from changes in fair value of financial assets at fair value through profit or loss (note 19)	**82**	185
Loss from changes in fair value of contingent consideration receivable (note 11)	**(16)**	–
(Loss) / gain from changes in fair value of deferred consideration payable (note 21)	**(1,191)**	2,230
Other (losses) / gains	**(3,643)**	266

7. Operating profit

Operating profit is stated after charging:

	2018 £'000	2017 £'000
Staff costs (note 8)	**48,490**	45,679
Auditors' remuneration (see below)	**842**	420
Financial Services Compensation Scheme Levy (see below)	**664**	459
Depreciation (note 15)	**1,186**	989
Amortisation of computer software (note 14)	**1,518**	1,328
Amortisation of client relationships and contracts acquired with fund managers (note 14)	**2,362**	2,535
Impairment of goodwill (note 14)	**–**	1,986
Exceptional cost of resolving legacy matters (note 24)	**5,531**	6,500

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

7. Operating profit *continued*

A more detailed analysis of auditors' remuneration is provided below:

	2018 £'000	2017 £'000
Fees payable to the Company's auditors for the audit of the consolidated Group and parent company financial statements	**257**	102
Fees payable to the Company's auditors and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**143**	138
– Audit-related assurance services	**181**	179
– Assurance services	**–**	1
– Other non-audit services	**261**	–
Total auditors' remuneration	**842**	420

Financial Services Compensation Scheme levies

Administrative costs for the year ended 30 June 2018 include a charge of £664,000 (FY17: £459,000) in respect of the Financial Services Compensation Scheme ("FSCS") levy. This comprises the Group's estimated levy for the 2018/19 scheme year of £689,000 and a net rebate of £25,000 for the 2010/11 scheme year.

8. Employee information

a) Staff costs

	2018 £'000	2017 £'000
Wages and salaries	**40,861**	38,912
Social security costs	**4,652**	4,197
Other pension costs	**1,327**	1,312
Share-based payments	**1,650**	1,258
Total staff costs	**48,490**	45,679

Pension costs relate entirely to a defined contribution scheme.

b) Number of employees

The average monthly number of employees during the year, including directors, was as follows:

	2018	2017
Professional staff	**170**	165
Administrative staff	**300**	287
Total staff from continuing operations	**470**	452
Total staff from discontinued operations	**20**	48
Total staff	**490**	500

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

8. Employee information *continued*

c) Key management compensation

The compensation of the key management personnel of the Group, defined as the Group Board of directors including both the Executives and Non-Executives, is set out below.

	2018 £'000	2017 £'000
Short-term employee benefits	**2,666**	2,571
Post-employment benefits	**55**	33
Share-based payments	**483**	320
Total compensation	**3,204**	2,924

d) Directors' emoluments

Further details of directors' emoluments are included within the Remuneration Committee report on pages 21 to 30.

	2018 £'000	2017 £'000
Salaries and bonuses	**2,279**	2,262
Non-Executive directors' fees	**372**	282
Benefits in kind	**15**	27
	2,666	2,571
Pension contributions	**55**	33
Amounts receivable under long term incentive schemes	**483**	320
Total directors' remuneration	**3,204**	2,924

The aggregate amount of gains made by directors on the exercise of share options during the year was £643,000 (FY17: £161,000). Retirement benefits are accruing to two directors (FY17: two) under a defined contribution pension scheme.

The remuneration of the highest paid director during the year was as follows:

	2018 £'000	2017 £'000
Remuneration and benefits in kind	**807**	368
Amounts receivable under long term incentive schemes	**83**	68
Total remuneration	**890**	436

The amount of gains made by the highest paid director on the exercise of share options during the year was £83,000 (FY17: £nil).

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

9. Finance income and finance costs

	2018 £'000	2017 restated* £'000
Finance income		
Dividend income	50	43
Finance income of contingent consideration (note 11)	26	–
Bank interest on deposits	52	13
Total finance income	128	56
Finance costs		
Finance cost of deferred consideration	152	263
Total finance costs	152	263

* Restated to exclude finance income from discontinued operations (note 11).

10. Taxation

The tax charge on profit for the year was as follows:

	2018 £'000	2017 £'000
UK Corporation Tax at 19.00% (FY17: 19.75%)	3,396	3,648
(Over) / under provision in prior years	(613)	167
Total current tax	2,783	3,815
Deferred tax credits	(600)	(1,026)
Research and development tax credit	(855)	(433)
Effect of change in tax rate on deferred tax	–	(126)
Income tax expense	1,328	2,230

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

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

10. Taxation *continued*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the time apportioned tax rate applicable to profits of the consolidated entities in the UK as follows:

	2018 £'000	2017 £'000
Profit before taxation from continued operations	6,186	7,934
Profit before taxation from discontinued operations	536	110
Profit before taxation	6,722	8,044
Profit multiplied by the standard rate of tax in the UK of 19.00% (FY17: 19.75%)	1,277	1,590
Tax effect of:		
- Overseas tax losses not available for UK tax purposes	454	955
- Disallowable expenses	717	149
- Impairment charges	535	424
- Non-taxable income	(187)	(433)
- Losses utilised (no deferred tax thereon)	-	(63)
- Research and development tax credit	(855)	(433)
- Change in rate of Corporation Tax applicable to deferred tax	–	(126)
- (Over) / under provision in prior years	(613)	167
Tax charge for the year	1,328	2,230

Non-taxable income includes the gain from changes in fair value of deferred consideration.

During the year, 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 in the respective years, and a repayment of £855,000 (FY17: £433,000) is due from HMRC. The Group will consider whether claims can also be made for qualifying expenditure incurred in the year ended 30 June 2018 and thereafter in due course.

The deferred tax credits for the year arise from:

	2018 £'000	2017 £'000
Share option reserve	1	194
Accelerated capital allowances	8	84
Amortisation of acquired client relationship contracts	425	409
Unused overseas trading losses	166	339
Deferred tax credits	600	1,026

On 1 April 2017, the standard rate of Corporation Tax in the UK was reduced to 19.00%. As a result the effective rate of Corporation Tax applied to the taxable profit for the year ended 30 June 2018 is 19.00% (FY17: 19.75%).

In addition to the change in the rate of UK Corporation Tax disclosed above, the Finance (No.2) Act 2015, which was substantively enacted in October 2015, will further reduce the main rate to 17% in 2020. Deferred tax assets and liabilities are calculated at the rate that is expected to be in force when the temporary differences unwind, but limited to the extent that such rates have been substantively enacted. The tax rate used to determine the deferred tax assets and liabilities is therefore 17% (FY17: 17%) and will be reviewed in future years subject to new legislation.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

11. Discontinued operations

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

	2018 £'000	2017 £'000
(Loss) / profit of discontinued operations	(326)	110
Gain on disposal of discontinued operations	862	–
Profit from discontinued operations	**536**	**110**

a) Profit or loss of discontinued operations

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

	2018 £'000	2017 £'000
Revenue	1,195	2,922
Administrative costs	(1,523)	(2,826)
Operating (loss) / profit	(328)	96
Finance income	2	14
(Loss) / profit before tax	(326)	110
Taxation	–	–
(Loss) / profit of discontinued operations	**(326)**	**110**

b) Gain on disposal of discontinued operations

The gain on disposal of discontinued operations is the total consideration received or receivable less the fair value of the net assets of the disposal group. The gain is recognised in the Consolidated Statement of Comprehensive Income during the year ended 30 June 2018.

	£'000	£'000
Consideration received or receivable		
Initial consideration received	966	
Additional consideration received	39	
Fair value of contingent consideration (note 16)	913	
Total disposal consideration		**1,918**
Fair value of net assets	(459)	
Fair value of goodwill (see note 14)	(230)	
Fair value of acquired client relationship contracts	(367)	
Total net assets on disposal		**(1,056)**
Gain on disposal of discontinued operations		**862**

Initial cash consideration of £966,000 was received on completion, and a further £39,000 was received post completion. Additional cash consideration will also be receivable, contingent on the disposal group generating revenue equal to or in excess of a 'target' revenue amount during the period 1 July 2017 to 30 June 2019. On disposal, all conditions were expected to be met. Therefore the maximum contingent consideration of £966,000 was recognised at its fair value of £913,000 based on the discounted forecast cash flows in the half yearly financial report for the six months ended 31 December 2017. This gain is presented within profit from discontinued operations in the Consolidated Statement of Comprehensive Income for the year ended 30 June 2018.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

11. Discontinued operations *continued*

b) Gain on disposal of discontinued operations *continued*

There was a reduction of £16,000 in the fair value of contingent consideration since the disposal date as a result of a downward revision to the forecast revenue provided by management of the buyer. Finance income of £26,000 was recognised in the year ended 30 June 2018 in relation to the discounting of the contingent consideration receivable (note 9). The performance criteria for the year ended 30 June 2018 were met and full receipt of the first contingent consideration receivable of £483,000 was received in September 2018.

Disposal costs of £89,000 were incurred during the year ended 30 June 2018 in relation to the sale.

12. Earnings per share

The directors believe that underlying earnings per share provide a truer reflection of the Group's performance in the year. 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 fair value of deferred consideration, changes in fair value of contingent consideration, goodwill 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.

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

	2018 £'000	2017 £'000
Earnings from continued operations	**4,858**	5,704
Profit from discontinued operations	**536**	110
Earnings attributable to ordinary shareholders	**5,394**	5,814
Goodwill impairment (note 14)	**–**	1,986
Software impairment (note 14)	**2,518**	–
Disposal costs (note 11)	**89**	–
Finance cost of deferred consideration (note 21)	**152**	263
Finance income of contingent consideration (note 11)	**(26)**	–
Changes in fair value of deferred consideration (note 21)	**1,191**	(2,230)
Changes in fair value of contingent consideration (note 11)	**16**	–
Amortisation of acquired client relationship contracts (note 14)	**2,156**	2,200
Amortisation of contracts acquired with fund managers (note 14)	**206**	335
Exceptional costs of resolving legacy matters (note 24)	**5,531**	6,500
Tax impact of adjustments	**(588)**	(525)
Underlying profit from discontinued operations (note 11)	**(536)**	(110)
Underlying earnings attributable to ordinary shareholders[1]	**16,103**	14,233

[1] Underlying earnings for comparative periods have been restated to include software amortisation and exclude discontinued operations, consistent with the treatment in the current period.

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

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

12. Earnings per share *continued*

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

	2018 Number of shares	2017 Number of shares
Weighted average number of shares in issue	**13,677,910**	13,537,222
Effect of dilutive potential shares issuable on exercise of employee share options	**28,318**	59,872
Diluted weighted average number of shares in issue	**13,706,228**	13,597,094

Earnings per share for the year attributable to equity holders of the Company were:

	2018 p	2017 p
Based on reported earnings:		
Basic earnings per share from:		
– Continuing operations	**35.5**	42.1
– Discontinued operations	**3.9**	0.9
Total basic earnings per share	**39.4**	43.0
Diluted earnings per share from:		
– Continuing operations	**35.4**	42.0
– Discontinued operations	**3.9**	0.8
Total diluted earnings per share	**39.3**	42.8
Based on underlying earnings[1]:		
Basic earnings per share	**117.7**	105.1
Diluted earnings per share	**117.5**	104.7

[1] Underlying earnings for comparative periods have been restated to include software amortisation and exclude discontinued operations, consistent with the treatment in the current period.

13. Dividends

Amounts recognised as distributions to equity holders of the Company in the year were as follows:

	2018 £'000	2017 £'000
Final dividend paid for the year ended 30 June 2017 of 26.0p (FY16: 23.0p) per share	**3,524**	3,101
Interim dividend paid for the year ended 30 June 2018 of 17.0p (FY17: 15.0p) per share	**2,319**	2,021
Total dividends	**5,843**	5,122
Final dividend proposed for the year ended 30 June 2018 of 30.0p (FY17: 26.0p) per share	**4,116**	3,524

The interim dividend of 17.0p (FY17: 15.0p) per share was paid on 19 April 2018.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

13. Dividends *continued*

A final dividend for the year ended 30 June 2018 of 30.0p (FY17: 26.0p) per share was declared by the Board of directors on 19 September 2018 and is subject to approval by the shareholders at the Company's annual general meeting. It will be paid on 2 November 2018 to shareholders who are on the register at the close of business on 28 September 2018. In accordance with IAS 10 'Events After the Reporting Period', the aggregate amount of the proposed dividend expected to be paid out of retained earnings is not recognised as a liability in these financial statements.

14. Intangible assets

	Goodwill £'000	Computer software £'000	Acquired client relationship contracts £'000	Contracts acquired with fund managers £'000	Total £'000
Cost					
At 1 July 2016	36,006	5,081	32,747	3,522	77,356
Additions	–	2,651	–	–	2,651
Adjustment in respect of prior periods	–	–	(2)	(1)	(3)
At 30 June 2017	36,006	7,732	32,745	3,521	80,004
Additions	–	5,069	–	–	5,069
Disposals	(230)	(77)	(584)	–	(891)
Reclassification to Property, Plant and Equipment	–	(943)	–	–	(943)
Impairment	–	(4,013)	–	–	(4,013)
At 30 June 2018	**35,776**	**7,768**	**32,161**	**3,521**	**79,226**
Accumulated amortisation and impairment					
At 1 July 2016	–	530	8,115	2,862	11,507
Amortisation charge	–	1,328	2,200	335	3,863
Impairment	1,986	–	–	–	1,986
At 30 June 2017	1,986	1,858	10,315	3,197	17,356
Amortisation charge	–	1,518	2,156	206	3,880
Disposals	–	(63)	(217)	–	(280)
Reclassification to Property, Plant and Equipment	–	(791)	–	–	(791)
Impairment	–	(1,495)	–	–	(1,495)
At 30 June 2018	**1,986**	**1,027**	**12,254**	**3,403**	**18,670**
Net book value					
At 1 July 2016	36,006	4,551	24,632	660	65,849
At 30 June 2017	34,020	5,874	22,430	324	62,648
At 30 June 2018	**33,790**	**6,741**	**19,907**	**118**	**60,556**

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 at 30 June 2018 comprises £3,320,000 (FY17: £3,550,000) in respect of the Braemar Group Limited ("Braemar") CGU, £21,243,000 (FY17: £21,243,000) in respect of the Brooks Macdonald Asset Management (International) Limited, Brooks Macdonald Retirement Services (International) Limited and DPZ (collectively "Brooks Macdonald International") CGU and £9,227,000 (FY17: £9,227,000) in respect of the Levitas Investment Management Services Limited ("Levitas") CGU.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

14. Intangible assets *continued*

a) Goodwill *continued*

Goodwill is reviewed annually for impairment and its recoverability has been assessed at 30 June 2018 by comparing the carrying amount of the CGUs to their expected recoverable amount, estimated on a value-in-use basis. The value-in-use of each CGU has been calculated using pre-tax discounted cash flow projections based on the most recent budgets approved by the relevant subsidiary company boards of directors, covering a period of five years. Cash flows are then extrapolated beyond the forecast period using an expected long-term growth rate.

Based on a value-in-use calculation, the recoverable amount of the Brooks Macdonald International CGU at 30 June 2018 was £29,676,000, indicating that there is no impairment. The key underlying assumptions of the calculation are the discount rate, the short-term growth in earnings and the long-term growth rate of the business. A pre-tax discount rate of 10% has been used, based on the Group's assessment of the risk-free rate of interest and specific risks relating to Brooks Macdonald International. Annual earnings growth rates of up to 13% are forecast over the next five financial years, the period covered by the most recent forecasts, which reflect historic actual growth and planned management actions and are considered to be achievable given current market and industry trends. The 2% long-term growth rate applied is considered prudent in the context of the long-term average growth rate for the funds, investment management and financial planning industries in which the CGU operates.

In relation to the Levitas CGU, based on the value-in-use calculation the calculated recoverable amount at 30 June 2018 was £12,659,000, indicating that there is no impairment. 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 11% has been used, based on the group's assessment of the risk-free rate of interest and specific risks relating to Levitas. Annual funds under management growth rates of between 9% and 15% 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 and are considered to be achievable given current market and industry trends. The 2% long-term growth rate applied is considered prudent in the context of the long-term average growth rate for the funds industry in which the CGU operates. At 30 June 2017, the recoverable amount of the Levitas CGU was £9,319,000, which was lower than the carrying amount of the CGU being £11,305,000 indicating that it should be impaired. An impairment loss of £1,986,000 was recognised against the goodwill attributable to the Levitas CGU in the year ended 30 June 2017. For further details on the impairment, please see note 13 in the Brooks Macdonald Group plc Annual Report & Accounts for the year ended 30 June 2017.

Based on a value-in-use calculation, the recoverable amount of the Braemar CGU at 30 June 2018 was £38,667,000, indicating that there is no impairment. The key underlying assumptions of the calculation are the discount rate, the growth in funds under management of the funds business and the long-term growth rate. Annual funds under management growth rates of between 3% and 38% for the various funds 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 and are considered to be achievable given current market and industry trends. The 2% long-term growth rate applied is considered prudent in the context of the long-term average growth rate for the funds industry in which the CGU operates.

Headroom exists in the calculations of the respective recoverable amounts of these CGUs over the carrying amounts of the goodwill allocated to them. On this basis, the directors have concluded that there is no impairment. The directors consider that no reasonably foreseeable change in any of the key assumptions would result in an impairment of goodwill, given the margin by which the estimated recoverable amounts of the CGUs exceed the carrying amounts of the goodwill allocated to each.

During the year ended 30 June 2018, £230,000 of goodwill attributable to the Braemar CGU was disposed of. This reflects the amount of goodwill within the Braemar CGU that is attributable to the disposal group, which was previously included within this CGU. Refer to note 11 for details of the disposal.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

14. Intangible assets *continued*

b) Computer software

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

During the year, the Group impaired an item of computer software with a net book value of £2,518,000 that is no longer in use and does not provide any further economic benefit to the Group.

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 Consolidated Statement of Comprehensive Income on a straight line basis over their estimated useful lives (15 to 20 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 stated at cost and amortised on a straight line basis over an estimated useful life of five years.

15. Property, plant and equipment

	Motor vehicles £'000	Fixtures and fittings £'000	Equipment and leasehold improvements £'000	Total £'000
Cost				
At 1 July 2016	33	2,111	8,074	10,218
Additions	–	52	840	892
Disposals	(25)	–	–	(25)
At 30 June 2017	8	2,163	8,914	11,085
Additions	–	43	1,786	1,829
Disposals	(8)	(53)	(3)	(64)
Reclassification from intangible assets	–	–	943	943
At 30 June 2018	**–**	**2,153**	**11,640**	**13,793**
Accumulated depreciation				
At 1 July 2016	22	1,498	5,389	6,909
Disposals	(16)	–	–	(16)
Depreciation charge	2	196	791	989
At 30 June 2017	8	1,694	6,180	7,882
Disposals	(8)	(53)	(1)	(62)
Depreciation charge	–	178	1,008	1,186
Reclassification from intangible assets	–	–	791	791
At 30 June 2018	**–**	**1,819**	**7,978**	**9,797**
Net book value				
At 1 July 2016	11	613	2,685	3,309
At 30 June 2017	–	469	2,734	3,203
At 30 June 2018	**–**	**334**	**3,662**	**3,996**

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

16. Available for sale financial assets

	2018 £'000	2017 £'000
At beginning of year	**658**	1,715
Additions	**913**	5
Finance income of contingent consideration	**26**	–
Reclassification of loan (non-cash transfer)	**–**	150
Net (loss) / gain from changes in fair value	**(19)**	1
Accumulated profit on revaluation reserve recycled	**–**	6
Disposals	**–**	(1,219)
At end of year	**1,578**	658

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

During the year ended 30 June 2018, the Group disposed of two subsidiary companies, Braemar Estates (Residential) Limited and Braemar Facilities Management Limited. The Group recognised a corresponding contingent consideration receivable in respect of deferred consideration receivable by the Group from the purchaser at its fair value of £923,000, including finance income from deferred consideration of £26,000 and reduction in fair value of £16,000. Full details of the disposal are set out in note 11.

At 30 June 2018, the offshore bond had a market value of £5,000 (FY17: £8,000), with the loss from changes in fair value of £2,000 for the year ended 30 June 2018 being recognised in other comprehensive income (FY17: £3,000 gain).

The table below provides an analysis of the financial instruments that, subsequent to initial recognition, are measured at fair value. These are grouped into the following levels within the fair value hierarchy, based on the degree to which the inputs used to determine the fair value are observable:

- Level 1 – derived from quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 – derived from inputs other than quoted prices included within level 1 that are observable, either directly or indirectly; and
- Level 3 – derived from inputs that are not based on observable market data.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 1 July 2017	–	–	658	658
Additions	–	–	913	913
Finance income of contingent consideration	–	–	26	26
Reclassification of loan (non cash transfer)	–	–	–	–
Net loss from changes in fair value	–	–	(19)	(19)
Revaluation reserve recycled	–	–	–	–
Disposals	–	–	–	–
At 30 June 2018	**–**	**–**	**1,578**	**1,578**
Comprising:				
Offshore bond	–	–	5	5
Unlisted redeemable preference shares	–	–	650	650
Contingent consideration receivable	–	–	923	923
Total	**–**	**–**	**1,578**	**1,578**

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for the year ended 30 June 2018 | *continued*

16. Available for sale financial assets *continued*

Unlisted preference shares are valued using a perpetuity income model which is based upon the preference dividend cash flows. Offshore bonds are valued using the value of the underlying securities, some of which are illiquid and therefore prices are not readily available in the market. Contingent consideration receivable is valued using the net present value of the expected amount receivable based off management revenue forecasts for Braemar Estates (Residential) Limited and Braemar Facilities Management Limited (see note 11).

A 1% reduction in the value of available for sale financial assets would result in a £16,000 reduction to total comprehensive income.

17. Deferred income tax

Deferred income tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. An analysis of the Group's deferred assets and deferred tax liabilities is shown below.

	2018 £'000	2017 £'000
Deferred tax assets		
Deferred tax assets to be settled after more than 12 months	**444**	688
Deferred tax assets to be settled within 12 months	**732**	583
Total deferred tax assets	**1,176**	1,271
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	**(2,565)**	(3,415)
Deferred tax liabilities to be settled within 12 months	**(425)**	–
Total deferred tax liabilities	**(2,990)**	(3,415)

The gross movement on the deferred income tax account during the year was as follows:

	2018 £'000	2017 £'000
At 1 July	**(2,144)**	(3,484)
Credit to the Statement of Comprehensive Income	**600**	1,152
(Charge) / credit recognised in equity	**(270)**	188
At 30 June	**(1,814)**	(2,144)

The change in deferred income tax assets and liabilities during the year was as follows:

	Share-based payments £'000	Trading losses carried forward £'000	Accelerated capital allowances £'000	Total £'000
Deferred tax assets				
At 1 July 2016	551	–	–	551
Credit to the Statement of Comprehensive Income	193	339	–	532
Credit to equity	188	–	–	188
At 30 June 2017	932	339	–	1,271
Credit to the Statement of Comprehensive Income	1	166	8	175
Charge to equity	(270)	–	–	(270)
At 30 June 2018	**663**	**505**	**8**	**1,176**

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for the year ended 30 June 2018 | *continued*

17. Deferred income tax *continued*

The carrying amount of the deferred tax asset is reviewed at each reporting date and is only recognised to the extent that it is probable that future taxable profits of the Group will allow the asset to be recovered.

	Accelerated capital allowances £'000	Intangible asset amortisation £'000	Total £'000
Deferred tax liabilities			
At 1 July 2016	84	3,951	4,035
Credit to the Statement of Comprehensive Income	(84)	(536)	(620)
At 30 June 2017	–	3,415	3,415
Credit to the Statement of Comprehensive Income	–	(425)	(425)
At 30 June 2018	**–**	**2,990**	**2,990**

18. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	**1,542**	1,723
Other receivables	**1,481**	1,187
Prepayments and accrued income	**22,996**	19,783
Total current trade and other receivables	**26,019**	22,693

19. Financial assets at fair value through profit or loss

	2018 £'000	2017 £'000
At beginning of year	**1,185**	1,000
Gain from change in fair value	**82**	185
At end of year	**1,267**	1,185

These investments are classified as Level 1 as defined in note 16.

20. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank	**30,884**	32,128
Cash held in employee benefit trust	**55**	55
Total cash and cash equivalents	**30,939**	32,183

Cash and cash equivalents are distributed across a range of financial institutions with high credit ratings in accordance with the Group's treasury policy. Cash at bank comprises current accounts and immediately accessible deposit accounts.

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for the year ended 30 June 2018 | *continued*

21. Deferred consideration

Deferred consideration payable is split between non-current liabilities (see below) and provisions within current liabilities (note 24) to the extent that it is due for payment 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:

	2018 £'000	2017 £'000
At 1 July	**3,384**	6,931
Finance cost of deferred consideration	**152**	263
Fair value adjustments	**1,191**	(2,230)
Payments made during the year	**(1,852)**	(1,580)
At 30 June	**2,875**	3,384
Analysed as:		
Amounts falling due within one year	**1,396**	1,664
Amounts falling due after more than one year	**1,479**	1,720
Total deferred consideration	**2,875**	3,384

No additions to deferred consideration payable were recognised in the year. Payments totalling £1,852,000 (FY17: £1,580,000) were made during the year to the vendors of Levitas. Full details of the Levitas acquisition are disclosed in note 13 of the 2015 Annual Report and Accounts.

A total increase in the fair value of deferred consideration of £1,191,000 (FY17: reduction of £2,230,000) was recognised during the year in respect of Levitas, with a corresponding gain recognised within other gains and losses in the 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. The actual growth in FUM for the current year exceeded the expectations and the FUM forecast was subsequently revised and the estimated future deferred consideration payments increased accordingly.

Deferred consideration is classified as Level 3 within the fair value hierarchy, as defined in note 16.

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

	2018 £'000	2017 £'000
At 1 July	**1,720**	5,290
Finance cost of deferred consideration	**152**	263
Fair value adjustments	**1,191**	(2,230)
Transfer to current liabilities	**(1,584)**	(1,603)
At 30 June	**1,479**	1,720

An amount of £1,584,000 (FY17: £1,603,000), representing deferred consideration payable in respect of the acquisition of Levitas, was transferred to provisions within current liabilities. A range of final outcomes for the expected total deferred consideration payable cannot be estimated as the future value of the funds under management is dependent on several unpredictable variables, including client retention and market movements.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

22. Other non-current liabilities

Other non-current liabilities relate to employer's National Insurance contributions arising from share option awards under the LTIS scheme.

	2018 £'000	2017 £'000
At 1 July	**157**	114
Additional liability in respect of LTIS awards	**63**	51
Transfer to current liabilities	**(63)**	(8)
At 30 June	**157**	157

The additional liability was recognised during the year of £63,000 (FY17: £51,000) in respect of existing LTIS awards, granted in previous years, that are expected to vest in the future. During the year, an amount of £63,000 (FY17: £8,000) was transferred to current liabilities, reflecting awards that are expected to vest within the next 12 months.

23. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	**4,762**	3,025
Other taxes and social security	**2,501**	2,345
Other payables	**531**	361
Accruals and deferred income	**15,497**	15,438
Total trade and other payables	**23,291**	21,169

Included within accruals and deferred income in 2018 is an accrual of £255,000 (FY17: £366,000) in respect of employer's National Insurance contributions arising from share option awards under the LTIS (note 28b). Accruals and deferred income in 2017 included an accrual of £307,000 in respect of redundancy costs relating to the closure of the Guernsey back office in September 2017.

The options have been valued using a Black Scholes model based on the market price of the Company's shares at the grant date (note 28). The total charge to the Consolidated Statement of Comprehensive Income for the year for employer's National Insurance contributions arising from share option awards under the LTIS (note 28b) was nil (FY17: £228,000).

24. Provisions

	Client compensation £'000	Exceptional costs of resolving legacy matters £'000	Deferred consideration £'000	FSCS levy £'000	Total £'000
At 1 July 2016	673	–	1,641	470	2,784
Charge to the Statement of Comprehensive Income	208	6,500	–	621	7,329
Transfer from non-current liabilities	–	–	1,603	–	1,603
Utilised during the year	(74)	–	(1,580)	(470)	(2,124)
At 30 June 2017	807	6,500	1,664	621	9,592
Charge to the Statement of Comprehensive Income	(407)	5,531	–	627	5,816
Transfer from non-current liabilities	–	–	1,584	–	1,584
Utilised during the year	(378)	(5,806)	(1,852)	(559)	(8,660)
At 30 June 2018	**22**	**6,225**	**1,396**	**689**	**8,332**

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

24. Provisions *continued*

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.

b) Exceptional costs of resolving legacy matters

Following a review into legacy matters arising from the former Spearpoint business, which was acquired by the Group in 2012, a provision of £5,531,000 (FY17: £6,500,000) was recognised for costs of resolving these including associated expenses. These matters relate to a number of discretionary portfolios formerly managed by Spearpoint, now managed by Brooks Macdonald Asset Management (International) Limited, and a Dublin-based fund, for which Spearpoint acted as investment manager.

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. The amount outstanding at 30 June 2018 was £1,396,000 (FY17: £1,664,000) and relates entirely to the Levitas acquisition. The amount of deferred consideration included within provisions is due to be settled in November 2018. Subsequent annual payments will be made in November of each year until the final payment in November 2020, with the final amount being calculated in November 2018.

An amount of £1,584,000 (FY17: £1,603,000) was transferred from non-current liabilities, representing payments made during the year and provisions for amounts falling due within one year of the reporting date. Provisions of £1,852,000 (FY17: £1,580,000) were utilised during the year on payment to the vendors of Levitas.

d) FSCS levy

Following confirmation by the FSCS in April 2018 of its final industry levy for 2018/19, the Group has made a provision of £689,000 (FY17: £621,000) for its estimated share. This includes a supplementary levy of £132,000 (FY17: £100,000) that is expected to be raised in early 2019.

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

	2018 £'000	2017 £'000
Operating profit		
- Continuing operations	6,210	8,186
- Discontinued operations (note 11)	(328)	96
Operating profit	**5,882**	8,282
Adjustments for:		
Depreciation of property, plant and equipment	1,186	989
Loss / (gain) on sale of fixed assets	–	(4)
Gain on sale of available for sale financial assets	–	(4)
Available for sale reserve recycled	–	6
Amortisation of intangible assets	3,880	3,863
Other gains and losses	3,643	(266)
(Increase) / decrease in receivables	(3,323)	1,265
Increase in payables	2,122	2,325
(Decrease) / increase in provisions	(992)	6,785
Increase in non-current liabilities	–	43
Discontinued operations	(457)	–
Share-based payments	1,669	1,237
Net cash inflow from operating activities	**13,610**	24,521

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

26. Share capital and share premium account

The movements in share capital and share premium during the year were as follows:

	Number of shares	Exercise price (p)	Share capital £'000	Share premium account £'000	Total £'000
At 1 July 2016	13,709,170		137	35,997	36,134
Shares issued:					
– on exercise of options	11,857	290.5 – 1,452.0	–	103	103
– to Sharesave Scheme	72,373	1,172.0 – 1,400.0	1	1,001	1,002
At 30 June 2017	13,793,400		138	37,101	37,239
Shares issued:					
– on exercise of options	27,838	290.5 – 1,452.0	–	210	210
– to Sharesave Scheme	81,795	1,237.0 – 1,738.0	–	1,093	1,093
At 30 June 2018	**13,903,033**		**138**	**38,404**	**38,542**

The total number of ordinary shares issued and fully paid at 30 June 2018 was 13,903,033 (FY17: 13,793,400) with a par value of 1p per share.

There were no shares issued on exercise of options and to Sharesave Scheme members in share capital in the year ended 30 June 2018 (FY17: £1,000).

Employee Benefit Trust

The Group established an employee benefit trust ("EBT") on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the Group's Long Term Incentive Scheme (note 28b). At 30 June 2018, the EBT held 164,582 (FY17: 243,465) 1p ordinary shares in the Company, acquired for a total consideration of £2,699,000 (FY17: £3,816,000) with a market value of £3,263,000 (FY17: £5,820,000). They are classified as treasury shares in the Consolidated Statement of Financial Position, their cost being deducted from retained earnings within shareholders' equity.

27. Other reserves and retained earnings

Other reserves are comprised of the following balances:

	2018 £'000	2017 £'000
Share option reserve	**2,921**	6,285
Merger reserve	**192**	192
Available for sale reserve	**1**	3
Total other reserves	**3,114**	6,480

a) Share option reserve

The share option reserve represents the cumulative charge to the Consolidated Statement of Comprehensive Income for the Group's equity settled share-based payment schemes, as described in note 28.

b) Merger reserve

The merger reserve arises when the consideration and nominal value of the shares issued during a merger and the fair value of assets transferred during the business combination differ.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

27. Other reserves and retained earnings *continued*

c) Available for sale reserve

The available for sale reserve reflects the changes in fair value of available for sale assets. Upon sale of the corresponding asset, the accumulated gain or loss is recycled through the Consolidated Statement of Comprehensive Income as a gain or loss on disposal.

The movements in other reserves during the year were as follows:

	2018 £'000	2017 £'000
Share option reserve		
At beginning of the year	6,285	5,331
Share-based payments	1,669	1,237
Transfer to retained earnings	(4,763)	(724)
Tax on share-based payments	(270)	441
At end of the year	2,921	6,285
Available for sale reserve		
At beginning of the year	3	(6)
Revaluation of available for sale financial assets	(2)	3
Recycling of reserve due to impairment	–	6
At end of the year	1	3

The movements in retained earnings during the year were as follows:

	2018 £'000	2017 £'000
At beginning of the year	41,987	41,357
Profit for the financial year	4,858	5,704
Profit from discontinued operations	536	110
Purchase of own shares by Employee Benefit Trust	–	(786)
Transfer from share option reserve	4,763	724
Dividends paid	(5,843)	(5,122)
At end of the year	46,301	41,987

28. Equity-settled share-based payments

All share options granted to employees under the Group's equity-settled share-based payment schemes are valued using a Black Scholes model, based on the market price of the Company's shares at the grant date and annualised volatility of up to 50%, covering the period to the end of the contractual life. Volatility has been estimated on the basis of the Company's historical share price subsequent to flotation. The risk-free annual rate of interest is deemed to be the yield on a gilt edged security with a maturity term of 3 years, ranging from 0.14% to 2.00%.

For options granted during the year, the Black Scholes model was based on the market price of the Company's shares at each respective grant date and volatility of 25.37% to 26.13% with a dividend yield of 1.53% to 2.43%, an expected vesting period between eleven months and three years and a risk-free annual rate of interest of between 0.14% and 0.50%.

The share options in issue under the various equity-settled share-based payment schemes have been valued at prices ranging from £2.31 to £19.65 per share. The charge to the Consolidated Statement of Comprehensive Income for the year in respect of these was £1,653,000 (FY17: £1,237,000). The weighted average remaining contractual life of all equity-settled share-based payment schemes at 30 June 2018 was 1.51 years (FY17: 1.32 years). The weighted average share price of all options exercised during the year was £19.75 (FY17: £10.45).

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for the year ended 30 June 2018 | *continued*

28. Equity-settled share-based payments *continued*

The total charge to the Consolidated Statement of Comprehensive Income for the year for all share-based payment schemes, including employer's National Insurance contributions, was £1,773,000 (FY17: £1,465,000).

The exercise price and fair value of share options granted during the year was as follows:

	Exercise price £	Fair value £	Number of options
Company Share Option Plan	19.66 – 20.23	2.86 – 2.87	7,435
Long Term Incentive Scheme	–	18.30 – 19.65	95,857
Employee Sharesave Scheme	14.94	5.00	118,741

a) Enterprise Management Incentive Scheme ("EMI")

Under the approved EMI Scheme, certain employees hold options to subscribe for shares in the Company at prices ranging from 215p to 775p. Options are conditional on the employee completing three years' service (the vesting period) and are exercisable three years from the grant date. The options have a contractual option term of seven years from the date they become exercisable. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

	2018		2017	
	Number of options	Weighted average exercise price (£)	Number of options	Weighted average exercise price (£)
At 1 July	**14,353**	**5.64**	20,353	4.83
Exercised in the year	**(14,353)**	**5.64**	(6,000)	2.905
At 30 June	**–**		14,353	5.63

The number of share options outstanding at the reporting date was as follows:

Scheme year (grant date)	Exercise price (£)	Vesting period	2018 Number of options	2017 Number of options
2007	2.905	2010 - 2017	**–**	6,250
2010	7.750	2013 - 2020	**–**	8,103
All years			**–**	14,353

b) Long Term Incentive Scheme ("LTIS")

The Company has made annual awards under the LTIS to Executive directors and other senior executives. The conditional awards, which vest three years after the grant date, are subject to the satisfaction of specified performance criteria, measured over a three year performance period. All such conditional awards are made at the discretion of the Remuneration Committee.

	2018 Number of options	2017 Number of options
At 1 July	**244,787**	208,739
Granted in the year	**95,857**	69,637
Exercised in the year	**(78,883)**	(27,038)
Forfeited in the year	**(8,105)**	(6,551)
At 30 June	**253,656**	244,787

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for the year ended 30 June 2018 | *continued*

28. Equity-settled share-based payments *continued*

b) Long Term Incentive Scheme ("LTIS") *continued*

The number of share options outstanding at the reporting date was as follows:

Scheme year (grant date)	Exercise price (£)	Vesting period	2018 Number of options	2017 Number of options
2010	–	2013	**3,413**	6,438
2011	–	2014	**4,883**	6,517
2012	–	2015	**7,087**	25,985
2013	–	2016	**11,921**	18,173
2014	–	2017	**24,385**	60,806
2015	–	2018	**49,365**	57,909
2016	–	2019	**62,051**	68,959
2017 (off-cycle)	–	2018	**–**	–
2017 (off-cycle)	–	2019	**2,312**	–
2017 (off-cycle)	–	2020	**7,458**	–
2017	–	2020	**80,781**	–
All years			**253,656**	244,787

At 30 June 2018, options for schemes up to and including the 2014 scheme have vested and are able to be exercised.

The off-cycle awards were issued in August 2017 to one member of senior management and vest in three instalments in March 2018, 2019 and 2020 respectively. The first tranche vested during the year ended 30 June 2018 and was exercised before the end of the year.

c) Employee Benefit Trust ("EBT")

Brooks Macdonald Group plc established an employee benefit trust on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the LTIS. All finance costs and administration expenses connected with the EBT are charged to the Consolidated Statement of Comprehensive Income as they accrue. The EBT has waived its rights to dividends. The following table shows the number of shares held by the EBT that have not yet vested unconditionally.

	2018 Number of shares	2017 Number of shares
At 1 July	**243,465**	228,208
Acquired in the year	**-**	42,295
Exercised in the year	**(78,883)**	(27,038)
At 30 June	**164,582**	243,465

d) Company Share Option Plan ("CSOP")

The Company has established a Company Share Option Plan which was approved by HMRC in November 2013. The CSOP is a discretionary scheme whereby employees or directors are granted an option to purchase the Company's shares in the future at a price set on the date of the grant. The maximum award under the terms of the scheme is a total market value of £30,000 per recipient. The performance conditions attached to the scheme require an increase in the diluted earnings per share of the Company of 2% more than the increase in the RPI over the three years starting with the financial year in which the option is granted.

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for the year ended 30 June 2018 | *continued*

28. Equity-settled share-based payments *continued*

d) Company Share Option Plan ("CSOP") *continued*

	2018		2017	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	**102,648**	**15.97**	81,264	15.67
Granted in the year	**7,435**	**19.75**	31,728	16.66
Exercised in the year	**(13,485)**	**13.91**	(5,857)	14.52
Forfeited in the year	**(5,922)**	**17.23**	(4,487)	17.21
At 30 June	**90,676**	**16.70**	102,648	15.97

The number of share options outstanding at the reporting date was as follows:

Scheme year (grant date)	Exercise price (£)	Vesting period	2018 Number of options	2017 Number of options
2013	14.52	2016	**11,886**	13,953
2014	13.81	2017	**9,423**	21,204
2015	17.19	2018	**36,679**	38,309
2016	17.25	2019	**25,761**	29,182
2017 (off-cycle)	20.23	2020	**1,491**	–
2017	19.66	2020	**5,436**	–
All years			**90,676**	102,648

At 30 June 2018, options for the 2014 scheme have vested and are able to be exercised. The off-cycle award was issued in August 2017 to one member of senior management and vests in March 2020.

e) Employee Sharesave Scheme ("SAYE")

Under the scheme, employees can contribute up to £500 a month over a three year period to acquire shares in the Company. At the end of the savings period, employees can elect to receive shares or receive their savings in cash.

	2018		2017	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	**199,753**	**14.50**	225,889	13.32
Granted in the year	**118,741**	**14.94**	67,590	17.38
Exercised in the year	**(79,797)**	**12.57**	(74,371)	13.83
Forfeited in the year	**(27,453)**	**16.64**	(19,355)	13.34
At 30 June	**211,244**	**15.21**	199,753	14.50

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for the year ended 30 June 2018 | *continued*

28. Equity-settled share-based payments *continued*

e) Employee Sharesave Scheme ("SAYE") *continued*

The number of share options outstanding at 30 June 2018 was as follows:

Scheme year (grant date)	Exercise price £	Vesting period	2018 Number of options	2017 Number of options
2014	13.86	2017	–	7,916
2015	12.37	2018	**4,145**	76,697
2016	14.00	2019	**44,076**	47,860
2017	17.38	2020	**44,282**	67,280
2018	14.94	2021	**118,741**	–
All years			**211,244**	199,753

At 30 June 2018, options for the 2015 scheme have vested and are able to be exercised.

29. Lease commitments

The Group leases various office premises under non-cancellable operating lease arrangements. The future aggregate minimum payments in relation to these leases, which are not recognised as liabilities in the financial statements, are analysed by their contractual payment dates as follows:

	2018 £'000	2017 £'000
Within one year	**2,234**	1,949
After one year but not more than five years	**3,280**	4,312
After five years	**2**	137
Total future minimum lease payments	**5,516**	6,398

30. Discretionary funds under management

The Group holds client money and assets on behalf of clients in accordance with the client money rules of the Financial Conduct Authority. Such money and the corresponding liabilities to clients are not shown in the Consolidated Statement of Financial Position as the Group is not beneficially entitled thereto. The total market value of client money and assets held at the end of the reporting period is shown below:

	2018 £'000	2017 £'000
Client money bank accounts	**763,591**	751,595
Client assets under management	**11,650,740**	9,704,108
Total client funds under management	**12,414,331**	10,455,703

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31. Financial risk management

The Group has identified the financial risks arising from its activities and has established policies and procedures as part of a formal structure for managing risk, including establishing risk lines, reporting lines, mandates and other control procedures. The structure is reviewed regularly. The Group does not use derivative financial instruments for risk management purposes.

a) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due.

The primary objective of the Group's treasury policy is to manage short-term liquidity requirements and to ensure that the Group maintains a surplus of immediately realisable assets over its liabilities, such that all known and potential cash obligations can be met.

The table below shows the cash inflows and outflows from the Group under non-derivative financial assets and liabilities, together with cash and bank balances available on demand.

At 30 June 2018	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 6 years £'000	Financial assets with no fixed repayment date £'000	Total £'000
Cash flows from financial assets						
Available for sale financial assets	–	–	–	923	655	1,578
Financial assets at fair value through profit or loss	–	–	–	–	1,267	1,267
Cash and balances at bank	30,939	–	–	–	–	30,939
Trade receivables	–	1,542	–	–	–	1,542
Other receivables	–	24,185	292	–	–	24,477
	30,939	25,727	292	923	1,922	59,803
Cash flows from financial liabilities						
Trade payables	–	4,762	–	–	–	4,762
Other financial liabilities	–	23,533	2,085	1,479	–	27,097
	–	28,295	2,085	1,479	–	31,859
Net liquidity gap	**30,939**	**(2,568)**	**(1,793)**	**(556)**	**1,922**	**27,944**

At 30 June 2017	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 6 years £'000	Financial assets with no fixed repayment date £'000	Total £'000
Cash flows from financial assets						
Available for sale financial assets	–	–	–	–	658	658
Financial assets at fair value through profit or loss	–	–	–	–	1,185	1,185
Cash and balances at bank	32,183	–	–	–	–	32,183
Trade receivables	–	1,723	–	–	–	1,723
Other receivables	–	13,987	179	–	–	14,166
	32,183	15,710	179	–	1,843	49,915
Cash flows from financial liabilities						
Trade payables	–	3,025	–	–	–	3,025
Other financial liabilities	–	23,599	2,628	2,341	–	28,568
	–	26,624	2,628	2,341	–	31,593
Net liquidity gap	**32,183**	**(10,914)**	**(2,449)**	**(2,341)**	**1,843**	**18,322**

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

31. Financial risk management *continued*

b) Market risk

Interest rate risk

The Group may elect to invest surplus cash balances in short-term cash deposits with maturity dates not exceeding three months. Consequently, the Group has a limited exposure to interest rate risk due to fluctuations in the prevailing level of market interest rates.

A 1% fall in the average monthly interest rate receivable on the Group's cash and cash equivalents would have the impact of reducing interest receivable and therefore profit before taxation by £310,000 (FY17: £322,000). An increase of 1% would have an equal and opposite effect.

Foreign exchange risk

The Group does not have any material exposure to transactional foreign currency risk and therefore no analysis of foreign exchange risk is provided.

Price risk

Price risk is the risk that the fair value of the future cash flows from financial instruments will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to price risk through its holdings of equity securities and other financial assets, which are measured at fair value in the Consolidated Statement of Financial Position (notes 16 and 18). A 1% fall in the value of these financial instruments would have the impact of reducing total comprehensive income by £28,000 (FY17: £18,000) and profit before tax by £13,000 (FY17: £12,000). An increase of 1% would have an equal and opposite effect.

c) Credit risk

The Group may elect to invest surplus cash balances in highly liquid money market instruments with maturity dates not exceeding three months. The difference between the fair value and the net book value of these instruments is not material. To reduce the risk of a counterparty default, the Group deposits the rest of its funds in approved, high quality banks. At 30 June 2018 there was no significant concentration of credit risk in any particular counterparty (FY17: none).

Assets exposed to credit risk recognised on the Consolidated Statement of Financial Position total £30,939,000 (FY17: £32,183,000), being the Group's total cash and cash equivalents.

Trade receivables with a carrying amount of £1,542,000 (FY17: £1,723,000) are neither past due nor impaired. Trade receivables have no external credit rating as they relate to individual clients, although the value of investments held in each individual client's portfolio is always in excess of the total value of the receivable. All trade receivables fall due within three months (FY17: three months).

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

32. Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves of the Company. Total capital at 30 June 2018 was £87,957,000 (FY17: £85,706,000). Regulatory capital is derived from the Group Internal Capital Adequacy Assessment Process ("ICAAP"), which is a requirement of the Capital Requirements Directive. The ICAAP draws on the Group's risk management process which is embedded within the individual businesses, function heads and executive committees within the Group.

The Group's objectives when managing capital are to comply with the capital requirements set by the Financial Conduct Authority, to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management. The Group's 2018 ICAAP will be approved in December 2018. There have been no capital requirement breaches during the year. Brooks Macdonald Group plc's Pillar III disclosure is presented on our website at www.brooksmacdonald.com.

33. Guarantees and contingent liabilities

A claim for unspecified losses has been made by a client against Brooks Macdonald Financial Consulting Limited, a subsidiary of the Group, in relation to alleged negligent financial advice. The claimant has not yet advised the quantum of their claim so it is not possible to reliably estimate the potential impact of a ruling in their favour. There remains significant uncertainty surrounding the claim and the Group's legal advice indicates that it is not probable that the claim will be upheld, therefore no provision for any liability has been recognised at this stage.

Brooks Macdonald Asset Management Limited, a subsidiary company of the Group, has an agreement with the Royal Bank of Scotland plc to guarantee settlement for trading with CREST stock on behalf of clients. The Group holds client assets to fund such trading activity.

Additional levies by the Financial Services Compensation Scheme may give rise to further obligations based on the Group's income in the current or previous years. Nevertheless, the ultimate cost to the Group of these levies remains uncertain and is dependent upon future claims resulting from institutional failures.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

34. Related party transactions

Certain directors have taken advantage of the Group's interest-free season ticket loan facility which is available to all employees. The directors who have such loans are as follows:

	Loan balance		Maximum amount	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
S J Jackson	**–**	6	**–**	10

Transactions between the Company and its subsidiaries, which are related parties, are eliminated on consolidation. The Company's individual financial statements include the amounts attributable to subsidiaries. These amounts are disclosed in aggregate in the relevant company financial statements and in detail in the following table:

	Amounts owed by related parties		Amounts owed to related parties	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Braemar Estates (Residential) Limited	**–**	–	**–**	252
Braemar Facilities Management Limited	**–**	5	**–**	–
Braemar Group Limited	**–**	661	**2,339**	–
Brooks Macdonald Asset Management Limited	**–**	–	**6,615**	10,011
Brooks Macdonald Asset Management (International) Limited	**–**	–	**4**	1
Brooks Macdonald Financial Consulting Limited	**–**	–	**4,322**	2,026
Brooks Macdonald Funds Limited	**–**	1,126	**3,986**	–
Brooks Macdonald Nominees Limited	**–**	–	**2,583**	2,583
Levitas Investment Management Services Limited	**9**	9	**–**	–
North Row Capital LLP	**–**	1	**–**	–

All of the above amounts are interest-free and are repayable on demand.

The Group manages a number of collective investment funds that are considered related parties. At 30 June 2018, financial assets at fair value through profit or loss included an investment of 563,689.4025 class A units (FY17: 563,689.4025 class A units) in the IFSL Brooks Macdonald Balanced Fund (note 19). These transactions were conducted on an arm's length basis.

Notes to the consolidated financial statements

for the year ended 30 June 2018 | *continued*

35. Interest in unconsolidated structured entities

Structured entities are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who has control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Group's interests in consolidated and unconsolidated structured entities are described below.

The only consolidated structured entity is the Brooks Macdonald Group Employee Benefit Trust, details of which are given in note 26.

The Group has interests in structured entities as a result of contractual arrangements arising from the management of assets on behalf of its clients. Assets under management within the Funds segment include those managed within structured entities. These structured entities consist of unitised vehicles such as Open Ended Investment Companies ("OEICs") which entitle investors to a percentage of the vehicle's net asset value. The structured entities are financed by the purchase of units or shares by investors. As fund manager, the Group does not guarantee returns on its funds or commit to financially support its funds. Where external finance is raised, the Group does not provide a guarantee for the repayment of any borrowings. The business activity of all structured entities, in which the Group has an interest, is the management of assets in order to maximise investment returns for investors from capital appreciation and / or investment income. The Group earns a management fee from its structured entities, based on a percentage of the entity's net asset value.

The funds under management of unconsolidated structured entities total £1,428m (FY17: £1,034m). Included in revenue on the consolidated statement of comprehensive income is management fee income of £6,134,000 (FY17: £4,463,000) from unconsolidated structured entities managed by the Group.

36. Events since the end of the year

No material events have occurred between the reporting date and the date of signing the financial statements.

Company statement of financial position

as at 30 June 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Intangible assets	41	**1,811**	–
Investment in subsidiaries	42	**71,540**	64,646
Available for sale financial assets	43	**500**	500
Total non-current assets		**73,851**	65,146
Current assets			
Trade and other receivables	44	**85**	1,820
Financial assets at fair value through profit or loss	45	**1,262**	1,180
Cash and cash equivalents		**266**	2,684
Total current assets		**1,613**	5,684
Total assets		**75,464**	70,830
Liabilities			
Non-current liabilities			
Deferred consideration	46	**(1,479)**	(1,720)
Total non-current liabilities		**(1,479)**	(1,720)
Current liabilities			
Trade and other payables	47	**(23,466)**	(18,892)
Total current liabilities		**(23,466)**	(18,892)
Net assets		**50,519**	50,218
Equity			
Share capital	49	**138**	138
Share premium account	49	**38,404**	37,101
Share option reserve		**3,192**	5,901
Retained earnings		**8,785**	7,078
Total equity		**50,519**	50,218

The Company financial statements were approved by the Board of directors and authorised for issue on 19 September 2018, signed on their behalf by:

C M Connellan
Chief Executive

B L Thrope
Finance Director

Company registration number: 4402058

The accompanying notes on pages 92 to 98 form an integral part of the Company financial statements.

Company statement of changes in equity

for the year ended 30 June 2018

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2016	**137**	**35,997**	**4,767**	**8,907**	**49,808**
Comprehensive income					
Profit for the year (note 39)	–	–	–	3,976	3,976
Total comprehensive income	**–**	**–**	**–**	**3,976**	**3,976**
Transactions with owners					
Issue of ordinary shares	1	1,104	–	–	1,105
Share based payments	–	–	1,237	–	1,237
Share based payments transfer	–	–	(103)	103	–
Purchase of own shares by employee benefit trust	–	–	–	(786)	(786)
Dividends paid (note 40)	–	–	–	(5,122)	(5,122)
Total transactions with owners	**1**	**1,104**	**1,134**	**(5,805)**	**(3,566)**
Balance at 30 June 2017	**138**	**37,101**	**5,901**	**7,078**	**50,218**
Comprehensive income					
Profit for the year (note 39)	–	–	–	9,417	9,417
Total comprehensive income	**–**	**–**	**–**	**9,417**	**9,417**
Transactions with owners					
Issue of ordinary shares	–	1,303	–	–	1,303
Share-based payments	–	–	490	–	490
Share based payments transfer	–	–	(3,199)	3,199	–
Adjustment for investment in share options of subsidiaries	–	–	–	(5,066)	(5,066)
Purchase of own shares by employee benefit trust	–	–	–	–	–
Dividends paid (note 40)	–	–	–	(5,843)	(5,843)
Total transactions with owners	**–**	**1,303**	**(2,709)**	**(7,710)**	**(9,116)**
Balance at 30 June 2018	**138**	**38,404**	**3,192**	**8,785**	**50,519**

The accompanying notes on pages 92 to 98 form an integral part of the Company financial statements.

Company statement of cash flows

for the year ended 30 June 2018

	Note	2018 £'000	2017 £'000
Cash flow from operating activities			
Cash generated from operations	48	**17,810**	6,752
Net cash generated from operating activities		**17,810**	6,752
Cash flows from investing activities			
Purchase of intangible assets	41	**(1,836)**	–
Investment in subsidiaries	42	**(12,000)**	–
Proceeds of sale of available for sale financial assets	43	–	484
Deferred consideration paid	46	**(1,852)**	(1,580)
Net cash used in investing activities		**(15,688)**	(1,096)
Cash flows from financing activities			
Proceeds of issue of shares		**1,303**	1,105
Purchase of own shares by employee benefit trust		–	(786)
Dividends paid to shareholders	40	**(5,843)**	(5,122)
Net cash used in financing activities		**(4,540)**	(4,803)
Net (decrease) / increase in cash and cash equivalents		**(2,418)**	853
Cash and cash equivalents at beginning of year		**2,684**	1,831
Cash and cash equivalents at end of year		**266**	2,684

The accompanying notes on pages 92 to 98 form an integral part of the Company financial statements.

Notes to the company financial statements

for the year ended 30 June 2018

37. Principal accounting policies

General information

Brooks Macdonald Group plc ("the Company") is the parent company of a group of companies. The Company is a public limited company, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and listed on AIM. The address of its registered office is 72 Welbeck Street, London, W1G 0AY.

Statement of compliance

The individual financial statements of the Company are presented as required by the Companies Act 2006 and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Developments in reporting standards and interpretations

Developments in reporting standards and interpretations are set out in note 2 to the consolidated financial statements. The principal accounting policies adopted are set out below:

a) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of investments such that they are measured at their fair value.

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own Statement of Comprehensive Income for the financial year.

b) Intangible assets

Amortisation of intangible assets is charged to administrative expenses in the Statement of Comprehensive Income on a straight line basis over the estimated useful lives of the assets.

Computer software

Costs incurred on internally developed computer software are initially recognised at cost and when the software is available for use, the costs are amortised on a straight line basis over an estimated useful life of four years. Initial research costs and planning prior to a decision to proceed with development of software are recognised in the Statement of Comprehensive Income when incurred.

c) Investments in subsidiary companies

Where the Company has investments in subsidiary companies; whereby one entity (the "subsidiary") is controlled by another entity (the "parent"), the investments are stated at cost less, where appropriate, provision for impairment. The carrying values of investments in subsidiary companies are reviewed annually to determine whether any indicator of impairment exists. Any impairment is recognised immediately in the Statement of Comprehensive Income and is not subsequently reversed.

d) Subsidiary company guarantees and contingent liabilities

As required by section 479C of the Companies Act, the Company guarantees all outstanding liabilities to which its unaudited subsidiary companies are subject at the end of the financial year. Where the outflow is not probable or cannot be reliably measured, the potential obligation is disclosed as a contingent liability in the financial statements.

e) Retirement benefit costs

Contributions in respect of the Group's defined contribution pension scheme are recognised in the Statement of Comprehensive Income as they fall due.

f) Employee Benefit Trust

Where the Company holds its own equity shares through an Employee Benefit Trust these shares are shown as a reduction in shareholders' equity. Any consideration paid or received for the purchase or sale of these shares is shown as a reduction in the reconciliation of movements in shareholders' funds. No gain or loss is recognised in the Statement of Comprehensive Income on the purchase, sale, issue or cancellation of these shares.

Notes to the company financial statements

for the year ended 30 June 2018 | *continued*

38. Critical accounting judgements and key sources of estimation and uncertainty

The critical accounting judgement and key source of estimation and uncertainty arise from the calculation and valuation of deferred consideration in relation to the Company's acquisition of Levitas Investment Management Services Limited in July 2014. Deferred consideration is recognised at its fair value, being an estimate of the amount that will ultimately be payable in future periods. This has been calculated allowing for estimated growth in the acquired funds, discounted by the estimated interest rate.

39. Profit for the year

Brooks Macdonald Group plc reported profit after tax for the year ended 30 June 2018 of £9,417,000 (FY17: £3,976,000). Auditors' remuneration is disclosed in note 7 of the consolidated financial statements. The average monthly number of employees during the year was 8 (FY17: 10). Directors' emoluments are set out in note 8(d) of the consolidated financial statements.

40. Dividends

Details of the Company's dividends paid and proposed, subject to approval at the annual general meeting, are set out in note 13 of the consolidated financial statements.

41. Intangible assets

	Software £'000
Cost	
At 1 July 2017	–
Additions	1,836
At 30 June 2018	**1,836**
Accumulated amortisation	
At 1 July 2017	–
Amortisation charge	25
At 30 June 2018	**25**
Net book value	
At 1 July 2017	–
At 30 June 2018	**1,811**

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

Notes to the company financial statements

for the year ended 30 June 2018 | *continued*

42. Investment in subsidiaries and related undertakings

Net book value	Group undertakings £'000
At 1 July 2016	65,610
Additions:	
– Capital contribution relating to share-based payments	1,022
– Impairment of subsidiary	(1,986)
At 30 June 2017	64,646
Additions:	
– Investment in subsidiaries	12,000
– Capital contribution relating to share-based payments	(5,106)
At 30 June 2018	**71,540**

During the year ended 30 June 2018, the Company invested £11,000,000 in the ordinary share capital of Brooks Macdonald Asset Management (International) Limited and £1,000,000 in the ordinary share capital of Brooks Macdonald Retirement Services (International) Limited. The capital contribution relating to share-based payments reflects the share options granted by the Company to employees of its subsidiary undertakings.

Details of the Company's subsidiary undertakings at 30 June 2018, all of which were 100% owned and included in the consolidated financial statements, are provided below:

Company	Type of shares and par value	Country of incorporation	Nature of business
Braemar Group Limited	Ordinary 1p	UK	Investment management
Brooks Macdonald Asset Management Limited	Ordinary £1	UK	Investment management
Brooks Macdonald Asset Management (International) Limited	Ordinary 1p & Preference £1	Channel Islands	Investment management
Brooks Macdonald Financial Consulting Limited	Ordinary 5p	UK	Financial consulting
Brooks Macdonald Funds Limited	Ordinary £1	UK	Fund management
Brooks Macdonald Nominees Limited	Ordinary £1	UK	Non-trading
Brooks Macdonald Retirement Services (International) Limited	Ordinary £1	Channel Islands	Retirement planning
Levitas Investment Management Services Limited	Ordinary £1	UK	Fund Sponsor
Secure Nominees Limited	Ordinary £1	Channel Islands	Non-trading

The registered office for all subsidiaries is 72 Welbeck Street, London, W1G 0AY except for the following:

Company	Registered office
Brooks Macdonald Asset Management (International) Limited	1st Floor, Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 2HH
Brooks Macdonald Retirement Services (International) Limited	1st Floor, Liberation House, Castle Street, St. Helier, Jersey, JE2 3AT
Secure Nominees Limited	1st Floor, Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 2HH

Notes to the company financial statements

for the year ended 30 June 2018 | *continued*

42. Investment in subsidiaries and related undertakings *continued*

Brooks Macdonald Group plc has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 30 June 2018:

- Braemar Group Limited
- Brooks Macdonald Nominees Limited
- Levitas Investment Management Services Limited

As a condition of the exemption, the Company has guaranteed the year end liabilities of the relevant subsidiaries until they are settled in full. The liabilities of the subsidiaries at 30 June 2018 were £13,000.

43. Available for sale financial assets

	2018 £'000	2017 £'000
At 1 July	**500**	971
Net gain from changes in fair value	**–**	13
Disposals	**–**	(484)
At 30 June	**500**	500

The Company holds an investment of 500,000 redeemable preference shares in an unlisted company incorporated in the UK. These were acquired in the year ended 30 June 2016 at a cost of £500,000. The preference shares are redeemable at par any time after five years from the date of issue (8 April 2016) and bear an entitlement to a fixed preferential dividend of 8% per annum of the nominal value of the shares. At 30 June 2018, the fair value of the preference shares was estimated at £500,000 (FY17: £500,000) based on a discounted cash flow analysis.

An analysis of these financial instruments and the level within the fair value hierarchy into which they are categorised is provided within note 16 of the consolidated financial statements.

44. Trade and other receivables

	2018 £'000	2017 £'000
Amounts owed by subsidiary undertakings	**9**	1,803
Prepayments and accrued income	**76**	17
Total trade and other receivables	**85**	1,820

Amounts owed by subsidiary companies are unsecured, interest-free and repayable on demand.

Notes to the company financial statements

for the year ended 30 June 2018 | *continued*

45. Financial assets at fair value through profit or loss

	2018 £'000	2017 £'000
At beginning of year	**1,180**	994
Adjustment in respect of prior periods	**–**	1
Gain from changes in fair value	**82**	185
At 30 June	**1,262**	1,180

These investments are classified as Level 3 as defined in note 16 to the consolidated financial statements. All investments were designated as fair value through profit or loss upon initial recognition.

46. Deferred consideration

Deferred consideration is split between non-current liabilities and other payables within current liabilities (note 47) to the extent that it is due for payment 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 Company. Deferred consideration is measured at its fair value based on discounted expected future cash flows. The amount outstanding at 30 June 2018 of £1,479,000 (FY17: £1,720,000) is the non-current liability related exclusively to amounts payable in respect of the acquisition of Levitas. The amount due within one year at 30 June 2018 of £1,396,000 (FY17: £1,664,000) is recognised in other payables in note 47. Payments of £1,852,000 (FY17: £1,580,000) were made to the vendors of Levitas during the year.

47. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	**98**	147
Amounts owed to subsidiary undertakings	**19,848**	14,674
Other payables	**1,396**	1,863
Accruals and deferred income	**2,124**	2,208
Total trade and other payables	**23,466**	18,892

Amounts owed to subsidiary companies are unsecured, interest-free and are repayable on demand. Included in other payables is £1,396,000 (FY17: £1,664,000) which is the directors' best estimate of the deferred consideration payable in respect of the acquisition of Levitas (see note 46).

Notes to the company financial statements

for the year ended 30 June 2018 | *continued*

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

	2018 £'000	2017 £'000
Operating profit	**9,417**	3,976
Adjustments for:		
Impairment of subsidiary	**–**	1,986
Changes in fair value of financial assets at fair value through profit or loss	**(82)**	(185)
Revaluation of financial assets	**–**	(13)
Changes in fair value of deferred consideration	**1,191**	(2,230)
Decrease in receivables	**1,710**	301
Increase in payables	**5,084**	2,705
Share based payments	**490**	212
Net cash inflow from operating activities	**17,810**	6,752

49. Share capital and share premium account

The movements in share capital and share premium during the year were as follows:

	Number of shares	Share capital £'000	Share premium account £'000	Total £'000
At 1 July 2016	13,709,170	137	35,997	36,134
Shares issued	84,230	1	1,104	1,105
At 30 June 2017	13,793,400	138	37,101	37,239
Shares issued	109,633	-	1,303	1,303
At 30 June 2018	**13,903,033**	**138**	**38,404**	**38,542**

The total number of ordinary shares, issued and fully paid at 30 June 2018, was 13,903,033 (FY17: 13,793,400) with a par value of 1p per share. Excluding 164,582 (FY17: 243,465) treasury shares held by the Employee Benefit Trust (see below), the Company had 13,738,451 (FY17: 13,549,935) ordinary 1p shares in issue as at 30 June 2018. Details of the shares issued are given in note 26 of the consolidated financial statements.

Employee Benefit Trust

The Company established an employee benefit trust on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the Group's Long Term Incentive Scheme (see note 28(b) to the consolidated financial statements). All finance costs and administration expenses connected with the EBT are charged to the Statement of Comprehensive Income as they accrue. The EBT has waived its rights to dividends.

During the year, the EBT received instructions to exercise 78,883 (FY17: 27,038) options. The cost of the shares released on exercise of these options amounted to £1,111,000 (FY17: £346,000). At 30 June 2018, the number of shares held by the EBT was 164,582 (FY17: 243,465) with a market value of £3,263,000 (FY17: £5,820,000) acquired for a total consideration of £2,699,000 (FY17: £3,816,000). These shares are presented as treasury shares in the Company financial statements and their cost is deducted from retained earnings within shareholders' equity.

The Company has made annual awards under the LTIS to Executive directors and other senior executives. The conditional awards, which vest three years after the grant date, are subject to the satisfaction of specified performance criteria, measured over a three year performance period. All such conditional awards are made at the discretion of the Remuneration Committee.

Notes to the company financial statements

for the year ended 30 June 2018 | *continued*

50. Lease commitments

The Company leases various office premises under non-cancellable operating lease arrangements. The future aggregate minimum payments in relation to these leases, which are not recognised as liabilities in the financial statements, are analysed by their contractual payment dates as follows:

	2018 £'000	2017 £'000
Within one year	**1,993**	1,773
After one year but not more than five years	**2,220**	3,148
After five years	**2**	–
Total future minimum lease payments	**4,215**	4,921

51. Related party transactions

The remuneration of key personnel of the Company, defined as the Company's directors, is set out below:

	2018 £'000	2017 £'000
Short-term employee benefits	**2,666**	2,571
Post-employment benefits	**55**	33
Share-based payments	**483**	320
Total compensation	**3,204**	2,924

Dividends totalling £229,000 (FY17: £281,000) were paid in the year in respect of ordinary shares held by key management personnel and their close family members.

During the year, the Company entered into the following transactions with its subsidiaries:

	2018 £'000	2017 £'000
Dividends received:		
– Brooks Macdonald Asset Management Limited	**15,000**	8,046
Total transactions with subsidiaries	**15,000**	8,046

The Company's balances with fellow group companies at 30 June 2018 are set out in note 34 to the consolidated financial statements. All transactions with fellow group companies are carried out at arm's length and all outstanding balances are to be settled in cash. None of the balances are secured and no provisions have been made for doubtful debts in respect of any of the amounts due from fellow group companies.

52. Financial risk management objectives and policies

The financial risk management objectives and policies applied by the Company are in line with those of the Group as disclosed in note 31 to the consolidated financial statements.

Directors and advisers

Directors

C J Knight	Chairman
C M Connellan	Chief Executive
C R Harris	Senior Independent Director
N I Holmes	Executive 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

Offices

Guernsey	Royal Chambers, St. Julians Avenue, St. Peter Port, GY1 2HH
Hampshire	The Long Barn, Dean Estate, Wickham Road, Fareham, Hampshire, PO17 5BN
Jersey	Liberation House, Castle Street, St. Helier, Jersey, JE2 3AT
Leamington Spa	36 Hamilton Terrace, Holly Walk, Leamington Spa, Warwickshire, CV32 4LY
London	72 Welbeck Street, London, W1G 0AY John Stow House, 18 Bevis Marks, London, EC3A 7JB
Manchester	1 Marsden Street, Manchester, M2 1HW
Scotland	10 Melville Crescent, Edinburgh, EH3 7LU
Taunton	4 Heron Gate, Hankridge Way, Taunton, TA1 2LR
Tunbridge Wells	2 Mount Ephraim Road, Tunbridge Wells, Kent, TN1 1EE
Wales	3 Ty Nant Court, Morganstown, Cardiff, CF15 8LW
York	Howard House, 3 St. Mary's Court, Blossom Street, York, YO24 1AH

Company information

Company Secretary	S P Broomfield
Company Registration Number	4402058
Registered Office	72 Welbeck Street, London, W1G 0AY
Website	www.brooksmacdonald.com

Officers and advisers

Independent auditors

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7 More London Riverside
London
SE1 2RT

Principal bankers

The Royal Bank of Scotland plc
280 Bishopsgate
London
EC2M 4RB

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Nominated adviser and broker

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Public relations

MHP Communications Limited
6-11 Agar Street
London
WC2N 4HN

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