Annual Report and Accounts
for the year ended 30 June 2019

BROOKS MACDONALD

A year of value-enhancing growth

Welcome to our 2019 Annual Report

Our Mission

At Brooks Macdonald we protect and enhance our clients' wealth through the provision of investment management and advice alongside exceptional client service.

How we achieve this

We build trusting relationships with our clients founded on our client-centric culture and the professionalism of all our people, from investment managers to administrators and operations staff.

The strength of our Centralised Investment Process allows us to partner with professional advisers in order to complement their services and benefit our mutual clients. These include private investors, trusts, pension funds and institutions.

Our website has a wealth of additional information showcasing our expertise.

See more at:
www.brooksmacdonald.com

What's in this report?

Highlights of the year and an overview of Brooks Macdonald's history

Read more on pages 2 to 5

Delivering strategic progress and good commercial performance

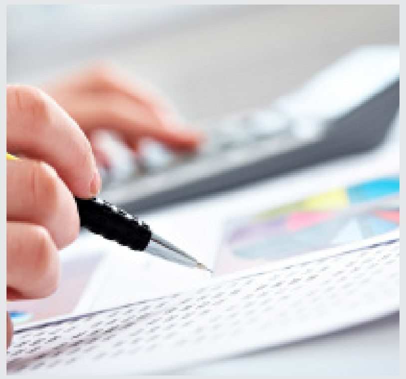
Read more on pages 6 to 37

Maintaining a strong corporate governance framework to support our mission

Read more on pages 38 to 78

Detailed analysis of our performance in the last financial year

Read more on pages 79 to 138

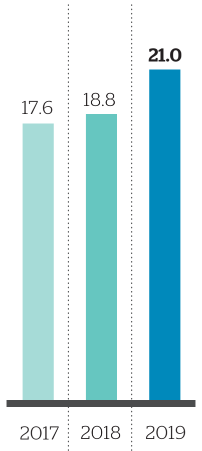


Contents

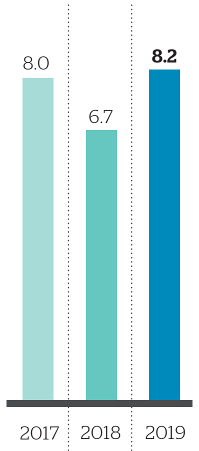
Highlights of the year

Financial

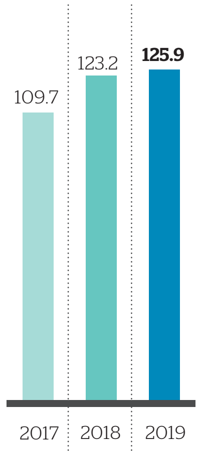
Underlying[1] profit before tax (£m)



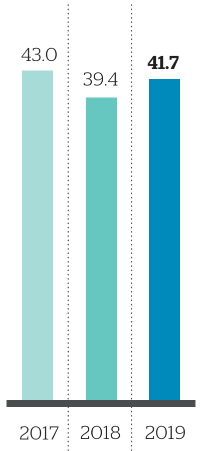
Statutory profit before tax (£m)



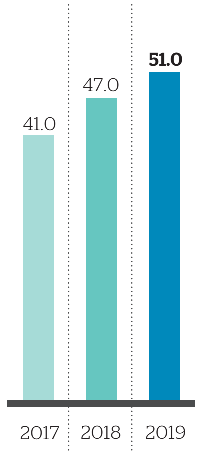
Underlying[1] earnings per share (p)



Statutory earnings per share (p)



Total dividend per share (p)



Funds under management ("FUM") (£bn) +6.8%

2019

£13.2bn

(2018: £12.3bn)[2]

Underlying profit before tax margin[3] (%) +0.8ppt

2019

19.6%

(2018: 18.8%)

Operational

- FUM up 6.8% to new record of £13.2 billion
- Organic net inflows of 3.3% at Group level and 5.4% in UKIM, among the best in the sector
- Revenues up in line with FUM to £107.3 million
- Statutory profit up 22.4% to £8.2 million
- Successful completion of first phase of our strategy, including strengthening the leadership team, building functional capability and exiting non-core activities
- Took decisive action to streamline the business and eliminate duplication, driving efficiency and effectiveness
- New CEO of International appointed to reinvigorate the business and drive medium-term growth and margin improvement
- Resolution of Channel Islands issues progressing
- FY20 focus on increasing value by enhancing what we do and how we do it

1. The underlying figures represent the results for the Group's continuing activities excluding certain adjusting items as listed on page 25 and 26. A reconciliation between the Group's statutory and underlying profit before tax is also included on page 25. Comparative results have been restated to exclude discontinued operations and present a more appropriate year-on-year comparison.
2. Funds under management for 2018 have been restated to exclude the funds related to discontinued operations.
3. The Group's statutory profit margin is 7.6%. The Board considers the underlying profit margin to be a more appropriate reflection of the Group's performance compared to the statutory profit margin.

Why invest in Brooks Macdonald?

1

Strong fundamental market opportunity, driven by demographic, regulatory and technological changes

Read more in our Marketplace on pages 14 to 15

2

Uniquely strong brand and relationships in the adviser channel

3

Robust Centralised Investment Process, delivering consistently strong investment returns for clients

4

Three complementary businesses – UK Investment Management, International and Financial Planning

Read more in Our services on pages 18 to 19

5

Market-leading organic growth in funds under management

6

Clear strategy, taking action to drive improvement in profit margins

Read more in Strategy on pages 16 to 17

7

Strong management team with depth of investment management and customer-facing experience complemented by functional expertise

Our history

In the 28 years since the Group's inception in 1991, funds under management have grown to £13.2bn and revenues now exceed £100m. Following the opening of the first regional office in Hampshire in 2005, the national network has grown to 13 offices with the latest addition, Bury St. Edmunds, opening in October 2018. The Group's growing capabilities, along with the fundamental opportunity, position Brooks Macdonald well to continue its growth.

> "We are proud of our history and ready to take the business forward into its next phase of growth."

Richard Spencer
Chief Investment Officer and Co-founder

1991
Brooks Macdonald Gayer & Co Ltd founded

1993
£250m funds under management

2002
Name changed to Brooks Macdonald Group ("BM")

2005
Lists on the Alternative Investment Market and funds under management reach £500m

Opens an office in Hampshire - first regional office

2006
Launch of first fund: Brooks Macdonald Structured Growth Fund

2007
Opens an office in Manchester becoming an increasingly powerful force in the market

2009
BM makes its first acquisition: Lawrence House fund house

BM Mortgage Finance launched

2010
Named in "The Sunday Times 100 Best (Small) Companies" to work for

Acquisition of Braemar Group

2011
Acquires investment arm of national law firm Clarke Willmott and opens regional office in Taunton

2012
Funds under management exceed £3bn

Acquisition of Jersey and Guernsey-based Spearpoint

2013
Funds under management reach £5bn

2014
Acquires Levitas Investment Management Services

2016
25 YEAR ANNIVERSARY

2017
New CEO appointed

Funds under management reach £10bn

Opens Wales office in Cardiff

Launch of new strategy

2018
Revenues exceed £100m

Launch of Guiding Principles

Opens East Anglia office in Bury St. Edmunds

Launch of Responsible Investment Service

2019
Funds under management exceed £13bn

New Chairman appointed

Launch of Decumulation Service

Strategic report

Chairman's statement

"Strong commercial performance and continued profit growth."

Alan Carruthers
Chairman

Introduction

This is my first Chairman's statement since taking over from Christopher Knight in March and, before discussing the Group's continuing progress, I would like to reiterate my thanks to Chris for his service to Brooks Macdonald. He completed 17 years on the Board and 14 as Chairman, all conducted with diligence and distinction, and handed over to me a company with an increasingly robust risk management and operating platform, a continuing track record of growth and a strong management team.

FY19 was Caroline Connellan's second full year as Chief Executive, and Caroline and her team have continued to drive the business forward. We have maintained strong commercial performance, increasing underlying profit margin and growing funds under management, despite a backdrop of macroeconomic and political uncertainty, weaker client sentiment and lower flows. As part of our drive to deliver improvement in profit margin in the medium term, we announced in January measures to streamline our processes and eliminate duplication, driving efficiency and effectiveness through the business. These changes helped us deliver continued profit growth despite the more difficult economic conditions.

Shifting focus in our strategy

We have continued to implement the strategy defined by Caroline and her team in 2017. During the year, we completed the first phase of reinforcing the foundations of the business and took decisive action to improve margins. We also moved into the second phase where we are increasing value by enhancing what we do and how we do it, across three main areas.

First, we have maintained focus on our clients and advisers, including most recently starting to roll out our new adviser and client portal, giving advisers and clients a significant upgrade in prompt and rapid access to data on their investments. Second, as discussed above, we have driven greater efficiency and effectiveness, capturing economies of scale and making us easier to deal with. Third, we have continued to invest in our talent and capability, with new development programmes at leadership and management levels.

Our culture is to support our clients throughout their investment journey, giving access to information and making it easy for them to do business with us, all in support of our mission to protect and enhance their wealth and helping them to realise their ambitions. Our culture is underpinned by our guiding principles:

- We do the right thing
- We are connected
- We care
- We make a difference

Our Centralised Investment Process continues to drive robust performance, even in difficult market conditions, underpinning our mission to protect and enhance our clients' wealth. Our investment performance continues to be ahead of the Asset Risk Consultants ("ARC") Private Client Index benchmarks across all risk mandates over three and five years.

Performance overview

The Group continues to make strong progress – our funds under management increased during the financial year from £12.3 billion to £13.2 billion, an increase of 6.8%. Our rate of organic net flows (3.3% at Group level, 5.4% for UK Investment Management) continues to be among the highest in the sector, although below levels of recent years, reflecting weak client sentiment, driven by elevated macroeconomic and political uncertainty.

51.0p

Dividend up 8.5% to 51.0p, continuing the Group's record of increasing its dividend every year since going public

"Given the Group's growing organisational capabilities, we expect to deliver strong future growth."

Our revenue grew by 7.3% in line with funds under management ("FUM"), bringing the full year total to £107.3m. The increase we have reported in underlying profit before tax, at 11.8%, is well ahead of both FUM and revenue growth, resulting in a figure of £21.0 million, up from last year's £18.8 million. Underlying profit margin has risen from 18.8% to 19.6%, reflecting our commitment to increased margins in the medium term, and underlying earnings per share have risen 2.2% from 123.2 pence to 125.9 pence.

Statutory profit from continuing operations rose 22.4% to £8.2 million (FY18: £6.7 million). Statutory earnings per share rose 5.8% to 41.7 pence (FY18: 39.3 pence).

Dividend

The Board has recommended a final dividend of 32.0 pence (FY18: 30.0 pence) which, subject to approval by shareholders, will result in total dividends for the year of 51.0 pence (FY18: 47.0 pence). This represents an increase of 8.5% 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 8 November 2019 to shareholders on the register at the close of business on 27 September 2019.

Board changes

There have been several changes to the Board during the last year. Last August, Ben Thorpe arrived as Group Finance Director from Brewin Dolphin and last September, John Linwood, a former Chief Technology Officer for the BBC, joined the business as a Non-Executive Director. In November, we announced that Nicholas Holmes had decided to leave the business after 22 years to pursue other opportunities. Nicholas left with the firm's best wishes for his future career. Finally, on 1 April, when Andrew Shepherd took over as CEO of our International business in the Channel Islands, he stepped down from the Group Board to focus on realising the potential of International.

Governance and regulatory

We have continued to keep abreast of regulatory change. The two major activities in the year were the completion of work related to the Second Markets in Financial Instruments Directive ("MiFID II") with the implementation of the Costs and Charges regulations, and preparation for the Senior Managers and Certification Regime ("SMCR") which goes live on 9 December. We also continued to embed the earlier elements of MiFID II and the General Data Protection Regulation ("GDPR").

Looking ahead

Looking ahead, the macroeconomic and political outlook is highly uncertain, even in the very short term. The UK's future relationship with the EU remains unclear and broader global risks, including the potential for trade wars, are also affecting client sentiment. While we remain cautious in our external outlook, it is also true that the fundamental opportunity remains strong, driven by longer-term demographic and regulatory trends. The Group is well positioned with a strong balance sheet and supportive shareholders. Given the fundamental opportunity and the Group's growing organisational capabilities, we expect to deliver both enhanced profit margins in the medium term and strong future growth.

Alan Carruthers
Chairman

11 September 2019

Chief Executive's review

"We are confident in our positioning and our continued ability to drive sustainable value-enhancing growth over the medium term."

Caroline Connellan
Chief Executive

Introduction

FY19 was my second full year as CEO of Brooks Macdonald and I am delighted to report that we have continued to deliver on our strategic priorities, as well as achieving good financial performance. In particular, I am pleased with the increase in our underlying profit margin, up 0.8 points to 19.6% (FY18: 18.8%), reflecting our commitment to improve profit margins in the medium term. We have also continued to deliver net new business levels among the best in the sector which, alongside robust investment performance, drove funds under management ("FUM") to a new record of £13.2 billion (FY18: £12.3 billion).

During the year, we completed the first phase of our strategy, reinforcing the foundations of the business and taking immediate action to improve margins, and moved into a second phase of enhancing what we do and how we do it to deliver further growth and increased value. This second phase includes initiatives to maintain and deepen our focus on clients and advisers, to achieve further improvements in organisational efficiency and effectiveness, and to invest in our talent and capabilities.

We are now well advanced in the second phase, taking the Company to a position from which we expect to deliver consistently improved returns from a growing, sustainable and scalable business model.

Going forward, we will continue to invest in the business, delivering market-leading products and services for our clients and advisers, ensuring that our risk management and operating framework keeps pace with the changing technological and regulatory environment, and investing in and developing our talent.

I would like to take this opportunity to thank everyone who has contributed to another successful year for Brooks Macdonald. Without the commitment and hard work of our people, it would not have been possible for the Company to make the progress it has, and I am grateful to them all.

Financial performance

We are pleased to have maintained positive FUM growth with Group FUM growing 6.8% over the year, one of the highest growth rates in the sector.

The increase in FUM was delivered evenly between net new business and investment performance, with £409 million of net flows, and £430 million of investment performance or 3.5% of performance, compared to 2.2% for the MSCI WMA Private Investor Balanced Index.

Revenue grew in line with FUM to £107.3 million (FY18: £99.9 million), up 7.3% on prior year.

Delivering our strategy

Our strategy and our progress in implementing it are dealt with in the Strategy section later in the document but I would highlight two key points here. First, in the financial year we completed the first phase of our strategy, where we reinforced the foundations of the business and took immediate actions to improve margins.

We continued to focus on our core offering by selling our Employee Benefits business in December and by exiting our role as investment manager to the Ground Rent Income Fund in May.

In the second phase, we are making good progress in increasing value by enhancing what we do and how we do it, to deliver sustainable, value-enhancing growth.

£13.2bn

FUM up to record level of £13.2bn

"UKIM delivered net organic flows of 5.4% over the year, a growth rate amongst the best in the market."

The second point I wanted to highlight is our improving underlying profit margin, which increased from 18.8% in FY18 to 19.6% this year. As referenced above, we have made improving margins in the medium term a central goal of our strategy and I am especially pleased we have been able to deliver this improvement against a background of weaker client sentiment driven by political and macroeconomic uncertainty.

Investment performance and market conditions

Our investment performance over FY19 was robust, maintaining our position of being ahead of ARC benchmarks for all risk profiles over three and five years, despite more difficult markets, especially in the first half of the financial year. This has further demonstrated the value of our Centralised Investment Process.

Markets were volatile over the first half of the financial year although the second half saw a broad recovery in risk assets.

Despite a supportive employment and consumer outlook, a weakening of inflationary pressures combined with global growth and trade concerns has encouraged central banks to move to a more accommodative monetary stance.

This has seen a shift in central bank policy globally, from expectations of gradual rate tightening to markets now expecting: (i) a series of rate cuts from the Federal Reserve; (ii) the possibility of renewed quantitative easing from Europe's ECB; and (iii) greater accommodation from other developed and emerging market countries.

We are mindful of the risks to markets, in particular the expected pace and scale of central banks' easing and geopolitical factors such as the ongoing US-China trade impasse or UK political tensions around Brexit. Preparing for such risks, our modest underweight to equity markets and our modest overweight cash positions mean we are well placed to withstand a downturn in markets and take advantage of any corrections to increase equity allocations in line with our longer-term preference for equities over bonds.

Review of business performance

UK Investment Management ("UKIM"), our largest and most profitable business, saw the appointment of new Co-Heads in the year – Robin Eggar and John Wallace were promoted to their new roles internally, reflecting the depth of talent in the business.

UKIM delivered net new business flows of 5.4% over the year, a growth rate among the best in the market. UKIM profit margins improved over the year, particularly following the actions we took in January 2019 to drive efficiency and effectiveness through the business in a more difficult external environment.

Our ability to deliver positive net flows stems from the strength of our relationships with advisers and we continue to expand the number of adviser relationships. While the proportion of advisers who outsource any of their investment management activities to a discretionary fund manager has continued to edge up in the past year, driven by both the opportunity for access to investment expertise and the increasing regulatory burden, it is still only 39% and less than a third of these outsource more than half of their client portfolios (source: GlobalData).

Hence, we see a continuing opportunity to go broader, building relationships with more advisers, and deeper, extending our relationships with our current advisers.

Chief Executive's review continued

Our flagship Bespoke Portfolio Service ("BPS") had a strong year against a more difficult market backdrop with 3.9% net flows and overall growth of 7.2%. In the year, we revamped our Court of Protection offering and introduced two new BPS variants, our Responsible Investment Service and our Decumulation Service, which are discussed in detail in the section on Our services on pages 18 and 19. Alongside our continuing innovation, the need for individuals to save for retirement, the impact of pension freedoms, and the growing use of Self-Invested Personal Pensions ("SIPPs") and Individual Savings Accounts ("ISAs") are all helping support our continuing growth.

Our Managed Portfolio Service ("MPS") was the fastest growing element of our discretionary business, particularly MPS sold through third party platforms which grew over 20% in the year, with 16.9% net flows. Our multi-asset funds and third party investment solution funds both had positive years. We continue to expect both our managed portfolio and fund-based solutions to deliver material growth in the future. The more difficult economic conditions attracted clients to our Defensive Capital Fund, which continued to go from strength to strength, up 22.1% (net flows 17.7%) to £663 million at the year end.

I am delighted that Group Deputy CEO Andrew Shepherd took on the role of CEO of International in April. His appointment is central to our efforts to revitalise International as it comes towards the conclusion of its Spearpoint legacy issues and after a difficult year for flows.

In the past year, robust investment performance of 4.4% did not fully offset negative net flows driven by customer attrition following the loss of a client-facing team in summer 2018.

Andrew and his team have now mapped out a clear plan to make International a material contributor to the Group, driving margins up to the levels of UKIM in the medium term, and the initial steps are well under way.

Financial Planning, our in-house Independent Financial Adviser, had a year of transition following the arrival of its new Managing Director, Adrian Keane-Munday, in July 2018. He has restructured the business, emphasising the provision of comprehensive independent financial advice and exceptional client service, as well as introducing a new pricing framework. While it is still early days, Adrian and his team are already seeing a positive client response to their initiatives and we continue to seek new opportunities to support future growth.

People strategy

We continued rolling out our people strategy initiatives across the business. During the year, we made material investment in leadership capability, increasing the diversity of our workforce, and engaging with our people. The initiatives we announced in January to streamline processes and eliminate duplication led to overall headcount reduction, but also created capacity for us to invest in attracting and retaining the best people to the firm, building capability in critical areas.

Also in FY19, we completed the transition in compensation structures resulting from our 2018 compensation and benefits review - all staff now have an appropriate balance between their fixed and variable pay and have a discretionary bonus measured against a balanced scorecard of objectives.

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 to 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 £6.5 million provision in FY17, and a further £5.5 million provision in FY18.

We issued goodwill offer letters to the discretionary clients in March 2018. The deadline for acceptance of offers has now passed, with 84% of the clients who received a goodwill offer having accepted. A small number of clients have rejected their goodwill offers and some of those clients may take other routes to pursue their claims. No such claims have been received to date.

In parallel, we have been in extensive discussions with the Board of the Dublin-based fund, seeking to deal with the matter proactively. New Directors, who were appointed in November 2018, agreed our goodwill offer of £3.4 million and received unanimous shareholder approval at an Extraordinary General Meeting in April 2019. Shareholders had until 4 September 2019 to claim their share, and the company is now going into voluntary liquidation.

Throughout the discussion, our focus has been on treating customers fairly and seeking to protect the fund's shareholders' best interests.

As at 1 July 2018, £5.8 million of the total £12.0 million provision had been utilised, leaving £6.2 million outstanding. Over the financial year to 30 June 2019, a further £5.5 million was utilised, leaving a balance of £0.7 million. The total expensed provision remains unchanged and we intend to deal with any residual issues in the ordinary course of business.

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

Outlook

I am delighted that we have been able to report a year of good performance despite more challenging conditions. I would like to thank the advisers we work with and our clients for their continuing support.

I look forward to continuing to deliver our strategy and build on the success to date. We will continue to maintain our focus on serving our clients and advisers, and to drive for greater efficiency and effectiveness, capturing economies of scale and making Brooks Macdonald easy to do business with. For example, we are starting the roll-out of our new client and adviser portal and recently opened our new office in Leeds.

We remain cautious about the short-term outlook given the backdrop of political and macroeconomic uncertainty and its continuing effect on client sentiment. Nonetheless, the fundamental opportunity for the Group remains strong, and we are confident in our positioning and our continued ability to drive sustainable value-enhancing growth over the medium term.

Our strong foundations also allow us to start looking at potential high-quality acquisitions.

Finally, all that we have achieved over the past year has been made possible by the hard work of our people at all levels and I would like to thank them for all they have done for our clients and the advisers we work with. I look forward to what we can achieve together as we look to take advantage of the opportunities ahead.

Caroline Connellan
Chief Executive

11 September 2019

Awards

We focus on delivering high-quality investment management products to our clients and the highest levels of service to the advisers that we work with.

Defaqto, who are the leading independent UK financial research company specialising in rating, comparing and analysing financial services, have once again awarded Brooks Macdonald their highest five-star ratings for our Bespoke Portfolio Service ("BPS"), Managed Portfolio Service ("MPS") and MPS on platform. A Defaqto Star Rating (graded on a scale of one to five) reflects the benefits offered and level of features within a financial product, independent of the provider.

Our Defensive Capital Fund won the Absolute Return category of Investment Week's Fund Manager of the Year awards 2019 and our Multi-Asset Funds range was a finalist in its category.

Defaqto also conduct an annual survey of professional advisers on their levels of satisfaction with different discretionary fund managers ("DFMs"). In the latest survey, published this year, Brooks Macdonald came equal first in the overall preferred DFM category attracting votes from over 20% of advisers surveyed.

As a consequence of our performance across all the categories, we have been awarded a Gold Standard for DFM service by Defaqto.

defaqto 2019 DFM Bespoke

Bespoke Portfolio service

defaqto 2019 DFM MPS Direct

Managed Portfolio Service

defaqto 2019 DFM MPS on Platform

Platform Managed Portfolio Service

Marketplace

Confidence in the future

The financial services industry faces a range of short and longer-term macroeconomic, social and political trends. Brooks Macdonald has taken action to manage the short-term environmental and is well positioned to benefit from longer-term trends, driving consistent improvement in profit margins.

Societal

Key messages

The UK population is getting wealthier, driving greater need for advice.

In parallel, it is getting older, creating specific needs to support retirement planning.

Market challenges and opportunities

People increasingly need advice and support in the management of their wealth, particularly as they need to save for their retirement and then manage their finances through a much longer period than historically.

Our response

Our mission is to provide high-quality investment management and financial advice to protect and enhance our clients' wealth, so these trends are largely beneficial to us. Additionally, we are adapting the way we deliver our investment expertise to help people meet these challenges even more directly, for example through our Decumulation service.

Economic

Key messages

The global economy is in an uncertain phase, with potential trade conflicts and increased risk of recession.

The UK economy faces additional idiosyncratic risks with the impact of a potential exit from the EU.

However, the longer-term trend continues to be towards greater prosperity.

Market challenges and opportunities

The uncertain economic environment has resulted in weaker client sentiment over the last financial year, driving lower net flows than we have delivered historically. However, this does not change the fundamental need in the market for high-quality investment management and financial advice and we expect client sentiment to turn over time.

Our response

In the short term, we have taken action to manage our costs even more carefully, streamlining processes and eliminating duplication. This has included headcount reduction, particularly in technology and operations, while protecting investment in changes that improve the client experience and make Brooks Macdonald easier to do business with. This balance is critical to ensure the business is positioned to capitalise on the longer-term opportunity.

Regulatory

Key messages

The regulator, acting to protect retail investors, is increasingly demanding of wealth managers.

Government policy, in particular pensions freedoms, is opening up new opportunities.

Market challenges and opportunities

Recent years have seen considerable new regulation - MiFID II, GDPR, SMCR and the consequences of the Asset Management Market Study - placing new demands on wealth managers, and we do not expect the pace of regulatory change to slacken, with increasing focus on transparency and operational resilience. Conversely, the impact of pension freedoms is driving demand for high-quality advice and investment management.

Our response

We have invested in our risk management and operational framework to ensure we respond appropriately to regulatory change within our overall mission for clients. In parallel, we have worked closely with our adviser partners to ensure clients are supported in dealing with the new pensions freedoms. In particular, our new Decumulation offering is aimed specifically at balancing the retiree's need for income with the importance of staying invested for the long term.

Technological

Key messages

Client expectations are changing.

Technology creates opportunities for greater efficiency and effectiveness.

Technology can drive value enabling new capabilities and client offerings.

Market challenges and opportunities

The digital revolution is changing people's expectations of how they interact with all sorts of companies, including financial services providers. New technology also gives opportunities to improve the quality of our administration and our client service.

Our response

As we have worked to manage our costs, we have protected investment in technology that makes a difference for our clients and advisers. After the end of the financial year, we launched our new client and adviser portal, enabling clients and advisers to get access to information on their investments quickly and easily. We continue to work to use technology to drive efficiency and effectiveness in our operations and we are increasingly looking at how technology can drive value.

What this means for Brooks Macdonald

- The fundamental opportunity for Brooks Macdonald remains strong.
- Our core investment management and financial planning offering is well positioned to capture the opportunity.
- We are adapting our offering both to meet short-term challenges in the marketplace and to cater to clients' changing needs, particularly in relation to pension freedoms.
- Technological change will continue to raise clients' expectations of how we interact with them and we will continue to invest to ensure that our processes are efficient and effective, that Brooks Macdonald is easy to do business with, and that we use technology to create new capabilities and client offerings.

Read about Corporate governance on pages 38 to 78

Strategy

Our strategy is based on the three pillars of foundation, focus and growth:

We are building on the foundation of our historic success, leveraging our strengths:

- Unparalleled relationships with advisers
- A client-centric, "can do" culture
- Strong Centralised Investment Process.

We are working to focus our business to deliver increased value, through greater efficiency and effectiveness, thereby delivering improved profit margins over the medium term. This demands that we maintain robust risk management, deliver a high-quality digital experience for our clients and advisers, and make our operating platform more scalable. Above all, it requires us to make Brooks Macdonald easy to do business with for our clients, our advisers and our employees.

We continue to seek new opportunities for growth, growing FUM organically with new segments, propositions and partnerships. In this, we are building on our existing strong branding and reputation and looking to bring the "best of BM" to all our clients. We are selectively expanding our UK geographic footprint and adding new propositions where they complement and build on our Centralised Investment Process.

We are delivering our strategy in three phases, with the emphasis on the pillars shifting across the phases. We launched our strategy in late 2017, once Caroline Connellan had completed her initial review of the business. In this financial year, we have completed the first phase and made good progress on the second.

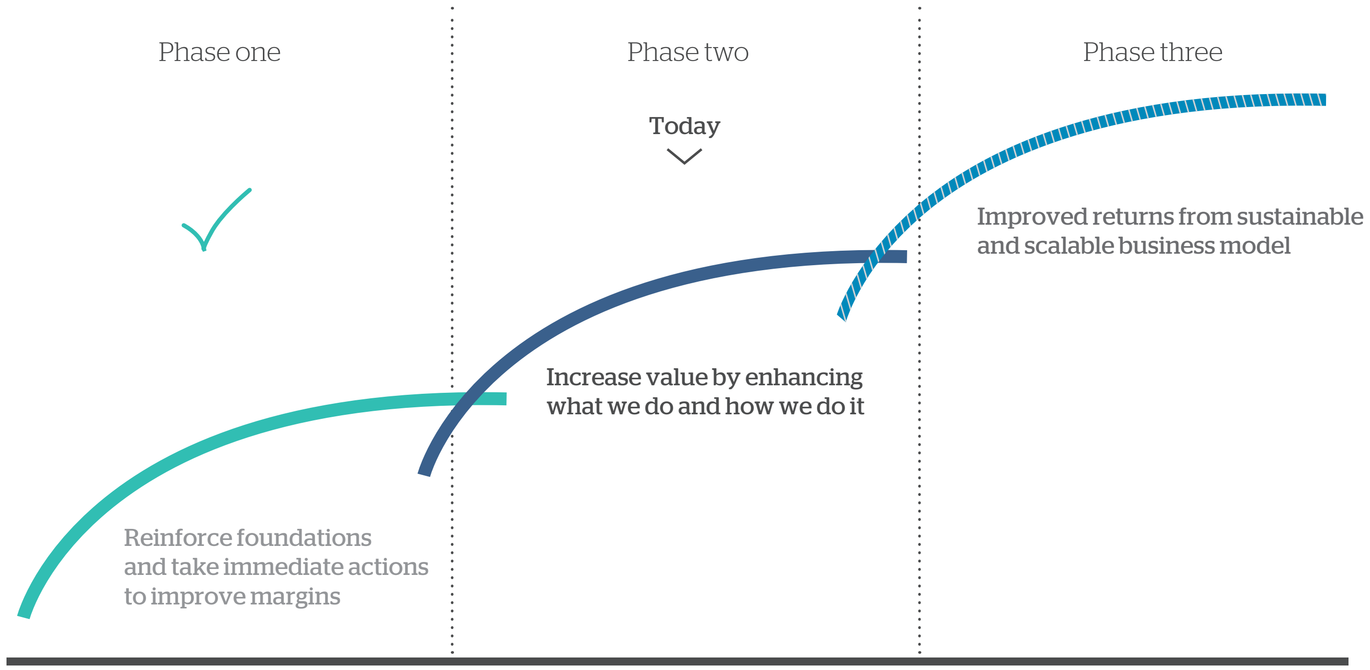
Phase one

In the first phase through to late 2018, we reinforced the foundations of the business and took immediate actions to improve profit margins. We focused on our core investment management and financial planning businesses by selling our property management business, Braemar Estates, and our employee benefits business, and exiting both our investment management of the Ground Rent Income Fund and a small tax return service. We materially upgraded our risk and operational management framework with both a one-off £2m investment and a similar ongoing increase in spend in this area. Caroline strengthened her management team, in particular bringing in strong functional leaders to complement the existing customer-facing and investment management expertise. We tightened cost discipline, particularly after the arrival of Ben Thorpe as Finance Director, and launched a comprehensive people strategy aimed at attracting and retaining the best people in industry.

Phase two

The second phase, which we kicked off in late 2018, is increasing the value in the business by enhancing what we do and how we do it.

> "We are building on our existing strong branding and reputation."



We have maintained and strengthened the business's focus on our clients and advisers, with new propositions like our new Decumulation and Responsible Investment Service and our revamped Court of Protection offering, and further improved our distribution, increasing the size of our adviser network and opening a new office in East Anglia.

We see our consistent robust investment management performance, driven by our Centralised Investment Process, as a critical strength. Our strategy is focused on finding new ways to bring that investment management expertise to clients and advisers, with a pipeline of new products and services, increased cross-business collaboration, and new approaches to distribution. We will often be doing this in close collaboration with our leading adviser partners, bringing new investment solutions to them and their clients.

We have taken action in the more difficult external economic environment to drive greater efficiency and effectiveness, streamlining processes and eliminating duplication. This has included material headcount reduction, particularly in our technology and operations areas. Conversely, we are increasingly investing in digital with our new client portal going live just after the end of the financial year. In parallel, we are investing in talent and capability across the business and upgrading the organisation's change management capability.

Phase three

All this work has been aimed at ensuring we deliver our mission of client service while also providing shareholders with strong returns on their investment in us. In the third phase, we will reap the benefits of a scalable platform, capturing both growth opportunities and increased economies of scale, driving continued improvement in profit margins in the medium term.

Case Study: Responsible Investment Service

In recent years, we received a growing number of enquiries from advisers and clients for an offering to meet the needs of clients looking to reflect their values within their investment portfolios. Wider industry research also showed increasing demand, so in 2017 we started an 18-month project to develop such a service. Product development and the evolution of more sophisticated approaches to values-based investing now mean that a genuinely multi-asset, multi-geography approach is possible.

We launched our Responsible Investment Service ("RIS") in October 2018, integrated into our Centralised Investment Process, ensuring that the same level of due diligence, monitoring and accountability is applied to RIS as our other offerings.

The service offers clients two distinct mandates, "Avoid" and "Advance":

- Avoid - avoid exposure to five business areas: Armaments, Tobacco, Alcohol, Gambling and Pornography.
- Advance - invest in businesses that are either providing solutions to sustainability issues through the products and services that they offer, or have strong corporate policies and outputs related to Environmental, Social and Governance ("ESG") criteria.

RIS was initially launched through our Bespoke Portfolio Service ("BPS"), with a Model Portfolio Service ("MPS") version based on our Advance mandate being made available on platforms in January 2019.

Since launch we have received positive feedback from advisers and clients. Many have commented that, while we are not unique in offering a values-based service, our approach is distinctive in the clarity of its definition and its robust research and portfolio construction frameworks. RIS has attracted both existing and new clients and has broadened our capabilities in meeting clients' financial and non-financial objectives.

Our services

We are an independent investment management firm, providing a wide range of investment and wealth management services to private clients, pension funds, professional intermediaries and trustees; financial planning advice to high net worth individuals and families; and multi-asset and specialist funds to the retail sector. We provide our services through three core businesses:

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

1 UK Investment Management (FUM at 30 June 2019: £11.6bn)

Within UK Investment Management ("UKIM"), there are six distinct service lines:

Bespoke Portfolio Service

The Bespoke Portfolio Service ("BPS") is the Group's principal 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, allowing the manager to construct focused portfolios supporting the delivery of risk-adjusted investment returns appropriate to the client's investment objectives. 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 BPS follow the core asset allocation and asset selection recommendations of the Group-wide Centralised Investment Process ("CIP").

Within BPS, we offer some specific services aimed at clients with distinct sets of needs. Within the financial year, we revamped our Court of Protection service, aimed at clients in that particular sub-segment and vulnerable clients more broadly, and launched two new offerings – the Responsible Investment Service ("RIS") and Decumulation.

The RIS is designed for clients with the dual objective of responsible investment and return generation in line with defined risk profiles. The service is available both through BPS and our Managed Portfolio Service ("MPS").

We offer two distinct Responsible Investment strategies: Avoid and Advance. The values based objective of the Avoid strategy is to prevent exposure to companies involved in the production of armaments, tobacco, alcohol, gambling and pornography, while for the Advance strategy the objective is to invest in, and advance, businesses that either specifically seek to provide solutions to sustainability issues, or businesses that have strong corporate policies and outputs relating to environmental, social and governance ("ESG") criteria.

Our Decumulation service is a bespoke approach, designed to help meet clients' income requirements over their retirement by aiming to shield the portfolio from downturns in the early years of withdrawals. Its structure is specifically adapted to address short-term sequencing risk, while retaining the ability for longer-term assets to contend with inflation risk.

AIM Portfolio Service

The Group's AIM Portfolio Service ("APS") provides clients with access to a carefully selected portfolio of AIM-listed companies, with preference given to companies that are judged to have attractive long-term investment potential. The investment universe is restricted to companies that are understood to qualify for Business Property Relief ("BPR"), allowing investors to benefit from Inheritance Tax ("IHT") exemptions.

Managed Portfolio Service

The Managed Portfolio Service ("MPS") provides a choice of investment into a range of risk-managed model portfolios, each investing across a different mix of asset classes. 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 in accordance with the CIP.

Multi-Asset Funds

The Multi-Asset Funds ("MAF") range allows investors to gain access to the Group's discretionary management expertise and CIP through a pooled fund solution. The Group offers 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

The Group designs investment propositions for advisers and intermediaries who are looking for investment solutions meeting specific investment objectives for their clients. These are delivered in a private OEIC fund format to which the Group provides investment management, leveraging the Group's broad investment expertise (the Authorised Fund Operator is selected by the Third Party).

Specialist Funds

The Group also provides investment management services to a small number of specialist retail OEIC funds. The largest is the Defensive Capital Fund ("DCF") which has grown to £663 million at 30 June 2019.

2 International (FUM at 30 June 2019: £1.6bn)

International is based in the Channel Islands and offers a similar range of investment management and financial planning services as the UK businesses. The services are designed to meet the particular requirements of offshore and international clients and the investment management process follows the CIP. A comprehensive range of investment services is provided to private clients, trusts and advisers, available in sterling, euros or US dollars:

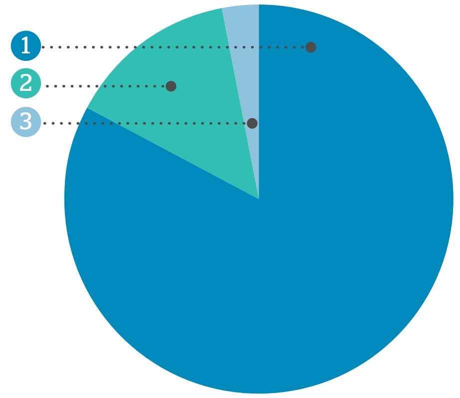
- International Bespoke Portfolio Service
- International Managed Portfolio Service
- International Multi-Asset Funds
- Single-strategy solutions, which invest directly in the traditional asset classes of equities and bonds for ultra-high net worth clients with higher entry thresholds. The Direct Equity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

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

3 Financial Planning

Financial Planning provides wealth management advice services to high net worth individuals ("HNWI") and families, giving independent "whole of market" financial advice enabling clients to build, manage and protect their wealth. The service is advice rather than product-driven, providing clients with a coherent, affordable strategy aimed at achieving their long-term goals. In addition to the financial planning service, the Group works in collaboration with other professional advisers such as solicitors, accountants and wealth managers, to help them provide a comprehensive service to their clients predominantly focused on financial advice, but also including mortgage services.

Revenue by segment



1 UKIM: £89.1m (83%)

2 International: £14.6m (14%)

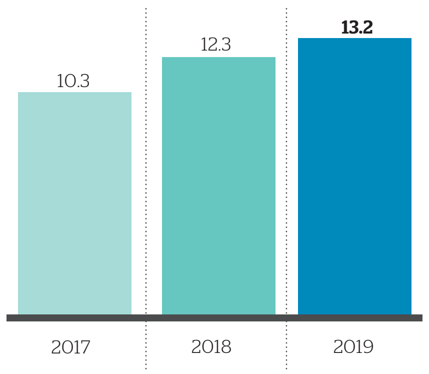
3 Financial Planning: £3.6m (3%)

Key performance indicators

The following financial and strategic measures have been identified as the key performance indicators ("KPIs") of the Group's overall performance for the financial year. Comparative figures have been restated to exclude the results of discontinued operations to provide a more appropriate year-on-year comparison.

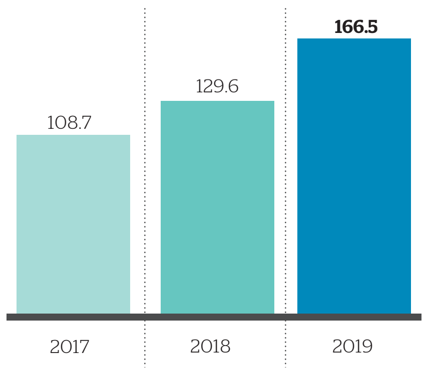
FUM and revenue

Funds under management (£bn)



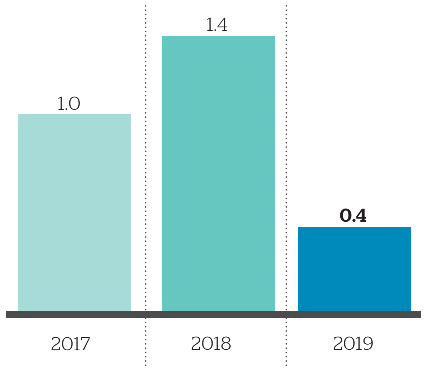
Total funds under management at the end of the year

FUM per CF30 (£m)



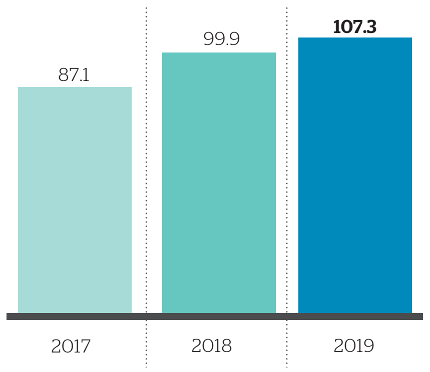
FUM divided by the number of CF30s (investment managers who provide advisory services regarded as a controlled function by the FCA)

Organic net fund flows (£bn)



Value of organic discretionary net flows

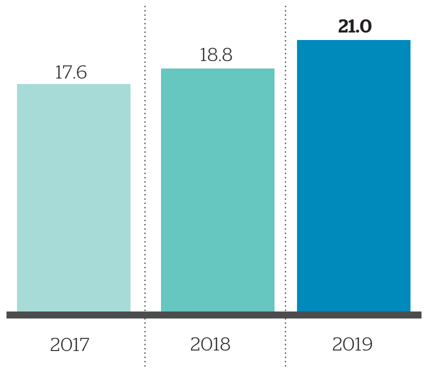
Revenue (£m)



Fee and non-fee income generated during the year

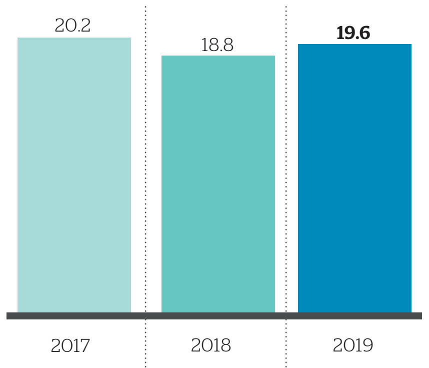
Underlying profit and margins

Underlying profit before tax (£m)



Revenue less underlying costs before tax

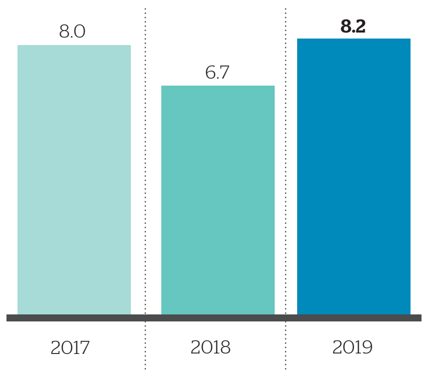
Underlying profit before tax margin (%)



Underlying profit before tax as a percentage of revenue

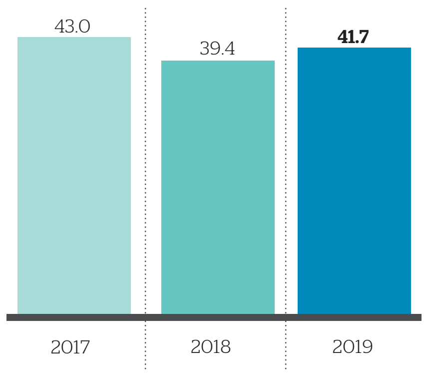
Shareholder return

Statutory profit before tax (£m)



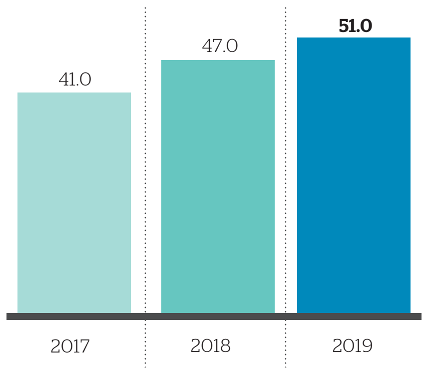
Total statutory profit before tax

Statutory earnings per share (p)



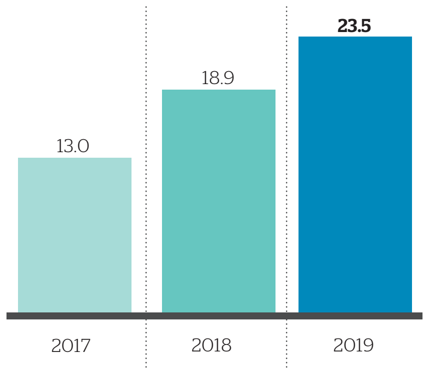
Total statutory profit after tax divided by the weighted average number of ordinary shares

Total dividend per share (p)



Total dividend per share

Total shareholder return (%)



The Group's total return (share price appreciation and dividends) over a rolling three-year period

Finance Director's report

"In 2019 we delivered a growth in profitability, an improvement in the underlying profit margin and a more disciplined approach to financial resource management."

Ben Thorpe
Finance Director

Review and results of the year

Over the course of my first year at Brooks Macdonald, we have taken decisive steps to grow revenue, manage costs and enhance profitability. The efficiency and effectiveness programme announced in January 2019 has delivered slightly ahead of plan, resulting in a material improvement in the Group's underlying profit margin to 19.6%, underpinning our confidence in the Group's medium-term outlook.

The Group's total revenue for FY19 was £107.3 million, up 7.3% from £99.9 million in FY18. The recent trend towards higher quality fee-only income has continued during FY19, with circa 75% of BPS flows going into our fee-only products. At a divisional level, BPS, MPS and Funds all recorded an improvement in revenues during the year. Revenues from our International business were relatively flat on the prior year largely due to the previously announced loss of a small client team. Financial Planning has been impacted by a fall in defined benefit transfers following the exceptional levels of business written in FY18, and the sale of the sub-scale Employee Benefits business to Brunsdon Employee Benefits Limited.

Underlying costs for the year increased by 6.4% from £81.1 million to £86.3 million. Staff costs including variable pay were flat year-on-year. Average headcount for continuing operations fell by 2.9% during the year and the headcount at the end of the year was 401, down 14.5% on the prior year. The restructuring charge associated with this reduction of £3.3 million has been excluded from underlying earnings and presented as a one-off item.

Non-staff costs, including Change spend, increased by £4.9 million to £33.7 million primarily driven by higher spend on IT, an increase in amortisation in relation to the Group's successfully completed MiFID II and GDPR programmes and a higher FSCS levy.

The key priority over the year has been reducing the cost growth trajectory and changing the way the organisation thinks about its cost base. In addition to the significant savings achieved during the year in connection with regulatory projects, we have completed a number of initiatives to address other areas, including a review of the Group's property portfolio (resulting in the announced consolidation of the Group's London offices into its new headquarters at 21 Lombard Street in the city), the rollout of a new adviser and client portal and the successful implementation of a new web-based employee expense management system.

£13.2bn
Record FUM

£107.3m
Total revenue

19.6%
Underlying PBT margin

7.6%
Statutory PBT margin

Combined, the impact to the Group's underlying profit before tax has been an increase of 11.8% from £18.8 million to £21.0 million, accompanied by a significant improvement in the underlying profit before tax margin from 18.8% to 19.6%. This highlights the strength of the management team, our functional and business capabilities and our ability to deliver.

Group financial results summary

	FY19 £m	FY18 £m	Change %
Revenue	107.3	99.9	7.3
Underlying costs	(86.3)	(81.1)	6.4
Underlying profit before tax	21.0	18.8	11.8
Underlying adjustments	(12.4)	(11.8)	5.1
Profit before tax from continuing operations	8.6	6.9	24.6
Loss from discontinued operations	(0.4)	(0.2)	100
Statutory profit before tax	8.2	6.7	22.4
Taxation	(2.5)	(1.3)	92.3
Profit after tax	5.7	5.4	5.6
Underlying profit before tax margin	19.6%	18.8%	0.8ppt
Underlying basic earnings per share	125.9p	123.2p	2.2%
Statutory profit before tax margin	7.6%	6.7%	0.99ppt
Statutory basic earnings per share	41.7p	39.4p	5.8%
Dividends per share	51.0p	47.0p	8.5%

Read about Financial statements on pages 79 to 138

Finance Director's report continued

FUM

Amid the relatively weak market sentiment driven by the global macroeconomic slowdown, trade tensions and political uncertainty in the UK, the Group recorded positive net flows (£0.4 billion) and strong investment performance (£0.4 billion) resulting in a new record discretionary FUM total of £13.2 billion, an increase of 6.8% over the previous year.

Investment performance continues to be robust at 3.5%, beating the benchmark MSCI WMA Private Investor Balanced Index which increased by 2.2% over the same period.

FUM movement in the year

At a divisional level, within UKIM, our onshore business, we have seen decent net flows across the BPS (3.9%), MPS (10.8%) and Funds (7.5%) divisions. These were partially offset by negative net outflows (–9.6%) recorded within our International business, driven principally by the loss of a client-facing team in the prior year.

FUM by segment

	FY19 £m	FY18 £m	Change %
BPS	8,254	7,699	7.2
MPS	1,705	1,488	14.6
Funds	1,584	1,428	10.9
UKIM total	11,543	10,615	8.7
International	1,604	1,693	(5.2)
Non-core funds (Property)	4	4	–
Total FUM	13,151	12,312	6.8

Revenue by segment

The Group reports its income across three key operating segments, UK Investment Management, International and Financial Planning, all of which complement each other:

	FY19 £m	FY18 £m	Change %
BPS	72.1	66.9	7.8
MPS	8.2	7.6	7.9
Funds	8.1	6.8	19.1
Other	0.7	0.5	40.0
UKIM total	89.1	81.8	8.9
International	14.6	14.2	2.8
Financial Planning	3.6	3.9	(7.7)
Total revenue	107.3	99.9	7.3

UKIM continues to make up the bulk of the Group's revenues, representing 83.0% of total revenues, driven by BPS, MPS on platform and the Defensive Capital Fund within our Funds offering. UKIM overall recorded a year-on-year revenue increase of 8.9%, up from £81.8 million to £89.1 million, driven by the continued strength of our client franchise and the increasing quality of the business as the average client size increases and clients continue to move onto fee-only rate cards.

From April 2019, Andrew Shepherd, Group Deputy CEO, took over as CEO of our International business. While International revenues grew marginally to £14.6 million (FY18: £14.2 million), this move highlights our commitment to International and the important role it has to play in the future growth of the Group. Going forward, we will be integrating International more closely into the Group, including improving access to Group functions and resources, and working to maximise cross-referral opportunities across our businesses.

Financial Planning has seen the effects of the industry-wide reduction in defined benefits transfers. The new Head of Financial Planning, Adrian Keane-Munday, has started an operating review of the business and we expect performance to improve markedly over the medium term.

Group underlying profit before tax ("PBT") and margin

Underlying PBT is considered by the Board to be a more accurate reflection of the Group's performance when compared to the statutory results as this excludes income and expense categories which are deemed of a non-recurring nature or a non-cash operating item. Reporting at an underlying basis is also considered more appropriate for external analyst coverage and peer group benchmarking allowing a more accurate like-to-like comparison.

Reconciliation between underlying and statutory profits

A reconciliation between underlying PBT and statutory PBT for FY19 with comparatives is shown below:

	FY19 £m	FY18 £m
Underlying profit before tax	21.0	18.8
Goodwill impairment	(4.8)	–
Restructuring charge	(3.3)	–
Client relationship contracts impairment	(2.3)	–
Amortisation of client relationships and contracts acquired with fund managers	(2.2)	(2.4)
Changes in fair value of consideration and related disposals	0.2	(1.5)
Exceptional costs of resolving legacy matters	–	(5.5)
Software impairment	–	(2.5)
Statutory profit before tax from continuing operations	8.6	6.9
Loss from discontinued operations	(0.4)	(0.2)
Statutory profit before tax	8.2	6.7

The statutory figures for FY18 have been restated, where applicable, to adjust for the Group's disposal of the Employee Benefits business in December 2018 and the termination of the investment management agreement with the Ground Rents Income Fund plc in May 2019, so as to ensure a more appropriate like-to-like comparison. Refer to Note 10 to the Consolidated financial statements for more details.

Goodwill impairment (£4.8 million charge)

Goodwill is reviewed annually for impairment based on the carrying value of the asset compared to its expected recoverable amount. The impairment charge recognised in the year relates to the Levitas transaction as the Group moves to a new 5-year partnership that has a lower sponsorship fee on which the associated goodwill carrying value is based. Refer to Note 13 to the Consolidated financial statements for more details.

Restructuring charge (£3.3 million charge)

This relates to the efficiency and effectiveness programme announced in January 2019. The Group identified a range of opportunities to streamline and remove duplication from core processes. The headcount reduction resulted in redundancy costs, payment in lieu of notice, settlement and other restructuring-related costs. These have been excluded from underlying earnings in view of their one-off nature.

Finance Director's report continued

Client relationship contracts impairment (£2.3 million charge)

This impairment charge relates to the value of Spearpoint client relationships following the previously disclosed loss of a client-facing team. Refer to Note 13 to the Consolidated financial statements for more details.

Amortisation of client relationship contracts and contracts acquired with fund managers (£2.2 million charge)

These intangible assets are created in the course of acquiring funds under management and are amortised over their useful life, which has been assessed to range between 15 and 20 years. This amortisation charge has been excluded from the underlying profit since it is a significant non-cash item. Refer to Note 13 to the Consolidated financial statements for more details.

Changes in fair value of consideration and related (£0.2 million credit)

This comprises the fair value remeasurement arising on deferred payments from previous acquisitions and disposals carried out by the Group together with their associated net finance costs and costs of disposals where applicable.

Taxation

The Group's corporation tax charge for FY19 was £2.5 million (FY18: £1.3 million), representing an effective tax rate of 30.5% (FY18: 19.8%). The prior year effective tax rate was lower due to the recognition of a higher Research & Development ("R&D") credit covering the prior two financial years, giving rise to an overall year-on-year variance of £0.7 million. Moreover, this year's effective tax rate is higher due to the goodwill and intangible assets impairment charge recognised in the Consolidated income statement which are disallowable for corporation tax purposes.

Earnings per share

The Group's basic statutory earnings per share for the year ended 30 June 2019 were 41.7 pence (FY18: 39.4 pence). On an underlying basis, earnings per share increased by 2.2% to 125.9 pence (FY18: 123.2 pence).

Dividend

The Group has a progressive dividend policy growing dividends in line with the Group's underlying earnings. 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.

The Group is well-positioned to continue funding dividend payments in accordance with its policy. The ability to maintain future dividends will be influenced by the continued assessment of the principal risks identified on pages 29 to 34.

The Board has proposed a final dividend of 32.0 pence per share (FY18: 30.0 pence). Taking into account the interim dividend of 19.0 pence per share (FY18: 17.0 pence), this results in a total dividend for the year of 51.0 pence per share (FY18: 47.0 pence), an increase of 8.5%. The recommended dividend is subject to shareholders' approval, which will be sought at the Company's Annual General Meeting on 31 October 2019.

Regulatory capital and cash resources

The Group's financial position remains strong with net assets remaining flat at £87.6 million (FY18: £88.0 million) and tangible net assets (net assets excluding intangibles) up to £37.4 million (FY18: £27.4 million). As at 30 June 2019, the Group had regulatory capital resources of £39.0 million (FY18: £30.0 million) after taking into account deductions for current and non-current deferred tax liabilities of £1.6 million (FY18: £2.6 million). The Group continues to be well capitalised with a capital adequacy ratio of 226% over our Pillar I requirement.

Brooks Macdonald Asset Management Limited, the Group's main operating subsidiary, is an IFPRU 125k Limited Licence Firm regulated by the Financial Conduct Authority ("FCA"). In view of this, the Group is classified as a regulated group and subject to the same regime.

	FY19 £m	FY18 £m
Share capital	0.1	0.1
Share premium	39.1	38.4
Other reserves	4.6	3.1
Retained earnings	43.8	46.3
Total equity	87.6	88.0
Intangible assets (net book value)	(50.2)	(60.6)
Deferred tax liabilities associated with intangible assets	1.6	2.6
Tier 1 Capital	39.0	30.0
Own funds	39.0	30.0

The Group monitors a range of capital and liquidity statistics on a daily and monthly basis.

As required under FCA rules, and those of both the Jersey and Guernsey Financial Services Commission, the Group assesses its regulatory capital and liquidity on an ongoing basis through the Internal Capital Adequacy Assessment Process ("ICAAP") and Adjusted Net Liquid Asset ("ANLA") assessments, which include performing a range of stress tests and scenario analysis to determine the appropriate level of regulatory capital and liquidity that the Group needs to hold. Surplus levels of capital and liquidity are forecast, taking into account known outflows and proposed dividends to ensure that the Group maintains sufficient capital and liquidity at all times.

The latest ICAAP review was conducted for the period ended 30 June 2018 and signed off by the Board in January 2019. Regulatory capital forecasts are performed monthly and take into account expected dividends and intangible asset acquisitions and disposals as well as budgeted and forecast trading results.

The Group's Pillar III disclosures are published annually on the Group's website (www.brooksmacdonald.com) and provide further details about the Group's regulatory capital resources and requirements.

Cash flow and capital expenditure

The Group continues to have strong levels of cash generation from continuing operations. Total cash resources at the end of the year were £34.6 million (FY18: £30.9 million). The Group had no borrowings at 30 June 2019 (FY18: £nil).

Cash spent on exceptional items was up to £7.7 million (FY18: £5.8 million) due to further payments of goodwill offers, the settlement of the Dublin OEIC issue and the cost of the restructuring programme. This now means the vast majority of the Spearpoint legacy matters provision of £12.0 million has been paid out with only £0.7 million remaining.

Capital expenditure was down significantly as we completed our MiFID II and GDPR projects. We also began to manage dilution more actively via market purchase of shares for the Employee Benefit Trust. Tax payments were lower this year due to the receipt of prior year R&D credits.

Finance Director's report continued

Financial outlook

In summary, 2019 has seen good progress across the Group with a growth in profitability, an improvement in the underlying profit margin and a more disciplined approach to financial resource management.

The underlying market trends are positive and the fundamental opportunity remains strong. IFAs continue to outsource investment management, driven in part by regulatory and commercial trends and the need for high-quality investment management solutions underpinned by a robust centralised investment proposition. However, in the short term, we see some headwinds on asset flows given the backdrop of political and macroeconomic uncertainty.

We continue to make good progress in resolving legacy matters in our International business which coupled with the new senior leadership team will help drive this important segment of our business forward. There is also an increasing onus on individuals to save for retirement, with pensions freedoms driving a greater need for good quality advice, creating opportunities for our Financial Planning offering.

While cross-business collaboration across our core offerings will continue to drive organic growth, going forward there will be additional focus on corporate activity and evaluating accretive, complementary acquisitions that enhance our existing offerings or provide new capabilities to drive growth.

We will continue to simplify the business, focus on our core offerings across UKIM, International and Financial Planning. Cost discipline in non-staff costs and focus on efficiency will still be a priority but is now business as usual. Where required, we will invest to support our growth strategy and resources will be made available to ensure that we continue to win and deliver industry-leading net flows.

Ben Thorpe
Finance Director

11 September 2019

Risks

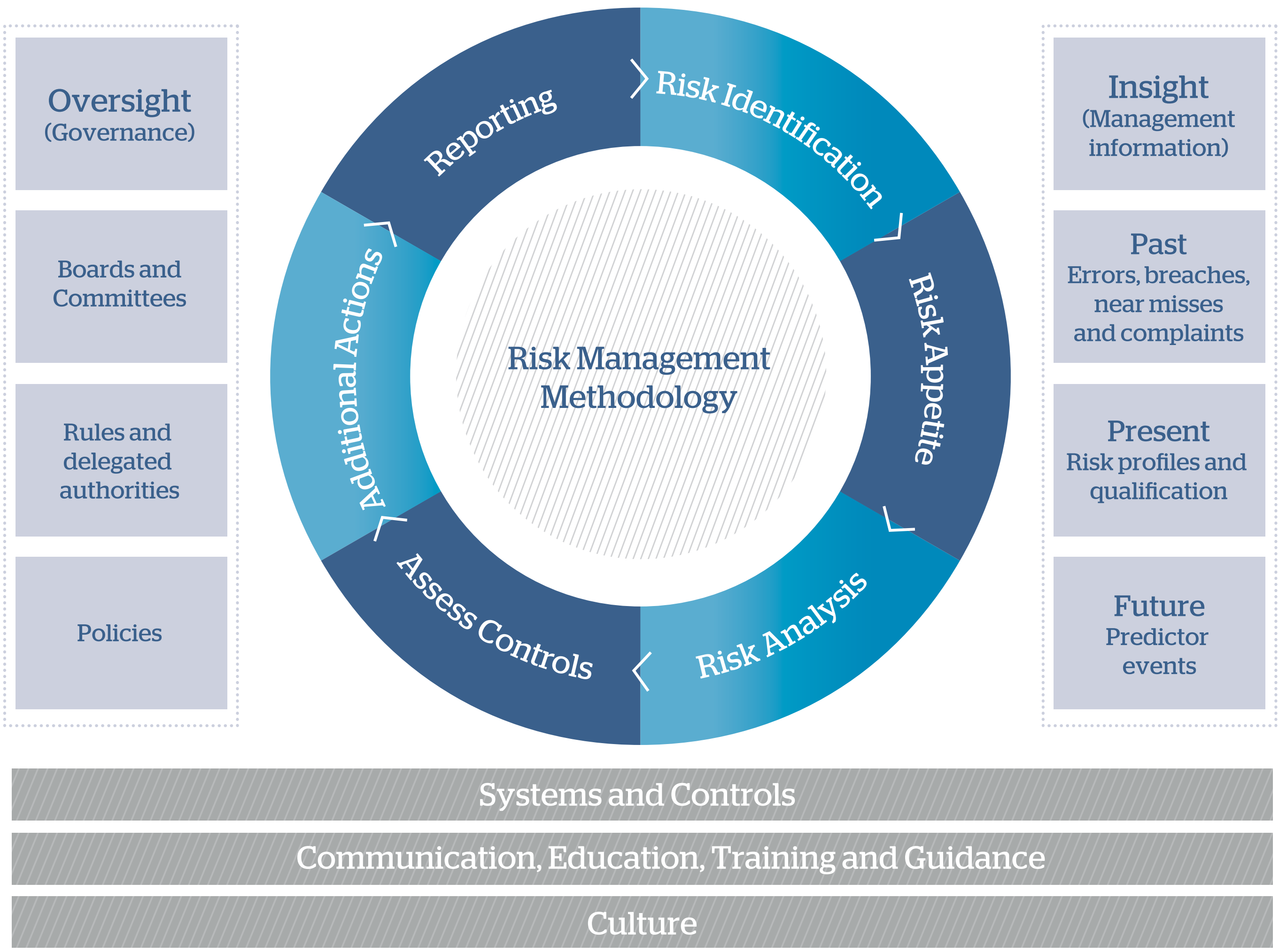
Investing in a robust and practical approach to risk management

Over the past year, the Group delivered the final phase of its risk transformation project and over the coming years will continue to invest in embedding the Group risk management framework. Our approach to risk management combines a top-down strategic assessment of risk and associated risk appetite, with a bottom-up operational identification and reporting process which also looks at the impact of a combination of emerging risks. We have invested in a risk management system which has been implemented across the Group and empowers all staff to manage risks as first-line risk managers.

With the implementation of a new centralised incident management process, our staff are able to more easily raise potential issues so that prompt action can be taken to minimise any impact on clients or our wider stakeholders.

How we manage risk

The Group Risk Management Framework ("RMF")



Risks
continued

Risk management starts with oversight through an appropriate governance structure using a board and committee structure, with individual and collective roles and delegated authorities and a set of core policies to provide guidance to staff.

Effective risk management relies on insight through robust and timely management information. We manage our risks by learning lessons from past events such as errors, breaches, near misses and complaints, by conducting point-in-time risk assessments in the present and attempting to predict what the future risk landscape might look like through our suite of key indicators.

The risk management methodology within the Group's risk management framework consists of the following six interlinked steps:

Risk identification. This takes place through regular business monitoring and periodic reviews, including risk mapping exercises and the risks arising from change or new products and services.

Risk appetite. Once we have identified risks, we set an appetite for each material risk. This defines the amount of risk that the Board is prepared to accept in order to deliver its business objectives. Risk appetite reflects culture, strategic goals and the existing operating and control environment.

Risk analysis. Having set the risk appetite, we can assess the impact and probability of each material risk against the agreed risk appetite. This can include the quantification of capital risk as part of the Internal Capital Adequacy Assessment Process ("ICAAP").

Assess controls. We also assess the effectiveness of controls in reducing the probability of a risk occurring or, should it materialise, in mitigating its impact.

Additional actions. Where differences exist between our risk appetite and the current residual risk profile, we take action either: to accept, avoid or transfer part or all of those risks which are outside our risk appetite; or to reconsider the risk appetite.

Reporting. Ongoing reporting of risks to senior management provides insight to inform decision-making and allocation of resources to achieve business objectives.

Key risks

We have identified our risks at Group and business line levels to help manage our key risks in a consistent and uniform way with oversight from relevant Committees and Boards.

Movement key

Increasing risk | Decreasing risk | Unchanged risk

Risk	Definition	Key risks identified by risk management framework	Risk movement
Group level			
1 Credit	The risk of loss arising from a client or counterparty failing to meet their financial obligations to a Brooks Macdonald entity as and when they fall due.	• Cash deposits with external banks • Client credit risk • Counterparty credit risk • Custodian-related credit risk • Indirect counterparty risk in respect of referrals	Unchanged
2 Liquidity	The risk that assets are insufficiently liquid and/or Brooks Macdonald does not have sufficient financial resources available to meet liabilities as they fall due, or can secure such resources only at excessive cost. Liquidity risk also includes the risk that the Group is unable to meet regulatory prudential liquidity ratios.	• Corporate cash deposited with external banks • Client cash deposited with external banks (CASS rules) • Failed trades • Indirect liquidity risk associated with client portfolios • Indirect liquidity risks associated with dealing • Indirect risk in respect of the liquidity of individual holdings in a fund • Indirect risk in respect of the overall liquidity of our funds	Decreasing
3 Market	The risk that arises from fluctuations in the value of, or income arising from, movements in equity, bonds, or other traded markets, interest rates or foreign exchange rates that has a financial impact.	• Failed trades • Indirect market risk associated with advising on client portfolios • Indirect market risks associated with dealing • Indirect market risk associated with managing client portfolios	Increasing

Risks
continued

Movement key

Increasing risk · Decreasing risk · Unchanged risk

Risk	Definition	Key risks identified by risk management framework	Risk movement
Business level			
4 Business and strategic risk	The risk of having an inadequate business model or making strategic decisions that may result in lower than anticipated profit or losses or exposes the Group to unforeseen risks.	• Brexit • Business growth • Extreme market events • Investment performance • Product governance	
5 Conduct risk	The risk of causing detriment to clients, stakeholders or the integrity of the wider market because of inappropriate execution of Brooks Macdonald's business activities.	• Client service • Investment performance • Suitability and conduct risk	
6 Operational risk	The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. It includes legal and fraud risk but not strategic, reputational and business risks.	• Data security • Cyber • Resilience and BCP • IT infrastructure and capability • Key suppliers and outsourcing • Operational errors • People	
7 Prudential risk	The risk of adverse business and/or client impact resulting from breaching regulatory capital/ liquidity requirements, or market/credit risk internal limits.	• Prudential requirements	

Risk	Definition	Key risks identified by risk management framework	Risk movement
Business level continued			
8 Legal and regulatory risk	Legal and regulatory risk is defined as the risk of exposure to legal or regulatory penalties, financial forfeiture and material loss due to failure to act in accordance with industry laws and regulations.	• Financial crime • Governance • Regulatory, tax and legal compliance • Idiosyncratic reputational risk	
Emerging level			
9 Cyber and data security	The potential financial, reputational, operational and client-related risks arising from a data protection, information security or cyber-related breach. The additional risks associated with non-compliance with relevant rules and regulations.	With cyber security being a heightened and evolving risk for the industry and wider economy, there has been an increased focus this year on understanding our cyber security landscape while also taking measures to strengthen our core IT management team.	
10 Consolidation of the investment management market	The potential financial, reputational, operational and client-related risks arising from a consolidation in the market either among peer wealth managers or the professional advisers that Brooks Macdonald partners with.	There has been an increase in the M&A activity in the financial planning and wealth management sectors. If this continues, it may impact the Brooks Macdonald operating model.	

Risks
continued

Viability statement

In accordance with the UK Corporate Governance Code, the Board has assessed the Group's viability over a five-year period from FY19 through to FY23. The decision to do so over this period is aligned with the Group's strategy, its budgeting process and the scenarios set out in the Internal Capital Adequacy Assessment Process ("ICAAP").

The Board has carried out a robust assessment of the principal risks facing the Group along with the stress tests and scenarios that would threaten the sustainability of its business model, future performance, solvency or liquidity. This assessment is based on the Group's Medium Term Plan ("MTP"), the ICAAP and an evaluation of the Group's principal risks, as outlined previously and in the Risk and Compliance Committee Report.

In assessing the future viability of the overall business, the Board has considered the current and future strategy as well as any significant business restructuring and legacy issues.

The Board has also considered the business environment of the Group and the potential threats to its business model arising from regulatory, demographic, political and technological changes.

The five-year MTP is maintained as part of the Group's annual corporate planning process. The model translates the Group's current and future strategy into a detailed year-one budget, followed by higher level forecasts for years two through to five. The combination of this detailed budgeting, longer-term forecasting and various stress tests provides an holistic and transparent view of the forward-looking financial prospects of the Group. The Board reviews and challenges the Group's MTP annually.

The Group undertakes an ICAAP as required by our UK regulator, the Financial Conduct Authority ("FCA"), which documents a range of stress tests, including a reverse stress test.

These are all designed to assess the Group's ability to withstand a market-wide stress, a Group-specific stress and a combination of both. The tests documented within the ICAAP are scenarios designed by senior management to assess the Group's exposure to a range of extreme, but plausible, situations, as well as an assessment of the cost to the Group of a wind-down in the event of a non-recoverable shock to the operating model. These scenarios are refreshed at least annually to ensure they remain relevant and continue to be a suitable tool for developing our controls and mitigating actions.

Following consideration and assessment of the above factors, including the results of the latest ICAAP and the risk management controls and procedures in place, the Board has reasonable expectations the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. Accordingly, the Board continues to adopt the going concern basis in the preparation of these Financial statements.

How we engage with our stakeholders

When considering their decisions and in setting the policies and strategy for Brooks Macdonald, in addition to the shareholders, the Directors are aware there are a number of other stakeholders that will affect the success of the Group. These include, for example, our clients and advisers along with our employees. The below table outlines how we consider these stakeholders and how we engage with them to continue driving our growth.

Stakeholder	How we engage
Clients	As our mission statement says, Brooks Macdonald exists to protect and enhance our clients' wealth. We engage with them in a variety of ways, driven by their requirements and preferences. With all our clients, across investment management and financial planning, we hold face-to-face meetings, provide investment updates and quarterly statements, and provide market commentary. We also provide a client portal, where investment management clients can view details of their investments and – since the end of the financial year – we have launched "myBM", a new improved version of the portal.
Advisers	We serve our investment management clients principally through professional advisers who represent a critical link in our overall service proposition to clients. We work closely with our advisers, offering them a range of services to make Brooks Macdonald easy to do business with and to help them serve their, and our, clients. Again, our engagement is driven by the individual adviser's requirements and preferences, from high-touch ongoing strategic relationships with a small number of larger firms, through to more arm's length provision of our consistent high-quality investment management to others.
Shareholders	We have a number of large, long-term, committed shareholders in the business. We engage with them frequently to discuss delivery of our strategy, current performance and our plans for the business, in accordance with our obligations as an AIM-listed company. We do this through face-to-face meetings and provision of detailed financial reports and presentations on the business at the half-year and full-year points.
Employees	Our employees are central to the delivery of our mission for clients and we strive to attract and retain the best people. We have a comprehensive internal communication programme to keep employees fully aware of developments in the business's strategy and performance, while respecting our obligations as a publicly traded company. The Chief Executive and other members of senior management frequently engage with staff in forums ranging from formal communications, including our new all staff "town hall" video conferences, to more informal small group discussions. This year, we have launched a regular employee engagement survey and we will be closely tracking progress.

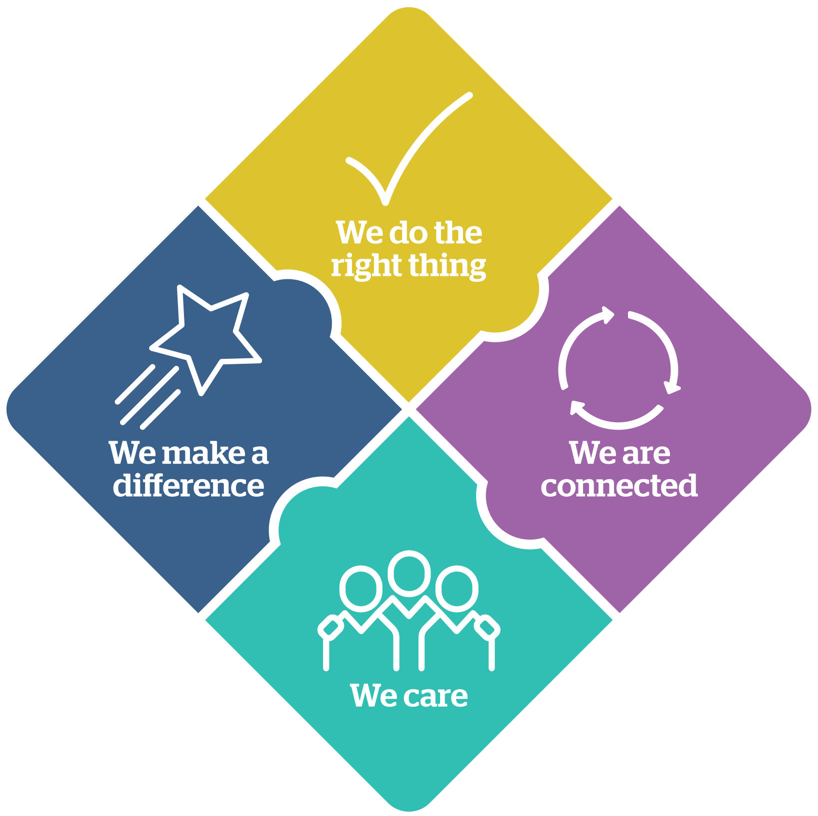
Corporate responsibility

Statement on corporate responsibility

Brooks Macdonald's corporate responsibility strategy aims to ensure that social, environmental and ethical considerations are taken into account throughout the business. Playing a positive role in protecting the environment, supporting the communities in which we live and work, and ensuring the wellbeing of our employees is at the top of our agenda as a firm. The Group is actively seeking opportunities to play its part as a good employer and as a contributor to the communities in which our clients and employees live and work.

Our guiding principles

The Group has four guiding principles. These were developed with input from all our staff and form the basis of all our actions. We use these as part of our performance management ethos to measure our behaviours and test our decisions, and as a basis for staff recognition.



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

Our people

Flexible working

We encourage our people to have a positive work-home balance and promote flexible working across the Group. All advertised roles now welcome applications from people wishing to work flexibly, helping to attract candidates from a diverse range of backgrounds and with broad experiences. The Group is investing in infrastructure that enable employees to work from locations outside the office, at times that suit their personal commitments and working styles. Encouraging remote working also reduces the Group's carbon footprint by taking away the need to commute to office locations every day.

Talent and development

Our people are our greatest asset, and only through investing in their development, rewarding them competitively and therefore motivating and engaging them to be at their best, can we deliver a highly professional and superior service to our clients. We have designed our employment policies and procedures, and our approach to talent development, to maximise the potential of our people. All employees have access to development opportunities and CPD, and the Group has a focus on developing leadership capability. These initiatives, in conjunction with line management support, ensures everyone has the opportunity to reach their full potential with the Group.

Diversity

We are an inclusive firm that values and supports our people regardless of their background. We serve a diverse group of clients, and being diverse ourselves helps us to anticipate their needs and provide a great service. Through our people strategy, building diversity and inclusion is a key priority sponsored at the highest level within the firm. All employees bring different cultures, backgrounds and personalities to their roles. By encouraging inclusion in the workplace, we can stimulate creativity, spur insight, and learn from each other.

Wellbeing

The Group has increased its focus on improving staff wellbeing, and now runs regular initiatives to increase levels of physical and mental health. This includes an annual wellbeing month, access to nutritional and health advice, an employee assistance programme, a partnership with F45 gym allowing staff a free circuits class each month, and various opportunities for staff to get involved in sporting activities.

Our community

Brooks Macdonald Foundation

The BM Foundation was set up in 2010 with the aim of supporting charities that staff are enthusiastic about. It is funded via an annual donation from the Group and regular contributions from staff made via payroll. The Foundation acts as a conduit for donations to be made to charity, and staff members are able to request donations to a registered charity of their choice. We are relaunching the BM Foundation during FY20 with the aim of increasing the number of staff that regularly donate, and focusing on two main staff-nominated charities each year.

Community support

We regularly ask our people to nominate community organisations that they have a personal connection with to receive awards of up to £2,000 to assist them with specific projects or purchases. During FY19 we supported causes as diverse as buying new playground equipment for a primary school, a new instrument for a community brass band, and kit for a youth football team. This gives us a connection to the community causes our people support and value, which, as well as helping these organisations continue their valuable work, increases pride within the workplace.

Our environment

The Group continues to focus on its impact on the environment, and in the last 12 months has put environmental concerns at the centre of its decision-making process in choosing new premises in London, Edinburgh, East Anglia and Leamington Spa. We have also focused on improving our supplier chain, choosing products and services with vendors that can demonstrate their commitment to sustainable ways of working and how they give back to communities and their employees. Better waste management has been implemented across a number of our offices, placing a focus on the right hierarchies (avoid, reuse, recycle, repair and dispose). We also continue to look at ways of reducing paper, with all governance documentation moved to digital and recently introduced printing protocols.

Corporate governance

Introduction to Corporate governance

The Brooks Macdonald Board is committed to maintaining a strong governance framework to support our mission to protect and enhance our clients' wealth.

As such, the Board has responsibility for promoting the long-term strategy and success of the Group by providing leadership, shaping the Group's culture, and agreeing the risk appetite and the appropriate systems of control for risk management. The Board is also focused on ensuring that the risk and compliance framework is appropriately embedded within the Group's day-to-day activities. The Board delegates the day-to-day management of the Group to the Group Chief Executive, who is supported by an Executive Committee.

The Executive Committee comprises the Group Chief Executive, Group Finance Director, Chief Risk Officer, Chief Operating Officer, Group HR Director and members of senior management from a cross-section of the business.

As well as having operational oversight of the Group's day-to-day activities, the Executive Committee focuses on the formation and implementation of the Group's strategy and makes decisions that are not otherwise reserved for the Board. The Executive Committee meets formally on a monthly basis.

The Group's Board and Committee structure is detailed on the opposite page together with the biographies of Board and Committee members. The roles and responsibilities of each of the Committees, and the activities carried out during the year, are set out in the reports of the respective Committee Chairs.

UK Corporate Governance Code Compliance Statement

The Group follows the UK Corporate Governance Code and we are in transition to the 2018 Code, which applies to financial years beginning on or after 1 January 2019.

We are seeking to apply the main principles and follow the provisions of the 2016 Code for FY19 and are now aligning our approach to the requirements of the new Code.

Further detail of how we apply the Code is given in the Investor Relations section of the Group's website.

Board and Committee structure

BM Group Board

Current	Non-current
Alan Carruthers (Chairman)[1]	Christopher Knight (Ex-Chairman)[4]
Caroline Connellan	Nicholas Holmes[5]
Ben Thorpe[2]	Andrew Shepherd[6]
Colin Harris	
John Linwood[3]	
Richard Price	
Diane Seymour-Williams	
David Stewart	

Audit Committee
- Richard Price (Chair)
- Colin Harris[7,8]
- John Linwood[3]
- Diane Seymour-Williams[8]
- David Stewart[9]

Disclosure Committee
- Alan Carruthers (Chair)
- Caroline Connellan
- Ben Thorpe[2]
- Richard Price

Nominations Committee
- Alan Carruthers (Chair)
- Colin Harris
- John Linwood[8]
- Richard Price
- Diane Seymour-Williams
- David Stewart[8]

Remuneration Committee
- Diane Seymour-Williams (Chair)
- Colin Harris
- John Linwood[3]
- Richard Price
- David Stewart[8]

Risk and Compliance Committee
- David Stewart (Chair)[9,10]
- Colin Harris[11]
- John Linwood[8]
- Richard Price
- Diane Seymour-Williams

Executive Committee

Caroline Connellan (Chair)	Andrew Shepherd
Ben Thorpe	Richard Spencer
Robin Eggar	Priti Verma
Tom Emery	John Wallace
Adrian Keane-Munday	Jason Wood

1. Appointed 14 March 2019
2. Appointed 6 August 2018
3. Appointed 19 September 2018
4. Resigned 14 March 2019
5. Resigned 30 November 2018
6. Resigned 1 April 2019
7. Resigned on 11 September 2018
8. Appointed 1 August 2019
9. Appointed 23 July 2018
10. Appointed as Chair 19 September 2018
11. Resigned as Chair 19 September 2018

Board of Directors

Chairman

Alan Carruthers
Independent Non-Executive Director

Alan joined Brooks Macdonald as the Chairman in March 2019. He is Chair of both the Nominations Committee and the Disclosure Committee. Alan has over 27 years equity markets experience working for leading financial services firms and held senior positions as Head of Global Sales Trading at Morgan Stanley (1996 – 2003), Global Head of Equities at Cazenove (2003 – 2010) and Head of Europe, Middle East and Africa (EMEA) Cash Equities at JP Morgan Cazenove (2010 – 2011). Alan is currently the Chairman of Numis Corporation plc.

Executive Directors

Caroline Connellan
Chief Executive

Caroline joined Brooks Macdonald as Chief Executive in April 2017. She is an Executive Director on the Group Board and a member of the Disclosure Committee. Before joining she was Head of UK Premier and Wealth at HSBC where she led the transformation of the UK Wealth business. Prior to this she held a number of senior corporate roles, including Group Strategy Director at Standard Life, and had extensive experience in the wealth and asset management sector as a consultant at McKinsey. Caroline started her career as a Fund Manager with Newton Investment Management in London. Caroline is a member of the Investment Association board and has joined the Government's Asset Management Task Force.

Ben Thorpe
Finance Director

Ben joined Brooks Macdonald in August 2018 as Finance Director. He is an Executive Director on the Group Board and a member of the Disclosure Committee. He has 18 years of financial services experience, most recently as Head of Finance at Brewin Dolphin where he was responsible for Group Financial Planning and Analysis, Financial Control, Tax and Treasury. Prior to Brewin, Ben spent 14 years working in investment banking within the financial planning and analysis teams at Morgan Stanley, RBS and Barclays Capital with his last role being Managing Director, Strategy and Change at Standard Bank South Africa in Johannesburg.

Non-Executive Directors

Colin Harris
Non-Executive Director and Senior Independent Director

Colin joined Brooks Macdonald in 2010 as a Non-Executive Director and was appointed Senior Independent Director in 2015. Colin is a member of the Remuneration, Risk and Compliance and Nominations Committees. He was appointed to the Audit Committee in August 2019. Prior to joining Brooks Macdonald, Colin spent over 18 years at Newton Investment Management, where he was a founding shareholder. He held a number of senior management roles at Newton, including Chief Executive and Deputy Chairman. Colin is also a qualified solicitor and prior to joining Newton, he was the Senior Legal Counsel at Alexander & Alexander Inc.

John Linwood
Independent Non-Executive Director

John joined Brooks Macdonald in 2018 as a Non-Executive Director. He is a member of the Audit and Remuneration Committees and was appointed to the Nominations and Risk and Compliance Committees in August 2019. Prior to joining Brooks Macdonald, John was the Executive Vice President and Chief Technology Officer of Wood Mackenzie, Chief Technology Officer for the BBC, and a Senior Vice President of International Engineering at Yahoo Inc. He has also held a number of senior positions at Microsoft Corp. (1993 – 2004). John is Chief Technology Officer at Earth-I and a member of the Industry Advisory Board for the College of Engineering, Design and Physical Sciences at Brunel University.

Richard Price
Independent Non-Executive Director

Richard joined Brooks Macdonald in 2014 as a Non-Executive Director. He is Chairman of the Audit Committee and a member of the Risk and Compliance, Remuneration, Disclosure and Nominations Committees. Prior to joining Brooks Macdonald, Richard was a partner at KPMG for 17 years where he had considerable exposure to financial services clients, and held a number of roles, including the UK Head of KPMG's Financial Sector Transaction Services practice. Richard is a Non-Executive Director of Hampshire Trust Bank Plc, Amigo Holdings Plc, and Alpha Bank London Limited.

David Stewart
Independent Non-Executive Director

David joined Brooks Macdonald in 2018 as a Non-Executive Director. He is Chairman of the Risk and Compliance Committee, and is a member of the Audit Committee. He was appointed to the Nominations and Remuneration Committees in August 2019. David has significant experience in finance, strategy, operations, risk and compliance with a particular expertise in financial services. He is currently the Chairman of Enra Group and a Non-Executive Director of LSL Property Services and M&S Bank. Previously, David was the Chief Executive of the Coventry Building Society for eight years, having earlier served as Finance Director and Operations Director. Prior to this, David spent ten years at DBS Management, holding a number of positions, including Group Chief Executive, Group Managing Director and Group Finance Director.

Diane Seymour-Williams
Independent Non-Executive Director

Diane joined Brooks Macdonald in 2011 as a Non-Executive Director. She is a member of the Nominations, Remuneration and Risk and Compliance Committees. She was Chair of the Remuneration Committee until stepping down on 31 July 2019 and being replaced by John Linwood. She was appointed to the Audit Committee in August 2019. Prior to joining Brooks Macdonald, Diane spent 23 years at Morgan Grenfell and, following its takeover, with Deutsche Bank in a variety of roles, including Head of Asian Equities, CEO and CIO Asia and Head of Global Equities. She has over 30 years' industry experience and is currently a Non-Executive Director of Praxis IFM Group, Witan Pacific Investment Trust and Standard Life Private Equity Trust. She is also a member of the Investment Committee at Newnham College, Cambridge.

Executive Committee

In addition to Caroline Connellan and Ben Thorpe, the following individuals make up the Group's Executive Committee:

Robin Eggar
Managing Director, Co-Head of UK Investment Management

Robin joined Brooks Macdonald in 2000 and is responsible for the day-to-day management of the investment management arm of the business in London. Robin holds the Certificate in Private Client Investment Advice and Management ("PCIAM"), the Investment Management Certificate ("IMC") and the Advanced Financial Planning Certificate ("AFPC"). He is also a Chartered Member of the Chartered Institute of Securities and Investment ("Chartered MCSI").

Tom Emery
HR Director

Tom joined Brooks Macdonald in 2017 and is responsible for delivery of the Group's people strategy and remuneration policy. He is a member of the Executive Committee and also chairs the People Committee. Prior to joining Brooks Macdonald, Tom worked for a number of years at HSBC, where he spent time leading HR for first direct and running the HR Operations team. He has worked in HR since graduating from the University of Manchester in 2002.

Adrian Keane-Munday
Managing Director, Head of Financial Planning, Marketing and Propositions Director

Adrian joined Brooks Macdonald in July 2018. Prior to joining Brooks Macdonald, Adrian was Head of UK Premier and Wealth Distribution at HSBC, where he had a number of senior management roles throughout a 17-year career. Adrian led the national IFA business through its RDR transition, established the national "Wealth Centre of Excellence", and also gained extensive retail banking experience as one of four National Regional Directors. Adrian started his career at Lloyds Bank as part of their trainee scheme and has over 30 years' experience in financial services.

Andrew Shepherd
CEO International and Group Deputy CEO

Andrew joined Brooks Macdonald in 2002. He is the chairman of the boards of the two legal entities within International with responsibility for their direction and strategy. Prior to joining Brooks Macdonald, Andrew worked at Shepherd Associates Financial Management, holding the position of investment director. He has worked in investment management and financial services since 1994.

Richard Spencer
Chief Investment Officer

Richard is a co-founder of Brooks Macdonald and chairs the Investment Committee, Asset Selection Committee and Asset Allocation Committee. Richard oversees all investment services, and also retains private client relationships to ensure he is involved throughout the firm's process. Richard has over 30 years' experience in financial services.

Priti Verma
Chief Risk Officer

Priti joined Brooks Macdonald in June 2018 and has 18 years of experience in financial services, predominately overseeing risk, compliance and internal audit activities in asset and wealth management firms, including Schroders, Aviva Investors, Pictet and Smith & Williamson.

John Wallace
Managing Director, Co-Head of UK Investment Management

John joined Brooks Macdonald in 2005. He is responsible for the day-to-day management of the investment management arm of the business across the regions. Prior to joining Brooks Macdonald, John worked at Dexia Asset Management as an Investment Manager. He has over 20 years' experience in financial services. John holds the Investment Management Certificate ("IMC") and is a Chartered Member of the Chartered Institute for Securities and Investment ("Chartered MCSI").

Jason Wood
Chief Operating Officer

Jason joined Brooks Macdonald in October 2017. Before joining, he was Head of Data at Schroders where he led the development of the Group's Data Governance and Data Management strategy. Prior to this, he held a number of senior roles within Schroders, including Head of Technology Asia Pacific and Head of Operations Asia Pacific, where he was responsible for re-platforming of the region's operating model. Jason has worked in financial services since 1996.

Board meetings

List of Board meetings and attendance:

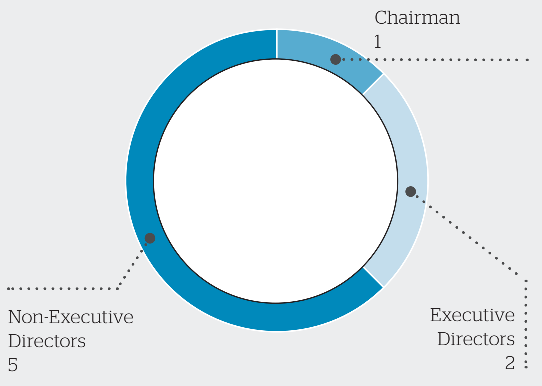
	Board	Audit	Nomination	Remuneration	Risk and Compliance	Disclosure
Number of meetings held during the year	7	6	2	6	6	2
Caroline Connellan	7 7	-	-	-	-	2 2
Nicholas Holmes[1]	3 3	-	-	-	-	-
Andrew Shepherd[2]	6 6	-	-	-	-	-
Ben Thorpe[3]	6 6	-	-	-	-	2 2
Alan Carruthers[4]	1 1	-	1 1	-	-	-
Christopher Knight[5]	6 6	-	1 1	3 3	-	2 2
Colin Harris[6]	7 7	3 3	2 2	6 6	5 6	-
John Linwood[7]	4 4	3 3	-	3 3	-	-
Richard Price	7 7	6 6	2 2	-	6 6	2 2
Diane Seymour-Williams	7 7	-	2 2	6 6	6 6	-
David Stewart	7 7	6 6	-	-	6 6	-

1. Resigned on 30 November 2018
2. Resigned on 1 April 2019
3. Appointed on 6 August 2018
4. Appointed on 14 March 2019
5. Resigned on 14 March 2019
6. Resigned from the Audit Committee on 11 September 2018. Reappointed to the Audit Committee on 1 August 2019
7. Appointed on 19 September 2018

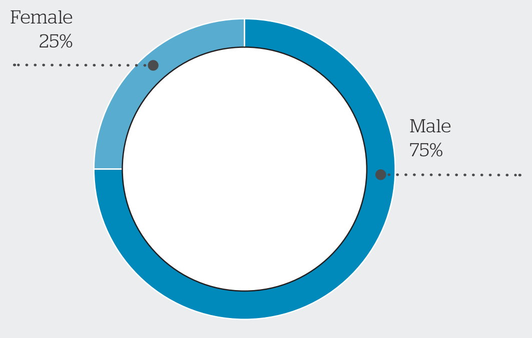
● Attended ● Meetings

Board tenure

Board composition



Board diversity



Audit Committee

> The Committee evaluates controls and financial and audit matters to ensure reporting integrity.
>
> **Richard Price**
> Audit Committee Chair

Role and responsibilities

The Committee assists the Board in meeting its responsibilities for the integrity of the Group's internal financial controls and its financial reporting. The Committee's responsibilities can be grouped into the following aspects:

- To review and challenge the Group's accounting policies and significant judgement areas and the integrity of its financial reporting
- To provide oversight and monitoring of the internal and external audit functions, including appraising their performance and approving their fees
- To work in conjunction with the Risk and Compliance Committee to review the effectiveness on the Group's newly established risk management framework and internal controls

The full responsibilities of the Committee are set out in the Committee's Terms of Reference, which are reviewed annually and are available on the Group's website.

Composition and meetings

The Audit Committee comprises Richard Price (Chair), David Stewart and John Linwood, who joined the Committee on his appointment on 11 September 2018. In addition, Colin Harris and Diane Seymour-Williams joined the Committee on 1 August 2019.

Membership of the Committee is restricted to independent Non-Executive Directors. The Group Finance Director, Chief Risk Officer and representatives of the internal and external auditor routinely attend meetings. The Committee meets with representatives of the external auditor without management present at least once a year.

The Committee's attendance during the year ended 30 June 2019 is set out in the summary table on page 46.

Audit Committee continued

The Committee's areas of focus

Financial reporting	• Reviewed the Annual Report and Accounts and the Half Yearly Financial Report, ensuring these were fair, balanced and understandable for shareholders and other end users; • Reviewed the polices, key assumptions, and judgements applied in the preparation of the Financial statements, including the external auditor feedback on financial reporting changes and the Group's financial controls; • Reviewed reports from management on the preparation of the Annual Report and Accounts and the Half Yearly Financial Report, including the impact of the adoption of new accounting standards, in particular IFRS 9, IFRS 15 and IFRS 16; and • Reviewed the Group's going concern assumptions and the Viability Statement.
External audit	• Approved the annual external audit plan, the terms of reappointment, remuneration, and Terms of Engagement; • Provided oversight of the external auditors, including assessing their independence, objectivity and effectiveness as well as developing a policy on the supply of non-audit services; • Reviewed audit findings, including key issues, accounting and audit judgements and recommendations, guidance and observations around the Group's internal controls environment; and • Reviewed management representation letters and associated responses.
Internal audit	• Developed an internal audit plan alongside KPMG. Monitored and reviewed the effectiveness of the plan and its alignment to key risks; • Provided oversight of the internal auditors and considered and approved the scope of each engagement; • Reviewed the results of individual internal audit reports and considered the effectiveness of actions agreed with management; and • Received regular summary reports from the internal auditor, including their conclusions on the changes to controls and processes made by management.
Control oversight	• In conjunction with the Risk and Compliance Committee, reviewed the adequacy and effectiveness of the Group's internal financial controls; • Reviewed and approved the Group's policy on non-audit services (for both external and internal audit); and • Reviewed the adequacy and security of the Group's whistleblowing policy and procedures, including ensuring employees are able to raise concerns confidentially and without repercussion to them.
Routine matters	• Reviewed the Committee's composition, minutes, its Terms of Reference and held meetings in private session.

Internal audit

Following the decision in 2018 to outsource the Group's internal audit function to KPMG, work began in September 2018, formally reporting to Richard Price, Chair of the Audit Committee, with Priti Verma, Chief Risk Officer, being the principal point of day-to-day contact.

A risk-based audit plan was developed by the Committee and KPMG, seeking to provide assurance in areas of high-risk. It was created following discussions and review with the Chairs of the Audit Committee and Risk and Compliance Committee, the Chief Executive Officer and the Chief Risk Officer, alongside KPMG's input on the Group's activities and the overall industry. The plan is reviewed by the Committee at regular intervals, taking into account any changes in areas deemed high-risk.

External audit

The Group's external auditors are PricewaterhouseCoopers (PwC). During the year, the Committee developed, implemented and monitored the Group's policy on external audit and evaluated and reviewed the effectiveness of PwC in their role. No fundamental matters were raised in the course of the year. The Committee agreed the external audit and assurance fees and reviewed the audit engagement letter. Details of the auditor's remuneration is provided in Note 6 to the Financial statements.

The Committee is satisfied that PwC has conducted an effective audit for the year ending 30 June 2019.

Independence and non-audit services

The Committee recognises the fact that, given its knowledge of the business, there are advantages in using PwC and KPMG to provide certain non-audit services on particular occasions. If there is a business case to use the auditors to provide non-audit services, sign-off is required from the Committee to ensure the there is no impact on the auditor's objectivity and independence. Monetary sign-off limits are provided within the framework of the Non-Audit Services Policy which was implemented during the year.

During the year, the Group engaged both PwC and KPMG to carry out certain non-assurance services. £80k was spent with PwC, primarily to provide ICAAP support. £385k was spent with KMPG, split 40% on compliance and regulatory issues, 30% on internal restructuring advice and the balance on investor relations and tax advice.

Audit Committee continued

Financial reporting

The Committee reviewed the significant issues set out below in relation to the Group's Financial statements for the year ended 30 June 2019. Discussions were held with management throughout the year and the Committee is comfortable the Financial statements address the judgements and estimates applied, as well as the disclosures made. These significant issues were also reviewed with the external auditors with the Committee's conclusions being in line with the auditor's.

Issue	Key considerations and conclusions
Goodwill (see Note 13)	The Committee reviewed the value-in-use calculations presented by management supporting the value of goodwill held on the Group's balance sheet in respect of previously acquired businesses. The Committee concluded that the goodwill in respect of Levitas is no longer adequately supported and accordingly approved an impairment charge of £4.8m. The Committee is satisfied that the remaining goodwill value is adequately supported by the respective value-in-use calculations.
Amortisation of client relationships (see Note 13)	In determining the useful economic life of the Group's client relationships, the Committee reviewed relevant analysis presented by management. The Committee concluded that the assumptions and judgements used were reasonable and appropriate and was also in agreement with the reduction in the useful economic life of Spearpoint's client relationships resulting in an impairment charge in the year.
Legacy provision (see Note 23)	The Committee reviewed the management updates relating to the historical legacy matters and concluded that, based on available information, the provision held on the balance sheet at the year end is appropriate. The Committee also considered the contingent liability disclosure included in Note 32 to the Financial statements.
Discontinued operations (see Note 10)	During the financial year, the Group disposed of its employee benefit business and ceased to act as the investment manager for the Ground Rents Income Fund ("GRIF"). In light of these events, the Committee concluded that it is appropriate to restate the prior period so as to ensure like-for-like performance comparisons.

Whistleblowing

The Group's whistleblowing policy was reviewed and agreed by the Committee during the year. Responsibility for whistleblowing rests with Richard Price, Chair of the Audit Committee, who has the role of the Group's "Whistleblowing champion". There are also dedicated "Whistleblowing champions" for the UK and Channel Island businesses. The Group also provides an independent external reporting portal provider, Safecall, which staff can contact anonymously.

Approval

This report in its entirety has been approved by the Committee and the Board of Directors on its behalf by:

Richard Price
Audit Committee Chair

11 September 2019

Nominations Committee

"The Nominations Committee has overseen a number of Board changes during the financial year."

Alan Carruthers
Nominations Committee Chair

Role and responsibilities

The Nominations Committee is responsible for reviewing the composition of the Board and the Board Committees to ensure they are suitably constituted, with an appropriate balance of skills, experience, knowledge and diversity. The Committee also recommends Board and Board Committee appointments, and monitors succession planning at the Group's leadership levels to ensure the Group's continued ability to implement its strategy and operate effectively.

The full responsibilities of the Committee are set out in the Committee's Terms of Reference, which are reviewed annually and are available on the Group's website.

Full membership and attendance details of the Committee can be found on page 46

Composition and meetings

The Committee comprises Alan Carruthers (Chair), Colin Harris, Diane Seymour-Williams and Richard Price. Alan Carruthers became Chair of the Nominations Committee following his appointment as Chair of Brooks Macdonald Group plc on 14 March 2019. David Stewart and John Linwood joined the Committee with effect from 1 August 2019. Only members of the Committee may vote on Committee business but other members of the Board and the HR Director may attend all or part of a meeting by invitation.

Main activities during the year

The Nominations Committee has overseen a number of Board changes during the financial year. In addition to the appointments of Ben Thorpe as an Executive Director and John Linwood as an Independent Non-Executive Director, announced in last year's report, Alan Carruthers was appointed as the Company's new Chair on 14 March 2019, succeeding Christopher Knight who retired from the Board.

The search for the new Chair was led by the Senior Independent Director, Colin Harris. A role description was drawn up and recruitment consultants, Russell Reynolds, were appointed to provide a short-list of candidates who were then assessed by the Committee. A recommendation of the final candidate was made to the Board for approval, together with disclosure of the candidate's curriculum vitae detailing existing non-executive roles and other existing commitments.

Talent development and succession planning

The Committee is committed to maintaining an effective policy for the orderly succession of Executive Directors, Executive Committee members and other senior management roles across the business. It is also committed to maintaining an appropriate balance of skills, experience, independence and diversity within those roles and across the Group.

The Committee has identified that Colin Harris is approaching his nine-year anniversary as an Independent Non-Executive Director since his appointment in 2010. The Committee will work to identify suitable candidates to replace Colin and appoint a replacement Senior Independent Director as part of the succession planning.

Nominations Committee continued

Significant subsidiaries

The Committee is also responsible for reviewing and recommending to the Board any material changes to the structure, size and composition of the Group's regulated subsidiary company boards.

Board effectiveness

The Board and its Committees undertake an annual evaluation of their performance. The criteria for an objective and rigorous performance review of the Board as a whole and the Committees is set by the Nominations Committee. The annual performance evaluation includes a review of the composition, diversity and effectiveness of the Board and the Committees and the contribution of each Director. Any conclusions and recommendations arising from these reviews are reported to the Board and an action plan addressing these recommendations put into place with regular progress reviews against the plan. The Committee conducted a Board effectiveness review in June 2019 with the results of the review presented to the Board at the July Board meeting.

Board diversity

The Committee takes an active role in setting and monitoring diversity objectives and strategies undertaken by the Group and embraces the benefits of having a diverse Board drawing on the knowledge, skills, experience and expertise of directors from a range of backgrounds and will take the opportunity to improve the Board's diversity where required. Further details on the Group's approach to diversity are included in the Corporate Social Responsibility report on page 46.

Corporate governance reform

The Committee has monitored the various reforms to corporate governance in the UK that have been announced during the year. These include the publication of the new Corporate Governance Code which will first apply to the Group for the financial year ending 30 June 2020. The Committee has received updates from the Company Secretary on the respective changes and the expected implications on the Group and will oversee the arising actions to ensure the Group is fully compliant with the new legislation.

Approval

This report in its entirety has been approved by the Committee and the Board of Directors on its behalf by:

Alan Carruthers
Nominations Committee Chair

11 September 2019

Remuneration Committee

"The Committee exercises independent judgement in the determination, implementation and operation of the overall Remuneration Policy."

Diane Seymour-Williams
Remuneration Committee Chair

Introduction

The Directors' Remuneration Report includes the Annual Report on Remuneration for the financial year ending 30 June 2019 and the Directors' Remuneration Policy. The Annual Report on Remuneration illustrates how variable pay relates to the Group's performance outcomes for the year and over the longer term. It also provides a detailed view of each Director's individual total remuneration.

As reported in last year's Annual Report, Christopher Knight resigned from the Remuneration Committee on 11 September 2018. From 19 September 2018, the Remuneration Committee comprised Diane Seymour-Williams (Chair), John Linwood and Colin Harris. Since the end of the financial year, Diane Seymour-Williams retired as Chair on 31 July 2019 and John Linwood was appointed Chair from 1 August 2019. Richard Price and David Stewart joined the Committee on 1 August 2019.

The Committee's attendance during the year ended 30 June 2019 is set out in the summary table on page 46.

The Committee exercises independent judgement 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; and
- reviews and approves the remuneration policies and remuneration for Executive Directors, members of the executive committee, Material Risk Takers ("MRT"s) and any other employees for whom enhanced oversight is either appropriate or a regulatory requirement.

The full responsibilities of the Committee are set out in the Committee's Terms of Reference, which are reviewed annually and are available on the Group's website.

Board changes

As announced on 21 February 2018, Ben Thorpe joined the Board as Finance Director on 6 August 2018. As announced on 28 March 2019, Andrew Shepherd stepped down from the Board on 1 April 2019 to take up the position of CEO, International. Nicholas Holmes, Managing Director UKIM, left the Board on 30 November 2018. The single figure total remuneration table (see page 55) shows Ben, Andrew and Nicholas's remuneration for the period served as Directors during the year, as required by the reporting regulations.

Alan Carruthers was appointed Chairman on 14 March 2019, succeeding Christopher Knight who retired on 14 March 2019. David Stewart and John Linwood also joined the Board on 25 May 2018 and 19 September 2018 respectively.

Activities of the Committee

The Committee continued to ensure its overall approach to remuneration was competitive, market aligned, and drove the right commercial outcomes aligned to shareholder interests. A comprehensive review was undertaken of the incentive structures for all employees. Any remaining linear revenue-based commission structures ceased at the end of the financial year, supported by a number of share awards to some impacted employees to ensure their longer-term motivation and commitment to the business. These changes complete the move to align all our employees below Executive Director to appropriate levels of base pay and a fully discretionary annual bonus scheme, based on a balanced scorecard of financial and non-financial objectives.

Remuneration Committee continued

Base salary and pension

During FY19, the Committee restructured the fixed pay of the Chief Executive. In the prior year, the bonusable salary included the pension allowance, while from FY19 onwards, bonus is only payable on base salary, excluding any pension allowance. The Committee also took this opportunity to reduce the pension allowance for the Chief Executive to 10%, from the previous level of 15%.

Taking account of the restructuring of the fixed pay as described above, the Committee adjusted the base salary for the Chief Executive to ensure that total target remuneration was not affected. This resulted in the Chief Executive's base salary being increased by 9.5%.

Separately from this, the Committee also considered the competitiveness of the base salary for the Chief Executive in the context of her strong performance and exceptional contribution to the Group, particularly in resolving legacy issues and driving the Group's significant strategic and commercial agenda. The Committee awarded a base salary increase of 6.5% to the Chief Executive to £350,000, effective 1 August 2018.

After successfully completing his probationary period, having increased his role by including responsibility for Company Secretariat, and to reflect the significant work he is driving to streamline and create efficiencies within the business, a base salary increase of 14.1% was awarded to the Finance Director taking it to £275,000, effective 6 November 2018. Market benchmarking was also considered in making both salary increases.

Annual bonus

The Executive Directors' FY19 annual bonus was awarded against three financial measures: net organic growth in funds under management, underlying profit before tax, and underlying profit margin, and one non-financial measure for strategic and personal objectives.

The Group has continued to make good progress, with funds under management increasing during the financial year from £12.3bn to £13.2bn, an increase of 6.8%. Group net flows were 3.3% – lower than historic levels – driven by weak market sentiment resulting from elevated macroeconomic and political uncertainty. Nonetheless, our rate of organic net flows continued to be among the highest in the sector, particularly in UKIM where net flows were 5.4%. Underlying profit before tax went up 11.8%, a growth rate well ahead of both FUM and revenue growth, resulting in a full-year total of £21.0m, up from last year's £18.8m. Underlying profit margin rose from 18.8% to 19.6%, starting to deliver on our commitment to increase margins in the medium term.

Other activities

During the year the Committee also reviewed individual remuneration for all employees in Material Risk Taker and senior Risk and Compliance roles as required under the FCA Remuneration Code.

The Committee reviewed the gender pay gap data for the Group and published gender diversity targets for senior management. Throughout the year the Committee also received regular updates around developments in the governance and regulation of remuneration structures from both internal and external sources, and took action to ensure the Group's remuneration approach reflects best practice in this regard as well as rewarding performance.

Executive Director remuneration policy development

For FY19, the Committee has built on the significant progress made over the last two years in achieving greater alignment of our remuneration practices for our Executive Directors to shareholders' interests and taking best practice into account. Changes introduced during the year included:

- enhancements to the scorecard of performance metrics for annual bonus, which, for the year ended 30 June 2019, included underlying profit before tax (30% weighting), net organic growth in funds under management (25% weighting), a new metric of underlying profit margin (15% weighting) and a subsequent reduction in the non-financial objectives (30% weighting);
- deferral of one third of the annual bonus in Company shares for an increased period from two to three years, with vesting in three equal tranches after 12, 24 and 36 months;
- introduction and development of our Executive Director share ownership policy (details of which are outlined further in our Directors' Remuneration Policy below); and
- extension of malus and clawback provisions.

Long Term Incentive Plan

A new Long Term Incentive Plan ("LTIP") was approved by shareholders at the 2018 AGM, and first awards to Executive Directors and other members of the Executive Committee were made under this plan in November 2018 in relation to the financial year ending 30 June 2018.

Dilution

At the 2018 AGM, a number of shareholders cast votes against the LTIP, following an ISS recommendation against the Plan on the basis of the overall 15% maximum dilution limit for all management and all-employee share plans. The Board has reviewed the dilution limit and has amended its dilution policy so that in any rolling period of ten years, not more than 10% 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 addition, the Board has committed to set itself a further limit within this of a 5% ten-year dilution level with respect to Executive Long-Term Incentive Plan awards. The Company satisfies the various equity-based schemes it operates using a combination of market purchased and newly issued shares.

Annual report on remuneration

Total remuneration for the financial year to 30 June 2019 (audited)

£'000		Salary and fees	Taxable benefits	Pension-related benefits	Annual bonus[1]	Long-term incentives[2]	Sharesave[3]	Other payment[4,5,6]	Total
Executives									
Caroline Connellan	2019	369	3	10	363	37	–	–	782
	2018	298	2	45	407	83	–	100	935
Ben Thorpe	2019	263	2	–	285	–	4	186	740
	2018	–	–	–	–	–	–	–	–
Nicholas Holmes[a]	2019	106	1	5	30	211	–	259	612
	2018	198	2	10	148	98	5	–	461
Andrew Shepherd[b]	2019	165	2	–	151	–	–	–	318
	2018	183	2	–	223	98	5	–	511
Simon Jackson[c]	2019	–	–	–	–	–	–	–	–
	2018	278	3	–	100	77	–	93	551
Richard Spencer[d]	2019	–	–	–	–	–	–	–	–
	2018	62	3	–	65	46	5	–	181
Simon Wombwell[d]	2019	–	–	–	–	–	–	–	–
	2018	64	3	–	60	81	–	–	208
	2019	903	8	15	829	248	4	445	2,452
	2018	1,083	15	55	1,003	483	15	193	2,847
Non-Executives									
Alan Carruthers[e]	2019	53	–	–	–	–	–	–	53
(Chairman)	2018	–	–	–	–	–	–	–	–
Colin Harris	2019	65	–	–	–	–	–	–	65
	2018	67	–	–	–	–	–	–	67
Richard Price	2019	63	–	–	–	–	–	–	63
	2018	57	–	–	–	–	–	–	57
Diane Seymour-Williams	2019	63	–	–	–	–	–	–	63
	2018	57	–	–	–	–	–	–	57
David Stewart[f]	2019	61	–	–	–	–	–	–	61
	2018	4	–	–	–	–	–	–	4
John Linwood[g]	2019	42	–	–	–	–	–	–	42
	2018	–	–	–	–	–	–	–	–
Christopher Knight[h]	2019	106	–	–	–	–	–	–	106
(Ex-Chairman)	2018	41	–	–	–	–	–	–	41
Christopher Macdonald[i]	2019	–	–	–	–	–	–	–	–
	2018	46	–	–	–	–	–	–	46
	2019	453	–	–	–	–	–	–	453
	2018	372	–	–	–	–	–	–	372
Total remuneration	2019	1,356	8	15	829	248	4	445	2,905
	2018	1,455	15	55	1,003	483	15	193	3,219

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 FY19 the cash payment comprised 66.7% (FY18: 66.7%) of total annual bonus value and the share option award 33.3% (FY18: 33.3%).
2. Payment to N I Holmes represent the value at vesting of the three-year Long Term Incentive Scheme awards granted on 29 October 2015. 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 FY15 is excluded from this view. Payments to C M Connellan represent the value at vesting of off-cycle Long Term Incentive awards granted on 21 August 2017 which carried no performance conditions.
3. Value of benefit associated with discount of the 2019 scheme.
4. The amounts for C M Connellan and B L Thorpe in the years ended 30 June 2018 and 2019 represent delivery of non-recurring cash payments agreed at hire which were broadly in line with awards foregone from prior employers.
5. Payment to N I Holmes reflects an ex gratia payment made at the time of leaving the Group.
6. Payment to S J Jackson reflects an ex gratia payment made at the time of leaving the Group.

a. Resigned as Director 30 November 2018.
b. Resigned as Director 1 April 2019.
c. Resigned as Director 30 April 2018.
d. Resigned as Director 24 October 2018.
e. Appointed 14 March 2019.
f. Appointed 25 May 2018.
g. Appointed 19 September 2018.
h. Resigned as Director 14 March 2019.
i. Resigned as Non-Executive Director on 31 March 2018.

Payments to former Executive Directors, Nicholas Holmes and Andrew Shepherd

As we announced on 13 November 2018, Nicholas Holmes, MD UKIM, stepped down from the Board on 30 November 2018 and left the Group on 31 December 2018 following a restructure. In accordance with his service agreement, Nicholas received payment in lieu of notice for his contractual notice period. He also received a prorated annual bonus of £30,000 relating to the portion of the year that he worked and performance achieved in this period. Nicholas also retained all share awards he held in accordance with 'Good Leaver' treatment under the Share Plan rules. At the Committee's discretion, it was agreed that all retained share awards will vest in full on the normal vesting dates, subject to any applicable performance conditions. As part of his severance agreement, Nicholas received a one-off payment of £94,000 which encompassed redundancy pay, a contribution of £4,000 towards the cost of legal advice and £6,000 towards outplacement support.

Andrew Shepherd, Deputy CEO and MD Distribution, stepped down from the Board to take up the role of CEO, International from 1 April 2019. Andrew received a bonus of £150,693 relating to the period he served as an Executive Director.

Annual variable pay outcomes for financial year ending 30 June 2019

Awards to individual Executive Directors are determined taking into account a balanced scorecard of metrics and targets designed to achieve a direct link between performance against the Group's strategic and commercial goals and the overall bonuses awarded. Under the bonus structure, all participants have a defined maximum opportunity set as a percentage of base salary, which will not exceed 150% of base salary for any Executive Director. The Committee has the discretion to adjust the final outcome to take account of overall performance and exceptional events.

Annual bonus performance targets

For the financial year ended 30 June 2019, bonus was based on the following four metrics (percentage weighting within total bonus opportunity indicated):

- Underlying profit before tax compared to the budget (30%);
- Net organic growth in funds under management ("Net flows") compared to the target (25%);
- Underlying profit margin (15%); and
- Strategic and personal objectives (30%).

For all three financial metrics, a sliding scale of targets was set around the budget for the year and account was taken of market consensus and sector performance. A number of strategic objectives were set for each Executive Director with a focus on strategy, client, risk and people.

Overall outcome of annual bonus

When determining the annual bonus for the Executive Directors, the Committee will exercise discretion to ensure the overall outcome is appropriate relative to internal and external factors. For example, the Committee exercised its discretion to adjust FY18 bonuses so that performance against the underlying PBT measure was determined to be at target, despite final underlying PBT achieving above target.

In respect of the FY19 annual bonus, after careful consideration, the Committee exercised its discretion and determined that it was appropriate to adjust the target for net flows from 10% to 5% (with threshold from 5% to 2.5% and maximum from 15% to 7.5%), taking account of the ongoing challenging macro and political uncertainty and comparative growth data or the industry.

The overall bonus outcome, including strong performance across all key strategic and personal non-financial measures, resulted in an annual bonus award of 103.6% of base salary paid to the Chief Executive and an annual bonus award of 103.6% of base salary paid to the Finance Director. A third of the bonus payable is deferred into shares which vest in equal tranches over three years to encourage further alignment with our shareholders' priorities. Both cash and share portions are subject to malus and clawback provisions.

Performance against financial and non-financial criteria

	Weighting	% of salary at maximum	Threshold	Target	Maximum	Actual for FY19	% of maximum bonus awarded	% of base salary awarded for these criteria
Underlying PBT	30.0%	45.0%	£17.7m	£22.2m	£26.6m	£21.0m	17.3%	26.0%
Net flows[1]	25.0%	37.5%	2.5%	5.0%	7.0%	3.3%	11.0%	16.5%
Underlying profit margin (%)	15.0%	22.5%	17.4%	19.3%	21.3%	19.6%	10.7%	16.1%
Strategic and personal objectives	30.0%	45.0%	Discretionary range 0% to 45%				30.0%	45.0%
Total	**100.0%**	**150.0%**					**69.1%**	**103.6%**

1. The target Net flows was initially set at 10% (with threshold of 5% and a maximum of 15%). After careful consideration, the Committee decided it was appropriate to adjust the target for Net flows, taking account of the ongoing challenging macro and political uncertainty and comparative growth data for the industry. The figures in the table above are the amended figures.

Remuneration Committee continued

Following the calculation of bonus awards against the stated performance measures, additional risk adjustments were considered by the Committee. No risk adjustments were made for Executive Directors. Final awards made are detailed in the table below:

Name	Role	Cash	Deferred shares	Total	% of base salary
Caroline Connellan	Chief Executive	241,733	120,867	362,600	103.6%
Ben Thorpe	Finance Director	189,933	94,967	284,900	103.6%
Andrew Shepherd[1]	Deputy CEO	100,462	50,231	150,693	95.68%
Nicholas Holmes[2]	MD UKIM	30,000	–	30,000	29.67%

1. Andrew Shepherd ceased to be an Executive Director ("ED") for the Group on 1 April 2019. The bonus outcome was prorated based on the period served as an ED.
2. Nicholas Holmes left the Group on 31 December 2018. The bonus outcome was prorated based on the period served as an ED.

Long Term Incentive Scheme ("LTIS") vesting outcome of the three-year performance period ended 30 June 2019

The amounts in the total remuneration table above represent the value vested in the year from three-year LTIS awards arising from the deferred element of the 2015 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 pertaining under this scheme, requiring an increase in the underlying diluted earnings per share of the Company of at least 2% per annum more than the increase in RPI, over the period of three financial years starting with the financial year in which the date of the grant falls.

Awards granted under the LTIP during the year

The new LTIP was approved by shareholders at the 2018 AGM. Under the Plan, the maximum annual award is 50% of base salary which will vest in one tranche after three years, subject to continued service and achievement of the underpinning performance conditions, with a two-year post-vesting holding period.

In November 2018, the Remuneration Committee made the first annual awards under the new LTIP to Executive Directors and members of the Executive Committee. These represented amounts in respect of the deferred element of the annual bonus for the financial year ended 30 June 2018 and annual LTIP awards. The LTIP awards are subject to continued service and:

- the dividend to be at least maintained throughout the period above that paid for the last financial year prior to award;
- 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.

The LTIP awards are subject to malus and clawback provisions in the event of circumstances including, but not limited to, material misstatement of financial results, material adverse event (e.g. regulatory censure, regulator sanction, reputational damage) or error in the calculation of the awards.

To the extent that they vest, these awards will be shown in the total remuneration table for the financial year ending 30 June 2022.

Directors' share interests

At 30 June 2019, active Directors' shareholdings were as set out below:

Number of shares or options	Beneficially owned shares	LTIS and LTIP[1]	Sharesave	CSOP	Total options and shares
Executives					
Caroline Connellan	4,756	25,239	–	1,491	31,486
Ben Thorpe	7,458	23,198	1,285	–	31,941
Non-Executives					
Alan Carruthers (Chairman)	1,450	–	–	–	1,450
Colin Harris (Senior Independent Director)	6,086	–	–	–	6,086
Richard Price	1,450	–	–	–	1,450
Diane Seymour-Williams	4,000	–	–	–	4,000
David Stewart	–	–	–	–	–
John Linwood	300				300
Total	**25,500**	**48,437**	**1,285**	**1,491**	**76,713**

1. In the year ended 30 June 2019 awards were made to the Executive Directors under the LTIP and LTIS, including a deferral of FY18 bonus. The cash value of the awards are shown in the second table below and the actual number of shares awarded will be determined based on the share price at the grant dates in December 2018 and April 2019.

Monetary value of awards made under LTIS and LTIP and deferred element of annual bonus

£'000	Deferred bonus	Additional awards	Total
Executives			
Caroline Connellan	136	173	309
Ben Thorpe	60	363	423
Total	**196**	**536**	**732**

Vesting profile of all share awards

Share awards		Maximum receivable at 30 June 2019	FY20 Options vesting	FY21 Options vesting	FY22 Options vesting
Caroline Connellan	LTIS and LTIP[1]	25,239	10,745	4,812	9,682
	CSOP[2]	1,491	–	1,491	–
Ben Thorpe	LTIS and LTIP[1]	23,198	12,140	8,532	2,526
	Sharesave[3]	1,285	–	–	1,285

1. Exercise price of all LTIS and LTIP options is nil.
2. Exercise price is £20.11.
3. Exercise price is £14.00.

Remuneration Committee continued

Sharesave

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.

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

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 whereby there must be an increase in the underlying diluted earnings per share of the Company of 2% more than the increase in RPI over the three years starting with the financial year in which the option is granted. No awards were made under the scheme during FY19.

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 notice periods of more than 12 months.

Advice to the Committee

During the year, the Committee received advice from Aon. The total fees paid to Aon in respect of its services to the Committee were £28,837.

Non-Executive Directors

Non-Executive Directors have a letter of appointment rather than contracts of employment. The Chairman 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.

Non-Executive Directors' fees

The Non-Executive Directors' fees were reviewed in November 2018 with the approval of the Executive Board members to reflect their responsibilities, competitiveness against the market, and to reflect the time commitment required during a period of significant change for the Group.

	30 June 2019	30 June 2018	Change in fees
Chairman	£180,000	£150,000	20%
Base fee	£55,000	£50,000	10%
Senior Independent Director	£10,000	£10,000	0%
Committee chair	£10,000	£10,000	0%

The Chairman fee was increased following the appointment of the new Chairman to ensure this was commensurate with the level of expertise and experience required for this role.

How the policy will be applied to Executive Director remuneration for the financial year ending 30 June 2020 onwards

Base salary review

The base salaries of Executive Directors were reviewed as part of the Annual Pay Review to take effect from 1 September 2019. The Committee has recommended salary increases of £9,000 (2.5%) to the Chief Executive and £7,000 (2.5%) to the Finance Director. These increases are below the average increase awarded to employees across the Group.

Performance targets for the FY20 annual bonus

For FY20, the annual bonus will be based on performance against a balanced scorecard comprising the following key performance areas:

		% of salary at		
	Weighting	Threshold	Target	Maximum
Underlying PBT	20%	10%	20%	30%
Net flows	20%	10%	20%	30%
Underlying profit margin	20%	10%	20%	30%
Strategic and personal objectives	40%	20%	40%	60%
Total	**100%**	**50%**	**100%**	**150%**

Small adjustments to the weighting of each metric have been made compared to FY19. Each financial measure has been given equal weighting at 20%, with a resulting small increase to strategic and personal objectives to 40%. This aligns to the Group's business strategy and plan which is currently in phase II of driving growth and ongoing transformation. The Committee will set challenging non-financial performance targets for the Executive Directors aligned to the priorities of the Group, including areas of strategy delivery, client, risk management, people and leadership.

Executive Committee members who are not Executive Directors will move to a fully discretionary bonus structure from FY20 onwards, with a blend of financial and non-financial targets aligned to the Group's strategic and commercial objectives, reflecting shareholder priorities.

Compliance with the FCA Remuneration Code

The Committee regularly reviews its Remuneration Policy's compliance with the principles of the Remuneration Code of the UK financial services regulator, as applicable to the Group and appropriate to its size and complexity.

Directors' Remuneration Policy

The Directors' Remuneration Policy ("the Policy") is determined by the Committee.

Remuneration policy principles

The Policy is designed to:

- provide a framework to attract, motivate, retain and reward employees;
- align remuneration with our business strategy, objectives, guiding principles and long-term interests of the Group and shareholders;
- ensure that remuneration is set at an appropriate level, taking into account market rates and best practice;
- ensure the ratio between fixed and variable remuneration is appropriate and does not encourage excessive risk-taking;
- be consistent with and promote sound and effective risk management; and
- comply with all regulatory requirements.

Remuneration Committee continued

Summary of remuneration elements for Executive Directors for FY20

Element	Purpose	Detail	Maximum opportunity
Fixed pay	Provides fixed remuneration at an appropriate level to attract and retain talent.	Executive Directors receive a base salary and benefits including private medical insurance, private health insurance, and critical illness cover. Executive Directors receive a pension contribution from the Company equal to 10% of salary, which can either be sacrificed into the Group's defined contribution pension scheme, paid into an alternative pension scheme, or taken in cash (in part or in full). Individual levels of fixed pay are reviewed annually with any increases effective from 1 September, unless there are any exceptional reasons for increases at another time of the year.	Benchmarked against relevant market levels.
Annual bonus	Rewards annual Group and personal performance and aligns reward with longer-term performance through deferral into shares.	One-third of annual bonus is deferred into shares over three years with tranche vesting in three equal portions after 12, 24 and 36 months. Malus and clawback principles apply to annual bonus awards under the Group's malus and clawback policy.	150% of base salary.
LTIP	Rewards performance over the long term.	Executive Directors may be considered for a conditional award of shares of up to 50% of base salary. The award vests after three years subject to continued service and the acheivement of three key performance criteria relating to: i. funds under management; ii. maintenance of a dividend; and iii. a satisfactory risk, compliance, internal control and governance environment over the period. Post-vesting, recipients are 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. Malus and clawback principles apply under the Group's malus and clawback policy.	Up to 50% of base salary (in face value of shares at grant).

Shareholding requirements

Executive Directors are required to build and maintain a holding in Brooks Macdonald shares or rights to shares within five years of commencing in role, or the date of adoption of the Policy. Currently, the Chief Executive is required to build up share ownership equal to 200% of base salary and the Finance Director share ownership equal to 150% of base salary. The Committee has decided to increase the Finance Director's shareholding requirement to 200% of base salary in shares or rights to shares, aligning the two Executive Directors.

Statement of consideration of shareholder views

The Remuneration Committee regularly compares the Policy with shareholder guidelines and takes account of the results of shareholder votes on remuneration. The Remuneration Committee Chair consults with major investors ahead of any material changes to the Policy and is available to meet with institutional shareholders to discuss any of the policy-related disclosures or outcomes contained in this Directors' Remuneration Report.

Statement of consideration of employment conditions elsewhere in the Company

A consistent remuneration philosophy is applied to all employees across the Group. For the financial year ending 30 June 2020, all employees are eligible for discretionary performance-related annual bonus based on a balanced scorecard of financial and non-financial metrics. No linear, purely formulaic commission structures remain. The principle of bonus deferral applies to annual bonuses for all employees whose bonuses exceed certain monetary thresholds.

Employees are able to provide direct feedback on the Group's remuneration policies to their manager or the Human Resources department and as part of our regular "Speak Up" employee engagement survey. In addition, the HR Director chairs a regular People Committee meeting which covers, inter alia, feedback on the effectiveness of the Group's Remuneration Policy and how it is viewed by employees. The HR Director also provides similar updates to the Board.

Benchmarking

The Remuneration Committee takes account of market benchmark data when setting total remuneration packages for Executive Directors and comparisons are made with other listed companies of a similar size and business profile to the Group. However, in line with guidance from Institutional Shareholder Services ("ISS") and the Financial Reporting Council ("FRC"), market data is only used as one input to the decision-making process, rather than to directly determine pay levels. Other factors such as the individual's role, experience and performance play a more important part.

External appointments

Executive Directors are normally permitted to take on one 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.

Remuneration Committee continued

Approach to remuneration for new Executive Director appointments

The remuneration package for a new Executive Director is set in line with the terms and maximum levels of the Group's approved remuneration policy in force at the time of appointment. The Committee may also offer additional cash and/or share-based elements to replace awards or potential earnings forgone on becoming an Executive Director (if in the interests of the Group and shareholders and in accordance with regulatory requirements). In considering any such payments the Remuneration Committee could take account of the amount forgone and its nature, vesting dates and any performance requirements attached.

Service contracts and loss of office payments

Service contracts normally continue until the Executive Director's retirement date unless otherwise agreed, and the service contracts provide a mechanism for early termination. The Group is able to enter into settlement agreements with Executive Directors and to pay compensation in resolution of potential legal claims. The default treatment of any outstanding share-based entitlements granted to an Executive Director under the Group's LTIP or other share plans is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances such as death, disability, redundancy, retirement or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure), "good leaver" status can be applied. In such cases, the normal practice is for LTIP awards held to be retained and prorated (where necessary) on the original vesting schedule, with the performance conditions continuing to apply, with the exception of Deferred Bonus shares which vest in full on the original vesting schedule.

Approval

This report in its entirety has been approved by the Committee and the Board of Directors on its behalf by:

Diane Seymour-Williams
Remuneration Committee Chair
(retired 31 July 2019)

11 September 2019

John Linwood
Remuneration Committee Chair
(appointed 1 August 2019)

11 September 2019

Risk and Compliance Committee

"The Committee exercises independent oversight over the risks faced by the Group."

David Stewart
Risk and Compliance Committee Chair

Role and responsibilities

The Risk and Compliance Committee ("RCC") assists the Board in meeting its risk management, regulatory, compliance and internal control responsibilities. In discharging these governance responsibilities, the Committee Chair liaised closely with the Chair of the Audit Committee to ensure a clear allocation of responsibilities between the two Committees, ensuring governance completeness across the risk landscape. The commonality in the membership of each Committee ensures effective management of this process.

The Committee considers best practice, taking account of the requirements of the Code, where appropriate, and those of the FCA and other relevant regulatory bodies, including guidance on risk management and internal controls, as well as other requirements set by the Board. The Committee has established procedures to ensure that each of its roles and responsibilities are adequately covered over the year.

The full responsibilities of the Committee are set out in the Committee's Terms of Reference, which are reviewed annually and are available on the Group's website.

Composition and meetings

Colin Harris was the Chairman of the Committee until September 2018, following which David Stewart was appointed as his replacement. Colin Harris remained a member, helping to ensure an effective handover of responsibilities. Its other members are Richard Price, Diane Seymour-Williams and John Linwood, who was appointed to join the Committee on 1 August 2019.

Collectively, the Committee considers that its membership has the appropriate expertise to discharge its responsibilities effectively, including relevant wealth management, financial, risk management, compliance, regulatory, and legal experience.

The Committee's attendance during the year ended 30 June 2019 is set out in the summary table on page 46.

Risk and Compliance Committee continued

The Committee's areas of focus

Risk appetite, strategy and exposure management	• Overseeing the development of, and recommending to the Board, the Group's Risk Appetite Statement, and of limits and policies for controlling risk within the Board's stated appetite; • Reviewing any breaches to the limits and policies, and assessing the adequacy of mitigating or remedial actions; • Monitoring steps taken by management to bring breaches in line with the Board's Risk Appetite; and • Assessing regularly and updating, where appropriate, the Risk Appetite Statement, involving a regular reassessment of the Group's Principal Risks and Uncertainties, underpinned by key metrics which articulate the status and tolerance levels of key business risks. The process is underpinned by the capture of outputs from the review of risks undertaken by the Executive Committee and independent challenge provided by the CRO and the Group Risk team.
Capital requirements	• Overseeing the development of the Group's Internal Capital Adequacy Assessment Process ("ICAAP") and its compliance with regulatory liquidity requirements; • Recommending the principal risks to be considered and stress tested in the ICAAP, as well as liquidity stress tests to be undertaken; • Reviewing and challenging the methodology and output of stress tests, considering recommended management responses, and ensuring that results are incorporated appropriately in the Group's capital and liquidity planning; and • Ensuring that ongoing consideration is given to capital and liquidity matters as decisions are taken by the Group Board and Executive Committee.
Top-down and emerging risks	• Monitoring external developments, for example competition, market conditions, macroeconomic environment, regulatory, taxation and other legal developments, and assessing the potential impact on the Group; • Periodically reviewing the Group's potential risk exposures, and considering and challenging management's methodology to identify and address such exposures; and • Recommending to the Board the Principal Risks and Uncertainties to be reported in the Annual Report and Accounts.
Risk management framework	• Reviewing, on at least an annual basis, the adequacy and effectiveness of the Group's risk and control processes to support its strategy and objectives, and monitoring the implementation of enhancements identified; • Reviewing the Group's approach to management of outsourcing arrangements; • Maintaining oversight of material issues, breaches and complaints, including consideration of the adequacy of management actions proposed and any consequent implications for the Group's Risk Appetite status and framework; and • Overseeing the scope and effectiveness of second line assurance work, and considering the results of work undertaken by the third line insofar as it affects the Committee's areas of responsibilities. Ensuring that the assurance programme undertaken is adequate in view of the complexity and risk profile of the Group, monitoring its completion and agreeing remedial actions arising as appropriate.
Overseeing regulatory compliance	• Considering regulatory developments and the potential impact on the Group; • Reviewing key regulatory topics through reports prepared by second and third line assurance teams; and • Overseeing various enhancement projects, including suitability-related actions as well as the appointment of a dedicated Money Laundering Reporting Officer.
Oversight of the effectiveness of the Risk and Compliance functions	• Safeguarding the independence of the Risk and Compliance teams, and reviewing the adequacy of resources, reporting any concerns to the Board; • Receiving reports from assurance teams, and in particular the CRO, and promoting an open and transparent risk culture; • Maintaining effectiveness oversight of the Risk and Compliance functions, monitoring performance against plan and overseeing the process for the appointment and removal of the CRO; and • Reviewing key communication with regulators, and fostering a culture of co-operation and compliance.

Main activities during the year

Risk Transformation Project	The ongoing delivery of the Group Risk Transformation Project, assessing timeliness and adequacy of the delivery of project milestones, with detailed review of constituent elements as appropriate.
Progression of legacy matters	Ensured progress of resolution of previously reported Channel Islands legacy matters related to a number of discretionary portfolios formerly managed by Spearpoint (acquired by the Group in 2012) and a Dublin-based fund for which Spearpoint acted as investment manager. Oversaw completion of the programme of goodwill offers for the discretionary portfolio holders and agreement and completion of a goodwill offer for the Dublin-based fund. Continuing to oversee ongoing discussions with all stakeholders, including relevant regulators, as the Group seeks to bring these matters to conclusion.
Development of enhanced Risk Appetite Statement with accompanying framework	Work was initiated to enhance Risk Appetite Statements, develop further metrics for reporting the Group's position across each of the principal risks it faces and identifying effective means to regularly validate the overall risk position, incorporate this into business planning and make recommendations for mitigating action as appropriate.
Further evolution of top and emerging risk reporting	Structured review of Top and Emerging Risks and developing management reporting, including new dashboards, for review by the Board.
People risk	Supporting the Remuneration Committee by monitoring People Risk following the Group-wide restructuring that took place in January 2019. This included reviewing staff retention measures put in place, developing new ongoing staff engagement programmes and considering any key man dependencies.
Internal Capital Adequacy Assessment Process	Supervised the ICAAP undertaken in the year, including development of risk scenarios, the design of stress tests and reporting to the Board on the level of capital required.

Risk and Compliance Committee continued

Money Laundering Reporting Officer's Report	Considered in detail the Annual Money Laundering Reporting Officer's Report, including the need for any enhancements or other recommendations made.
Cyber Crime and Resilience	Given the heightening of cyber-related crimes and regulatory focus on both business and operational resilience, steps were taken to strengthen the Group's core IT management team with the appointment of a new Chief Technology Officer, Head of Cyber Security and an IT Governance team. The Committee will continue to review this area as a priority.
Appointment of Chief Risk Officer ("CRO")	The Group appointed a permanent CRO in August 2018, responsible for delivery of the risk and compliance agenda across the Group, including the changes delivered under the Risk Transformation Project, and the implementation of plans to strengthen the teams, processes and systems across the Group.
Regulatory developments	Undertook regular horizon scanning of the regulatory landscape, considering the impact of planned and possible regulatory developments. During the year, the Committee considered steps taken to ensure initial and continuing compliance with General Data Protection Regulations ("GDPR") as well as projects in place for upcoming regulatory developments, such as the Senior Managers and Certification Regime ("SMCR").
UK withdrawal from the European Union ("Brexit")	The Committee has considered the potential impact on the Group's operations and strategy arising from the expected withdrawal of the UK from the European Union, as well as implications of increased political and economic uncertainty arising from recent events.

Looking forward

The Board recognises that the current political and macroeconomic environment will remain uncertain for the foreseeable future, and RCC will monitor the implications of this carefully. The further enhancement of the Group's risk management framework will continue to be an area of focus, as will the review in detail of significant risks such as cyber crime and data security protection, to ensure that the Group's defences and controls are maintained at an appropriate level. The Committee believes that the pace of regulatory change will continue, and it will consider management plans to meet new requirements. Among other matters, the Committee will review the implementation of SMCR.

Approval

This report in its entirety has been approved by the Committee and the Board of Directors on its behalf by:

David Stewart
Risk and Compliance Committee Chair

11 September 2019

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 2019.

Principal activities and business review

Brooks Macdonald specialises in providing investment management services in the UK and internationally. The Company is a public limited company whose shares are traded on the Alternative Investment Market of the London Stock Exchange. A review of the business together with its strategic outlook and future developments is set out in the Strategic report on pages 6 to 37, which is incorporated by reference in this report.

Results and dividends

The statutory profit before taxation for the year ended 30 June 2019 was £8,245,000 (FY18: £6,722,000) and the profit after taxation was £5,728,000 (FY18: £5,394,000).

The Directors recommend a final dividend of 32.0p (FY18: 30.0p) per share subject to approval by the shareholders at the AGM on 31 October 2019. Once approved, this will be paid on 8 November 2019 to shareholders on the Company's register at close of business on 27 October 2019. An interim dividend of 19.0p (FY18: 17.0p) per share was paid on 23 April 2019. This results in total dividends for the year ended 30 June 2019 of 51.0p (FY18: 47.0p) per share, representing a total distribution to shareholders of £6,969,000 (FY17: £6,442,000).

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 2019 Number of shares	At 30 June 2018 Number of shares
Chair		
Alan Carruthers (appointed on 14 March 2019)	1,450	-
Christopher Knight (resigned on 14 March 2019)	-	71,585
Executives		
Caroline Connellan	4,756	2,081
Nicholas Holmes (resigned on 30 November 2018)	-	59,655
Andrew Shepherd (resigned on 1 April 2019)	-	47,880
Ben Thorpe (appointed on 6 August 2018)	7,458	-
Non-Executives		
Colin Harris	6,086	6,086
John Linwood (appointed on 19 September 2018)	300	-
Richard Price	1,450	-
Diane Seymour-Williams	4,000	4,000
David Stewart	-	-

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 53 to 64.

Report of the Directors continued

Share capital

Details of the Company's authorised and issued share capital, and movements thereof, are set out in Note 25 of the Consolidated financial statements. The Company has no preference shares in issue and has one class of ordinary shares which carry no right to fixed income. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Employee share plans

Details of employee share plans are outlined in Note 27 to the Consolidated financial statements. The shares are held in trust for participants. The scheme is operated by Barclays and voting rights are exercised by the employer-nominated trustee on receipt of participants' instructions.

Employee Benefit Trust

The Group has appointed Brooks Macdonald Nominees Limited to act as a trustee of the Employee Benefit Trust. The trust is independent and holds shares for the benefit of employees and former employees of the Group. As part of these arrangements, the Group issued shares to the trust to enable the trustee to satisfy these awards. During the year, the Trustee purchased 2.65 million shares.

Retirement and reappointment of Directors

All of the Directors of the Group Board will retire at the AGM and are eligible to nominate themselves for re-election.

Insurance and Directors' indemnities

The Company maintains appropriate insurance cover in respect of litigation against Directors and Officers. The Company has granted indemnities to all of its Directors on terms consistent with the applicable statutory provisions. Accordingly, qualifying third party indemnity provisions, as defined by Section 234 of the Companies Act 2006, were in place during the financial year and remain in force at the date of this report.

Employees

Details of the Group's employment practices, and its policies on diversity and inclusion, are set out in the Corporate responsibility report on page 36.

Internal controls and risk management

The Directors confirm that they have carried out a robust assessment of the principal risks facing Brooks Macdonald, including those that could threaten the Group's business model, future performance, solvency or liquidity. The Board considers that the information it receives enables it to review the effectiveness of the Group's internal controls in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Details on how the Board monitors the Group's risk management and internal controls are contained in the Risk management and principal risks section of the Strategic report on page 29.

Substantial shareholdings

As at 30 June 2019, the Company had received notifications of substantial interests in shares of 3% or more as follows:

	Number of shares	% of total voting rights
Liontrust Asset Management	2,780,408	19.93
Octopus Investments	1,597,932	11.45
Fidelity Investments	1,393,123	9.98
Brooks Macdonald Asset Management	982,337	7.04
Invesco Perpetual Asset Management	750,272	5.38
J M Gumpel	626,035	4.49
Canaccord Genuity Wealth Management	621,630	4.46
Artemis Investment Management	575,929	4.13
Rathbones Investment Management	450,673	3.23
GVQ Investment Management	446,651	3.20

Political donations

The Group did not make any political donations during the year (FY18: £nil).

Events since the end of the year

Details of events after the reporting date are set out in Note 35 to the Consolidated financial statements.

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 AGM.

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.

Going concern

The Group's business activities, performance and position, together with the risks it faces and the factors likely to affect its future development are set out in the Strategic report.

As explained in the Viability statement on page 34, the Directors have considered the Group's prospects for a period exceeding 12 months from the date the Financial statements are approved and have concluded that the Group has adequate financial resources over that period and accordingly, are satisfied that the going concern basis for the preparation of the Financial statements is appropriate.

Annual General Meeting

The 2019 AGM will be held on 31 October 2019 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

Caroline Connellan
Chief Executive

11 September 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company 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 have elected to prepare the Parent Company financial statements on the same basis.

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 Parent Company and of their profit or loss for that period. In preparing the Financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with applicable IFRSs as adopted by the European Union;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group and Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the Financial statements comply with the Companies Act 2006.

The Directors are also responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on 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' responsibility statement

We confirm that to our knowledge:

- the Group and Parent Company financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report and Financial statements include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the report and accounts taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board of Directors

Caroline Connellan
Chief Executive

11 September 2019

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 2019 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 and Accounts (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 30 June 2019; the Consolidated statement of comprehensive income for the year ended 30 June 2019, the Consolidated and Company statements of cash flows for the year ended 30 June 2019, and the Consolidated and Company statements of changes in equity for the year ended 30 June 2019; and the notes to the Financial statements, which include a description of the significant accounting policies.

Basis for opinion

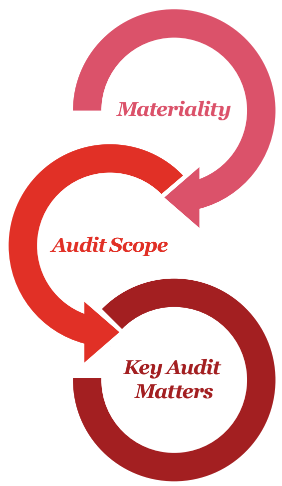
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial statements section of our report. We believe that the audit 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: £766,400 (FY18: £711,900), based on 5% of statutory profit before tax adjusted for the goodwill impairment and the client relationship contracts impairment. Please note prior year materiality was adjusted for the provision for exceptional costs of resolving legacy matters and the software impairment.
- Overall Company materiality: £402,800 (FY18: £478,500), based on 1% of net assets.

- The Group has three business segments, Investment Management, Financial Planning and International, consisting of nine legal entities that operate 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 procedures on a further two legal entities. Taken together, our audit work accounted for more than 99% of Group revenues and 94% of Group profit before tax and 96% of Group total assets.

- Recognition of investment management fee revenue (Group).
- Completeness of the provision for exceptional costs of resolving legacy matters (Group).
- Valuation of Levitas goodwill (Group).

Independent auditors' report continued

to the members of Brooks Macdonald Group plc

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.

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 60% of the Group's £107.3m 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 funds under management ("FUM"). The calculation is largely automated, however there are a number of inherent risks including the manual input of key contractual terms and the existence 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. • As we did not rely on controls over the investment management system, we undertook substantive procedures. We manually tested management's controls over the performance of external client cash and stock reconciliations. • On a sample basis, we reperformed the reconciliations of cash and stockholding positions to external custody confirmations. • We agreed, for a sample, fee rates to client contracts. • We tested the valuation of a sample of client assets held against independent market prices. • We tested the accuracy of fees, by reperforming the calculation of the investment management fees; and obtained evidence for any differences on a sample basis. • We reconciled the fees calculated by the investment management system to the general ledger postings. Our testing did not identify any evidence of material misstatement.
Completeness of the provision for exceptional costs of resolving legacy matters *Refer to Note 2 Principal accounting policies and Note 23 Provisions.* The Group accounts have an outstanding provision of £701,000 as at 30 June 2019 in relation to the legacy matters in the International business. A total of £5.5m has been utilised during the year. 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". The significant degree of judgement involved in the provision makes this a key audit matter.	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 released during the year. • We have challenged the completeness of the provision by understanding the status of unsettled cases through discussions with management. • We agreed a sample of goodwill payments made to clients to supporting documentation and bank statements. • 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.
Valuation of Levitas goodwill *Refer to Note 2 Principal accounting policies and Note 13 Intangible assets.* The valuation of the Levitas Investment Management Limited ("Levitas") cash generating unit requires management to make a number of significant judgements which may materially affect the valuation, such as forecasted funds under management, and related cash flows, discount and growth rates, in order to calculate the "value-in-use". The Levitas goodwill represents £4.5m of the Group's intangible assets after recognising a £4.8m impairment loss during the year. The key driver of the impairment was the result of an agreement to lower the sponsorship rate of a significant customer. The size of the balances and the significant degree of judgement involved in the Group's valuations makes this a key audit matter.	We obtained management's impairment review of the Levitas goodwill and performed the following: • We evaluated management's valuation methodology against the requirements in IAS 36 "Impairment of assets". • We obtained the 5-year forecasted FUM and related revenues and expenses that were Board approved and challenged the drivers of the forecasted FUM and considered the accuracy of management's forecasting process, with reference to historic results. • We challenged the reasonableness of key assumptions in the model, the discount rate and long-term growth rates using available market information. • We tested management's sensitivity analysis to determine the impact of changes in the key assumptions. • We evaluated the appropriateness of the impairment disclosures included in the Financial statements. Our testing did not identify any evidence of material misstatement.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

Independent auditors' report continued

to the members of Brooks Macdonald Group plc

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.

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	£766,400 (FY18: £711,900).	£402,800 (FY18: £478,500).
How we determined it	5% of statutory profit before tax adjusted for the goodwill impairment and the client relationship contracts impairment.	1% of net assets.
Rationale for benchmark applied	As with prior years, the most appropriate metric to apply to Group materiality is profit before tax on the basis that the Group is primarily measured on its financial performance via its Consolidated statement of comprehensive income. We have adjusted profit before tax for the goodwill impairment and the client relationship contracts impairment. Please note prior year materiality was adjusted for the provision for exceptional costs of resolving legacy matters and the software impairment.	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 £21,700 and £724,200. 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 £38,000 (Group audit) (FY18: £34,100) and £20,100 (Company audit) (FY18: £23,900) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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 12 months from the date when the Financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

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 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 2019 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 72, 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.

Independent auditors' report continued

to the members of Brooks Macdonald Group plc

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.

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

11 September 2019

Financial statements

Consolidated financial statements

Contents

Consolidated statement of comprehensive income

For the year ended 30 June 2019

	Note	2019 £'000	2018 Restated* £'000
Revenue	4	107,270	99,941
Administrative costs		(91,835)	(89,335)
Other losses	5	(6,928)	(3,643)
Operating profit	6	8,507	6,963
Finance income	8	227	128
Finance costs	8	(94)	(152)
Profit before tax from continuing operations		8,640	6,939
Taxation on continuing operations	9	(2,517)	(1,328)
Profit for the period from continuing operations		6,123	5,611
Loss from discontinued operations	10	(395)	(217)
Profit for the period attributable to equity holders of the Company		5,728	5,394
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss			
Revaluation of available for sale financial assets		–	(2)
Total other comprehensive expense		–	(2)
Total comprehensive income for the year		5,728	5,392
Earnings per share			
Basic	11	41.7p	39.4p
Diluted	11	41.7p	39.3p

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

The accompanying notes on pages 84 to 126 form an integral part of the Consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Intangible assets	13	50,167	60,556
Property, plant and equipment	14	3,177	3,996
Available for sale financial assets		–	1,578
Financial assets at fair value through other comprehensive income	15	500	–
Other receivable		94	–
Deferred tax assets	17	1,223	1,176
Total non-current assets		55,161	67,306
Current assets			
Trade and other receivables	18	26,732	26,019
Financial assets at fair value through profit or loss	16	613	1,267
Cash and cash equivalents	19	34,590	30,939
Total current assets		61,935	58,225
Total assets		117,096	125,531
Liabilities			
Non-current liabilities			
Deferred consideration	20	(380)	(1,479)
Provisions	23	(278)	–
Deferred tax liabilities	17	(2,278)	(2,990)
Other non-current liabilities	21	(714)	(157)
Total non-current liabilities		(3,650)	(4,626)
Current liabilities			
Trade and other payables	22	(20,788)	(23,291)
Current tax liabilities		(2,350)	(1,325)
Provisions	23	(2,736)	(8,332)
Total current liabilities		(25,874)	(32,948)
Net assets		87,572	87,957
Equity			
Share capital	25	139	138
Share premium account	25	39,068	38,404
Other reserves	26	4,575	3,114
Retained earnings	26	43,790	46,301
Total equity		87,572	87,957

The Consolidated financial statements on pages 80 to 126 were approved by the Board of Directors and authorised for issue on 11 September 2019, and signed on their behalf by:

Caroline Connellan
Chief Executive

Ben Thorpe
Finance Director

Company registration number: 4402058

The accompanying notes on pages 84 to 126 form an integral part of the Consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2019

	Note	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2017		138	37,101	6,480	41,987	85,706
Comprehensive income						
Profit for the year from continuing operations		–	–	–	5,611	5,611
Loss for the year from discontinued operations	10	–	–	–	(1,079)	(1,079)
Gain on disposal of discontinued operations	10	–	–	–	862	862
Other comprehensive expense:						
Revaluation of available for sale financial assets		–	–	(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 exercised		–	–	(4,763)	4,763	–
Tax on share options		–	–	(270)	–	(270)
Dividends paid	12	–	–	–	(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**
Adjustment on initial application of IFRS 9	15	–	–	(1)	–	(1)
Adjusted balance at 1 July 2018		**138**	**38,404**	**3,113**	**46,301**	**87,956**
Comprehensive income						
Profit for the year from continuing operations		–	–	–	6,123	6,123
Loss for the year from discontinued operations	10	–	–	–	(724)	(724)
Gain on disposal of discontinued operations	10	–	–	–	329	329
Other comprehensive income		–	–	–	–	–
Total comprehensive income		**–**	**–**	**–**	**5,728**	**5,728**
Transactions with owners						
Issue of ordinary shares		1	664	–	–	665
Share-based payments		–	–	2,634	–	2,634
Share-based payments exercised		–	–	(1,123)	1,123	–
Purchase of own shares by Employee Benefit Trust		–	–	–	(2,648)	(2,648)
Tax on share options		–	–	(49)	–	(49)
Dividends paid	12	–	–	–	(6,714)	(6,714)
Total transactions with owners		**1**	**664**	**1,462**	**(8,239)**	**(6,112)**
Balance at 30 June 2019		**139**	**39,068**	**4,575**	**43,790**	**87,572**

The accompanying notes on pages 84 to 126 form an integral part of the Consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	24	15,553	13,610
Taxation paid		(2,301)	(2,673)
Net cash generated from operating activities		**13,252**	10,937
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(572)	(1,829)
Purchase of intangible assets	13	(1,106)	(5,069)
Deferred consideration paid	20	(1,251)	(1,852)
Proceeds from sale of discontinued operations	10	593	1,005
Finance income received	8	198	102
Proceeds of sale of financial assets at fair value through profit or loss	16	1,234	–
Cash flows from investing activities of discontinued operations	10	–	2
Net cash used in investing activities		**(904)**	(7,641)
Cash flows from financing activities			
Proceeds of issue of shares		665	1,303
Purchase of own shares by Employee Benefit Trust		(2,648)	–
Dividends paid to shareholders	12	(6,714)	(5,843)
Net cash used in financing activities		**(8,697)**	(4,540)
Net increase/(decrease) in cash and cash equivalents		**3,651**	(1,244)
Cash and cash equivalents at beginning of year		30,939	32,183
Cash and cash equivalents at end of year	19	**34,590**	30,939

The accompanying notes on pages 84 to 126 form an integral part of the Consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. General information

Brooks Macdonald Group plc ("the Company") is the parent company of a group of companies ("the Group"), which offers a range of investment management services to private high net worth individuals, pension funds, institutions and trusts. The Group also provides financial planning as well as offshore investment management and acts as fund manager to a regulated OEIC providing a range of risk-managed multi-asset funds and a specialised absolute return fund.

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 financial assets at fair value through other comprehensive income, 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 its Employee Benefits business within the Financial Planning segment and Brooks Macdonald Funds Limited, a subsidiary within the Group, resigned as investment manager of the Ground Rents Income Fund plc ("GRIF"). As a result, the prior year has been restated to separate the results of discontinued operations, consistent with the presentation in the current year. Refer to Note 10 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 41 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 2018, except as explained below.

New accounting standards, amendments and interpretations adopted in the year

In the year ended 30 June 2019, the Group adopted two new standards being IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'. The Group did not adopt any other new standards and amendments issued by the International Accounting Standards Board ("IASB") or interpretations issued by the IFRS IC in the year ending 30 June 2019.

2. Principal accounting policies (continued)

c. Changes in accounting policies (continued)

IFRS 9 'Financial instruments'

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

Transition

The Group has taken advantage of the exemption per paragraph 5.6.1 of IFRS 9, regarding restated comparative information for prior years with respect to classification, measurement and impairment requirements. Where differences arise in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9, they are to be recognised in retained earnings as at 1 July 2018. Accordingly, the information presented for the year ended 30 June 2018 will not reflect the requirements of IFRS 9 but will be presented in line with IAS 39.

Classification and measurement of financial assets and financial liabilities

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

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 July 2018 has resulted in a change of classification on the Consolidated statement of financial position, however has not impacted the Consolidated statement of comprehensive income or Consolidated statement of cash flows.

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

Financial asset	Previous IAS 39 classification	Previous IAS 39 carrying amount £'000	New IFRS 9 classification	New IFRS 9 carrying amount £'000
Unlisted redeemable preference shares	AFS	650	FVOCI	650
Contingent consideration receivable	AFS	923	FVPL	923
Offshore bond	AFS	5	FVPL	5
Trade and other receivables	Loans and receivables	26,019	Amortised cost	26,019
Financial assets at FVPL	FVPL	1,267	FVPL	1,267
Total financial assets		**28,864**		**28,864**

The basis of classification for financial liabilities under IFRS 9 remains unchanged from IAS 39. There remains two categories being amortised cost or FVPL. The Group has assessed its financial liabilities at 1 July 2018 and concluded that no change in classification is required. Therefore there has been no impact on the Consolidated statement of financial position, Consolidated statement of comprehensive income or Consolidated statement of cash flows as a result of IFRS 9 in relation to financial liabilities.

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

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. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments, considering all reasonable information, including that which is forward-looking. The Group applies the simplified lifetime expected credit loss model. This requires an assessment of the total amount of credit losses expected over the lifetime of the asset and is performed on an asset by asset basis. As a result, the Group has determined that the application of IFRS 9's impairment requirements has not had a material impact on the Financial statements.

IFRS 15 'Revenue from contracts with customers'

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

Transition

The Group has taken advantage of the exemption per Appendix C of IFRS 15 regarding restated comparative information for prior years with respect to revenue recognition. Where differences arise resulting from the adoption of IFRS 15, they are to be recognised in retained earnings as at 1 July 2018. Accordingly, the comparative information presented for the year ended 30 June 2018 will not reflect the requirements of IFRS 15 but will be presented in line with previous revenue recognition from contracts with customers.

Impact of IFRS 15 on the Financial statements for the year ended 30 June 2019

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

Portfolio management fee income and fund management fees

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

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

Financial services commission

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

Advisory fees

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

2. Principal accounting policies (continued)

c. Changes in accounting policies (continued)

Costs of obtaining or fulfilling a contract

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

The Group's policy for capitalising contract costs currently recognises the fair value of the future benefits accruing to the Group from the acquired client relationship contracts. The amortisation of client relationships is charged to the 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 IFRS 15 on these and concluded that the current policies in place are sufficient and therefore will remain unchanged.

Other new standards, amendments and interpretations listed in the 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 2018
Disclosure initiative (amendments to IAS 7)	1 January 2018
Annual improvements to IFRS standards 2014-2016 cycle (IFRS 12)	1 January 2018

New accounting standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations, which have not been applied in preparing these Financial statements, have been issued and are effective for annual years beginning after 1 July 2018:

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

† Not yet endorsed by the EU.

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

IFRS 16 'Leases'

IFRS 16 is effective for years commencing on or after 1 January 2019. The standard was endorsed by the EU during 2017. Under the previous treatment, operating leases had lease payments charged to the Consolidated statement of comprehensive income over the life of the lease and no recognition on the Consolidated statement of financial position. Finance leases created a lease liability on the statement of financial position using the present value of lease payments and amortised over the life of the lease to the statement of comprehensive income. The change to IFRS 16 removes the classification of leases as either operating or finance leases for lessees and introduces a single, on-balance sheet accounting model, which requires:

- the recognition of a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which the Group is the lessee, except for leases that have a period less than 12 months and low value leases;

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

2. Principal accounting policies (continued)

c. Changes in accounting policies (continued)

- depreciation charge on the right-of-use asset on a straight-line basis over the lease term, with the lease term duration dictated by management's intentions of the lease and underlying asset; and
- a finance cost arising from the implied interest expense unwinding of the discounted lease liability over the lease term using the effective interest rate method.

Transition

The Group has decided not to early adopt this standard and as a lessee, the Group will apply IFRS 16 initially with effect from 1 July 2019, using the modified retrospective approach with optional practical expedients. Therefore the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening Statement of Financial Position at 1 July 2019, with no restatement of comparative information. As a result of using the modified retrospective approach, the Group will apply IFRS 16 to all lease arrangements entered into before 1 July 2019 and identified as leases in accordance with IAS 17.

Lessee accounting

The Group has assessed the impact of adopting the new standard based on its existing lease arrangements at 30 June 2019. The Group's total assets and total liabilities will be increased by the recognition of right-of-use assets and lease liabilities. The right-of-use assets will be depreciated over the lease term and the lease liability will be reduced by lease payments, offset by the implied interest expense, unwinding the liability over the lease term which will be recognised in finance costs in the Consolidated statement of comprehensive income.

Based on the available information at 30 June 2019, IFRS 16 impacts the recognition of the Group's office lease arrangements. The Group estimates that it will recognise lease liabilities of approximately £2,070,000 at 1 July 2019 and right-of-use assets with also an approximate value of £2,070,000. There is an estimated increase of equity by £300,000 due to the impact of accrued lease incentives at 30 June 2019. The impact on the Consolidated statement of comprehensive income will see lease costs accelerated as the implied interest charge is higher in the early years of a lease term as the discount rate unwinds over the life of the discount period.

The total cost and cash outflow of the lease over the lease term is not expected to change. In addition to the above impacts, recognition of lease assets will increase the Group's regulatory capital requirement.

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.

There have been no critical judgements required in applying the Group's accounting policies in this period, apart from those involving estimations which are detailed separately below.

The underlying assumptions made are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year 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 13). 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.

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 13.

2. Principal accounting policies (continued)

d. Critical accounting estimates and judgements (continued)

Deferred consideration

As described in Note 20, 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. The outstanding deferred consideration liability at 30 June 2019 relates entirely to the present value of fixed amounts owed to the vendors of Levitas.

Contingent consideration

As described in Note 10, the Group has a contingent consideration balance in respect of the disposal of Braemar Estates (Residential) Limited in December 2017 and the disposal of the Employee Benefits business in December 2018. 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 27). 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 2o.

As described in Note 23, 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 remeasured 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, in accordance with IAS 39. Subsequent changes to the fair value of contingent consideration are recognised in accordance with IFRS 9 in the Consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

2. Principal accounting policies (continued)

f. Business combinations (continued)

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 ("CGU") 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 CGU is compared to its recoverable amount, which is determined using a discounted future cash flow model.

Where goodwill forms part of a CGU 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 CGU retained.

g. Revenue

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 received. 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 fundraising 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.

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.

2. Principal accounting policies (continued)

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 ("FCA"). 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:

Leasehold improvements	-	over the lease term
Motor vehicles	-	4 years
Fixtures, fittings and office equipment	-	5 years
IT equipment	-	4 or 5 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.

During the year, property, plant and equipment non-current assets were reviewed in terms of useful economic life and classification of assets; see Note 14 for details of the review and change in accounting estimate.

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 continued

For the year ended 30 June 2019

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 CGUs 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. Financial investments

The Group classifies financial assets in the following categories: fair value through profit or loss; fair value through other comprehensive income; and amortised cost. 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.

Fair value through other comprehensive income

Financial instruments are classified as fair value through other comprehensive income if the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets and that the asset's contractual cash flows represents solely payment of principal and interest. Assets in this category are initially recognised at fair value and subsequently remeasured, with gains or losses arising from changes in fair value being recognised in the other comprehensive income.

Amortised cost

Financial instruments are classified as amortised cost if the asset is held to collect contractual cash flows and the asset's contractual cash flows represents solely payment of principal and interest.

o. 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.

2. Principal accounting policies (continued)

o. Provisions and contingent liabilities (continued)

Client compensation

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

p. 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.

q. 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.

r. 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.

s. Trade receivables

Trade receivables represent amounts due for services performed in the ordinary course of business. They are recognised in trade and other receivables and if collection is expected within one year they are recognised as a current asset and if collection is expected in greater than one year, they are recognised as a non-current asset. Trade receivables are measured at amortised cost less any provision for impairment.

t. 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 one year 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.

u. 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.

v. 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.

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

2. Principal accounting policies (continued)

w. 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 34. 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.

x. 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.

y. 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.

3. Segmental information

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

Revenues and expenses are allocated to the business segment that originated the transaction. Revenues and expenses that are not directly originated by a particular operating business segment are reported as 'all other segments and consolidation adjustments.' Sales between segments are carried out at arm's length. Centrally incurred expenses are allocated to business segments on an appropriate prorata basis. Segmental assets and liabilities comprise operating assets and liabilities, those being the majority of the Consolidated statement of financial position.

Year ended 30 June 2019	UK Investment Management £'000	Financial Planning £'000	International £'000	All other segments and consolidation adjustments £'000	Total £'000
Total segment revenue	89,369	3,556	14,609	28	107,562
Inter segment revenue	(292)	–	–	–	(292)
External revenues	89,077	3,556	14,609	28	107,270
Underlying administrative costs	(45,121)	(2,926)	(9,247)	(28,996)	(86,290)
Operating contribution	43,956	630	5,362	(28,968)	20,980
Allocated costs	(19,171)	(2,469)	(3,180)	24,820	–
Underlying other gains and losses, finance income and finance costs	18	–	(37)	28	9
Underlying profit/(loss) before tax	24,803	(1,839)	2,145	(4,120)	20,989
Goodwill impairment	–	–	–	(4,756)	(4,756)
Restructuring charge	(1,764)	–	(739)	(762)	(3,265)
Client relationship contracts impairment	–	–	–	(2,328)	(2,328)
Amortisation of client relationships and contracts acquired with fund managers	(787)	–	(420)	(1,039)	(2,246)
Changes in fair value of deferred consideration	–	–	–	419	419
Finance cost of deferred consideration	–	–	–	(94)	(94)
Changes in fair value of contingent consideration	–	–	–	(75)	(75)
Disposal costs	–	(21)	–	(12)	(33)
Finance income from contingent consideration	–	5	–	24	29
Profit/(loss) before tax	22,252	(1,855)	986	(12,743)	8,640
Taxation					(2,517)
Loss from discontinued operations					(395)
Profit for the year attributable to equity holders of the Company					5,728

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

3. Segmental information (continued)

The below segmental analysis has been restated to reflect the previously reported Funds segment which was integrated into UK Investment Management on 1 July 2018. Property Funds have been included in 'all other segments and consolidation adjustments' along with the non-reportable Group segment. The analysis has also been restated to reflect the additional discontinued operations recognised during the year (Note 10) and a change in presentation to disclose administrative expenses, allocated costs and underlying other gains and losses, finance income and finance costs by segment.

Year ended 30 June 2018	UK Investment Management £'000	Financial Planning £'000	International £'000	All other segments and consolidation adjustments £'000	Total £'000
Total segment revenue	82,593	4,226	14,170	98	101,087
Inter segment revenue	(832)	(314)	–	–	(1,146)
External revenues	**81,761**	**3,912**	**14,170**	**98**	**99,941**
Underlying administrative costs	(44,583)	(2,156)	(10,373)	(24,242)	(81,354)
Operating contribution	**37,178**	**1,756**	**3,797**	**(24,144)**	**18,587**
Allocated costs	(15,347)	(1,974)	(2,400)	19,721	–
Underlying other gains and losses, finance income and finance costs	6	–	54	124	184
Underlying profit/(loss) before tax	**21,837**	**(218)**	**1,451**	**(4,299)**	**18,771**
Exceptional costs of resolving legacy matters	–	–	(5,531)	–	(5,531)
Software impairment	(2,518)	–	–	–	(2,518)
Amortisation of client relationships and contracts acquired with fund managers	(890)	–	(420)	(1,052)	(2,362)
Changes in fair value of deferred consideration	–	–	–	(1,191)	(1,191)
Finance cost of deferred consideration	–	–	–	(152)	(152)
Disposal costs	–	–	–	(88)	(88)
Finance income from contingent consideration	–	–	–	26	26
Changes in fair value of contingent consideration	–	–	–	(16)	(16)
Profit/(loss) before tax	**18,429**	**(218)**	**(4,500)**	**(6,772)**	**6,939**
Taxation					(1,328)
Loss from discontinued operations					(217)
Profit for the year attributable to equity holders of the Company					**5,394**

4. Revenue

	2019 £'000	2018* £'000
Portfolio management fee income	94,567	87,909
Financial services commission	109	151
Advisory fees	4,509	4,937
Fund management fees	8,085	6,944
Total revenue	**107,270**	99,941

* Restated to exclude revenue from discontinued operations (Note 10).

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.

	2019 £'000	2018* £'000
United Kingdom	92,661	85,771
Channel Islands	14,609	14,170
Total revenue	**107,270**	99,941

* Restated to exclude revenue from discontinued operations (Note 10).

b. Major clients

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

5. Other losses

Other losses represent the net changes in the fair value of the Group's financial instruments and intangible assets recognised in the Consolidated statement of comprehensive income.

	2019 £'000	2018 £'000
Goodwill impairment (Note 13)	(4,756)	–
Client relationship contracts impairment (Note 13)	(2,328)	–
Software impairment (Note 13)	–	(2,518)
(Loss)/gain from changes in fair value of financial assets at fair value through profit or loss (Note 16)	(38)	82
Loss from changes in fair value of contingent consideration receivable (Note 16)	(75)	(16)
Gain/(loss) from changes in fair value of deferred consideration payable (Note 20)	419	(1,191)
Impairment of financial assets at fair value through other comprehensive income (Note 15)	(150)	–
Other losses	**(6,928)**	(3,643)

6. Operating profit

Operating profit is stated after charging:

	2019 £'000	2018 £'000
Staff costs (Note 7)	50,019	46,830
Auditor's remuneration (see below)	550	842
Financial Services Compensation Scheme Levy (see below)	1,167	664
Depreciation of property, plant and equipment (Note 14)	1,391	1,186
Amortisation of computer software (Note 13)	2,165	1,518
Amortisation of client relationships and contracts acquired with fund managers (Note 13)	2,246	2,362
Impairment of client relationship contracts (Note 13)	2,328	–
Impairment of goodwill (Note 13)	4,756	–
Exceptional cost of resolving legacy matters (Note 23)	–	5,531
Rent on operating leases	2,133	1,996

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

6. Operating profit (continued)

A more detailed analysis of auditor's remuneration is provided below:

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the consolidated Group and Parent Company financial statements	136	257
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	160	143
– Audit-related assurance services	174	181
– Other non-audit services	80	261
Total auditor's remuneration	550	842

Financial Services Compensation Scheme levies

Administrative costs for the year ended 30 June 2019 include a charge of £1,167,000 (FY18: £664,000) in respect of the estimated Financial Services Compensation Scheme ("FSCS") levy for the 2019/20 scheme year.

7. Employee information

a. Staff costs

	2019 £'000	2018 £'000
Wages and salaries	38,843	39,363
Social security costs	4,551	4,478
Other pension costs	1,331	1,298
Share-based payments	2,029	1,601
Redundancy costs	3,265	90
Total staff costs	50,019	46,830

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:

	2019 Number of employees	2018 Number of employees
Business staff	252	288
Functional staff	190	167
Total staff from continuing operations	442	455
Total staff from discontinued operations	10	35
Total staff	452	490

7. 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.

	2019 £'000	2018 £'000
Short-term employee benefits	2,638	2,666
Post-employment benefits	15	55
Share-based payments	248	483
Total compensation	2,901	3,204

d. Directors' emoluments

Further details of Directors' emoluments are included within the Remuneration Committee report on pages 53 to 64.

	2019 £'000	2018 £'000
Salaries and bonuses	2,147	2,279
Non-Executive Directors' fees	453	372
Benefits in kind	8	15
	2,608	2,666
Pension contributions	15	55
Amounts receivable under long-term incentive schemes	248	483
Total Directors' remuneration	2,871	3,204

The aggregate amount of gains made by Directors on the exercise of share options during the year was £251,000 (FY18: £643,000). Retirement benefits are accruing to two Directors (FY18: two) under a defined contribution pension scheme.

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

	2019 £'000	2018 £'000
Remuneration and benefits in kind	735	807
Amounts received under long-term incentive schemes	37	83
Total remuneration	772	890

The amount of gains made by the highest paid Director on the exercise of share options during the year was £37,000 (FY18: £83,000).

8. Finance income and finance costs

	2019 £'000	2018 £'000
Finance income		
Dividends on preference shares	82	50
Bank interest on deposits	116	52
Finance income from contingent consideration (Note 16)	29	26
Total finance income	227	128
Finance costs		
Finance cost of deferred consideration (Note 20)	94	152
Total finance costs	94	152

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

9. Taxation

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

	2019 £'000	2018 £'000
UK Corporation Tax at 19% (FY18: 19%)	4,069	3,396
Over provision in prior years	(419)	(613)
Total current tax	3,650	2,783
Deferred tax credits	(808)	(600)
Research and development tax credit	(325)	(855)
Income tax expense	**2,517**	1,328

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

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:

	2019 £'000	2018 £'000
Profit before taxation from continued operations	8,640	6,939
Loss before taxation from discontinued operations	(395)	(217)
Profit before taxation	8,245	6,722
Profit multiplied by the standard rate of tax in the UK of 19% (FY18: 19%)	1,567	1,277
Tax effect of:		
– Overseas tax losses not available for UK tax purposes	(56)	453
– Disallowable expenses	178	468
– Share-based payments	327	23
– Depreciation and amortisation	(25)	48
– Impairment charges	1,346	535
– Non-taxable income	(76)	(8)
– Research and development tax credit	(325)	(855)
– Over provision in prior years	(419)	(613)
Tax charge for the year	**2,517**	1,328

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 year ended 30 June 2018. This resulted in a reduction in the Corporation Tax liabilities in the respective years, and a repayment of £325,000 (FY18: £855,000) is due from HM Revenue and Customs. The Group will consider whether claims can also be made for qualifying expenditure incurred in the year ended 30 June 2019 and thereafter in due course.

The deferred tax credits for the year arise from:

	2019 £'000	2018 £'000
Share option reserve	6	1
Accelerated capital allowances	96	8
Amortisation of acquired client relationship contracts	712	425
Unused overseas trading losses	(6)	166
Deferred tax credits	**808**	600

9. Taxation (continued)

On 1 April 2017, the standard rate of Corporation Tax in the UK was reduced to 19%. As a result the effective rate of Corporation Tax applied to the taxable profit for the year ended 30 June 2019 is 19% (FY18: 19%).

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% (FY18: 17%) and will be reviewed in future years subject to new legislation.

10. Discontinued operations

On 10 May 2019, Brooks Macdonald Funds Limited, a subsidiary within the Group, resigned as investment manager of the Ground Rents Income Fund plc ("GRIF"). The fund management of GRIF was classed as Property Funds within internal management information and was managed separately to the other funds managed within the Group. As a result the operations were classified as discontinued operations upon resignation. Disposal costs of £12,000 were incurred by the Group in relation to the resignation.

On 31 December 2018, the Group disposed of its Employee Benefits business within the Financial Planning segment. Profit from discontinued operations is disclosed separately in the Consolidated statement of comprehensive income, being the results of the disposal to 31 December 2018 and the gain on disposal. Initial cash consideration of £50,000 was received on completion. Additional cash consideration will also be receivable in the first calendar quarter of 2020, being a multiple of revenue earned by the disposed business for the year ended 31 December 2019. On disposal the contingent consideration receivable was estimated at £282,000, which was recognised at its fair value of £219,000 based on the discounted forecast cash flows. This gain is presented within profit from discontinued operations in the Consolidated statement of comprehensive income for the year ended 30 June 2019. Disposal costs of £21,000 were incurred by the Group in relation to the sale.

On 1 December 2017, the Group disposed of its Property Management division, comprising the wholly owned subsidiaries Braemar Estates (Residential) Limited and Braemar Facilities Management Limited. Profit from discontinued operations is disclosed separately in the Consolidated statement of comprehensive income, being the results of the disposal group to 1 December 2017 and the gain on disposal. Full details of this disposal are disclosed in Note 11 of the 2018 Brooks Macdonald Group plc Annual Report and Accounts. During the year ended 30 June 2019 the Group received £483,000 of contingent consideration (Note 16) and a further £60,000 as additional post-completion consideration.

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

	2019 £'000	2018* £'000
Loss for the year from discontinued operations	(724)	(1,079)
Gain on disposal of discontinued operations	329	862
Loss before tax from discontinued operations	**(395)**	(217)
Taxation	–	–
Loss from discontinued operations	**(395)**	(217)

* The prior year figures have been restated to separate the results of discontinued operations, consistent with the presentation in the current year.

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

10. Discontinued operations (continued)

a. Loss of discontinued operations

	2019 £'000	2018* £'000
Revenue	920	2,810
Administrative costs	(1,644)	(3,891)
Operating loss	(724)	(1,081)
Finance income	-	2
Loss before tax	(724)	(1,079)

* The prior year figures have been restated to separate the results of discontinued operations, consistent with the presentation in the current year.

b. Gain on disposal of discontinued operations

	2019 £'000	2018 £'000
Initial consideration received	50	966
Additional consideration received	60	39
Fair value of contingent consideration (Note 16)	219	913
Total disposal consideration	329	1,918
Net assets on disposal	-	(1,056)
Gain on disposal of discontinued operations	329	862

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

11. Earnings per share (continued)

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

	2019 £'000	2018* £'000
Earnings from continued operations	6,123	5,611
Loss from discontinued operations	(395)	(217)
Earnings attributable to ordinary shareholders	5,728	5,394
Goodwill impairment (Note 13)	4,756	-
Restructuring charge	3,265	-
Client relationship contracts impairment (Note 13)	2,328	-
Amortisation of acquired client relationship contracts (Note 13)	2,144	2,156
Changes in fair value of deferred consideration (Note 20)	(419)	1,191
Amortisation of contracts acquired with fund managers (Note 13)	102	206
Finance cost of deferred consideration (Note 20)	94	152
Disposal costs (Note 10)	33	88
Finance income of contingent consideration (Note 16)	(29)	(26)
Changes in fair value of contingent consideration (Note 16)	75	16
Exceptional costs of resolving legacy matters (Note 23)	-	5,531
Software impairment (Note 13)	-	2,518
Loss from discontinued operations (Note 10)	395	217
Tax impact of adjustments	(1,185)	(587)
Underlying earnings attributable to ordinary shareholders	17,287	16,856

* The prior year figures have been restated to separate the results of discontinued operations, consistent with the presentation in the current year.

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.

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

	2019 Number of shares	2018 Number of shares
Weighted average number of shares in issue	13,730,530	13,677,910
Effect of dilutive potential shares issuable on exercise of employee share options	6,211	28,318
Diluted weighted average number of shares in issue	13,736,741	13,706,228

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

11. Earnings per share (continued)

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

	2019 p	2018* p
Based on reported earnings:		
Basic earnings per share from:		
– Continuing operations	44.6	41.0
– Discontinued operations	(2.9)	(1.6)
Total basic earnings per share	41.7	39.4
Diluted earnings per share from:		
– Continuing operations	44.6	40.9
– Discontinued operations	(2.9)	(1.6)
Total diluted earnings per share	41.7	39.3
Based on underlying earnings:		
Basic earnings per share	125.9	123.2
Diluted earnings per share	125.8	123.0

*The prior year have been restated to separate the results of discontinued operations, consistent with the presentation in the current year.

12. Dividends

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

	2019 £'000	2018 £'000
Final dividend paid for the year ended 30 June 2018 of 30.0p (FY17: 26.0p) per share	4,123	3,524
Interim dividend paid for the year ended 30 June 2019 of 19.0p (FY18: 17.0p) per share	2,591	2,319
Total dividends	6,714	5,843
Final dividend proposed for the year ended 30 June 2019 of 32.0p (FY18: 30.0p) per share	4,378	4,116

The interim dividend of 19.0p (FY18: 17.0p) per share was paid on 23 April 2018.

A final dividend for the year ended 30 June 2019 of 32.0p (FY18: 30.0p) per share was declared by the Board of Directors on 11 September 2019 and is subject to approval by the shareholders at the Company's Annual General Meeting. It will be paid on 8 November 2019 to shareholders who are on the register at the close of business on 27 September 2019. 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.

13. Intangible assets

	Goodwill £'000	Computer software £'000	Acquired client relationship contracts £'000	Contracts acquired with fund managers £'000	Total £'000
Cost					
At 1 July 2017	36,006	7,732	32,745	3,521	80,004
Additions	–	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
Additions	–	1,106	–	–	1,106
At 30 June 2019	35,776	8,874	32,161	3,521	80,332
Accumulated amortisation and impairment					
At 1 July 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
Amortisation charge	–	2,165	2,144	102	4,411
Impairment	4,756	–	2,328	–	7,084
At 30 June 2019	6,742	3,192	16,726	3,505	30,165
Net book value					
At 1 July 2017	34,020	5,874	22,430	324	62,648
At 30 June 2018	33,790	6,741	19,907	118	60,556
At 30 June 2019	29,034	5,682	15,435	16	50,167

a. Goodwill

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

	2019 £'000	2018 £'000
Funds		
Braemar Group Limited ("Braemar")	3,320	3,320
Levitas Investment Management Services Limited ("Levitas")	4,471	9,227
	7,791	12,547
International		
Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited (collectively "Brooks Macdonald International")	21,243	21,243
Total goodwill	29,034	33,790

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

13. Intangible assets (continued)

a. Goodwill (continued)

Goodwill is reviewed annually for impairment and its recoverability has been assessed at 30 June 2019 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.

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

The key underlying assumptions of the calculation were 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 as at 31 December 2018 of 12% (FY18: 11%) was used, based on the Group's assessment of the risk-free rate of interest and specific risks pertaining to Levitas. Annual funds under management growth rates of between 8% and 36% were forecast in the following four financial years, the period covered by the most recent forecasts, which reflected historic actual growth and planned management activities, and were considered to be achievable at 31 December 2018. A 2% long-term growth rate was applied to cash flows beyond the forecast period and is considered prudent in the context of the long-term average growth rate for the funds industry in which the CGU operates.

The value-in-use calculation was performed at 30 June 2019 in relation to the Levitas CGU, and the recoverable amount was £5,374,000, indicating that there is no further impairment required. The key underlying assumptions of the calculation are the discount rate, the growth in funds under management of the Levitas funds and the long-term growth rate of the business. A pre-tax discount rate of 12% (FY18: 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 24% and 37% 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 2019, the Levitas CGU had limited headroom due to the impairment recognised at 31 December 2018. The impairment was driven by the reduced sponsorship fee earned by the Levitas CGU, but management remain focussed on the recently agreed 5-year partnership in driving higher FUM flows. Given the limited headroom, the Group has performed the following sensitivity analysis on the Levitas CGU at 30 June 2019:

- A 1% increase in the pre-tax discount rate would result in a decrease of £561,000 in the recoverable amount and an impairment of the goodwill balance by £453,000.
- A 10% decrease in the revenue growth would result in a £715,000 reduction of the recoverable amount and an impairment of the goodwill balance by £607,000.

Based on a value-in-use calculation, the recoverable amount of the Brooks Macdonald International CGU at 30 June 2019 was £28,780,000, 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 12% (FY18: 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 cash inflow growth rates of up to 65% 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.

13. Intangible assets (continued)

a. Goodwill (continued)

Based on a value-in-use calculation, the recoverable amount of the Braemar CGU at 30 June 2019 was £55,688,000, indicating that there is no impairment. A pre-tax discount rate of 13% (FY18: 12%) has been used, based on the Group's assessment of the risk-free rate of interest and specific risks relating to Braemar. 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 8% and 37% 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.

At 30 June 2019 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 further impairment required in addition to the impairment recognised at 31 December 2018 in relation to the Levitas CGU.

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.

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).

During the year ended 30 June 2019, an impairment charge of £2,328,000 was recognised in relation to one of the Group's acquired relationship contracts due to a reduction in the expected useful economic life from 15 to 12 years.

d. Contracts acquired with fund managers

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

Notes to the consolidated financial statements continued

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14. Property, plant and equipment

	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and office equipment £'000	IT equipment £'000	Total* £'000
Cost					
At 1 July 2017	2,053	8	8,125	1,323	11,509
Additions	828	–	144	857	1,829
Disposals	–	(8)	(53)	(3)	(64)
Reclassification from intangible assets	–	–	–	943	943
At 30 June 2018	2,881	–	8,216	3,120	14,217
Additions	269	–	89	214	572
At 30 June 2019	**3,150**	**–**	**8,305**	**3,334**	**14,789**
Accumulated depreciation					
At 1 July 2017	737	8	7,175	386	8,306
Depreciation charge	261	–	521	404	1,186
Depreciation on disposals	–	(8)	(53)	(1)	(62)
Reclassification from intangible assets	–	–	–	791	791
At 30 June 2018	998	–	7,643	1,580	10,221
Depreciation charge	422	–	299	670	1,391
At 30 June 2019	**1,420**	**–**	**7,942**	**2,250**	**11,612**
Net book value					
At 1 July 2017	1,316	–	950	937	3,203
At 30 June 2018	1,883	–	573	1,540	3,996
At 30 June 2019	**1,730**	**–**	**363**	**1,084**	**3,177**

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

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

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

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

15. Financial assets at fair value through other comprehensive income

	2019 £'000
IFRS 9 reclassification from available for sale financial assets ("AFS")	650
Impairment	(150)
At end of year	**500**

The Group adopted IFRS 9 'Financial instruments' on 1 July 2018 resulting in the AFS financial assets category being no longer available. As a result, the AFS assets were reclassified to fair value through other comprehensive income and fair value through profit or loss (Note 16). The AFS reserves balance was £1,000 at 30 June 2018 and on reclassification was revalued to £nil (Note 26). For further details on the adoption and impact to the Financial statements, please see Note 2c.

At 30 June 2019, the Group held an investment of 500,000 redeemable £1 preference shares in an unlisted company incorporated in the UK. The preference shares carry an entitlement to a fixed preferential dividend at a rate of 8% per annum. During the year the Group impaired its £150,000 investment in preference share capital in an unlisted company incorporated in the Channel Islands to a net book value of £nil as the Group does not expect to recover its investment.

The table below provides an analysis of the financial assets and liabilities 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
Financial assets				
At 1 July 2018	1,262	–	1,583	2,845
Additions	–	–	219	219
Finance income of contingent consideration	–	–	29	29
Net loss from changes in fair value	(33)	–	(80)	(113)
Impairment	–	–	(150)	(150)
Disposals	(1,229)	–	(5)	(1,234)
Payments received	–	–	(483)	(483)
At 30 June 2019	**–**	**–**	**1,113**	**1,113**
Comprising:				
Financial assets at fair value through other comprehensive income (Note 15)	–	–	500	500
Financial assets at fair value through profit and loss (Note 16)	–	–	613	613
Total financial assets	**–**	**–**	**1,113**	**1,113**

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

15. Financial assets at fair value through other comprehensive income (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities				
At 1 July 2018	–	–	2,875	2,875
Finance cost of deferred consideration	–	–	94	94
Net gain from changes in fair value	–	–	(419)	(419)
Payments made	–	–	(1,251)	(1,251)
At 30 June 2019	**–**	**–**	**1,299**	**1,299**
Comprising:				
Deferred consideration (Note 20)	–	–	1,299	1,299
Total financial liabilities	**–**	**–**	**1,299**	**1,299**

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 and the Employee Benefits business (see Note 10). Deferred consideration is valued using the net present value of the expected amounts payable based on management's forecasts and expectations.

16. Financial assets at fair value through profit or loss

	2019 £'000	2018 £'000
At beginning of year	1,267	–
IFRS 9 reclassification from AFS	928	–
Adjusted balance at beginning of year	2,195	1,185
Additions	219	–
Finance income of contingent consideration	29	–
Loss from changes in fair value of contingent consideration receivable	(75)	–
Net (loss)/gain from changes in fair value	(38)	82
Payments received	(483)	–
Disposals	(1,234)	–
At end of year	**613**	1,267

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

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

During the year the Group disposed of its investment in an offshore bond at its fair value of £5,000 and reduced its other investment in an offshore bond from £5,000 to £nil as the Group does not expect to recover its investment.

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

During the year ended 30 June 2019, the Group disposed of its Employee Benefits business (Note 10). On disposal, the Group recognised contingent consideration receivable from the purchaser at its fair value of £219,000. At 30 June 2019, the contingent consideration receivable was £224,000, which included finance income of £5,000.

During the year ended 30 June 2019, the Group received £483,000 of the contingent consideration receivable recognised on disposal of Braemar Estates (Residential) Limited in December 2017. At 30 June 2019, the contingent consideration receivable was £389,000 which included finance income of £24,000 and a reduction in fair value of £75,000 during the year.

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.

	2019 £'000	2018 £'000
Deferred tax assets		
Deferred tax assets to be settled after more than one year	524	444
Deferred tax assets to be settled within one year	699	732
Total deferred tax assets	**1,223**	1,176
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than one year	(1,566)	(2,565)
Deferred tax liabilities to be settled within one year	(712)	(425)
Total deferred tax liabilities	**(2,278)**	(2,990)

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

	2019 £'000	2018 £'000
At 1 July	(1,814)	(2,144)
Credit to the Consolidated statement of comprehensive income	808	600
Charge recognised in equity	(49)	(270)
At 30 June	**(1,055)**	(1,814)

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 2017	932	339	–	1,271
Credit to the Consolidated statement of comprehensive income	1	166	8	175
Charge to equity	(270)	–	–	(270)
At 30 June 2018	663	505	8	1,176
Credit to the Consolidated statement of comprehensive income	6	(6)	96	96
Charge to equity	(49)	–	–	(49)
At 30 June 2019	**620**	**499**	**104**	**1,223**

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For the year ended 30 June 2019

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.

	Intangible asset amortisation £'000
Deferred tax liabilities	
At 1 July 2017	3,415
Credit to the Consolidated statement of comprehensive income	(425)
At 30 June 2018	2,990
Credit to the Consolidated statement of comprehensive income	(712)
At 30 June 2019	**2,278**

18. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	1,070	1,542
Other receivables	1,198	1,481
Prepayments and accrued income	24,464	22,996
Total current trade and other receivables	**26,732**	26,019

19. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank	34,523	30,884
Cash held in Employee Benefit Trust	67	55
Total cash and cash equivalents	**34,590**	30,939

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.

20. Deferred consideration

Deferred consideration payable is split between non-current liabilities (see below) and provisions within current liabilities (Note 23) 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:

	2019 £'000	2018 £'000
At 1 July	2,875	3,384
Finance cost of deferred consideration	94	152
Fair value adjustments	(419)	1,191
Payments made during the year	(1,251)	(1,852)
At 30 June	**1,299**	2,875
Analysed as:		
Amounts falling due within one year	919	1,396
Amounts falling due after more than one year	380	1,479
Total deferred consideration	**1,299**	2,875

20. Deferred consideration (continued)

No additions to deferred consideration payable were recognised in the year. Payments totalling £1,251,000 (FY18: £1,852,000) 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 decrease in the fair value of deferred consideration of £419,000 (FY18: increase of £1,191,000) was recognised during the year in respect of Levitas, with a corresponding gain recognised within other 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. As forecast growth was not achieved during the period, the FUM forecast was subsequently revised and the estimated future deferred consideration payments decreased accordingly. The outstanding deferred consideration liability at 30 June 2019 relates entirely to the present value of fixed amounts owed to the vendors of Levitas.

Deferred consideration is classified as Level 3 within the fair value hierarchy, as defined in Note 15.

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

	2019 £'000	2018 £'000
At 1 July	1,479	1,720
Finance cost of deferred consideration	94	152
Fair value adjustments	(419)	1,191
Transfer to current liabilities	(774)	(1,584)
At 30 June	**380**	1,479

An amount of £774,000 (FY18: £1,584,000), representing deferred consideration payable in respect of the acquisition of Levitas, was transferred to provisions within current liabilities.

21. Other non-current liabilities

	2019 £'000	2018 £'000
At 1 July	157	157
Additional liability in respect of share option awards	275	63
Liability for transitional allowance	441	-
Transfer to current liabilities	(159)	(63)
At 30 June	**714**	157

Other non-current liabilities include employer's National Insurance contributions arising from share option awards under the LTIS and LTIP schemes. During the year an additional liability was recognised during the year of £275,000 (FY18: £63,000) in respect of existing awards, granted in previous years, that are expected to vest in the future. During the year, an amount of £159,000 (FY18: £63,000) was transferred to current liabilities, reflecting awards that are expected to vest within the next 12 months. At 30 June 2019 the non-current liability for employer's National Insurance contributions arising from share option awards under the LTIS and LTIP schemes was £273,000 (FY18: £157,000).

At 30 June 2019, the Group recognised a non-current liability of £441,000 for long-term employee benefits (FY18: £nil).

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22. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	4,079	4,762
Other taxes and social security	2,741	2,501
Other payables	475	531
Accruals and deferred income	13,493	15,497
Total trade and other payables	**20,788**	23,291

Included within accruals and deferred income is an accrual of £273,000 (FY18: £255,000) in respect of employer's National Insurance contributions arising from share option awards under the LTIS (Note 27b). 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 27).

23. Provisions

	Client compensation £'000	Exceptional costs of resolving legacy matters £'000	Deferred consideration £'000	FSCS levy £'000	Leasehold dilapidations £'000	Total £'000
At 1 July 2017	807	6,500	1,664	621	–	9,592
(Credit)/charge to the Consolidated statement of comprehensive income	(407)	5,531	–	627	–	5,751
Transfer from non-current liabilities	–	–	1,584	–	–	1,584
Utilised during the year	(378)	(5,806)	(1,852)	(559)	–	(8,595)
At 30 June 2018	22	6,225	1,396	689	–	8,332
Charge to the Consolidated statement of comprehensive income	100	–	–	1,036	416	1,552
Transfer from non-current liabilities	–	–	774	–	–	774
Utilised during the year	(22)	(5,524)	(1,251)	(797)	(50)	(7,644)
At 30 June 2019	**100**	**701**	**919**	**928**	**366**	**3,014**
Analysed as:						
Amounts falling due within one year	100	701	919	928	88	2,736
Amounts falling due after more than one year	–	–	–	–	278	278
Total provisions	**100**	**701**	**919**	**928**	**366**	**3,014**

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 was recognised for costs of resolving these including associated expenses in the years ended 30 June 2017 and 30 June 2018. These matters relate to a number of discretionary portfolios formerly managed by Spearpoint, now managed by Brooks Macdonald Asset Management (International) Limited, and a Dublin-based fund, for which Spearpoint acted as investment manager. During the year ending 30 June 2019 no further provisions were made (FY18: £5,531,000). The amount utilised during the period of £5,524,000 represented goodwill payments made to clients of £4,418,000, legal fees of £936,000 and related expenses of £170,000. During the period, a contingent liability was recognised in relation to potential claims related to the legacy matters (Note 32).

23. Provisions (continued)

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 2019 was £919,000 (FY18: £1,396,000) and relates entirely to the Levitas acquisition. The amount of deferred consideration included within provisions is due to be settled in November 2019. A final annual payment has now been calculated and is due in November 2020.

An amount of £774,000 (FY18: £1,584,000) 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 £1,251,000 (FY18: £1,852,000) were utilised during the year on payment to the vendors of Levitas.

d. FSCS levy

Following confirmation by the FSCS in April 2019 of its final industry levy for the 2019/20 scheme year, the Group has made a provision of £928,000 (FY18: £689,000) for its estimated share.

e. Leasehold dilapidations

Leasehold dilapidations relate to dilapidation provisions expected to arise on leasehold premises held by the Group, and monies due under the contract with the assignee of leases on the Group's leased properties.

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

	2019 £'000	2018 £'000
Operating profit/(loss)		
– Continuing operations	8,507	6,963
– Discontinued operations (Note 10)	(724)	(1,081)
Operating profit	**7,783**	5,882
Adjustments for:		
Depreciation of property, plant and equipment	1,391	1,186
Amortisation of intangible assets	4,411	3,880
Other losses	6,928	3,643
Increase in receivables	(807)	(3,323)
Increase/(decrease) in payables	(2,503)	2,122
Decrease in provisions	(4,841)	(992)
Increase in other non-current liabilities	557	–
Discontinued operations	–	(457)
Share-based payments charge	2,634	1,669
Net cash inflow from operating activities	**15,553**	13,610

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

25. 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 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
Shares issued:					
– on exercise of options	6,469	1,381.0 - 1,719.0	-	95	95
– to Sharesave Scheme	40,569	1,237.0 - 1,738.0	1	569	570
At 30 June 2019	**13,950,071**		**139**	**39,068**	**39,207**

The total number of ordinary shares issued and fully paid at 30 June 2019 was 13,950,071 (FY18: 13,903,033) with a par value of 1p per share.

There was £1,000 of share capital issued on exercise of options and to Sharesave Scheme members in the year ended 30 June 2019 (FY18: £nil).

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, see Note 27b. At 30 June 2019, the EBT held 268,045 (FY18: 164,582) 1p ordinary shares in the Company, acquired for a total consideration of £4,597,000 (FY18: £2,699,000) with a market value of £5,358,000 (FY18: £3,263,000). They are classified as treasury shares in the Consolidated statement of financial position, their cost being deducted from retained earnings within shareholders' equity.

26. Other reserves and retained earnings

Other reserves are comprised of the following balances:

	2019 £'000	2018 £'000
Share option reserve	4,383	2,921
Merger reserve	192	192
Available for sale reserve	-	1
Total other reserves	**4,575**	**3,114**

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 27.

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.

c. Available for sale reserve

The AFS reserve reflects the changes in fair value of available for sale assets. Upon transition to IFRS 9 on 1 July 2018, the AFS reserve was revalued to £nil. For further details on the adoption and impact to the Financial statements, see Note 2c.

26. Other reserves and retained earnings (continued)

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

	2019 £'000	2018 £'000
Share option reserve		
At beginning of the year	2,921	6,285
Share-based payments	2,634	1,669
Transfer to retained earnings	(1,123)	(4,763)
Tax on share-based payments	(49)	(270)
At end of the year	**4,383**	**2,921**
Available for sale reserve		
At beginning of the year	1	3
Recycling of reserve due to adoption of IFRS 9	(1)	-
Adjusted balance at the beginning of the year	-	3
Revaluation of available for sale financial assets	-	(2)
At end of the year	**-**	**1**

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

	2019 £'000	2018 £'000
At beginning of the year	46,301	41,987
Profit for the financial year	6,123	5,611
Loss profit from discontinued operations	(395)	(217)
Transfer from share option reserve	1,123	4,763
Purchase of own shares by Employee Benefit Trust	(2,648)	-
Dividends paid	(6,714)	(5,843)
At end of the year	**43,790**	**46,301**

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For the year ended 30 June 2019

27. 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 between seven months and five years, ranging from 0.14% to 2.00%. No options outstanding at 30 June 2019 (FY18: none) carry any dividend or voting rights.

The share options in issue under the various equity-settled share-based payment schemes have been valued at prices ranging from £2.31 to £20.96 per share. The charge to the Consolidated statement of comprehensive income for the year in respect of these was £2,078,000 (FY18: £1,653,000). The weighted average remaining contractual life of all equity-settled share-based payment schemes at 30 June 2019 was 2.25 years (FY18: 1.51 years). The weighted average share price of all options exercised during the year was £18.63 (FY18: £19.75).

A summary of the inputs into the fair value calculations for options granted during the period is set out below.

	Long Term Incentive Plan	Long Term Incentive Scheme	Save As You Earn (SAYE)
Grant date	Various	21/12/2018	10/05/2019
Share price at grant £	14.00-20.05	14.00	19.43
Vesting period	7-60 months	11-24 months	36 months
Volatility %	27-35%	28-32%	29%
Annual dividend %	2.7-3.39%	3.39-3.86%	2.78%
Risk-free rate %	0.69-0.93%	0.75-0.76%	0.73%
Option value £	11.49-17.79	12.91-13.42	5.62

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 £2,440,000 (FY18: £1,773,000).

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

	Exercise price £	Fair value £	Number of options
Long Term Incentive Plan	–	11.49 - 17.79	514,915
Long Term Incentive Scheme	–	12.91 - 13.42	21,127
Employee Sharesave Scheme	14.00	5.62	95,249

a. Long Term Incentive Plan

The Long Term Incentive Plan was approved by shareholders at the 2018 Annual General Meeting and encompasses annual deferral of bonuses into a Deferred Bonus Plan ("DBP"), Long Term Incentive Plan ("LTIP") awards made to senior management and Exceptional Share Option Awards ("ESOA"). Certain ESOA grants carry performance conditions. All awards are subject to continued employment and are made at the discretion of the Remuneration Committee. No awards expired during the year (FY18: none).

	2019		2018	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	–	–	–	–
Awarded in the year	514,915	–	–	–
Forfeited in the year	(22,355)	–	–	–
At 30 June	492,560	–	–	–

27. Equity-settled share-based payments (continued)

a. Long Term Incentive Plan (continued)

i. Deferred Bonus Plan ("DBP") Awards

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

Scheme year (grant date)	Exercise price £	Vesting period	2019 Number of options	2018 Number of options
2018	–	2019 - 2021	92,476	–
All years			92,476	–

ii. Long Term Incentive Plan ("LTIP") Awards

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

Scheme year (grant date)	Exercise price £	Vesting period	2019 Number of options	2018 Number of options
2018	–	2021	33,903	–
All years			33,903	–

iii. Exceptional Share Option Awards ("ESOA")

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

Financial year of grant	Exercise price £	Vesting period	2019 Number of options	2018 Number of options
2019	–	2019 - 2024	366,181	–
All years			366,181	–

b. Long Term Incentive Scheme ("LTIS")

The Company has made off-cycle awards during the year under the LTIS to two senior executives. The existing 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. No awards expired during the year (FY18: none).

	2019 Number of options	2018 Number of options
At 1 July	253,656	244,787
Granted in the year	21,127	95,857
Exercised in the year	(52,839)	(78,883)
Forfeited in the year	(12,728)	(8,105)
At 30 June	209,216	253,656

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27. 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	2019 Number of options	2018 Number of options
2010	–	2013	1,862	3,413
2011	–	2014	4,883	4,883
2012	–	2015	4,410	7,087
2013	–	2016	7,207	11,921
2014	–	2017	14,964	24,385
2015	–	2018	17,139	49,365
2016	–	2019	57,259	62,051
2017 (off-cycle)	–	2019	–	2,312
2017 (off-cycle)	–	2020	7,458	7,458
2017	–	2020	72,907	80,781
2018 (off-cycle)	–	2019 - 2020	21,127	–
All years			209,216	253,656

At 30 June 2019, options for schemes up to and including the 2015 scheme have vested and are able to be exercised.

The 2017 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 second tranche vested during the year ended 30 June 2019 and was exercised before the end of the year. The 2018 off-cycle awards were issued in December 2018 to two members of senior management and vest in two instalments with vesting dates in FY20 and FY21.

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 and LTIP. 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.

	2019 Number of shares	2018 Number of shares
At 1 July	164,582	243,465
Acquired in the year	156,883	–
Exercised in the year	(53,420)	(78,883)
At 30 June	268,045	164,582

27. Equity-settled share-based payments (continued)

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.

	2019		2018	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	90,676	16.70	102,648	15.97
Granted in the year	–	–	7,435	19.75
Exercised in the year	(6,469)	15.46	(13,485)	13.91
Forfeited in the year	(10,710)	17.36	(5,922)	17.23
At 30 June	73,497	16.76	90,676	16.70

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

Scheme year (grant date)	Exercise price £	Vesting period	2019 Number of options	2018 Number of options
2013	14.52	2016	9,991	11,886
2014	13.81	2017	7,611	9,423
2015	17.19	2018	28,508	36,679
2016	17.25	2019	20,968	25,761
2017 (off-cycle)	20.11	2020	1,491	1,491
2017	19.66	2020	4,928	5,436
All years			73,497	90,676

At 30 June 2019, options for the 2015 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. No awards expired during the year (FY18: none).

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.

	2019		2018	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	211,244	15.21	199,753	14.50
Granted in the year	95,249	14.00	118,741	14.94
Exercised in the year	(40,569)	14.02	(79,797)	12.57
Forfeited in the year	(61,807)	15.49	(27,453)	16.64
At 30 June	204,117	14.79	211,244	15.21

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27. Equity-settled share-based payments (continued)

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

Scheme year (grant date)	Exercise price £	Vesting period	2019 Number of options	2018 Number of options
2015	12.37	2018	–	4,145
2016	14.00	2019	4,764	44,076
2017	17.38	2020	26,004	44,282
2018	14.94	2021	78,100	118,741
2019	14.00	2022	95,249	–
All years			204,117	211,244

At 30 June 2019, options for the 2016 scheme have vested and are able to be exercised. No awards expired during the year (FY18: none).

28. 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:

	2019 £'000	2018 £'000
Within one year	1,789	2,234
After one year but not more than five years	1,141	3,280
After five years	–	2
Total future minimum lease payments	2,930	5,516

29. 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 year is shown below:

	2019 £'000	2018* £'000
Client money bank accounts	985,342	763,591
Client assets under management	12,165,242	11,548,225
Total client funds under management	13,150,584	12,311,816

* Funds under management have been restated to exclude the funds related to discontinued operations.

30. 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.

30. Financial risk management (continued)

a. Liquidity risk (continued)

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.

	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
At 30 June 2019						
Cash flows from financial assets						
Financial assets at fair value through other comprehensive income	–	–	–	–	500	500
Financial assets at fair value through profit or loss	–	388	225	–	–	613
Cash and balances at bank	34,590	–	–	–	–	34,590
Trade receivables	–	1,070	–	–	–	1,070
Other receivables	–	25,319	343	–	–	25,662
	34,590	26,777	568	–	500	62,435
Cash flows from financial liabilities						
Trade payables	–	4,079	–	–	–	4,079
Other financial liabilities	–	17,510	2,795	1,414	–	21,719
	–	21,589	2,795	1,414	–	25,798
Net liquidity gap	34,590	5,188	(2,227)	(1,414)	500	36,637
At 30 June 2018						
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

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For the year ended 30 June 2019

30. 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 £346,000 (FY18: £310,000). 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 15, 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 (FY18: £28,000) and profit before tax by £13,000 (FY18: £13,000). 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 2019 there was no significant concentration of credit risk in any particular counterparty (FY18: none).

Assets exposed to credit risk recognised on the Consolidated statement of financial position total £34,590,000 (FY18: £30,939,000), being the Group's total cash and cash equivalents.

Trade receivables with a carrying amount of £1,070,000 (FY18: £1,542,000) 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 (FY18: three months).

31. 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 2019 was £87,572,000 (FY18: £87,957,000). 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 2019 ICAAP will be approved in December 2019. 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.

32. Guarantees and contingent liabilities

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

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.

During the year, the Group discovered a possible liability to HM Revenue and Customs in relation to a PAYE settlement agreement. The Group has been working with HM Revenue and Customs to resolve the matter but have yet to conclude on the final liability. The Group has estimated an expected liability of £700,000, which is recognised in trade and other payables at 30 June 2019.

During the year, a small number of clients rejected goodwill offers made by Brooks Macdonald Asset Management (International) Limited in connection with the exceptional costs of resolving legacy matters, see Note 23b, which have been released from the provision. It is possible that one or more of these clients might issue claims against Brooks Macdonald Asset Management (International) Limited but no such claims have been issued as at 30 June 2019. As a result, it is not possible to estimate the potential outcome of claims or to assess the quantum of any liability with any certainty at this stage.

33. Related party transactions

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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Braemar Group Limited	661	–	–	2,339
Brooks Macdonald Asset Management Limited	–	–	6,993	6,615
Brooks Macdonald Asset Management (International) Limited	–	–	24	4
Brooks Macdonald Financial Consulting Limited	–	–	11,918	4,322
Brooks Macdonald Funds Limited	–	–	4,786	3,986
Brooks Macdonald Nominees Limited	–	–	2,583	2,583
Levitas Investment Management Services Limited	9	9	–	–

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. During the year the Group disposed of their 563,689 class A units in the IFSL Brooks Macdonald Balanced Fund (Note 16). These transactions were conducted on an arm's length basis.

Notes to the consolidated financial statements continued

For the year ended 30 June 2019

34. 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 25.

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 UK Investment Management 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 £1,550bn (FY18: £1,428bn). Included in revenue on the consolidated statement of comprehensive income is management fee income of £7,329,000 (FY18: £6,134,000) from unconsolidated structured entities managed by the Group.

35. Events since the end of the year

On 17 July 2019, the Group announced that it had signed an agreement to lease a new London office at 21 Lombard Street. The lease is for six years with relocation to the new premises in the second half of the Group's financial year ending 30 June 2020. The Group's two current London offices at Welbeck Street in the West End and Bevis Marks in the City will consolidate into the new central location. For the period of the fit out, the Group will incur additional costs of circa £1,200,000 from running multiple sites, and the intention is to exclude this from underlying profit in the year ending 30 June 2020. No amounts in relation to these costs have been included in these Consolidated financial statements.

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Company statement of financial position

As at 30 June 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Intangible assets	40	1,461	1,811
Investment in subsidiaries	41	74,251	71,540
Available for sale financial assets		–	500
Financial assets at fair value through other comprehensive income	42	500	–
Deferred tax assets	43	140	–
Total non-current assets		76,352	73,851
Current assets			
Trade and other receivables	44	690	85
Financial assets at fair value through profit or loss	45	–	1,262
Cash and cash equivalents		11,101	266
Total current assets		11,791	1,613
Total assets		88,143	75,464
Liabilities			
Non-current liabilities			
Deferred consideration	46	(380)	(1,479)
Total non-current liabilities		(380)	(1,479)
Current liabilities			
Trade and other payables	47	(29,394)	(23,466)
Total current liabilities		(29,394)	(23,466)
Net assets		58,369	50,519
Equity			
Share capital	49	139	138
Share premium account	49	39,068	38,404
Share option reserve		4,682	3,192
Retained earnings		14,480	8,785
Total equity		58,369	50,519

The Company financial statements were approved by the Board of Directors and authorised for issue on 11 September 2019, and signed on their behalf by:

Caroline Connellan
Chief Executive

Ben Thorpe
Finance Director

Company registration number: 4402058

The accompanying notes on pages 131 to 138 form an integral part of the Company financial statements.

Company statement of changes in equity

For the year ended 30 June 2019

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2017	138	37,101	5,901	7,078	50,218
Comprehensive income					
Profit for the year (Note 38)	–	–	–	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 39)	–	–	–	(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
Comprehensive income					
Profit for the year (Note 38)	–	–	–	14,785	14,785
Total comprehensive income	–	–	–	14,785	14,785
Transactions with owners					
Issue of ordinary shares	1	664	–	–	665
Share-based payments	–	–	1,762	–	1,762
Share-based payments transfer	–	–	(272)	272	–
Purchase of own shares by Employee Benefit Trust	–	–	–	(2,648)	(2,648)
Dividends paid (Note 39)	–	–	–	(6,714)	(6,714)
Total transactions with owners	1	664	1,490	(9,090)	(6,935)
Balance at 30 June 2019	139	39,068	4,682	14,480	58,369

The accompanying notes on pages 131 to 138 form an integral part of the Company financial statements.

Company statement of cash flows

For the year ended 30 June 2019

	Note	2019 £'000	2018 £'000
Cash flow from operating activities			
Cash generated from operations	48	25,683	17,810
Net cash generated from operating activities		25,683	17,810
Cash flows from investing activities			
Purchase of intangible assets	40	(149)	(1,836)
Investment in subsidiaries	41	(6,000)	(12,000)
Finance income		21	-
Proceeds of sale of financial asset through profit or loss	45	1,229	-
Deferred consideration paid	46	(1,251)	(1,852)
Net cash used in investing activities		(6,150)	(15,688)
Cash flows from financing activities			
Proceeds of issue of shares		664	1,303
Purchase of own shares by Employee Benefit Trust		(2,648)	-
Dividends paid to shareholders	39	(6,714)	(5,843)
Net cash used in financing activities		(8,698)	(4,540)
Net increase/(decrease) in cash and cash equivalents		10,835	(2,418)
Cash and cash equivalents at beginning of year		266	2,684
Cash and cash equivalents at end of year		11,101	266

The accompanying notes on pages 131 to 138 form an integral part of the Company financial statements.

Notes to the Company financial statements

For the year ended 30 June 2019

36. 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 continued

For the year ended 30 June 2019

37. 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. The outstanding deferred consideration liability at 30 June 2019 relates entirely to the present value of fixed amounts owed to the vendors of Levitas.

38. Profit for the year

Brooks Macdonald Group plc reported profit after tax for the year ended 30 June 2019 of £14,785,000 (FY18: £9,417,000). Auditors' remuneration is disclosed in Note 6 of the Consolidated financial statements. The average monthly number of employees during the year was eight (FY18: eight). Directors' emoluments are set out in Note 7d of the Consolidated financial statements.

39. Dividends

Details of the Company's dividends paid and proposed, subject to approval at the Annual General Meeting, are set out in Note 12 of the Consolidated financial statements.

40. Intangible assets

	Software £'000
Cost	
At 1 July 2018	1,836
Additions	149
At 30 June 2019	**1,985**
Accumulated amortisation	
At 1 July 2018	25
Amortisation charge	499
At 30 June 2019	**524**
Net book value	
At 1 July 2018	1,811
At 30 June 2019	**1,461**

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.

41. Investment in subsidiaries

	Group undertakings £'000
Net book value	
At 1 July 2017	64,646
Additions:	
– Investment in subsidiaries	12,000
– Capital contribution relating to share-based payments	(5,106)
At 30 June 2018	71,540
Additions:	
– Investment in subsidiaries	6,000
– Capital contribution relating to share-based payments	1,467
– Impairment of subsidiary	(4,756)
At 30 June 2019	**74,251**

During the year, the Company recognised an impairment in relation to a subsidiary company, Levitas Investment Management Services Limited. Based on a value-in-use calculation, the recoverable amount of the Levitas CGU as at 31 December 2018 was £5,152,000. This fell short of the carrying amount of the Company's investment in Levitas Investment Management Services Limited and reflects both the reduction in forecast funds under management growth and an increase in the discount rate, indicating that it should be impaired. An impairment loss of £4,756,000 (FY18: £nil) has been recognised against the investment in subsidiary.

Details of the Company's subsidiary undertakings at 30 June 2019, 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 and 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	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 continued

For the year ended 30 June 2019

41. Investment in subsidiaries (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 2019:

- 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 2019 were £13,000.

42. Financial assets at fair value through other comprehensive income

	2019 £'000
IFRS 9 reclassification from AFS	500
At beginning of year	500
Net changes in fair value	–
At end of year	500

The Company adopted IFRS 9 'Financial instruments' on 1 July 2018, resulting in the AFS financial assets category being no longer available. As a result, the AFS assets were reclassified to fair value through other comprehensive income. For further details on the adoption and impact to the Financial statements, see Note 2c.

At 30 June 2019, the Company held an investment of 500,000 redeemable £1 preference shares in an unlisted company incorporated in the UK. The preference shares carry an entitlement to a fixed preferential dividend at a rate of 8% per annum.

43. Deferred tax asset

	2019 £'000
At 1 July	–
Credit to the statement of comprehensive income	140
At 30 June	140

The deferred taxation credit of £140,000 (FY18: nil) arises out of the cost of share-based payments at the statement of financial position date.

44. Trade and other receivables

	2019 £'000	2018 £'000
Amounts owed by subsidiary undertakings	670	9
Prepayments and accrued income	20	76
Total trade and other receivables	690	85

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

45. Financial assets at fair value through profit or loss

	2019 £'000	2018 £'000
At beginning of period	1,262	1,180
Net (loss) / gain from changes in fair value	(33)	82
Disposals	(1,229)	–
At end of year	–	1,262

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

46. Deferred consideration

Deferred consideration is split between non-current liabilities (see below) and trade and other payables in current liabilities to the extent that it is due to be paid within one year of the reporting date. It reflects the Directors' best estimate of amounts payable in the future in respect of certain client relationships and subsidiary undertakings that were acquired by the Company. 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 period were as follows:

	2019 £'000	2018 £'000
At beginning of period	2,875	3,384
Finance cost of deferred consideration	94	152
Fair value adjustments	(419)	1,191
Payments made during the period	(1,251)	(1,852)
At end of period	1,299	2,875
Analysed as:		
Amounts falling due within one year	919	1,396
Amounts falling due after more than one year	380	1,479
At end of period	1,299	2,875

No additions to deferred consideration payable were recognised in the current and prior period. Payments totalling £1,251,000 (FY18: £1,852,000) were made during the period to the vendors of Levitas. Full details of the Levitas acquisition are disclosed in Note 13 of the 2015 Annual Report and Accounts.

A decrease in the fair value of deferred consideration of £419,000 (FY18: increase of £1,191,000) was recognised during the period, all in respect of Levitas, with a corresponding gain recognised within other gains and losses in the Statement of Comprehensive Income. The amount payable is based on the incremental growth in funds under management ("FUM") of the TM Levitas funds, measured at annual intervals. As forecast growth was not achieved during the period, the FUM forecast was subsequently revised and the estimated future deferred consideration payments decreased accordingly. The outstanding deferred consideration liability at 30 June 2019 relates entirely to the present value of fixed amounts owed to the vendors of Levitas.

Notes to the Company financial statements continued

For the year ended 30 June 2019

47. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	58	98
Amounts owed to subsidiary undertakings	26,304	19,848
Deferred consideration (Note 46)	919	1,396
Accruals and deferred income	2,113	2,124
Total trade and other payables	**29,394**	23,466

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

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

	2019 £'000	2018 £'000
Operating profit	14,717	9,417
Adjustments for:		
Impairment of subsidiary	4,756	–
Changes in fair value of financial assets at fair value through profit or loss	33	(82)
Changes in fair value of deferred consideration	(419)	1,191
(Increase)/decrease in receivables	(106)	1,710
Increase in payables	6,407	5,084
Share-based payments	295	490
Net cash inflow from operating activities	**25,683**	17,810

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 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
Shares issued	47,038	1	664	665
At 30 June 2019	**13,950,071**	**139**	**39,068**	**39,207**

The total number of ordinary shares, issued and fully paid at 30 June 2019, was 13,950,071 (FY18: 13,903,033) with a par value of 1p per share. Excluding 268,045 (FY18: 164,582) treasury shares held by the Employee Benefit Trust (see below), the Company had 13,682,026 (FY18: 13,738,451) ordinary 1p shares in issue as at 30 June 2019. Details of the shares issued are given in Note 25 of the Consolidated financial statements.

49. Share capital and share premium account (continued)

Employee Benefit Trust

The Company 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, see Note 27b 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 53,420 (FY18: 78,883) options. The cost of the shares released on exercise of these options amounted to £760,000 (FY18: £1,111,000). At 30 June 2019, the number of shares held by the EBT was 268,045 (FY18: 164,582) with a market value of £5,358,000 (FY18: £3,263,000) acquired for a total consideration of £4,597,000 (FY18: £2,699,000). 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 and LTIP 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.

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:

	2019 £'000	2018 £'000
Within one year	1,463	1,993
After one year but not more than five years	337	2,220
After five years	–	2
Total future minimum lease payments	**1,800**	4,215

Notes to the Company financial statements continued

For the year ended 30 June 2019

51. Related party transactions

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

	2019 £'000	2018 £'000
Short-term employee benefits	2,638	2,666
Post-employment benefits	15	55
Share-based payments	248	483
Total compensation	2,901	3,204

Dividends totalling £52,000 (FY18: £229,000) 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:

	2019 £'000	2018 £'000
Dividends received:		
– Brooks Macdonald Asset Management Limited	20,000	15,000
– Braemar Group Limited	3,000	-
Total transactions with subsidiaries	23,000	15,000

The Company's balances with fellow Group companies at 30 June 2019 are set out in Note 33 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 30 to the Consolidated financial statements.

Company information

Company information

Company Secretary	Simon Broomfield
Company registration number	4402058
Registered office	72 Welbeck Street, London, W1G 0AY
Website	www.brooksmacdonald.com

Financial calendar

Results announcement	12 September 2019
Ex-dividend date for final dividend	26 September 2019
Record date for final dividend	27 September 2019
Annual General Meeting	31 October 2019
Final dividend payment date	8 November 2019

Officers and advisers

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Glossary

Abbreviation	Definition
AFS	Available for sale financial assets
AGM	Annual General Meeting
AIM	Alternative Investment Market
ANLA	Adjusted Net Liquid Asset
APS	AIM Portfolio Service
ARC	Asset Risk Consultants
BCP	Business Continuity Planning
BMG, Company, Parent Company	Brooks Macdonald Group plc
BPR	Business Property Relief
BPS	Bespoke Portfolio Service
CASS	Client Assets Sourcebook
CEO	Chief Executive Officer
CF30	A controlled function regulated by The Financial Conduct Authority applicable to all employees providing advisory services to clients
CGU	Cash Generating Unit
CIP	Centralised Investment Process
CPD	Continuing Professional Development
CREST	The settlement system used by the London Stock Exchange for settling all its transactions
CRO	Chief Risk Officer
CSOP	Company Share Option Plan
DBP	Deferred Bonus Plan
DCF	Defensive Capital Fund
DFM	Discretionary Fund Managers
EBT	Employee Benefit Trust
ECL	Expected Credit Loss
EMEA	Europe, Middle East and Africa
EPS	Earnings per share
ESG	Environmental, Social and Governance
ESOA	Exceptional Share Options Award
EU	European Union
FCA	UK Financial Conduct Authority
FRC	UK Financial Reporting Council
FSCS	Financial Services Compensation Scheme
FUM	Funds under management

Abbreviation	Definition
FVOCI	Fair Value through other comprehensive income
FVPL	Fair Value through Profit or Loss
GDPR	General Data Protection Regulation
GRIF	Ground Rents Income Fund
Group	Brooks Macdonald Group plc and its controlled entities
HNWI	High net worth Individuals
HTM	Held to maturity
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment process
IFA	Independent Financial Advisor
IFPRU	The FCA's Prudential Sourcebook for Investment Firms
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
LTIS	Long term incentive scheme
LTIP	Long term incentive plan
M&A	mergers and acquisitions
MAF	Multi-Asset Fund
MiFID II	Markets in Financial Instruments Directive II which is legislation for the regulation of investment services within the European Economic Area
MRT	Material Risk Takers
MTP	Medium Term Plan
MPS	Managed Portfolio Service
OEIC	Open-Ended Investment Company
PBT	Profit before tax
RIS	Responsible Investment Service
R&D	Research & Development
RMF	Risk Management Framework
RPI	Retail Price Index
UAE	United Arab Emirates
SAYE	Employee Sharesave Scheme
SMCR	Senior Managers and Certification Regime
UKIM	UK Investment Management

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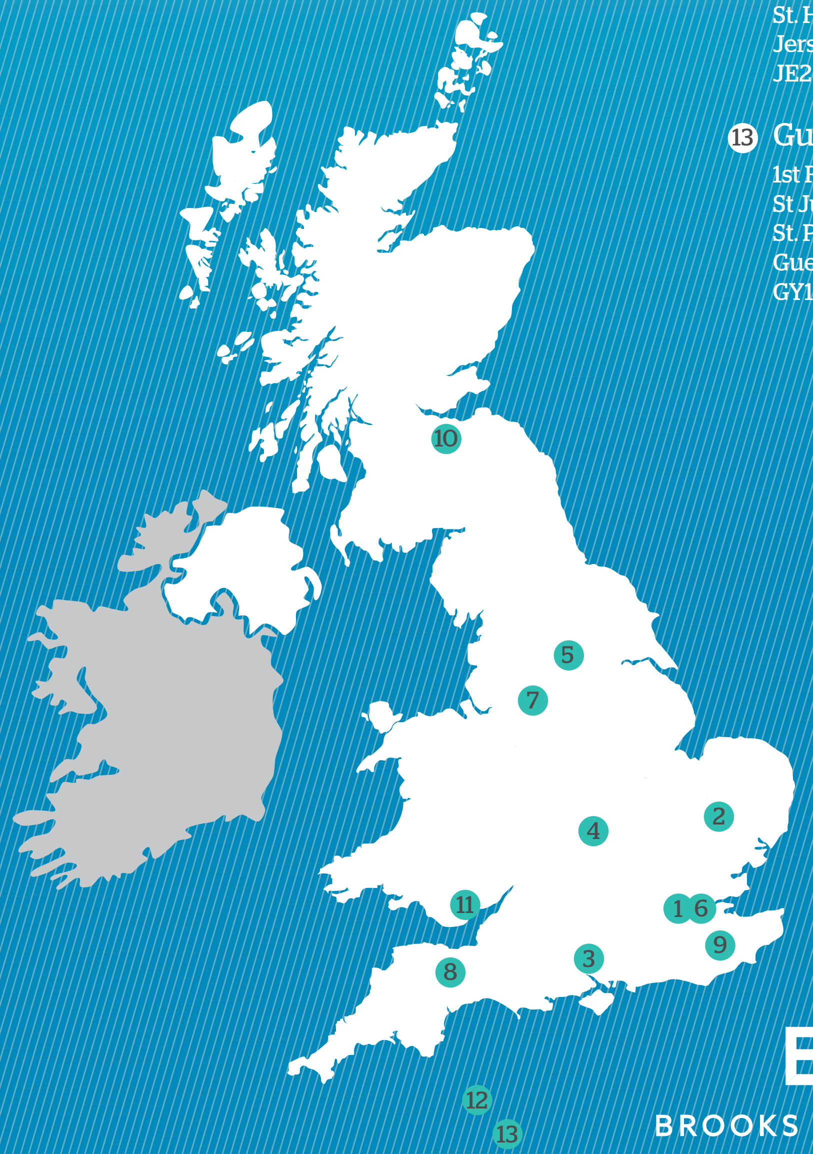

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