BROOKS MACDONALD

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Brooks Macdonald Group plc Annual Report and Accounts 2021

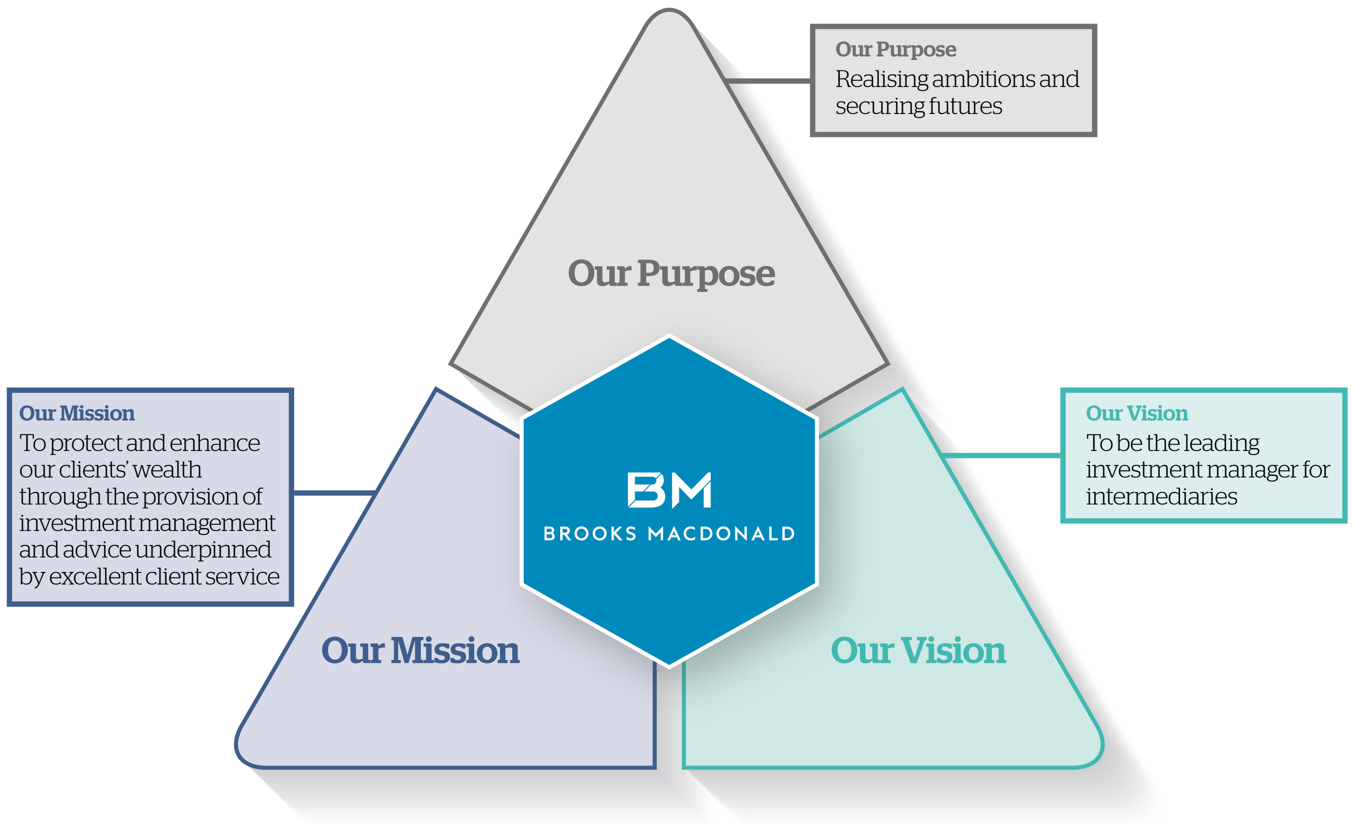
BROOKS MACDONALD

Momentum building
Delivering on strategy

Annual Report and Accounts
for the year ended 30 June 2021

30 YEAR ANNIVERSARY

In FY21 the Group has emerged as a stronger business, building momentum and making substantial progress on the delivery of its strategy.



Read more about our strategy on pages 28 to 29

Our strategy

1. Market-leading organic growth
2. Service and operational excellence
3. Agile, high-quality M&A

Our Guiding Principles

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

Contents

In this report

Read more about how we are

building momentum with our value creation strategy

pages 28 to 29

Read more on our

realising ambitions and securing futures

page 4

Read more about our

engagement with our stakeholders

pages 50 to 53

Visit our website at:
www.brooksmacdonald.com

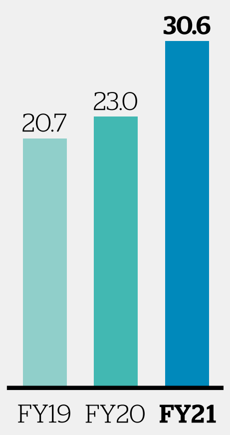
Highlights of the year

Financial highlights[1]

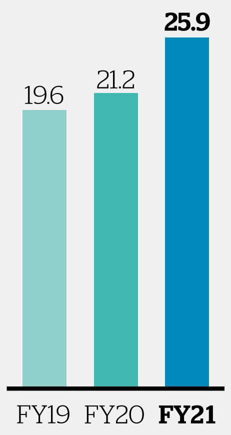
Funds under management ("FUM") (£bn)

Revenue (£m)

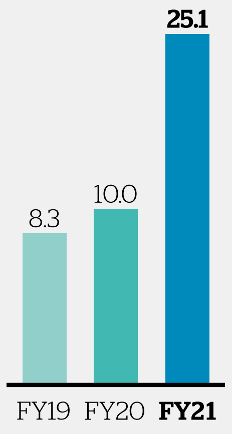
Underlying[2] profit before tax (£m)



Underlying[2] profit margin before tax (%)

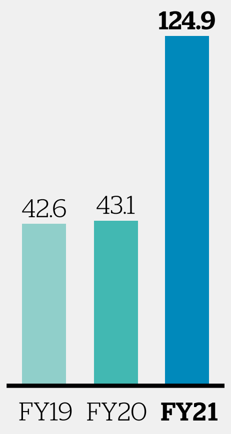


Statutory profit before tax from continuing operations (£m)



Underlying[2] diluted earnings per share (p)

Statutory diluted earnings per share from continuing operations (p)



Total dividend per share (p)

1. The comparatives for FY19 have been restated to reflect the correct recognition of the Authorised Corporate Director fees and associated costs in respect of one of the Group's managed OEICs and the correct VAT treatment on the fees recognised on the Managed Portfolio Service offered through third-party platforms, as detailed in the Group's FY20 Annual Report and Accounts.

2. The underlying figures represent the results for the Group's continuing activities excluding certain adjusting items as listed on pages 38 to 39 of the Strategic report. These represent an alternative performance measure for the Group. A reconciliation between the Group's statutory and underlying profit before tax is included on page 38.

Strategic progress

- Completed successful integration of acquisitions of Cornelian Asset Managers and Lloyds' Channel Islands wealth management and funds business
- Rapid growth of our new B2B BM Investment Solutions proposition with strong pipeline for FY22
- BPS specialised products also growing strongly with FUM up almost 50%
- Progress on digital transformation, partnering with SS&C to deliver best-in-class client and intermediary experience and service levels
- Andrew Shepherd appointed CEO in May

Realising ambitions, securing futures

The Group's strategy is underpinned by our mission to protect and enhance our client's wealth, enabling them to realise their ambitions and secure their futures.

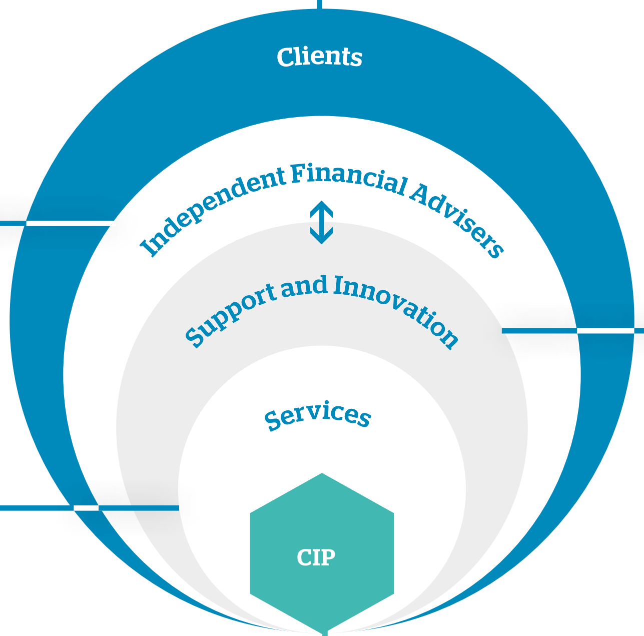
Clients

Private clients

Trustees

Pension funds

Read more about our clients on pages 26 to 27



Independent financial advisers
Our model allows for our centralised core team to liaise with independent financial advisers to best understand clients' needs, challenges and concerns, allowing us to efficiently deliver the right service.

Support and innovation
We drive innovation in our products and services. From our core Bespoke Portfolio Service, we have rolled out a cost-efficient Managed Portfolio Service, a unitised Multi-Asset Fund range and a number of specialist products.

Services
We offer a comprehensive range of investment products and services, sold direct or through intermediaries, from bespoke discretionary portfolios to model portfolios and unitised solutions.

CIP
Our Centralised Investment Process allows us to continuously meet client's expectations and make great sustainable investment decisions.

Read more about our services on pages 22 to 25

Read more about our Centralised Investment Process on pages 22 to 23

Our investment case

1. Strong fundamental market opportunity, driven by demographic, regulatory and technological changes.
2. Strong brand and relationships in intermediary channel, positioned to take advantage of increasing demand for outsourcing investment management.
3. Clear vision for Brooks Macdonald as the leading investment manager for intermediaries, with complementary Private Clients business.
4. Three value drivers: strong organic growth, service and operational excellence, and selective high-quality acquisitions.
5. Robust Centralised Investment Process, driving consistently strong investment returns for clients.
6. Compelling investment proposition, differentiated set of specialised BPS products, funds and unitised solutions, and business-to-business investment solutions tailored to adviser.
7. Building market-leading intermediary experience and client service levels, through partnership with SS&C, our world-class technology and services provider.
8. Strong leadership team with depth of investment management, adviser-facing and client-facing experience, complemented by functional expertise.

Read more about our investment case in the Strategic report on pages 18 to 29

Our history

30 YEAR ANNIVERSARY

The Group marks its 30th year anniversary since its inception in 1991. The last 30 years were marked by several milestones including listing on AIM in 2005, the completion of a number of acquisitions and growing its footprint across the UK and the Channel Islands.

1991-2001

1991
Brooks Macdonald Gayer & Co Ltd founded by CEO Chris Macdonald along with three others including Richard Spencer who is still with Brooks Macdonald today

1993
FUM £250 million

2002-2011

2002
BROOKS MACDONALD Group plc
Name change to Brooks Macdonald

2005
Listed on the Alternative Investment Market ("AIM")
FUM £500 million

2009
First acquisition - Canterbury fund manager Lawrence House

2011
Acquisition of investment firm Clarke Willmott

2012-2021

2012
FUM £3 billion

2016
25 year anniversary

2017
Caroline Connellan replaces Chris Macdonald as CEO
FUM £10 billion

2018
Launch of Guiding Principles

2019
Acquisition of Edinburgh based Cornelian Asset Managers
FUM £13 billion

2020
Acquisition of Lloyds Bank Group's Channel Islands wealth management and funds business

2021
Andrew Shepherd replaces Caroline Connellan as CEO
FUM £16 billion

Then vs Today

1991	2021
FUM £5 million	FUM £16.5 billion
5 Employees	420+ Employees

FUM denotes Funds Under Management

Strategic report

A comprehensive review of our business and strategy

Contents

“Our 25% increase in the final dividend underlines the Board's confidence in the Group's prospects.”

Alan Carruthers
Chairman

Chairman's statement

Brooks Macdonald has had a strong year, setting records for FUM and revenue.

155.1p

Underlying diluted EPS up 25.4% to 155.1p from the FY20 figure of 123.7p.

63.0p

Dividend up 10p or 18.9% to 63p (FY20: 53p).

Introduction

I am pleased to report that Brooks Macdonald has had a strong year, setting records for FUM and revenue. The Group has also delivered further improvement in underlying profit and underlying profit margin in line with our medium-term commitments. The closing FUM figure of £16.5 billion was delivered through strong investment performance and the completion of our acquisition of Lloyds Banking Group's Channel Islands wealth management and funds business ("Lloyds Channel Islands"), partially offset by net outflows over the year. Although net flows for the full year were negative, they improved each quarter and we were pleased to return to positive net flows in Q4 and for H2 overall.

Our Centralised Investment Process continues to deliver strong performance, underpinning our mission to protect and enhance our clients' wealth. Overall investment performance of 15.8% for the financial year to June was well ahead of the MSCI PIMFA Private Investor Balanced Index which was up 12.9%.

In May, I was delighted to announce the appointment of Andrew Shepherd as our new Group CEO, subject to regulatory approval, following the resignation of Caroline Connellan. Andrew's unrivalled knowledge of the industry and commitment to the Group made him uniquely qualified to build on the significant momentum in the business and he has certainly hit the ground running since his appointment.

I would also like to reiterate my thanks to Caroline for her leadership of Brooks Macdonald over a four-year period, where she has been central to the transformation of the business, leaving it in a position of strength and primed for further growth.

Andrew has a strong focus on people and culture and, as we emerge from the pandemic and associated restrictions, he will continue to prioritise the wellbeing and safety of our people, while ensuring that the Group supports its intermediaries and clients.

Performance overview

Brooks Macdonald continues to grow strongly, driven by our strategy of focusing on intermediaries, for whom we aim to be partner of choice. Underlying profit before tax was £30.6 million, up 33.0% on the year (FY20: £23.0 million), and underlying diluted earnings per share ("EPS") was up 25.4% to 155.1p (FY20: 123.7p).

Statutory profit before tax rose 151.0% to £25.1 million (FY20: £10.0 million), driven mainly by a gain related to the Lloyds Channel Islands acquisition. Statutory diluted EPS rose 189.8% to 124.9p (FY20: 43.1p).

Dividend

The Board has recommended a final dividend of 40.0p (FY20: 32.0p) which, subject to approval by shareholders, will result in total dividends for the year of 63.0p (FY20: 53.0p). This represents an increase of 25.0% in the final dividend and 18.9% in the total dividend on the previous year and underlines the Board's confidence in the prospects for the Group, and our commitment to a progressive dividend policy. The final dividend will be paid on 5 November 2021 to shareholders on the register at the close of business on 24 September 2021.

Chairman's statement continued

Board changes

There have been several changes to the Board during the financial year and in the post-close period. As mentioned in last year's Annual Report and Accounts, Dagmar Kershaw and Robert Burgess joined the Board with effect from 1 July 2020 and 1 August 2020 respectively. Following her resignation as CEO, Caroline Connellan formally stepped down from the Board with effect from 27 May 2021. Post-close, our new CEO designate, Andrew Shepherd, and the Group Chief Operating Officer, Lynsey Cross, were appointed to the Board with effect from 13 July 2021.

Looking ahead

The macroeconomic outlook in the short term remains tightly linked to progress in moving beyond the pandemic and its impact on the economy, markets and client sentiment. The fundamental opportunity for Brooks Macdonald remains strong, driven by demographic and policy trends as well as increasing adviser demand for outsourced investment management, where we aim to be the partner of choice. The Group has a strong balance sheet, supportive shareholders and an ambitious growth agenda. We look to the future with confidence.

Alan Carruthers
Chairman

15 September 2021

Read more about our Corporate governance on pages 72 to 112

Read more about our performance on pages 32 to 41

"Most of all, I want to thank all the people who work for Brooks Macdonald for their unwavering commitment."

Andrew Shepherd
CEO designate

CEO's review

Another year when Brooks Macdonald delivered strong financial performance.

£16.5bn

FUM reached a new record of £16.5bn driven by strong investment performance and the Lloyds Channel Islands acquisition.

25.9%

Reported an increase in underlying profit margin of 4.7 points on prior year, delivering on our commitment.

Introduction

Having taken over as CEO of Brooks Macdonald in May, I am delighted to present my first report covering another year when we delivered strong financial performance, despite pandemic-related restrictions persisting throughout the year. Under the leadership of my predecessor, Caroline Connellan, the business has emerged stronger from a period of change followed by the rigours of lockdown. I am excited to take over a business primed for growth with exceptional opportunities and I am grateful to Caroline for the work she has done in her four years as CEO. While this was a turbulent time for both the economy and wider society, with the impact of Brexit and the pandemic, the Group has been able to trade largely as normal, deliver robust financial results and support our clients and intermediaries.

Nonetheless, it has been a challenging year in many ways and I would like to thank several groups of people without whom this performance would not have been possible. Our first priority is our clients and I am pleased that we have been able to continue to protect and enhance their wealth with strong investment performance and high levels of service, and I thank them for their confidence in our business and our people. Likewise, I thank the intermediaries we work with for their continuing support, which is critical to our continued success. However, most of all, I want to thank all the people who work for Brooks Macdonald. Their hard work and commitment to our clients and intermediaries has been unwavering despite the challenging context, and I am enormously grateful to them.

Delivering our strategy

Brooks Macdonald has been through a period of change, building the foundations for our future success. Our strategy is clear, founded on the three value drivers of organic growth, service and operational excellence, and selective high-quality acquisitions.

Our vision for Brooks Macdonald is as the leading investment manager for intermediaries and we are working with our intermediary network – present and future – to ensure we understand what they need from us. We continue to look to deliver further improvements in returns, delivering consistently top quartile underlying profit margins, through building on the sustainable and scalable business model we are putting in place. We are making substantial progress, ready to capitalise on the growth opportunities we see ahead.

A core element of our strategy, alongside our robust Centralised Investment Process and our compelling investment proposition, is to transform our intermediary experience and client service levels to be best-in-class. Our digital experience for intermediaries and clients – complementing our face-to-face relationships – will be market-leading, including automated onboarding, full intermediary and client portal functionality, and bespoke reporting. We are partnering with SS&C Technologies ("SS&C"), the leading wealth management technology and services company, to deliver this transformation. We expect SS&C to complete the current phase of the transformation, transition of all client- and intermediary-facing processes on to their platform, by the end of this calendar year.

Financial performance

Brooks Macdonald had another year of strong financial performance in FY21, delivering on our medium-term commitment to improve profit margins with underlying profit margin up 4.7 points to 25.9%. We also delivered record revenue and underlying profit levels of £118.2 million and £30.6 million respectively.

Our year-end closing FUM also increased sharply to £16.5 billion, up 20.3% on the FY20 figure of £13.7 billion. The biggest contributor was strong investment performance, delivering £2.2 billion of growth, supported by £0.9 billion from the acquisition of the Lloyds Channel Islands business (which completed in November 2020), partially offset by £0.3 billion of net outflows over the year. Net flows improved every quarter over the year, with positive flows of £0.1 billion in H2 overall, and we have a strong pipeline going into FY22.

CEO's review continued

Investment performance and market conditions

Our investment performance through FY21 was strong at 15.8%, well ahead of the 12.9% recorded by the MSCI PIMFA Private Investor Balanced Index. We were also ahead of the ARC benchmark for all our risk profiles over the year, as well as, over the last 5 and 10 years.

Investment markets in FY21 were complicated by the significant sector rotation at the start of calendar 2021, as cyclical and value sectors recovered after the growth and defensive dominance of 2020. Despite the challenging conditions, we navigated this market well, outperforming in the first-half of the financial year and bringing more balance to client portfolios in the second half.

Looking ahead, we expect equities to continue to outperform bonds due to the strong relative valuation preference for equity markets. We also expect higher inflation levels in 2021 to encourage investors still in cash to deploy these funds into risk assets to seek an above inflation return. This scenario would support our overweight equity portfolio positioning, as well as, improving flows into asset management in general.

Review of business performance

Robin Eggar, our Head of UK Investment Management ("UKIM"), and his team have continued to serve clients and intermediaries across the UK, providing outstanding levels of service. We have seen a steady improvement in flows throughout the year, with particularly strong performance from Brooks Macdonald Investment Solutions, Platform Managed Portfolio Service ("PMPS"), and our specialist Bespoke Portfolio Service ("BPS") offerings. Investment Solutions is a more business-to-business offering, where we work with an adviser firm to provide a tailored investment proposition, in either model portfolio or fund format, to meet the needs of their clients. This has been highly successful in the past year with several material deals agreed. PMPS is the platform version of our traditional custody Managed Portfolio Service ("MPS") and we have continued to increase the number of platforms where it is available, now up to 20 of the most popular platforms, and this has helped drive strong growth in the year.

In our flagship BPS product, we have continued to see good growth in our specialist offerings – the AIM Portfolio Service, the Responsible Investment Service, our Decumulation Service, and our Court of Protection service. The success of these more specialised offerings underlines the importance of our focus on client needs.

The Funds business has experienced net outflows in each quarter, particularly in our Defensive Capital Fund ("DCF") which has been affected by a downturn in sentiment in the Investment Association's Targeted Absolute Return sector. DCF did have strong investment performance for the year at 14.4% for the main institutional share class, well ahead of the sector. For Funds overall, the quarterly trend showed declining outflows so we are optimistic for FY22.

We have integrated our Financial Planning business with our existing UKIM direct client activities, which were boosted by the Cornelian acquisition, into a new Private Clients arm within UKIM designed to ensure our direct clients receive the best possible service.

We have continued to take action to position the business for future success. As examples, during the year we opened offices in Exeter and Cheltenham, replacing our office in Taunton, and moved premises in Edinburgh, Manchester, Leeds and Jersey, to improve facilities for clients and staff, and to access a larger group of intermediaries and greater pools of wealth.

In International, Richard Hughes took over from me as CEO International when I took the Group role, and I am delighted to leave the business in such capable hands, having worked closely with him as my deputy for the past two years. We continued to improve International's commercial performance, with the underlying profit margin before tax up six points, now just short of 25% and materially closing the gap to UKIM. International was reinforced by the completion in November of the acquisition of the Lloyds Channel Islands business and we are delighted with the quality of people we brought in, all allowing us to accelerate the margin improvement. We will also shortly be opening an Isle of Man office, subject to regulatory approval. Over the year, solid investment performance was largely outweighed by net outflows, driven in particular by a number of larger, low margin mandates, with overall FUM growth in International being mainly driven by the Lloyds addition.

Client need and demand for the benefits provided by the combination of high-quality financial planning and investment management remain strong, driven by underlying demographics and increasing policy onus on the individual to save for retirement. We continue to see a strong opportunity both to build relationships with more intermediaries and to extend our relationships with our current intermediaries, as well as, building our new Private Clients unit.

People

People and culture are high priorities for me and I am pleased to report that we have continued to invest in our people throughout the year, supporting the talent we have in the business, as well as, bringing in new, high-quality hires. I am particularly pleased that we have been able to promote two more of our most talented internal leaders to the Executive Committee: Richard Hughes, who replaced me in International, and Edward Park, who took over as Chief Investment Officer last October when co-founder Richard Spencer decided to step down from the role.

Richard Spencer's decision was made all the easier by having a strong deputy in place to take up the reins, and Richard remains very much a presence in the business, looking after his clients and acting as senior adviser to the Investment Committee.

We communicate frequently with our people and also gather their feedback through town halls, more informal sessions and Group-wide employee engagement surveys. We continue to see strong engagement metrics as we emerge from lockdown and we continue to explore ways to improve Brooks Macdonald's proposition to our people.

Outlook

I am hugely excited by our ambitious vision for the Group as the leading investment manager for intermediaries. We will build on our success to date:

- Driving organic growth, both through intermediaries and among private clients, with strong investment performance;
- Ensuring service and operational excellence, particularly through our partnership with SS&C to transform the intermediary experience and client service levels; and
- Seeking selective high-quality acquisitions.

We will also continue to strive to deliver strong financial performance with improving returns, targeting consistent top quartile profit margins.

The fundamental potential for Brooks Macdonald remains strong. The disruption caused by COVID-19 has reinforced the importance of high-quality financial planning and investment management and we are well positioned to help clients and intermediaries realise their ambitions and secure their futures.

I would like to finish by reiterating my thanks to the intermediaries we work with and our clients for their continuing support, as well as – most importantly – to our people. I am delighted to have been invited to take on the role of CEO for many reasons but, above all else, for the opportunity to lead these people at a time of great excitement and opportunity for the Group.

Andrew Shepherd
CEO designate

15 September 2021

Business model

Over the 30 years of Brooks Macdonald's existence, our business model has successfully supported our mission to protect and enhance our clients' wealth through the provision of investment management and financial planning, alongside exceptional client service. We are proud of our consistent delivery of robust investment performance through our Centralised Investment Process and exceptional client service through the client-centric, "can-do" attitude of the people we recruit.

Our key resources

Expertise

We have deep expertise in investment management and financial planning. We apply that expertise through our investment process, whether working through intermediaries or directly with private clients, to ensure that each portfolio is managed to meet the client's risk profile and requirements, and ultimately to meet their long-term needs.

People

Our people are our greatest strength and we focus on attracting and retaining the best talent in the industry. Over recent years, we have increased the capability of our people across all levels of the organisation through a combination of developing our internal talent and making selective key hires, and we now have a powerful mix of Brooks Macdonald experience and fresh ideas from elsewhere.

Culture

Our client-centric culture is driven by our Guiding Principles, defined by our people in 2018: we do the right thing, we are connected, we care and we make a difference. These principles underpin everything that we do.

Centralised Investment Process

Our Centralised Investment Process is core to delivering our best ideas consistently to all our clients through collective asset allocation and asset selection processes, supported by a set of investment rules – on, for example, liquidity – that guide our decision making.

Financial resources

Brooks Macdonald has a strong balance sheet and supportive shareholders. The business is highly cash-generative and has zero debt.

We work with financial advisers...

- Advisers select Brooks Macdonald because of the resources we bring to bear on protecting and enhancing their clients' wealth
- The adviser determines which of the firm's services is most suitable for the client, based on their risk profile and their financial objectives
- We implement the service selected and work with the adviser to ensure the client's portfolio is managed appropriately
- In some cases, we provide a white-labelled service for the adviser, typically based on model portfolios or unitised solutions

We also work directly with private clients...

- Some clients approach us directly for financial planning, or they are introduced by a professional other than a financial adviser – e.g. a solicitor or an accountant. We are able to work with the client directly to understand whether they need one-off advice or more regular financial planning, and can provide either
- If the client is seeking independent advice or has complex needs, we provide independent "whole of market" advice, and we help them choose the best solution. Equally, for less complex needs, we provide advice on a restricted basis including the provision of our investment management services if they are suitable for the client
- If the client has minimal financial planning requirements but has come to us directly seeking investment management services, we determine whether any of the firm's services are suitable for the client and, if so, we will provide investment advice including the provision of one or more of our investment management services
- In all cases where we provide the investment management service, we manage the client's portfolio with the same investment rigour
- We have delivered consistent robust investment performance through our Centralised Investment Process and exceptional client service through the client-centric, "can-do" attitude of the people we recruit

How we do it

We have a robust product development and governance process to determine what solutions are appropriate to our clients and the broader market, and our Centralised Investment Process defines how we deliver them, through a network of 13 offices across the UK and the Channel Islands.

Our Centralised Investment Process helps ensure both consistency of outcome for clients with similar requirements and economies of scale for the business.

- We use our knowledge of our clients and intermediaries to drive innovation, delivering products and services that meet their evolving needs
- Our investment management businesses work closely with professional advisers both internally and externally
- Our network of offices puts us close to our clients, with the geographic reach to build strong relationships with clients and advisers alike

Our competitive advantages

Robust Centralised Investment Process

- Consistent strong performance, ahead of benchmarks across all risk profiles for 1, 5 and 10 years. Rigorous process giving consistency of outcomes to clients with similar needs

Compelling investment proposition

- Comprehensive range of investment products and services, addressing full scope of clients' and intermediaries needs. Core and specialist bespoke services complemented by model-based and unitised services, plus the more business-to-business Investment Solutions offering

Best-in-class client and adviser service

- Quality and commitment of our people delivering consistently outstanding service and now supported by market-leading digital offering, delivered with our world-class technology partner SS&C

What this means for our stakeholders

Clients

We help our clients realise their ambitions and secure their futures by protecting and enhancing their wealth through our investment management and financial planning services.

Advisers

The professional advisers we work with receive a range of services to support their client relationships, and peace of mind that investment management is being conducted consistently, with deep market insight and in a robustly compliant manner.

Employees

We have developed a strong people proposition, that continues to improve, and is aimed at attracting and retaining the best people in the industry.

Shareholders

Shareholders benefit from the performance of the Group through both capital growth and progressive dividends.

Marketplace

Short-term trends

Impact of COVID-19

Market conditions
The pandemic has continued to affect the economy throughout the financial year but there are now encouraging signs of a sustainable recovery. The long-term impact of the pandemic and the associated lockdown restrictions is less clear but we are seeing strong signs of improving client and adviser sentiment.

Our response
The firm was able to move seamlessly into remote working during lockdown with a strong focus on the wellbeing of our staff who were then able to respond to support advisers and clients in the volatile markets caused by the pandemic. As restrictions ease, while many existing clients have got used to more remote interaction, we are once again seeing more face-to-face meetings, particularly with prospective and new clients. At a strategic level, we believe that the disruption caused by the pandemic will create opportunities for players willing to be bold in their actions.

UK economy

Market conditions
The UK economy is now firmly in recovery mode, supported by the successful vaccine roll-out strategy and ongoing co-ordinated fiscal and monetary support continuing to outweigh the residual effects of the pandemic and global supply chain issues, exacerbated in the UK by Brexit. This broad-based recovery is now feeding through into client sentiment.

Our response
Within our asset allocation, we continue to regard the UK as a core pillar of the cyclical and value stocks part of the allocation. More broadly, we continue to work closely with intermediaries and current and prospective private clients to leverage the improvement in sentiment into positive net flows.

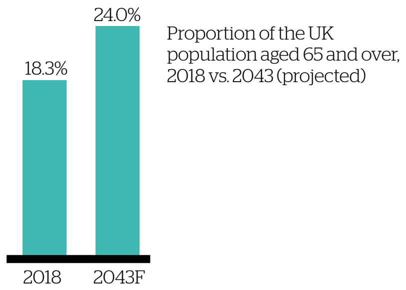
Long-term trends

Demographic changes

Market conditions
The UK population continues to age with the proportion of people over 65 growing steadily. In parallel, the policy framework around retirement is increasingly favourable for the wealth management industry with people increasingly encouraged to make their own provision for retirement and pension freedoms adding to the need for advice. The total wealth of the UK population is projected to continue to grow, and over 70% of that wealth is held by those aged 55 and over.

Our response
Brooks Macdonald continues to work with clients to support them in their retirement planning, reflecting the fact that retirement is the biggest trigger for people to seek financial advice. Our decumulation service is aimed at people in the early years of retirement balancing the need for income with the need to stay invested to protect their future wealth. We are also improving our support to clients around intergenerational wealth transfer, as well as, encouraging people to think about their retirement earlier.

Age distribution of the UK population

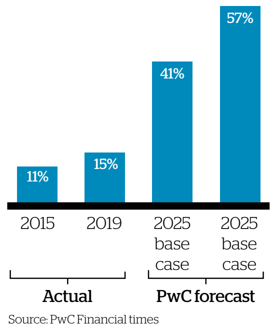


Source: Office of National Statistics

Growth of responsible investing

Market conditions
Advisers and clients alike are increasingly looking for investment managers to provide products and services meeting their environmental, social and governance ("ESG") criteria. Providers are bringing products to market but there is widespread confusion about what standards these products observe and what certification regimes clients and advisers can trust. Advisers forecast rapid growth in the proportion of client assets allocated to sustainable and ESG-based products and services.

Our response
We launched our Responsible Investment Service ("RIS") in October 2018 within our Bespoke Portfolio Service. We have Advance and Avoid strategies available and investment performance has been strong since launch. We have now rolled out RIS in our International business and included it in our Managed Portfolio Service and Investment Solutions offering. As a company, we have signed up to the UN Principles for Responsible Investing and are increasingly applying a sustainability lens to our core investment process.



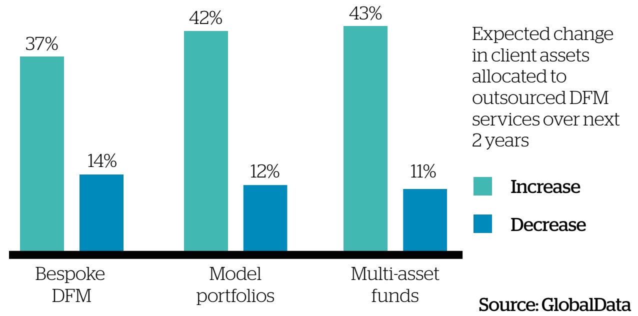
ESG funds as a proportion of total European mutual funds

Advisers increasingly outsourcing

Market conditions
IFAs continue to look to outsource investment management to allow them to focus on advising their clients and to reduce their regulatory and administrative burden. GlobalData and Platforum research shows advisers who have not outsourced before are now looking to outsource and those who do already outsource are looking to outsource more. Within that, there is a move from classic bespoke portfolio outsourcing to more specialist services and model-based and unitised products.

Our response
We continue to help advisers serve their clients in ways that work for both parties, applying our investment management expertise to protect and enhance clients' wealth. We are flexible in our approach, offering bespoke portfolios, more specialist variants (e.g., Responsible Investment Service, Decumulation, Court of Protection), model-based and unitised solutions, and Investment Solutions options, more tailored to the needs and requirements of the IFA.

Adviser use of outsourced DFMs



Source: GlobalData

Regulatory

Definition
The Financial Conduct Authority supervises the investment management and financial planning activities of Brooks Macdonald in the UK. Over time, the regulator has increased their focus on ensuring advice and investment management is conducted appropriately and professionally, and on giving transparency to clients on fees and charges.

Our response
We welcome the general direction of regulation. We are committed to ensure we are serving advisers and clients appropriately and professionally, and actively contribute to regulatory consultations directly, and through our membership of the trade body, the Investment Association.

Digital technology

Definition
Digital technology is increasingly a "must have" enabler of financial services, with clients expecting digital to complement face-to-face relationships. The wealth management sector has been slow to adapt.

Our response
We are upgrading our technology delivery with our partnership arrangement with SS&C, the leading wealth management technology and services provider, which we believe will take us to the leading edge of the wealth management industry, delivering the automation and information access that clients have come to expect.

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 advisers' and clients' changing needs, with a strong set of specialised BPS products, further development of funds and unitised solutions tailored to the adviser, and consistent business-to-business investment solutions delivery.
- Technological change will continue to raise clients' expectations of how we interact with them and our technology and services partnership with SS&C is designed to ensure that Brooks Macdonald is easy to do business with, and that we provide market-leading adviser experience and client service levels.

Competitive landscape

The investment management competitive landscape is complex with numerous types of player with varying business models addressing different, but overlapping, segments of the market. Types of player include integrated wealth managers, Independent Financial Advisers ("IFAs") who conduct some, or all, of their own investment management, platform providers who serve advisers, players focused on providing model portfolios and fund solutions, as well as, the wealth arms of the major high street banks and the high-end private banks.

The industry is highly fragmented and we have seen considerable consolidation in recent years, among both IFAs and investment managers, for example, Rathbone's acquisition of Adam & Co Investment Management. We expect to see consolidation continue and even potentially accelerate, and selective, high-quality acquisitions remain part of our strategy.

Within that competitive landscape, we believe that our approach, with our vision of being the leading investment manager for intermediaries, gives us a strong competitive position allowing us to create value for advisers, clients, shareholders and staff.

Our services

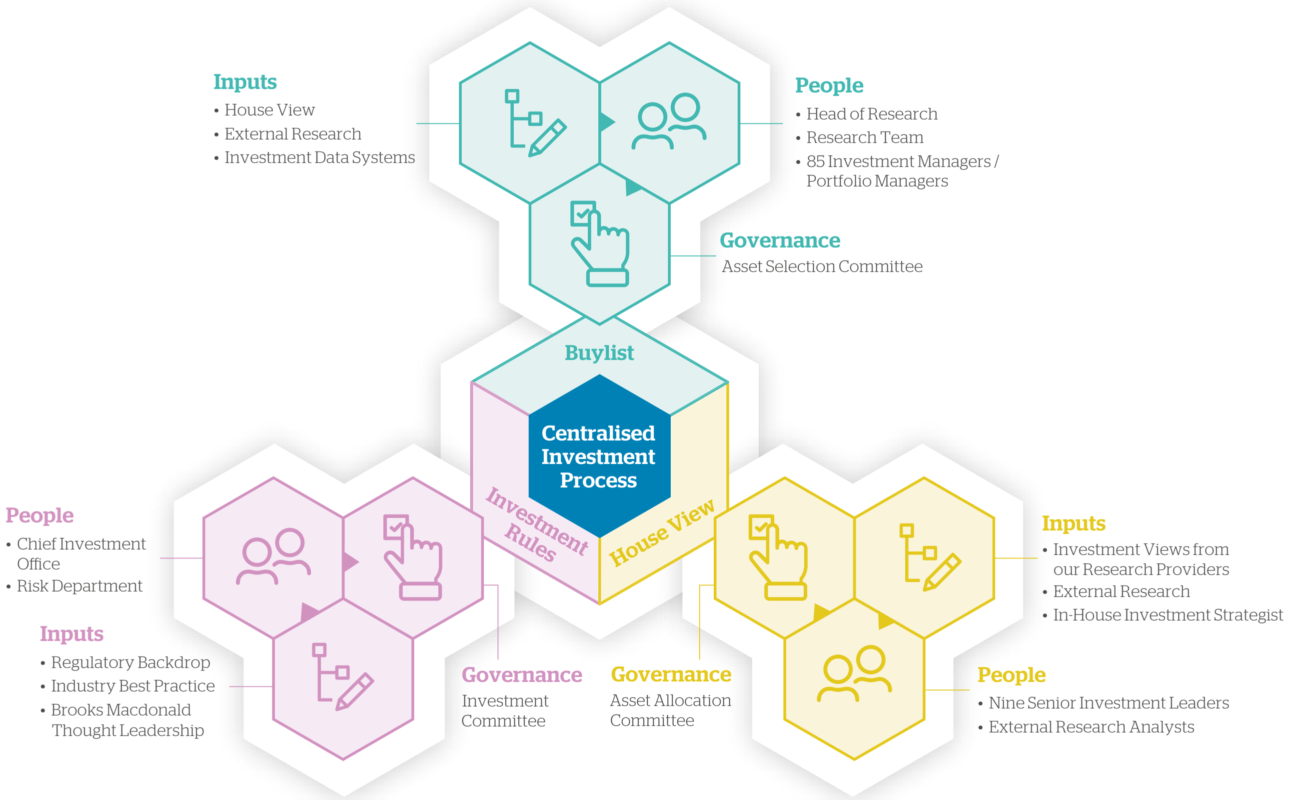
Group Centralised Investment Process

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.

To make sure we deliver the best possible investment options for clients, our Centralised Investment Process aims to:

- Generate the best ideas and then use them as widely as possible
- Deliver strong risk adjusted returns for clients
- Have an explainable process and explainable results

We have an industry-leading investment process which powers the services and products we provide to our clients. This process creates a robust framework for our investment professionals to work together, sharing ideas and challenging each other's views.



Our Centralised Investment Process is built on a model where decision-making responsibility and authority is shared equally by colleagues. This approach produces the best possible outcomes by encouraging the best thinking from everyone involved. We recognise that no individual investment manager, research analyst or member of our Chief Investment Office team has a monopoly on good ideas. Once we have concluded that an idea is a great one, we will use it as widely as possible for all suitable strategies.

1 Asset allocation

To help diversify and manage risk, we use asset allocation guidance to allocate portfolios between various geographies and asset classes. Depending on the study you read, asset allocation can determine up to 80% of client returns over a longer time horizon so it is vital to get this right.

Our Asset Allocation Committee meets monthly to determine our house view. We use external parties - both independent macro research providers and the research teams of investment banks - to challenge us and help us construct our house view.

We encourage external scrutiny of our views and pay the most attention to the group that disagrees with our house view the most, inviting them to our monthly investment forum to tell us what, in their view, we are missing. External research is vital as it means our Asset Allocation Committee is powered by the ideas of hundreds of macro economists and strategists. We also use the systems of most major data providers to test our views against history, and flag opportunities in markets. This is a major investment for us both in terms of time and Brooks Macdonald's financial investment.

2 Asset selection

Once the Asset Allocation Committee has set the house view, it is passed to our sector research teams. All our investment managers and research analysts have the opportunity to involve themselves in sector research and they form the core of the sector research teams.

With oversight and peer review from our Asset Selection Committee, the ideas generated by the sector teams drive the buylist. The end result is a substantial buylist of researched assets for investment managers to use when constructing portfolios.

3 Investment rules

Our investment rules have been designed to operate within the harshest of conditions and, whilst all market crises are different, there is never a reason not to stick to our established investment rules.

We apply central investment rules to all our investment products. For our bespoke and managed portfolio services, these are the key inputs into our risk management system which assesses portfolios daily for deviations from expected volatility, asset allocation, buylist and concentration limits. The executive-level Investment Committee is responsible for setting these rules, as well as, driving the overall investment philosophy of the firm. Rigorous application of these rules, such as maintaining high levels of liquidity, have put us in a good position to weather any foreseeable investment storm that may occur.

Our services continued

We provide our services through two core businesses:

1 UK investment management
Providing discretionary fund management services to clients introduced to us by intermediaries and to direct private clients, to whom we also provide wealth management advice.

2 International
Providing discretionary fund management services to clients and their introducers across the UAE, South Africa and Europe from offices in Jersey, Guernsey and soon the Isle of Man (subject to regulatory approval).

1 UK investment management (FUM at 30 June 2021: £14.0bn)

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

Bespoke Portfolio Service
The Bespoke Portfolio Service ("BPS") is the Group's flagship offering, designed for clients who want an individual investment portfolio constructed to meet their specific requirements. The investment manager maintains a detailed knowledge of the client's investment requirements, 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, in addition to our core BPS, we offer three specialised services aimed at clients with distinct sets of needs:

- **Responsible Investment Service**, designed for clients with the dual objective of responsible investment and return generation in line with defined risk profiles. 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.
- **Decumulation service**, a bespoke approach, designed to help meet clients' income requirements 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.
- **Court of Protection service**, aimed at clients in that particular sub-segment and vulnerable clients more broadly.

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. We also offer Responsible Investment Service model portfolios using the Advance strategy as outlined in the BPS section above.

Fund Portfolio Service
When the client's needs and risk profiling are not complex and/or the portfolio is small, the adviser may select our Fund Portfolio Service ("FPS"), where the investment manager invests the client's portfolio in one of our multi-asset funds. This is a discretionary service where the investment manager retains control of the investment decisions, in this case the fund selection, and maintains a detailed knowledge of the client's investment requirements. Advisers and clients can also select to invest in our multi-asset funds directly without an investment manager, as described below.

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

- The IFSL Brooks Macdonald Fund – a range of four risk-managed multi-asset funds: Defensive Income, Cautious Growth, Balanced and Strategic Growth.
- The SVS Cornelian Investment Funds – a range of six multi-asset funds: Defensive, Cautious, Managed Income, Managed Growth, Growth, and Progressive. All but the Managed Income fund are also available in a version that invests in predominantly passive funds for the more cost-conscious investor who is prepared to compromise some of the richness of the asset allocation.

By differing their levels of equity exposure, the ranges cater for both investors seeking capital growth and more cautious investors looking to generate income while preserving their capital.

Brooks Macdonald Investment Solutions
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 via an open-ended fund solution or an investment platform, in fund or model portfolio form.

Defensive Capital Fund
The Group also provides investment management services to the Defensive Capital Fund ("DCF"), a long-only multi-asset fund sitting in the IA Targeted Absolute Return sector, which had FUM of £478 million at 30 June 2021.

Financial Planning
Within UKIM, our Private Clients business provides financial planning and wealth management advice services to high-net-worth individuals and families, enabling clients to build, manage and protect their wealth. For non-investment products, the advice is independent "whole of market"; for investment products and services, the advice can be either independent, where the client requests it or they have complex requirements, or restricted, whereby the investment service will – if suitable – be one provided by the Group. 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.

2 International (FUM at 30 June 2021: £2.5bn)

International is based in the Channel Islands (soon to add the Isle of Man, subject to regulatory approval) and offers a range of investment management and financial planning services. 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, including the International Responsible Investment Service
- International Managed Portfolio Service

(International BPS, International RIS and International MPS all offer the same services as the UK equivalents described above, adjusted to meet the requirements of offshore and international clients).

- 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
- Funds, including a comprehensive range of international investment funds and international multi-strategy funds.

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 and pensions.

Supporting our clients and advisers

While these case studies are based on real people and events, names and some other details have been changed to protect confidentiality and are dependent upon each individual's circumstances. This information does not constitute advice or a recommendation and investment decisions should not be made on the basis of it.

The value of your investments and the income from them may go down as well as up. You may get back less than you invested. Past performance is not a reliable indicator of future results. Please be aware that the decumulation service utilises structured products as part of the portfolio construction/strategy which comes with specific risks. Should the counterparty fail, you may not have access to the Financial Services Compensation Scheme ("FSCS"). Investors should speak to their advisers for further information and to ensure they understand the risk and return factors applicable in their case.

How we helped John and James realise their ambition of building a modern local financial advice business

We first worked with John and James 16 years ago, when they were looking to grow their small East Anglia independent financial advice business. We managed portfolios for many of their clients and built a great working relationship. We provided co-branded materials and even from time-to-time helped them think through all the issues that affect a growing business. As John and James come towards retirement, they are looking to pass their now, quite large business on to the next generation, and we're helping them, and their successors with the transition.

How our Decumulation Service helped Mr and Mrs Adams secure their future with a flexible retirement income

Mr and Mrs Adams had decided to retire in 2-3 years' time and, while they had a clear view of what income they needed over the first five years, they wanted to retain some flexibility for the future years. Their financial adviser recommended our decumulation service as suitable and we constructed a portfolio with two elements – a short-term piece, principally invested in structured products to safeguard their income in the early years of retirement and a long-term one invested in growth assets, giving them the flexibility they're looking for and protection from the effects of inflation. Happy retirement!

How our Platform Managed Portfolio Service gave Rishi a cost-effective way to secure his future

Rishi and his financial adviser had identified that he did not, at this stage of his life, have significant bespoke investment requirements. The adviser recommended our Managed Portfolio Service ("MPS"), which provides a range of ten portfolios, each with its own risk profile and objective, one of which was suitable for Rishi's risk appetite and investment objectives. They were specifically looking for a low-cost version of MPS, so chose our Platform MPS which targets low ongoing charges while maintaining the rigour of the investment process.

How our partnership approach to investment solutions helped Nadia realise her ambitions for her business

Nadia came to us because she wanted more time to focus on growing her business, while retaining some control over branding and the investment approach. Our specialist team worked with her to design a tailored solution using a blended fund-of-fund solution with ten risk profiled portfolios based on blending two underlying core portfolios in different combinations. We provide active investment management, co-branded factsheets and regular reporting for all the portfolios, giving Nadia the solution she was looking for – and the time to grow her business!

How we helped Jennifer realise her ambition of aligning her investments with her principles

Jennifer had a successful professional career and had built up substantial savings, which she wanted to invest in ways that aligned with her principles. On a friend's recommendation, she approached us directly and met with an adviser from our Private Clients team, who explained our Responsible Investment Service. She was attracted by the Advance strategy, which proactively supports positive thinking and forward-looking companies aiming to make the world a better place, without compromising on returns. Jennifer is delighted that her investments are working for a sustainable future.

How our Bespoke Portfolio Service met Steve and Anne's requirements and helped secure their future

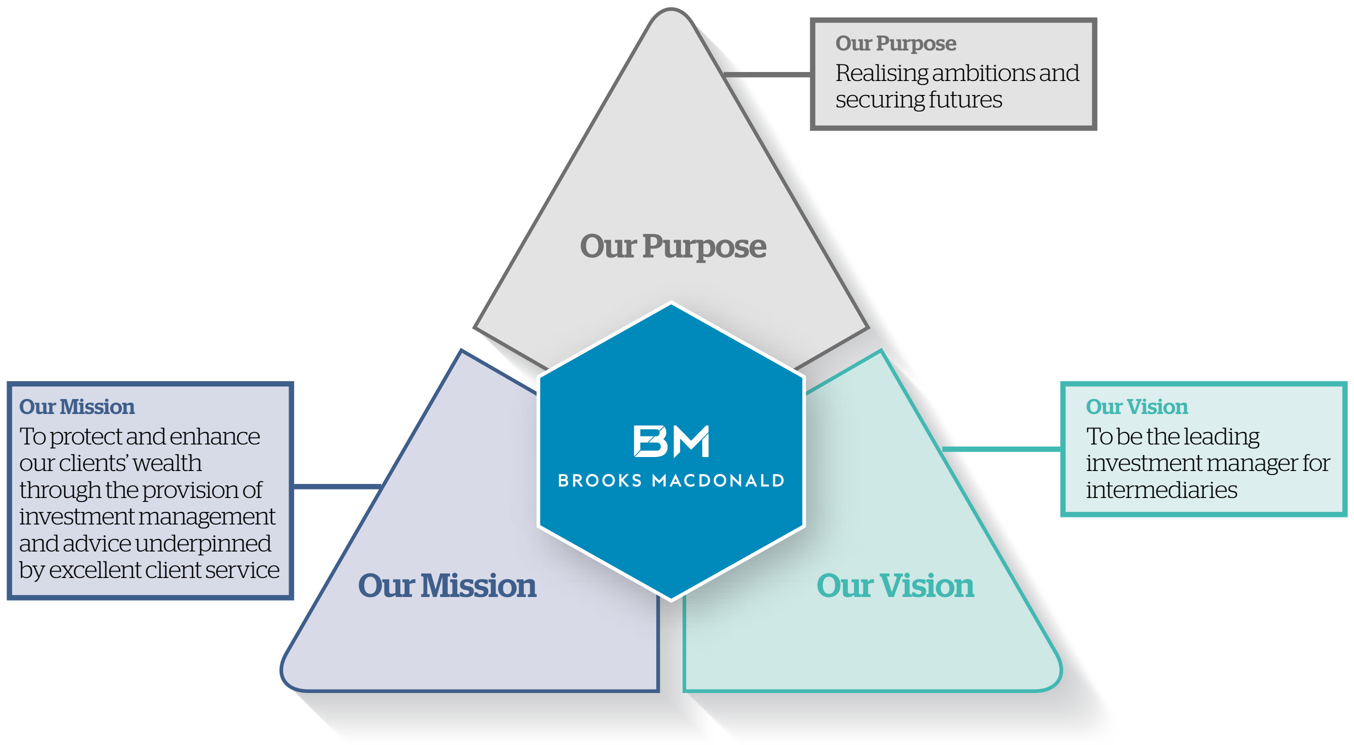
Steve and Anne had built a flourishing business and had no immediate thoughts of retirement. However, they had built up quite a complex range of investments over time, resulting in some tax complications. They also had specific investment objectives with a clear view of their desired mix of growth and income over the coming years. Our investment manager worked closely with them and their financial adviser to design a suitable portfolio that would meet their objectives, allow them to manage their tax liabilities efficiently, and secure their future. She continues to meet regularly with Steve and Anne.

Our strategy

Brooks Macdonald has emerged a stronger business after a period of change, building the foundations for our future success, followed by the rigours of lockdown. Our strategy is clear and we are making substantial progress, ready to capitalise on the growth opportunities we see ahead.

Looking forward

Our vision for Brooks Macdonald is as the leading investment manager for intermediaries, both in the UK and internationally. Our strategy also includes a strong and growing Private Clients business providing financial planning and investment management - an integrated wealth management offering.



Our strategy

1 Market-leading organic growth
Best-in-class adviser experience and excellent client service, rigorous Centralised Investment Process, compelling investment proposition

2 Service and operational excellence
Easy to do business with, digital enhancement, margin growth through efficiency and scalability resilience

3 Agile, high-quality M&A
Strict criteria, delivery of benefits

Committed to top quartile underlying profit margin over the medium-term

Value drivers

Our strategy is based on the three value drivers of strong organic growth, service and operational excellence, and selective high-quality acquisitions. We will deliver further improvements in returns, committing to top quartile margins over the medium term, by building on the sustainable and scalable business model we are putting in place.

Organic growth

- Maintain and enhance our Centralised Investment Process, delivering consistent robust investment returns for clients
- Continue to add to our compelling investment proposition in specialised bespoke portfolios, model portfolios and fund/unitised solutions, and in business-to-business solutions for advisers, all supported by a high-impact strategy for how we take these products and services to market
- Deliver market-leading adviser experience and client service levels, through our partnership with SS&C, the world-class wealth management technology and service company

Service and operational excellence

- Continue high levels of cost discipline, freeing up investment into service differentiators
- Benefit from efficiencies of new technology and services partnership

Selective high-quality acquisitions

- Continue to observe our published criteria for acquisition targets - high-quality businesses that are a good strategic and cultural fit and who bring compelling economics
- Leverage the scalability of the digital solutions we are putting in place

This is all underpinned by our investment in people and culture with the objective of attracting, engaging and retaining the best talent in the industry.

Delivering our strategy

We announced our new strategy in our annual results presentation last year, since then we have made material progress on all three value drivers.

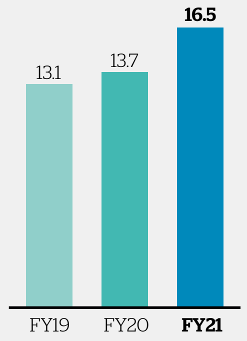
Value driver	Progress in FY21
Organic growth	• Secured a series of strong business-to-business mandates through Brooks Macdonald Investment Solutions • Grew our Platform MPS further, making it available on a wider range of leading platforms • Continued to grow our specialist products - Responsible Investment Service, Decumulation, Court of Protection, and the AIM Portfolio Service • Returned to positive net flows of client assets in the second half of the financial year, as forecast to the market a year ago
Service and operational excellence	• Transferred administrative processes to our partner SS&C • Moved funds administration and portfolio management to SS&C platform • Digital onboarding live with internal IFA, to be rolled out to intermediaries soon. Expecting SS&C to complete the current phase this calendar year, including the transition on to their platform of all client- and intermediary-facing processes, featuring an adviser and client portal with comprehensive functionality
Agile, high-quality M&A	• Completed acquisition of Lloyds Banking Group's Channel Islands funds and wealth management business • Completed integration of Lloyds business and Cornelian Asset Managers • Continued to review a range of potential targets

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. The comparative figures for FY19 have been restated to reflect the correct recognition of the Authorised Corporate Director fees and associated costs in respect of one of the Group's managed OEICs and the correct VAT treatment on the fees recognised on the Managed Portfolio Service offered through third-party platforms as detailed in the FY20 Annual Report and Accounts.

1) FUM and revenue

Funds under management (£bn)

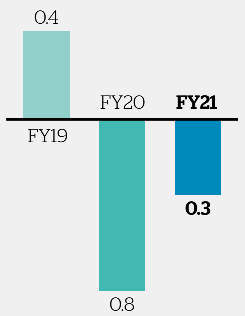


↑20.4%

Definition
Total funds under management at the end of the year.

Relevance
The value of funds under management has a direct impact on the Group's revenue.

Organic net fund flows (£bn)



↑£0.5bn

Definition
Value of net organic discretionary flows.

Relevance
Net organic growth measures the new business generated by the Group excluding the impact of acquired assets and after allowing for lost business.

Revenue (£m)

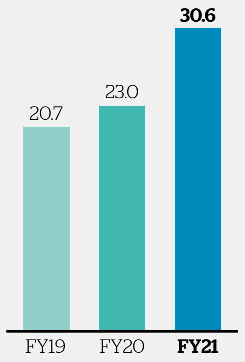
↑8.8%

Definition
Fee and non-fee income generated during the year.

Relevance
The amount of fee and non-fee income generated by the Group is one of the key growth indicators.

2) Underlying performance

Underlying profit before tax (£m)

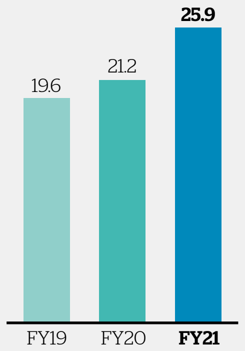


↑33.0%

Definition
Revenue less underlying costs before tax.

Relevance
This measures the Group's performance excluding the impact of certain one-off costs or credits so as to provide a more appropriate year-on-year comparison.

Underlying profit margin before tax (%)

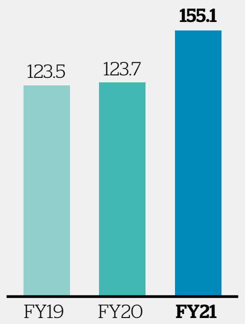


↑4.7pts

Definition
Underlying profit before tax as a percentage of revenue.

Relevance
This is a key measure of the Group's underlying performance reflecting key drivers of long-term profitability.

Underlying diluted earnings per share (p)



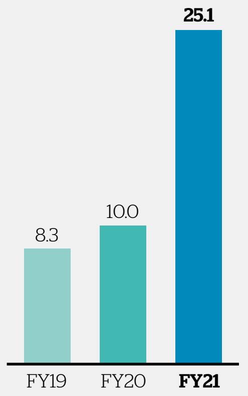
↑25.4%

Definition
Total underlying profit after tax divided by the weighted average number of ordinary shares.

Relevance
This is another key metric of measuring the Group's profitability and takes into account new shares issued during the year.

3) Shareholder return and Balance Sheet strength

Statutory profit from continuing operations before tax (£m)

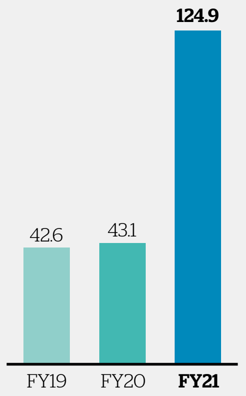


↑151.0%

Definition
Revenue less total costs from continuing operations before tax.

Relevance
This measures the Group's profitability from continuing operations calculated in accordance with International Financial Reporting Standards.

Statutory diluted earnings per share from continuing operations (p)

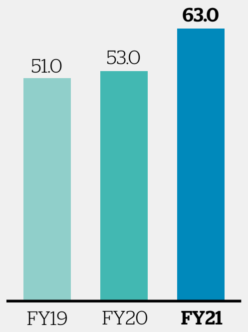


↑189.8%

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

Relevance
This is a key metric of measuring the Group's profitability and takes into account new shares issued during the year.

Total dividend per share (p)

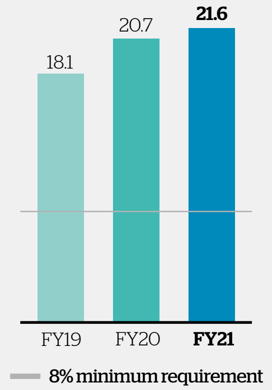


↑18.9%

Definition
Total dividend per share paid out to shareholders.

Relevance
Distributions by the Group in the form of dividends represent an important part of the returns to shareholders.

Total capital ratio (%)



↑0.9pts

Definition
The Group's total regulatory capital resources relative to its Pillar 1 risk exposure requirement.

Relevance
The Group must hold a minimum amount of regulatory capital. This ratio measures the amount of capital in relation to the risk exposure of the Group as an indication of resilience.

> “The Group reported record financial performance in FY21 as we deliver on our strategy.”
>
> Ben Thorpe
> Chief Financial Officer

Financial review

In FY21, the Group reported strong strategic and financial progress, delivering record underlying profit and margin, returning to positive organic net flows and successfully integrated the Lloyds Channel Islands business.

£118.2m
Total revenue for the Group increased by 8.8% to £118.2 million mainly driven by the two recent acquisitions and investment performance.

£30.6m
Underlying profit before tax increased by 33.0% driven by growth in FUM, revenue and continued cost discipline.

£25.1m
Statutory profit before tax increased by 151.0% driven by higher underlying earnings and a gain arising on the Lloyds Channel Islands business.

Review of results for the year

The Group delivered a strong set of results for FY21 as we entered the next phase of our strategy announced in September 2020. Despite the year under review still being characterised by periods of national lockdown, economic uncertainly and market volatility arising from the COVID-19 pandemic, the Group continued to operate resiliently and emerged as a stronger business. The acquisition of the Lloyds Channel Islands business was completed at the end of November 2020 with the business and our new colleagues successfully integrated within our International division, now led by Richard Hughes. We have also seen growing momentum in our organic business, particularly within our discretionary specialised products and Investment Solutions offering. In addition, our disciplined management of the Group's financial resources and focus on operational efficiency contributed to a record underlying profit and underlying profit margin, which increased from 21.2% to 25.9%.

The table below shows the Group's financial performance for the year ended 30 June 2021 with the comparative period and provides a reconciliation between the underlying results, which the Board considers to be an appropriate reflection of the Group's performance, and the statutory results. A breakdown of the underlying adjustments is shown on page 38.

Group financial results summary

	FY21 £m	FY20 £m	Change %
Revenue	118.2	108.6	8.8
Fixed staff costs	(40.0)	(39.8)	0.5
Variable staff costs	(13.2)	(10.8)	22.2
Total staff costs	(53.2)	(50.6)	5.1
FSCS levy	(2.2)	(2.2)	-
Non-staff costs	(32.2)	(32.8)	(1.8)
Total non-staff costs	(34.4)	(35.0)	(1.7)
Total underlying costs	(87.6)	(85.6)	2.3
Underlying profit before tax	30.6	23.0	33.0
Underlying adjustments	(5.5)	(13.0)	(57.7)
Statutory profit before tax	25.1	10.0	151.0
Taxation	(5.5)	(3.6)	52.8
Statutory profit after tax	19.6	6.4	206.3
Underlying profit margin before tax	25.9%	21.2%	4.7ppt
Underlying diluted earnings per share	155.1p	123.7p	31.4p
Statutory profit margin before tax	21.2%	9.2%	12.0ppt
Statutory diluted earnings per share	124.9p	43.1p	81.8p
Dividends per share	63.0p	53.0p	10.0p

Financial review continued

Revenue

The Group's total revenue for FY21 increased by 8.8% to £118.2 million (FY20: £108.6 million). This was due to higher average FUM levels driven by strong investment performance, particularly in H2, and the contribution from the two recent acquisitions. The Cornelian business contributed an additional £6.5 million compared to the prior year, given completion part way through FY20, and the Lloyds Channel Islands business boosted revenue by £5.3 million during the latter seven months of the financial year. FUM-related revenue overall increased by 10.1%, whilst non-FUM-related revenue dropped by 10.4% to £6.0 million (FY20: £6.7 million). The rise in fee income during the year, was offset by a reduction in interest turn of £4.3 million or 72.9% driven by the fall in the Bank of England base rate. The reduction in non-FUM-related revenue was principally due to a decline in other income including the termination of the third-party administration business at the start of the year, as the focus is directed on the core offering.

Revenue, yields and average FUM

	Revenue			Yield			Average FUM		
	FY21 £m	FY20 £m	Change %	**FY21 bps**	FY20 bps	Change bps	**FY21 £m**	FY20 £m	Change %
BPS fees	**58.7**	53.8	9.1	**67.3**	67.8	(0.5)			
BPS non-fees (transactional)	**14.5**	14.6	(0.7)	**16.6**	18.4	(1.8)			
BPS non-fees (interest turn)	**1.4**	4.4	(68.2)	**1.6**	5.5	(3.9)			
Total BPS	**74.6**	72.8	2.5	**85.5**	91.8	(6.3)	**8,722**	7,932	10.0
MPS	**8.3**	8.0	3.8	**40.1**	46.8	(6.7)	**2,069**	1,709	21.1
UKIM discretionary	**82.9**	80.8	2.6	**76.8**	83.8	(7.0)	**10,791**	9,641	11.9
Funds	**12.2**	8.7	40.2	**55.3**	52.4	2.9	**2,207**	1,659	33.0
Total UKIM	**95.1**	89.5	6.3	**73.2**	79.2	(6.0)	**12,998**	11,300	15.0
International fees	**8.9**	8.5	4.7	**54.4**	54.2	0.2	**1,636**	1,569	4.3
International non-fees	**2.9**	3.9	(25.6)	**17.7**	24.9	(7.2)	**–**	–	–
Lloyds Channel Islands[1]	**5.3**	–	N/A	**98.1**	–	N/A	**540**	–	N/A
Total International	**17.1**	12.4	37.9	**78.6**	79.0	(0.4)	**2,176**	1,569	38.7
Total FUM-related revenue	**112.2**	101.9	10.1	**73.9**	79.2	(5.3)	**15,174**	12,869	17.9
Financial Planning – UK	**3.7**	3.8	(2.6)						
Financial Planning – International	**1.0**	1.0	–						
Other income	**1.3**	1.9	(31.6)						
Total non-FUM-related revenue	**6.0**	6.7	(10.4)						
Total Group revenue	**118.2**	108.6	8.8						

1. Average FUM for Lloyds Channel Islands time weighted to seven months for the purposes of the yield calculation.

The yield on BPS fees for UKIM decreased marginally by 0.5bps to 67.3bps (FY20: 67.8bps) driven by the attrition seen in H1 and phasing of inflows in H2. The BPS non-fee income yield also declined, primarily due to the decrease in interest turn revenue noted above, resulting in a yield of 1.6bps compared to 5.5bps reported for FY20.

MPS recorded a decline in fee yield of 6.7bps to 40.1bps compared to the prior year. This was principally driven by a change in mix with Platform MPS growing more rapidly than custody MPS. The Platform MPS service includes our BM Investment Solutions, business-to-business offering that generates a relatively lower yield. Moreover, as announced to the market on 7 January 2021, the standard fee rate for MPS fees has reduced in view of the removal of the application of VAT to this service.

The Funds fee yields rose by 2.9bps to 55.3bps in FY21 due to a change in mix reflecting the outflows seen during the period in the Defensive Capital Fund and other BM funds relative to the higher yielding Cornelian Risk Managed Funds range.

International fee-income yields were up marginally by 0.2bps to 54.4bps whilst non-fee income yield declined by 7.2bps driven by a decrease in interest and FX income during the period. The acquired Lloyds Channel Islands assets generated a yield of 98.1bps based on time weighted FUM for seven months of the year.

Underlying costs

Total underlying costs have increased by 2.3% to £87.6 million (FY20: £85.6 million) mainly due to the incremental costs arising from the two recent acquisitions of £4.2 million and higher variable staff costs.

Staff costs

Total staff costs increased by 5.1% to £53.2 million. Fixed staff costs increased marginally by 0.5% from £39.8 million to £40.0 million. The incremental cost from the two acquired businesses amounted to £1.7 million whilst the Group's core operations recorded a net decrease of £1.5 million in the year. This comprised additional payroll costs of £2.0 million from net new hires, primarily within the front office areas, and inflationary pay rises, offset by savings of £1.5 million arising from the transfer of a number of roles from the Investment Services and Technology Services departments to SS&C during the year under the partnership arrangement, and reductions in temporary staff costs and recruitment fees of £2.0 million.

Variable staff costs increased by 22.2% to £13.2 million in FY21. Of this, £0.7 million was attributable to the two acquired businesses. The higher bonus pool accrual for the year reflects the Group's resilient performance against a challenging macroeconomic background and our focus on retaining key talent.

Non-staff costs

Non-staff costs amounted to £34.4 million representing a decrease of 1.7% on the prior year. Excluding the additional acquired costs of £1.8 million, non-staff costs for the core business fell by £2.4 million or 7.1%. The bulk of this cost reduction was seen within Change costs, down £2.4 million, as the Group completed business remediation in FY20 and is now focused on growth and ongoing client and adviser focused technology enhancements. Property and office costs decreased by £1.0 million, partly driven by the saving achieved from the Group moving to a single office in London in March 2020 and travel and entertainment spend was down £0.9 million as a result of reduced travel and client facing activities caused by the COVID-19 pandemic. These reductions were offset by an increase in operational costs as part of the transformation of our operating platform, in partnership with SS&C, amounting to £1.5 million and legal and professional fees of £0.4 million.

Combined, the above gave rise to an underlying profit before tax of £30.6 million, representing an increase of 33.0% on the previous year and resulting in a profit margin of 25.9% up 4.7 points on last year (FY20: 21.2%).

On a statutory basis, the profit before tax more than doubled on the prior year to £25.1 million (FY20: £10.0 million) partly due to a £5.0 million gain recognised on the Lloyds Channel Islands acquisition. The other one-off underlying adjustments for the period are broadly similar in quantum to the prior year, however, the amortisation of client-relationship intangible assets has increased from £2.9 million to £4.9 million due to the recognition of intangible assets arising on the Cornelian and Lloyds Channel Islands acquisitions. A breakdown of the underling adjustments, together with an explanation of each, is included on page 38. The statutory profit margin before tax is of 21.2% compared to 9.2% reported in FY20.

Financial review continued

FUM movement in the year

	FY21 £m	FY20 £m
Opening FUM	13,685	13,147
Organic net new business	(275)	(774)
FUM acquired in the year[1]	882	1,181
Investment performance	2,167	131
Total FUM growth	2,774	538
Closing FUM	16,459	13,685
Organic net new business	(2.0%)	(5.9%)
Total FUM growth	20.3%	4.1%
Investment performance in the year	15.8%	1.0%
MSCI PIMFA Private Investor Balanced Index[2]	12.9%	(3.5%)

1. Closing value of the acquired Lloyds Channel Islands FUM at the completion date, 30 November 2020.

2. Capital-only index.

During FY21, FUM increased by £2.8 billion or 20.3%. This reflects the assets acquired from Lloyds Channel Islands in November 2020 of £0.9 billion and positive investment performance of £2.2 billion, partly offset by organic net outflows of £0.3 billion. The net outflows were predominantly seen in the first half of the financial year, which was impacted by the macroeconomic uncertainty and market volatility caused by the COVID-19 pandemic. The Group returned to positive net flows in H2 with growing momentum seen in the last quarter driven by its strong client and intermediary relationships.

Overall investment performance for the year to June was 15.8%, well ahead of the MSCI PIMFA Private Investor Balanced Index which rose by 12.9% over the same period.

Closing FUM by service and segment

The table below shows the closing FUM broken down by segment and by our key services within UKIM at 30 June 2021 and the comparative period.

	FY21 £m	FY20 £m	Change %
BPS	9,460	8,247	14.7
MPS	2,411	1,809	33.3
Funds	2,076	2,051	1.2
UKIM total	13,947	12,107	15.2
International	2,512	1,578	59.2
Total FUM	16,459	13,685	20.3

Within UKIM, the BPS core offering made good progress closing the year at £9.5 billion. We continue to see good growth in our specialist products – the AIM Portfolio Service, the Responsible Investment Service, the Decumulation Service, and the Court of Protection Service – all focused on meeting client needs.

Within MPS, we continue to see good momentum on Platform MPS and particularly in Brooks Macdonald Investment Solutions, our business-to-business offering, with several material deals agreed during the year.

The Funds business has experienced net outflows during the year, particularly in our Defensive Capital Fund which has been affected by a downturn in sentiment in the Absolute Return sector. However, outflows have slowed down during H2.

In addition to the solid investment performance, the FUM growth in International during the year was principally driven by the acquisition of the Lloyds Channel Islands business. This was partly off-set by net outflows in the core business, driven in particular by a number of larger, low margin mandates. With the acquired business, now fully integrated, International is best positioned to continue to grow and attract new business.

Segmental analysis

As previously announced in January 2021, the Financial Planning division was integrated with the UK Investment Management business in a move to ensure the Group is best placed to deliver quality service to both private clients and intermediaries. Accordingly, going forward, the Group has two distinct business segments; UKIM and International. The results of Cornelian since acquisition are included in the UKIM segment, whilst the results of the Lloyds Channel Islands business since acquisition have been included in the International segment.

The tables below provide a breakdown of the annual performance broken down by these segments. Comparative figures have been presented on the same basis to ensure a like-for-like comparison.

FY21 (£m)	UK Investment Management	International	Group and consolidation adjustments	Total
Revenue	100.0	18.2	–	118.2
Direct costs	(45.7)	(10.8)	(30.9)	(87.4)
Operating contribution	54.3	7.4	(30.9)	30.8
Indirect cost recharges and net finance costs	(25.3)	(2.9)	28.0	(0.2)
Underlying profit before tax	29.0	4.5	(2.9)	30.6
Underlying profit before tax margin	29.0%	24.7%	N/A	25.9%

FY20 (£m)	UK Investment Management	International	Group and consolidation adjustments	Total
Revenue	95.2	13.4	–	108.6
Direct costs	(45.2)	(8.0)	(32.4)	(85.6)
Operating contribution	50.0	5.4	(32.4)	23.0
Indirect cost recharges and net finance costs	(26.1)	(2.9)	29.0	–
Underlying profit before tax	23.9	2.5	(3.4)	23.0
Underlying profit before tax margin	25.1%	18.7%	N/A	21.2%

Both business segments delivered an improvement in performance during the year with increases registered across revenues, contribution, underlying profit and underlying profit margin.

UKIM reported a 4.8% increase in revenue, driven by a full year contribution of the Cornelian business and an improvement in flows seen during the year, particularly within the specialist BPS products, Platform MPS and Brooks Macdonald Investment Solutions offerings. The increase in revenue, combined with disciplined cost management, resulted in a 21.3% rise in underlying profit and an improvement in underlying profit margin of 3.9 points.

International reported an increase in revenues of 35.8% driven primarily by the acquisition of the Lloyds Channel business adding £0.9 billion in FUM and £5.3 million in revenues during the year since November 2020. The division's profits almost doubled, and its underlying profit margin was up by six percentage points on the prior year.

Financial review continued

Reconciliation between underlying and statutory profits

Underlying profit before tax is considered by the Board to be an 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 appropriate for external analyst coverage and peer group benchmarking. A reconciliation between underlying and statutory profit before tax for the year ended 30 June 2021 with comparatives is shown in the table below:

	FY21 £m	FY20 £m
Underlying profit before tax	**30.6**	23.0
Acquisitions related items:		
– Gain arising on acquisition	**5.0**	–
– Deal structuring and legal costs	**–**	(2.8)
– Integration and staff retention costs	**(2.7)**	(1.4)
Amortisation of client relationships and contracts acquired with fund managers	**(4.9)**	(2.9)
Client relationship contracts impairment	**(1.5)**	–
Dual running operating platform costs	**(1.0)**	–
Changes in fair value and finance cost of deferred consideration	**(0.4)**	(0.2)
Goodwill impairment	**–**	(4.5)
Head office relocation costs	**–**	(1.2)
Total underlying adjustments	**(5.5)**	(13.0)
Statutory profit before tax	**25.1**	10.0

Acquisition related costs (£2.3 million credit)

i. Gain arising on acquisition (£5.0 million credit)
A gain on purchase was recognised in respect of the Lloyds Channel Islands acquisition as the net identifiable assets acquired were greater than the total purchase consideration paid. Refer to Note 10 of the Consolidated financial statements for details on the acquisition accounting.

ii. FY20 - Deal structuring and legal costs (£2.8 million charge)
These represent costs incurred in relation to the acquisition of Cornelian Asset Managers Group Limited announced on 22 November 2019 and the acquisition of the Lloyds Channel Islands business announced on 24 June 2020. The costs incurred included corporate finance services, legal fees and due diligence fees.

iii. Integration and staff retention costs (£2.7 million charge)
These comprise the costs incurred in integrating the Cornelian business (acquisition completed on 28 February 2020) and the Lloyds Channel Islands business (acquisition completed on 30 November 2020). They also include payments made to key employees who were retained by the Group for a short period of time to assist with the integration of the businesses.

The above costs are being excluded from the Group's underlying performance as they were one-off in nature.

Amortisation of client relationship contracts and contracts acquired with fund managers (£4.9 million charge)

These intangible assets are created in the course of acquiring funds under management and are amortised over their useful life, which have been assessed to range between 5 and 20 years. The charge for the year includes the newly acquired investment management contracts arising on the Lloyds Channel Islands transaction. 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.

Client relationship contracts impairment (£1.5 million charge)

Client relationship contracts are reviewed annually for impairment. In view of accelerated withdrawals from the previously acquired business, DPZ Limited, seen during the year, the estimated useful economic life of the intangible assets associated with this business is reduced. Accordingly, an impairment charge of £1.5 million has been recognised in the year. Refer to Note 13 to the Consolidated financial statements for more details.

Dual running operating platform costs (£1.0 million charge)

As announced in October 2020, the Group has entered into a partnership agreement with SS&C to transform our adviser and client service including the onboarding process and digital experience, as well enhancing our operating platform. As part of the transition process, during FY21, the Group incurred incremental costs in running two operating platforms concurrently. The dual running costs have been excluded from underlying profit in view of their non-recurring nature.

Changes in fair value and finance cost of deferred consideration (£0.4 million charge)

This comprises the fair value measurement arising on deferred consideration payments from acquisitions carried out by the Group, together with their associated net finance costs where applicable. The increase is due to the recognition of deferred consideration on the Cornelian and Lloyds Channel Islands acquisitions.

FY20 – Goodwill impairment (£4.5 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 prior year related to the Levitas transaction. In 2019, the Group entered into a new five-year partnership with the distributor of the Levitas fund that carried a lower fund sponsorship fee, the aim of this reduction was to enhance FUM flows and deepen the relationship. Unfortunately, for reasons beyond our control, the anticipated inflows were not forthcoming and we reassessed the carrying value of this intangible asset. As a result, the associated goodwill carrying value was no longer supported and triggered an impairment charge in the prior year.

FY20 – Head office relocation costs (£1.2 million charge)

The Group's previous London offices based in Welbeck Street and Bevis Marks were relocated to a single site at 21 Lombard Street in the City of London. As a result of the move, dual running costs were incurred on the three locations until the office leases for Bevis Marks and Welbeck Street came to an end in March 2020. The dual running costs and other costs associated with the move have been excluded from underlying profit in view of their one-off nature.

Taxation

The Group's total tax charge for the year of £5.5 million is up by 52.8% on the prior year. This is in part attributable to higher statutory profits, and a higher proportion of disallowable expenses added back for tax purposes, such as those arising on amortisation of intangible assets and share-based payments, compared to deductible tax allowances. The increase is also attributable to the deferred tax debit recognised as a result of remeasuring our deferred tax assets and liabilities for the substantively enacted corporation tax rate to 25% from 1 April 2023. Details on taxation are provided in Note 9 of the Consolidated financial statements.

Earnings per share

The Group's basic statutory earnings per share for the year ended 30 June 2021 was 125.3p (FY20: 43.2p). On an underlying basis, diluted earnings per share was of 155.1p representing an increase of 25.4% on the prior year (FY20: 123.7p) largely driven by the contribution from the two acquired businesses. Details on the basic and diluted earnings per share are provided in Note 11 of the Consolidated financial statements.

Dividend

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 Board has proposed a final dividend of 40.0p per share (FY20: 32.0p). Taking into account the interim dividend of 23.0p per share (FY20: 21.0p), this results in a total dividend for the year of 63.0p per share (FY20: 53.0p), an overall increase of 10p or 18.9%. Refer to Note 12 to the Consolidated financial statements for more details. The recommended dividend is subject to shareholders' approval, which will be sought at the Company's Annual General Meeting on 28 October 2021.

Financial review continued

Financial position and regulatory capital

The Group's financial position is strong with net assets increasing by 8.5% to £134.0 million at 30 June 2021 (FY20: £123.5 million) and tangible net assets (net assets excluding intangibles) up to £44.1 million (FY20: £39.7 million). As at 30 June 2021, the Group had regulatory capital resources of £52.6 million (FY20: £46.6 million). The own funds calculation takes into account the respective years' profit after tax as these are deemed to be verified at the date of publication of the annual results. The Group continues to be well capitalised with a total capital ratio of 21.6% over the Pillar I risk exposure requirement (FY20: 20.7%).

	FY21 £m	FY20 £m
Share capital	0.1	0.1
Share premium	78.7	78.0
Other reserves	8.5	6.4
Retained earnings	46.7	39.0
Total equity	134.0	123.5
Intangible assets (net book value)	(89.9)	(83.8)
Deferred tax liabilities associated with intangible assets	8.5	6.9
Tier 1 Capital	52.6	46.6
Own funds	52.6	46.6

Brooks Macdonald Asset Management Limited, the Group's main operating subsidiary, is an IFPRU EUR125k 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. 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 analyses 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 FY20 ICAAP review was conducted for the year ended 30 June 2020 and signed off by the Board in December 2020. 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. The Group monitors a range of capital and liquidity statistics on a daily and monthly basis.

Cash flow and capital expenditure

The Group continues to have strong levels of cash generation from operations. Total cash resources at the end of the year were £54.9 million (FY20: £50.2 million). During the year, the Group financed the Lloyds Channel Islands acquisition resulting in a net cash outflow of £5.3m from own funds. The Group had no borrowings at 30 June 2021 (FY20: £nil).

During the year ended 30 June 2021, the Group incurred capital expenditure of £3.7 million. This comprised technology-related development of £3.1 million, property-related costs of £0.4 million and IT and office equipment of £0.2 million. The technology-related spend was incurred in connection with the partnership arrangement with SS&C to enhance our operating platform and transform the Group's adviser and client service. The capital expenditure incurred during the year includes legal fees in relation to the master agreement, planning and scoping the implementation programme and software costs to re-platform. These will be amortised over a ten-year period from the point the new platform goes live in FY22.

Financial outlook

The economic uncertainty and market disruption caused by the COVID-19 pandemic has reinforced the importance of high-quality financial planning and investment management. The past year has proven the resilience of the Group's business model and gives us a high degree of confidence in our ability to deliver for shareholders, advisers and clients. The continued growth in our core business, combined with the successful integration of the Cornelian and the Lloyds Channel Islands businesses, together with the enhancements we are putting in place to our operating platform, position the Group well for further success. As we implement the next phase of our strategy, we remain focused on positive momentum in organic growth, delivery of a scalable operating platform and progression in operating margin.

The Strategic report in its entirety has been approved by the Board of Directors and is being signed on its behalf by:

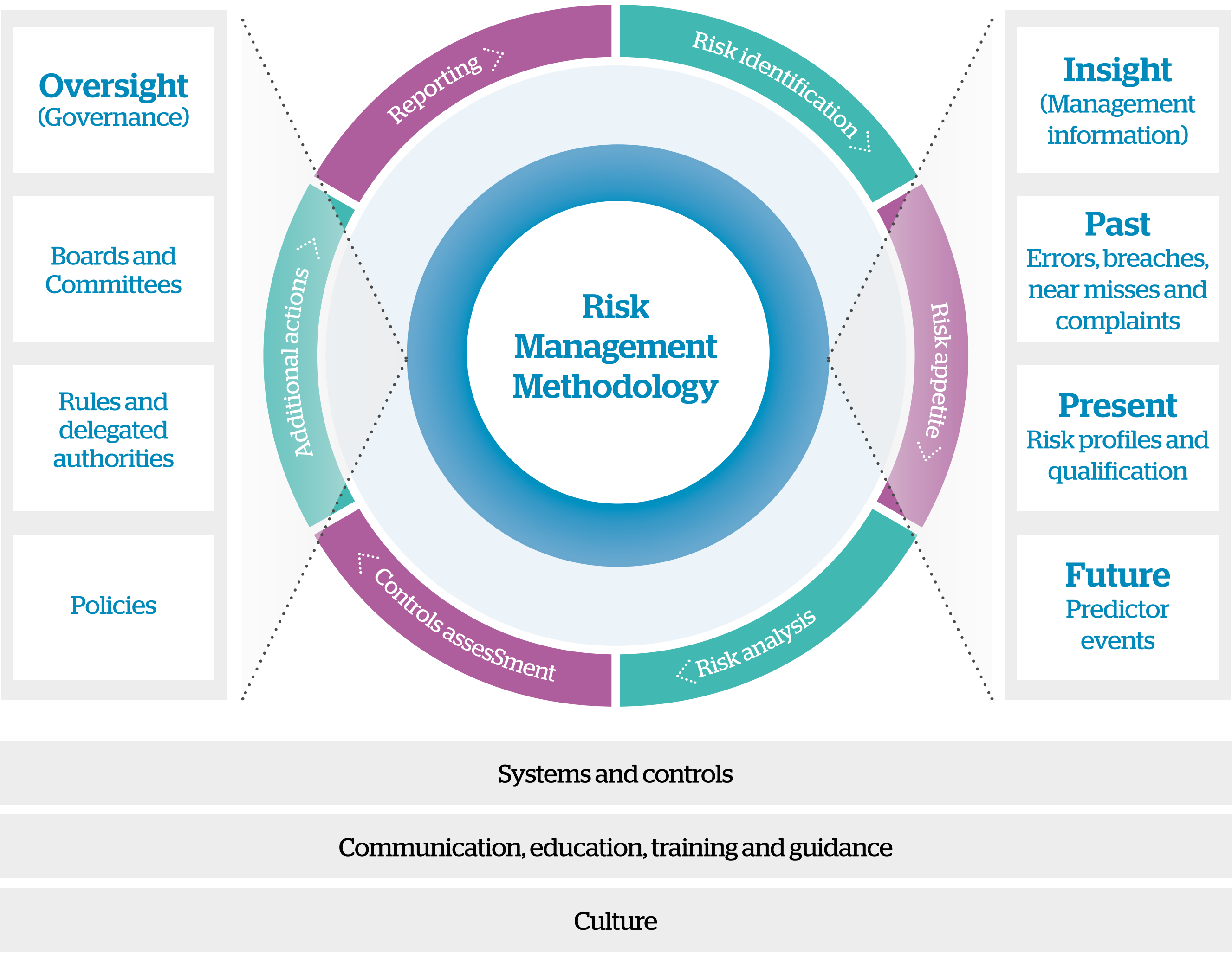
Ben Thorpe
Chief Financial Officer

15 September 2021

Risks

Taking a dynamic approach to risk management to accelerate digital transformation and positive client outcomes

Over the past year, the Group has continued in its commitment to promote a positive compliance and risk culture across the organisation. Furthermore, it has sustained its focus on embedding and enhancing the risk management framework, through its focus on harm, third parties and resilience. The Group has also continued its drive towards efficient, data-driven and evidenced-based risk management, which has facilitated the transition to an agile and dynamic approach to identifying, assessing, managing and monitoring risks. Not only has this proven valuable with the acquisition of Cornelian and the Lloyds Channel Islands acquisition, but also during the COVID-19 pandemic and the concurrent change management initiatives, including the new partnership with SS&C. Overall, the Group remains well capitalised and liquid with significant buffers above all regulatory requirements.



How we manage risk

The Group Risk Management Framework ("RMF")

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").

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

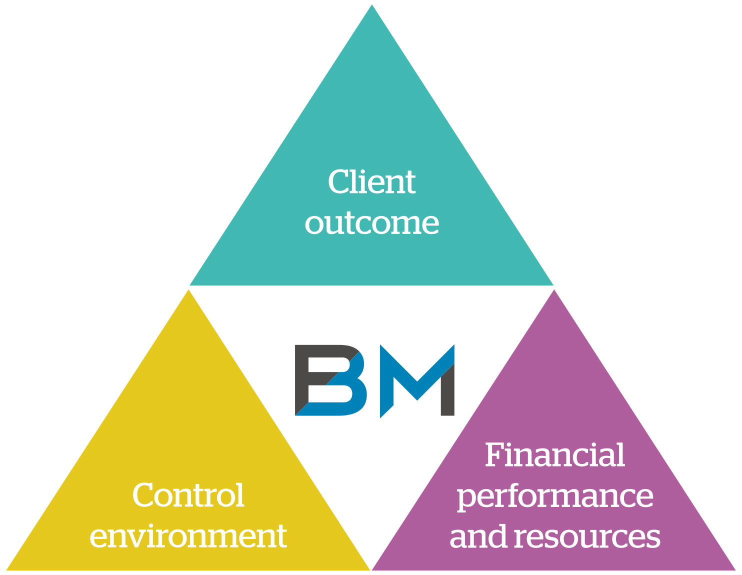
Additional actions. Where differences exist between our risk appetite and the current residual risk profile, we take action either: to accept, avoid or transfer part or all of those risks which are outside our risk appetite; or to reconsider the risk appetite.

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

Risks continued

Overarching risk appetite statement

- The Group's Overarching risk appetite statement ("ORAS"), as defined by the Board, sets out the acceptable level of current and emerging risk we are willing to take to achieve our strategic business objectives. It provides a framework to allow the Group to effectively balance the risk and reward relationship in decision making.
- Clients, both existing and prospective, are at the heart of everything we do. As such, we will operate a sustainable business that conducts itself in a reputable and prudent manner, taking into account the interests of our clients through providing products and services suited to their needs and risk profile, which demonstrate value for money.
- As the business continues to grow through sustainable organic growth and strategic value-adding acquisitions, the ORAS will help ensure our key stakeholder obligations are met, supported by internal policies and regulatory requirements. We commit to using this framework to ensure we make strategic and business decisions that do not exceed our overarching risk appetite.
- In all of the Group's decisions and operations, we balance risk versus reward and we consider the following three dimensions.



Client outcome

- We will put client interests at the heart of everything we do to ensure appropriate client outcomes.

Control environment

- We will, at all times, operate within our risk appetite, operational risk parameters and regulatory framework, ensuring a robust control and oversight environment.

Financial performance and resources

- We will optimise profitability and use resources efficiently to drive financial performance.
- We will, at all times, maintain adequate capital and liquid assets to meet financial and funding obligations as they fall due.
- We will invest in the development and wellbeing of our employees.

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.

Group level risks

Definition	Key risks identified by risk management framework	Change since last year	Rationale for change
1. Credit risk 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 →	The risk remains unchanged given the strong credit risk control environment including ongoing monitoring and due diligence on all counterparties.
2. Liquidity risk 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 ↓	The Group has sufficient liquid resources significantly above its Minimum Liquidity Requirement. The Group has a robust Liquidity Risk Management Framework, including adequate contingency funding arrangements which are tested on a periodic basis.
3. Market risk 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	Decreasing ↓	Given the COVID-19 pandemic, markets, and most asset classes exhibited significant volatility. However, with a successful vaccine rollout and gradual reopening of economies, it is expected that the worst of the COVID-19 induced market volatility is over.

Risks continued

Business level risks

Definition	Key risks identified by risk management framework	Change since last year	Rationale for change
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.	• Adviser concentration • Business growth • Extreme market events • Investment performance • Product governance • UK political risk	Unchanged →	This risk remains unchanged, given strong investment performance and a progressive improvement in net flows over the last year.
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	Unchanged →	Over the past year, the Group has been working on several initiatives to promote good risk culture and awareness. Furthermore, the Group has developed enhanced management information to measure conduct risk, as well as, promoting good conduct culture through policy compliance, online training, and virtual classrooms/ webinars.
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 quality • Cyber • IT infrastructure and capability • Key suppliers and outsourcing • Operational maturity • People • Resilience	Unchanged →	The Group has enhanced its processes, including improved documentation of all key processes. Incident management has been enhanced throughout the year. Furthermore, a change risk management framework is in place.
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	Decreasing ↓	The Group has capital resources significantly above its Minimum Capital Requirement.
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.	• Reputational risk • Financial crime • Governance • Legacy issues • Regulatory, tax and legal compliance	Unchanged →	This risk remains unchanged given that the regulatory landscape and focus on the wealth management industry has not changed.

Emerging risks

Definition	Context
9. Change management risk (Emerging) The potential financial, reputational, operational and client-related risks arising from the poor implementation of material projects or change initiatives.	In line with our growth agenda, the Group is undergoing a strategic transformation project of the end-to-end operating model and client journey, to cater for shifting client demand and sectoral changes.
10. Operational resilience (Emerging) The potential financial, reputational, operational and client-related risks arising from the inability to prevent, adapt, respond to, recover and learn from operational disruptions.	Given our agile operating model, strong capital and liquidity position, the Group has continued to provide a high level of service to our clients and advisers, whilst introducing a new connected way of working as staff begin to return to our offices.
11. Third-party supplier risk (Emerging) The potential financial, reputational, operational and client-related risks arising from using third-party suppliers.	Given our announcement to partner with SS&C and outsource back office services, the Group has focused on enhancing its third-party supplier framework and continuing to invest in oversight capabilities.

Viability statement

In accordance with the UK Corporate Governance Code, the Board has assessed the Group's viability over a five-year period from FY22 through to FY26. The decision to do so over this period is aligned with the Group's strategy, its budgeting and forecasting 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 emerging and principal risks, as set out in the Risks section of this Strategic report and outlined 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. Moreover, the Board's assessment considered the widespread economic impact arising from the outbreak of the COVID-19 pandemic on the Group's profitability, regulatory capital and liquidity forecasts. The Board's assessment of the Group's capital and liquidity position also considers the implications of maintaining the Group's proposed interim and final dividend pay-outs.

The five-year MTP forms part of the Group's annual business 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 a transparent and holistic view of the forward-looking financial prospects of the Group. The Board reviews and challenges the Group's MTP annually. The MTP covering the five-year period from FY22 to FY26 was reviewed, challenged and approved by the Board in June 2021.

In addition to the annual MTP preparation process, a re-forecast is carried out by Management and reviewed by the Board on a quarterly basis. These reflect updates for prevailing trading conditions and other changes required to the budget assumptions set at the start of the year.

As part of the ICAAP, the Group models a range of downside scenarios and a severe but plausible stress scenario designed to assess the Group's ability to withstand a market-wide shock such as a sharp market decline triggered by a global recession; Group-specific stresses, such as the loss of an investment management team or key introducer; and a combination of both.

The Group modelled a multi-layered scenario involving a significant decline in financial markets over a five-year period (a drop of 42.5% and 19.0% in years one and two respectively, followed by a gradual recovery), combined with the loss of a key investment management team. This scenario would have a material impact on the Group's profitability compared to the MTP base case.

Management identified a number of mitigating actions that could be implemented in the event of such severe stresses. These include a reduction in staff variable pay and Group dividends as well as a reduction in discretionary expenditure (T&E, marketing and similar) and a recruitment freeze or headcount reduction. Over the longer term, mitigating actions could include a broader and more significant reduction in the Group's cost base (IT, property, change initiatives and others). The implementation of the above actions depends on the nature of the specific stress events and the time frames over which they occur.

These scenarios are refreshed on a regular basis to ensure they remain relevant and continue to be a suitable tool for developing our controls and mitigating actions. Management also considers a reverse stress case and carries out an assessment of the cost to the Group of a wind-down in the event of a non-recoverable shock to the operating model. Moreover, Management has identified a number of actions that could be implemented in the event of severe stresses. The implementation of the above actions depends on the nature of the specific stress events and the time frames over which they occur.

The Group's business continuity planning enabled it to react effectively to the COVID-19 crisis and move seamlessly to remote working during the various lockdown periods with a strong focus on staff well-being and maintaining high-quality service to clients and intermediaries. The Group was also able to transition to a hybrid operating model as Government restrictions eased.

The COVID-19 outbreak last year caused economic uncertainty and market volatility and whilst the markets have since recovered, the pandemic is still present and its full scale and duration are still not known. However, taking into consideration the assessment of the above factors, including the results of the latest ICAAP, the Group's risk management framework and the mitigating actions that can be put in place, together with the Group's successful navigation of the pandemic thus far, 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 under assessment.

> "The Group's resilient operating model enabled it to react effectively to the pandemic and emerge as a stronger business."
>
> Ben Thorpe
> Chief Financial Officer

How we engage with our stakeholders

Section 172, employee and other stakeholder engagement

This part of the Annual Report serves as our statement regarding Section 172 of the Companies Act 2006. This piece of legislation states that a director of a company must act in the way it considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so, a director of a company must have regard (amongst other matters) to:

a. The likely consequences of any decision in the long term;
b. The interests of the company's employees;
c. The need to foster the company's business relationships with suppliers, customers and others;
d. The impact of the company's operations on the community and the environment;
e. The desirability of the company maintaining a reputation for high standards of business conduct; and
f. The need to act fairly as between members of the company.

The following summarises how the Company's Board fulfils its duties under Section 172 and how we balance the interests of our stakeholders and consider the long-term consequences of its decisions.

Guiding Principles

Our Guiding Principles are at the core of the culture at Brooks Macdonald and set the standards for the decisions we make and the way we treat our clients, partners, and each other. For more information on our culture and Guiding Principles, see the Chairman's statement on pages 10 to 13, the CEO's review on pages 14 to 17, and the Corporate responsibility report on pages 54 to 69.

Stakeholder engagement

Engaging with stakeholders is fundamental to our business success. By listening to and collaborating with our stakeholders, we can grow our business and deliver for our customers and society over the long term.

Principal decisions

The Board engages with a variety of stakeholders, including clients, regulators, and suppliers, to inform and enable balanced decisions that incorporate multiple viewpoints, whilst following the Company's strategy. In making decisions the Board considers outcomes from engagements with stakeholders, as well as, the importance of maintaining the Company's integrity, brand and reputation and the long term consequences of any decisions. For an example of how this happens in practice, see the case study on page 53 on the partnership with SS&C.

Consideration of stakeholders and outcomes

When considering their decisions and in setting the policies and strategy for Brooks Macdonald, the Directors are aware there are a number of other stakeholders, in addition to shareholders, who will be affected by the actions 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.

How we engage with our stakeholders and make informed decisions

	Why we engage	How we engage	Outcomes
Clients	Our clients are the main focus of the business. By engaging with them, we are able to gain a better understanding of their needs, develop long-term relationships with them and ensure that we can provide them with the products and services that best suit their individual circumstances.	We engage with our clients 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. During the COVID-19 pandemic, online interaction has replaced face-to-face meetings and we have increased the content available to clients on our website, including providing regular COVID-19 commentary.	Our clients' desire to have better access to information about their investments resulted in the Board supporting the continued development of the myBM platform. ESG continues to be an important topic for our clients and is reflected in the Group's ESG strategy, objectives and initiatives.
Intermediaries	Our focus is on working with intermediaries to support their clients and our vision for Brooks Macdonald is as the leading investment management firm for intermediaries. By deepening our focus on advisers, we can both achieve our aim and also help advisers make their businesses successful.	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' needs. 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. Since the outbreak of the COVID-19 pandemic, we have stepped up the frequency of adviser engagement in the form of investment bulletins, webinars and online academies.	We have built long-standing relationships with mutual benefits with many advisers. The services we provide to them have grown to include business-to-business Investment Solutions offerings, explicitly tailored to the adviser's requirements and preferences.
Shareholders	We value our shareholders' support and want to give them a better understanding of our business. In addition, we have obligations as an AIM-listed company to provide information to our shareholders.	This is done through face-to-face or virtual meetings and by the provision of detailed financial reports and presentations on the business at the half-year and full-year points. We engage with shareholders frequently to discuss delivery of our strategy, current performance and our plans for the business through our Executive Directors, Chairman and Committee Chairs.	This ongoing engagement has helped us preserve the Group's reputation for integrity and earned the trust and confidence of our large, long-term, committed shareholders in the business.
Employees	Our employees are central to the delivery of our offering for advisers and clients and we strive to attract and retain the best people. Developing an engaged and motivated workforce is key to our desire to be a great employer and to the success of the business.	We have a comprehensive internal communication programme to keep employees fully aware of developments in the business's strategy and performance. The CEO and other members of senior management frequently engage with staff in forums ranging from formal communications, including all staff "town hall" video conferences, to more informal small group discussions. In accordance with the 2018 Corporate Governance Code, John Linwood was appointed as the designated Non-Executive Director with responsibility for engagement with the workforce. He and other Non-Executive Directors have made office visits and held meetings with groups of staff to better understand their views.	Throughout the COVID-19 pandemic, our focus has centred firmly on the wellbeing of our staff. Regular employee engagement surveys have been undertaken, the results of which are closely monitored by the Executive Committee and demonstrate the support and care our people have been offered through these challenging times.

How we engage with our stakeholders continued

How we engage with our stakeholders and make informed decisions

	Why we engage	How we engage	Outcomes
Regulators	We focus on having positive and interactive relationships with our regulators, who provide oversight and guidance in how we run our business. Working constructively with our regulators helps us to best service the needs and interests of our clients.	Regulated entities within the Group corresponded with relevant regulators during the financial year in respect of their supervision activity. We also sent proactive correspondence to our regulators throughout the year with respect to any changes and developments in our business.	We provided timely submission of all relevant regulatory reporting and responded on a timely basis to any regulatory requests. We had a constructive relationship to ensure alignment with the relevant regulatory frameworks and have met the regulators' expectations on the topics of discussion. We regularly attended meetings with, and provided input to, the industry bodies and associations we are affiliated with to ensure we were engaged with the latest issues impacting our industry and clients.
Community and the environment	We are a responsible Group and seek both to support our community and to reduce our impact on the environment as much as possible.	The BM Foundation was set up in 2010 with the aim of supporting charities that staff are enthusiastic about. It 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. Staff are also encouraged to do voluntary work and are able to use a paid volunteering day each year. We seek to reduce our carbon footprint through the better use of technology and an associated reduction in energy use. We also look to partner with suppliers who promote sustainability.	The Foundation made donations of over £51,000 during the year. With homelessness increasing in the wake of the COVID-19 pandemic, the Foundation chose to support the Salvation Army as its Christmas 2020 charity and its donation was matched by the Company. During the year, our total energy consumption reduced by 34% and our net greenhouse gas emissions reduced by 84%.

Engagement in action: partnership with SS&C

In 2020, we entered into a partnership with SS&C that will deliver an innovative and professional new operating platform that will transform the way business is done with Brooks Macdonald. When making their decision to embark on this journey, the Directors had to consider and weigh up the interests of each of the stakeholders who will be affected by this change.

Clients
A key reason for entering into the partnership with SS&C is that it will make Brooks Macdonald easier to do business with and make administration more efficient resulting in fewer client queries and issues.

Advisers
The partnership will have an immediate positive impact on each adviser's experience with Brooks Macdonald, in particular making the onboarding process hugely more efficient.

Community and the environment
The Board noted that the more efficient and effective processes envisaged by the partnership would greatly reduce paper usage and ultimately support Brooks Macdonald's ambition to be carbon neutral by 2030.

Shareholders
The Board expect the project to produce a strong return on investment through an increased delivery of operating leverage. The likely gains mostly outweighed the execution risk of implementing the project.

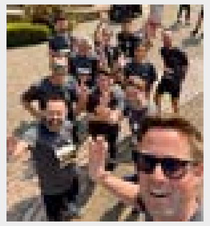
Regulators
We will keep the regulator informed of the ongoing progress of our partnership with SS&C. Where certain regulatory responsibilities shift to SS&C over time, we will seek to vary our regulatory permissions and focus on the need for enhanced third-party oversight and supervision in these relevant areas.

Employees
Our employees' wellbeing and interests featured heavily in the Board's many discussions. The more efficient and effective processes will free up resources and allow employees to focus on client service and value-adding activities. Some employees would transfer to SS&C. Joining a large technology business such as SS&C should be beneficial to their careers, although it was recognised that not all of those affected may see it that way.

Corporate responsibility report

Brooks Macdonald's corporate responsibility strategy aims to ensure that social, environmental and ethical considerations are central to the way that we run our business. We are focused on protecting the environment, supporting communities, and ensuring the wellbeing of our employees. The pandemic has made it even more important for the Group to actively seek opportunities to play its part as a good employer and contribute to the communities in which our clients and employees live and work.

Our sustainability strategy

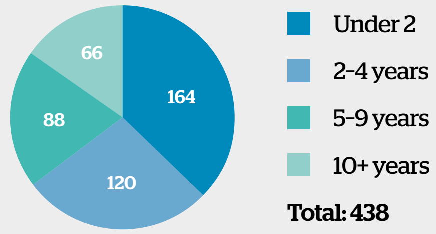
Pillars	Our objectives	Our progress in the year
Our people  Our people are our greatest strength, we care about every employee and focus on their development and wellbeing.	• Fulfil our promise to provide an inclusive culture, fulfilling careers and great recognition • Develop leaders who prioritise engagement, diversity and wellbeing • Increase employee engagement • Have fun and celebrate our achievements	• Continued to effectively support our people through the COVID-19 pandemic, focussing on communication and wellbeing • Rolled out our new client facing development programme, Accelerating Growth • Maintained our strong employee engagement scores • Developed our connected working approach to be effective in the post-pandemic world
Our community  We support our communities through the BM Foundation and encourage staff volunteering and fundraising.	• Develop the Brooks Macdonald Foundation • Support community causes and events • Encourage staff to complete voluntary work	• The BM Foundation made donations of over £51,000 during the year, including to the Black Cultural Archives, the Lotus Chidren's Trust, and the Salvation Army • The Company matches all donations made by the Foundation • All staff are able to use a paid volunteering day
Our environment  We are a responsible Group and seek to reduce our impact on the environment as far as possible.	• Operate as a firm in ways that are environmentally sustainable • Reduce carbon footprint through investing in technology • Develop partnerships with suppliers that drive sustainable improvements through the value chain	• Reduced carbon footprint by giving furniture and office supplies to charity, and purchasing renewable energy • Invested in spaces and technology to support our carbon reduction strategy • Curated workplaces to ensure our people have everything they need to work comfortably, safely and productively

June 2021 'Speak Up' employee engagement score

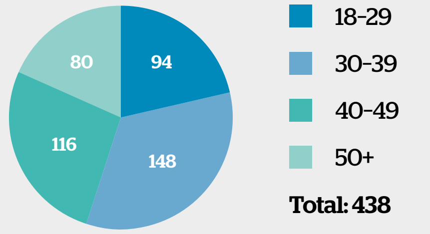
66

(FY20: 67 points)

Number of employees by length of service (30 June 2021):



Number of employees by age (years) (30 June 2021):



Foundation charitable donations of over

£51,000

> "Our focus on nurturing a culture that is inclusive and values wellbeing has kept our people engaged and supported through the challenging times brought on by the COVID-19 pandemic."

Tom Emery
HR Director

Corporate responsibility report continued

Our people

At Brooks Macdonald we have an inclusive culture that inspires people to do their best work, build strong and valuable relationships, and enjoy themselves. We know that having a motivated and engaged workforce will lead to better outcomes for our clients.

The aim of our people agenda is simple; to enable our strategy by attracting, engaging and retaining the best talent in the industry. We welcome talented people from all backgrounds who live and breathe our guiding principles and are focused on making a difference for clients and advisers. At Brooks Macdonald, Our Promise is to offer an inclusive culture, fulfilling careers, and great recognition.

OUR PROMISE

COVID-19

Like all businesses, we have had to deal with the exceptional circumstances brought on by the pandemic, but have taken the opportunity to show the strength of our culture and how we live and breathe Our Guiding Principles.

Throughout the pandemic, we have been focussed on doing the right thing for our people, staying connected with them and providing them with care and support, so that we emerge confidently and are ready to face the future. We adapted quickly to remote working, ensuring that everyone was able to do their roles effectively and increased our formal and informal communications to make sure our people felt well looked after. We also evolved our approach to work and meetings to be as effective as we could. We did not furlough anyone and did not make any redundancies in connection with the pandemic.

Maintaining and strengthening our culture through this difficult period was a key priority, and we took the opportunity to bring our people together virtually where we could. This included online home workouts, mindfulness sessions, quiz nights, and virtual drinks and coffees.

Recognising the effort and commitment our people were giving through the third lockdown, we allowed everyone a number of 'recharge days'; days which they could use in any way they liked to rest, do hobbies, and spend time with family. We also introduced our daily 'digital detox', which sets an hour aside in the middle of the day when meetings are discouraged. This gives everyone the opportunity to take a break from their laptop and start the afternoon refreshed and productive.

We also heavily publicised our employee assistance programme provided by Health Assured. This offers a 24-hour helpline, and, online support, allowing our people and their families access to confidential counselling, wellbeing information, and a host of other services.

Our Guiding Principles

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

Our Guiding Principles are at the core of our culture and set the standards for the decisions we make and the way we treat our clients, partners, and each other.

In November each year we celebrate our annual guiding principles awards, which are nominated and voted for by our people. We give out an award for each guiding principle, with our diamond award presented to the person who has shown outstanding and unwavering commitment to all four throughout the year.

"We set up 'Chatting with Tom' as an informal way of engaging with our people through the pandemic. Hosted by our HR Director, Tom Emery, these short, podcast-style interviews, were introduced during lockdown to showcase stories about some of the fascinating and talented people we have working at Brooks Macdonald. A wide range of subjects have been covered, including managing dyslexia, nutrition and fitness, building a successful professional networking group, dealing with domestic violence, and even the life of a professional football player.

One of our most popular sessions showcased Jonty Warneken, Head of our North region. Following a serious car accident when he was in his early twenties, Jonty had his left leg amputated at the knee and his skull rebuilt using titanium plates. Despite this, not only has Jonty gone on to have a successful career in the wealth management industry, but he became the first disabled person to swim an ice mile. Tom interviewed Jonty and talked about how he dealt with the trauma of his injuries and, overcame adversity to become a record-breaking ice swimmer, and how he uses what he learned from the experiences in his everyday life."

Engagement with our people

We believe that engaging with our people in a two-way dialogue is critical to our success. We have several channels through which we communicate and engage with our people:

- Regular all staff town halls
- Team meetings
- A daily investment update to key groups of staff
- Leadership conferences for senior managers
- The Speak Up survey
- T@3
- Chatting with Tom, our HR Director
- A Board engagement with the workforce programme

We have been running our employee engagement survey – 'Speak Up' for three years. We run the Speak Up survey twice over the year, but given the COVID-19 pandemic, we felt it even more important to stay connected with our people and ran additional pulse surveys to check in on wellbeing. These pulse surveys showed a high level of wellbeing and appreciation for the support and care our people have been offered through these challenging times.

Corporate responsibility report continued

Speak Up highlights

79% of our people completed our most recent Speak Up survey in June 2021 and 77% completed the survey in January 2021. This high level of engagement with the survey shows it is a trusted feedback channel that our people are keen to use.

Our survey asks questions across a broad range of areas important to our people, including strategy, diversity and inclusion ("D&I"), leadership, wellbeing, autonomy and communication. It gives us insights into the overall engagement levels of our workforce, and the opportunity to obtain both quantitative and qualitative data.

The results show continued strong engagement across the Group. Particularly pleasing is the level of advocacy across the Group, with a large number of employees reporting that they are saying great things about working at Brooks Macdonald to their friends and family. There are some variances between individual business and functional scores but no pronounced differences when analysed by gender, age or employment status.

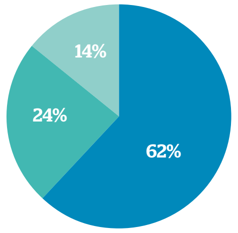
Each Executive Committee member receives an individual report showing their anonymised detailed scores. This helps them to have a conversation with their teams about the scores, gain further insight, and put in place robust action plans at a team level to improve engagement in their areas.

Alongside the Speak Up survey, in 2021 we partnered with an external consultancy to conduct several focus groups with employees across different levels of the Group to give a further opportunity to discuss engagement. Using an objective, external facilitator enabled an even more insightful conversation, especially around the areas of belonging, culture, and leadership. The findings of the focus groups have been used alongside the Speak Up results to formulate our people strategy for FY22, with a strong focus on culture, recognition, and career and capability development.

Speak Up highlights

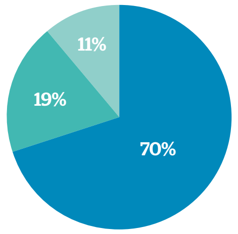
June 2021 Speak Up score – 66 (-1 from May 2020)

1. Overall engagement



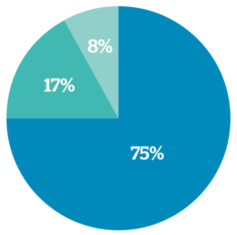
Overall score based on answers to all questions

2. Advocacy



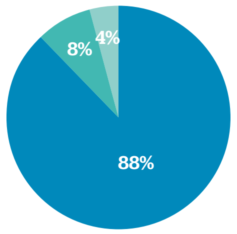
I am happy to recommend Brooks Macdonald to others as a great place to work

3. Wellbeing



The Group has taken positive steps to support my wellbeing

4. Diversity and inclusion



Brooks Macdonald enables me to be myself at work

Key

Positive Neutral Negative

Diversity and inclusion

At Brooks Macdonald, Our Promise is to nurture an inclusive culture that values and supports our people regardless of their background. We serve a diverse client group and understand that being diverse ourselves helps us to anticipate their needs and provide superior service. For most of the financial year, our Executive Committee included three women out of nine, and our Group Board two women out of seven.

Throughout the year, we have introduced several initiatives to support our diversity agenda, focusing on breaking down barriers to welcoming new, diverse talent not only to BM but the wider industry as well.

We continue to focus on ensuring our recruitment principles of hiring for attitude and fit, providing equal opportunities for all are consistently applied. This includes appropriate support, retraining and facilities for employees who are disabled or who become disabled whilst in our employment. We have taken steps to improve the monitoring of diversity data and will continue to build on this both at recruitment stages and throughout the employment lifecycle.

Women, as well as other minority groups, have long been underrepresented in our industry and we are taking several steps to address this. As part of our commitment to gender diversity, we are signatories to the Women in Finance Charter and partner with City Hive, which encourages better female representation in the Investment Management industry. We are not where we want to be but have a clear D&I strategy in place to make positive steps forward in achieving our ambition.

We're focused on bringing in diverse talent in our entry-level roles. To support this aim, we hired five Investment 2020 trainees across the Group. This is the third year we have hired trainees through Investment 2020, who provide opportunities to school and college leavers from diverse socio-economic backgrounds and give organisations like Brooks Macdonald the opportunity to hire emerging talent to bring new perspectives and ideas.

We have also been working in partnership with the #10000blackinterns initiative to provide paid summer internship opportunities to young black university students and graduates, who are typically underrepresented in the wealth management industry, particularly in client facing roles. At Brooks Macdonald, we are committed to supporting #10000blackinterns and the ongoing internship opportunities.

Through our partnership with LGBT Great we are supporting the LGBTQ+ community and are proud to have our HR Director named in their Global Top 100 Executive Allies list for the second consecutive year in recognition of his work to support LGBTQ+ people in the industry. We supported the development of LGBT Great's mentoring programme, providing both mentors and mentees to the scheme, and have committed to supporting their flagship Project 1000 campaign. This is a five-year drive to spotlight 1000 LGBTQ+ and supportive allies working in or with the sector industry across all levels. We are proud to have several LGBT Great role models across the business.

Corporate responsibility report continued

Paternity leave

The birth of my first daughter Olivia in 2017 was life changing and particularly challenging, especially as the first few months of her life were spent in hospital. Thankfully, when my wife gave birth to our second daughter Evie in August 2020, things were a little more straightforward and we got to enjoy family life together almost immediately.

Perhaps due to my first experience of parenthood I was particularly eager to enjoy my parental leave with Evie. I found the extended paternity leave provided by Brooks Macdonald allowed me the headspace and physical time to focus solely on my family, adjust to the change, be present for developmental milestones and to provide additional support to my wife, making her maternity experience even better.

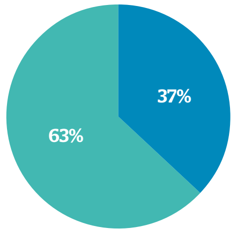
These lifetime milestones are so important and I'm extremely pleased to see Brooks Macdonald prioritise these and the mental and physical benefits they bring.

We have a well-established and passionate D&I working group which frequently meets to collaborate and support implementation of D&I initiatives. This has included events to discuss the value of allyship, and importance of language and terminology when addressing LGBTQ+ friends, family and colleagues.

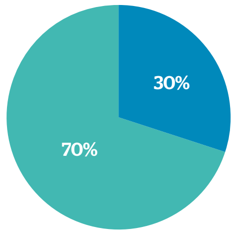
We are committed to supporting working parents and have enhanced into our family leave policy so that any parent going on long-term parental leave has access to coaching to best support their transition from work to leave, and back to work again. We recently enhanced our paternity leave provision to ensure that all new fathers benefit from six weeks' full pay when their baby is born.

We also worked with an external consultancy to conduct an audit across the Group around how successful we are in building an inclusive culture and where we can do more. The findings of this report are supporting the build of our FY22 D&I strategy.

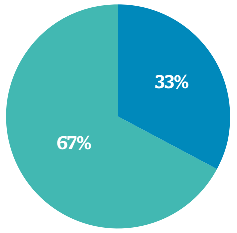
All employees



Senior management



Executive Committee



Female
Male

Gender pay gap reporting

In April 2021, we were pleased to report an improvement in most of our gender pay gap measures. We acknowledge, however, that despite our progress, our gender pay gap remains too wide. Actions to narrow the gap remain high on our agenda and we are committed to taking the steps required. We regularly review fixed and variable pay to ensure there is no inequality between genders in the same or similar roles. The full report is available on our website.

Talent and development

Our people are our greatest strength, and only through investing in their development, rewarding them competitively and motivating and engaging them to be at their best, can we deliver a highly professional and superior service to our clients and stakeholders. At Brooks Macdonald we believe everyone should have the opportunity to have a great career and we make sure that we help all employees to meet their full potential by creating innovative, effective and engaging learning experiences. We know there is no better place to learn and develop than through hands-on experience and everyday challenges, and all employees to take ownership of their personal development.

The Group regularly identifies its key roles and develops succession plans to enable the development of talent and to reduce potential risk should those in critical roles leave the Group. Succession planning allows the Group to focus its investment in capability development in the right places and provides insight into where we need to build an external pipeline of talent.

Our learning management system, Learning Curve, holds a wide range of online programmes across several technical areas of expertise, as well as, leadership skills, managing change, teamwork, wellbeing, stress management and many more. These programmes are open to all employees across the Group.

Nurturing our employees to reach their full potential is central to our success as a business and a clear focus in Our Promise to employees. On an annual basis we assess the potential of our senior employees and ensure development plans are in place for all. We invest in our talent in several ways, including apprenticeships, large scale development programmes, external professional programmes, coaching and various industry events. We foster a culture of on the job learning and empower people managers to support their team's personal development.

In 2019, we launched our two flagship leadership development programmes – Elevate for senior managers and Evolve for high-potential people managers. During 2020, despite the challenges of the pandemic, we continued to deliver both Elevate and Evolve, with great engagement across the programmes and saw positive feedback from participants.

In 2020, we made a significant investment in our client and adviser facing teams through the launch of our Accelerating Growth programme. This brought together 28 of our talented Investment Managers, Private Client Managers and Business Development Managers. Having motivated, capable people speaking to our clients and advisers is central to ensuring our clients get the best outcomes and experience, as well as, contributing to our growth agenda.

We recognise the value in taking talented people on at the beginning of their careers and our emerging talent programs are central to Our Promise of supporting people to have fulfilling careers. Graduates and trainee programmes have long been recognised as a great way of bringing in diverse, high-potential talent that can contribute to the commercial performance of a firm and both will support the development of our emerging talent pipeline.

Corporate responsibility report continued

A day in the life of…
George Montgomery – I2020 trainee

"I found out about the Brooks Macdonald I2020 trainee scheme when Investment 2020 came to my college. I'd been studying accounting and finance and was interested in working in financial services, so it looked ideal. The interview process was great, it focussed less on my experience and qualifications and more about me as a person – making the decision to join was easy. It's been an amazing experience! In Risk, we work with every team and department, from the Board to the most junior person. It's allowed me to learn fast and a definite highlight of my first year was submitting a piece to Executive Committee members surrounding the impact of a Labour Government (during the 2019 general elections). I'd only been with Brooks Macdonald for two months. Above all, it's a great team to work with, it makes the job fun and interesting and people are always willing to help you out."

Inclusive futures

Investment 2020

One of the ways we develop our emerging talent is through our successful partnership with Investment 2020 ("I2020") where to date we have successfully recruited 14 trainees since 2019 (including five from our 2020 cohort) and retained five into permanent roles. A further 10 more trainees will join Brooks Macdonald in October.

Trainees join Brooks Macdonald on an initial 12-month fixed term contract. During this time, they are assigned to a specific business area and gain the key skills required to carry out their role. They also attend a number of events hosted by Investment 2020 designed to help build and develop wider industry knowledge.

The premise of the scheme is to encourage people from wider socio-economic backgrounds to consider a career in Investment Management. For school leavers, a traineeship presents an opportunity to learn about an industry that might not be widely promoted in their school or homelife, as well as, the opportunity to explore an alternative route to university. For Brooks Macdonald, the benefits of taking trainees allows for greater diversity at entry level roles, as well as the opportunity to develop young people with no prior experience whilst also making a positive contribution to our greater social purpose.

Investment Management graduate trainee programme

This year, we launched our Investment Management graduate trainee programme and will continue to partner with Investment 2020 to ensure we continue to recruit from diverse, socio-economic backgrounds. Graduates will be taken on primarily into our client and advisers-facing teams and supported to complete a professional qualification via the apprenticeship route.

We recognise the importance of cognitive diversity for innovation and change and as a firm want to improve both demographic and cognitive diversity of future recruits and seek to breakdown barriers of the Wealth Management industry by recruiting from a cross section of universities. The assessment process will be fully aligned to Our Guiding Principles and leadership capabilities; allowing us to recruit for cultural fit and potential.

Wellbeing

Flexible working

We are developing our ongoing approach to flexible working through our connected working programme. Through connected working, we are evolving our ways of working to ensure that both our business and our people succeed in the post-pandemic world. We are clear that as a relationship business that values the benefits and enjoyment we take from being together, the office is the primary location for most of our workforce, but also understand that many people have seen a benefit to their productivity and wellbeing from working at home. We are focussed on ensuring that our leaders and employees are empowered to work in the way that suits them and their teams best, taking into account the demands of their roles and their personal preferences and ensuring that there is enough opportunity for learning, collaboration and creativity.

Recognising and rewarding our people

Our remuneration approach rewards our people meaningfully for their performance and contribution to the success of the Group and is continually evolving as we recognise the changing needs and motivations of our people. We offer a flexible benefits package offering a wide range of benefits including:

- Pension
- Minimum 27 days' holiday, with the option to purchase additional days
- Private medical cover
- Income protection insurance
- Critical illness cover
- Life assurance
- Discounts on products and services
- Personal development budget to learn a new skill not related to work
- Cycle to work scheme
- Sharesave scheme

Alongside remuneration, we also foster an environment where both individual and team successes are celebrated, and achievements are recognised.

On a monthly basis, the Executive Committee recognise individuals who have gone above and beyond to bring our guiding principles to life. This helps to support and encourage a 'thank you' culture.

Corporate responsibility report continued

Our community

The Group places a high importance on supporting the communities that our clients and people live and work in. Support for our communities is central to Our Guiding Principles of 'we care' and 'we make a difference', and by supporting not-for-profit organisations, the donations we make address social and material needs to support the vital work of charities in the UK and abroad.

We do this primarily through the BM Foundation. This was established in 2010 with the aim of supporting charities that our staff members feel passionate and enthusiastic about, and since then, has made circa 250 donations totalling £282,000. It is funded by an annual donation from the Group and regular contributions from a large number of staff members via the payroll. This year, we have seen an increase in the number of staff members making regular contributions.

The Foundation makes it possible for our people to request donations to charities that they are involved in or feel are particularly relevant or deserving, with requests approved by a committee made up of staff members. The Foundation has also taken the opportunity to use its funds to recognise charities that are connected to specific events or celebrations, such as a donation made to the Black Cultural Archives during Black History Month.

As well as making an annual contribution to the Foundation, the Group also matches the awards that it makes on a pound-for-pound basis.

The last 12 months saw requests to a variety of charities important to our staff. During the pandemic we received an increase in requests to mental health and homeless charities, we chose to support the Salvation Army as our Christmas 2020 charity.

Each year, the Foundation aims to fund a small number of specific projects and in July 2020 we donated £6,600 to The Lotus Children's Trust. The Trust is dedicated to providing care, accommodation, support and education to abused, abandoned and orphaned children in Mongolia. They raise awareness of the plight of the street children and help to fund The Lotus Children's Centre which looks after more than 70 children. The Centre also provides vocational training for young adults and funds were used to build new basketball and volleyball courts. Participation in sport has many physical, psychological and social benefits for the children, and we were delighted to receive confirmation the courts were complete in September 2020 with the following note from the Trust;

"The children and staff are all absolutely delighted with the new facilities and do please give our most sincere thanks to all your staff who contributed through the BM Foundation. This has been such a worthwhile project and will make a real difference to the very special children in our care."

All staff are able to take a paid day off to volunteer in the community. Our people have used this day to support several charities and initiatives, including Macmillan Cancer Support, Good Gym, and Cancer Research UK.

In the coming financial year, the Group will be celebrating its 30th birthday, and is planning a number of events to celebrate, including fundraising for charity.

BM foundation

You make a difference

Our environment

Environment

Corporate Social Responsibility ("CSR") has always been an important value at Brooks Macdonald. We take very seriously our responsibility to our clients, advisers, employees and shareholders to build a strong, profitable and sustainable business. We also believe that we hold a wider responsibility towards each other and towards the natural environment.

Our CSR vision

We have made a great start and put in place strong foundations towards our sustainability aspirations, but we know we have more to do to which is why we have created our CSR vision:

"We want to make a positive difference through the services we provide, the way we provide them and the way we run the Group as a whole. We aspire to go above and beyond to create a sustainable future that will benefit employees, clients, shareholders and the wider environment for current and future generations."

CSR is about making a positive impact with everything we do, from how we act as a Group to the investments we make on behalf of our clients.

Procurement

Whether it is the location we work from, energy sources we use, or even the paper and pens we buy, we work with many different suppliers. It is impossible to run a successful business alone, but we do have a choice about the businesses we partner with. We will only work with suppliers who have ethical business practices that align with our own, like paying the living wage to their employees, sustainability and/or CSR policies.

We want to do business with companies that care and do the right thing. We have added social value questions to benchmark all new and existing suppliers, this weighting being the differentiator during selection.

Sustainability

We believe that businesses are accountable for achieving good environmental practice and for working in a sustainable manner. We are, therefore, committed to reducing our environmental impact and constantly improving our environmental performance as an essential and important part of our business strategy and operating methods.

Although we are in the early stages of our own sustainability journey, we have already made meaningful steps by:

- Putting recycling points in all of our offices
- Keeping single use products to a minimum
- Reducing our paper usage and encouraging our people to 'go digital'
- Actively sourcing products that are Fairtrade or locally produced
- Upcycling furniture when moving offices
- Working with suppliers focussed on sustainability
- Providing a cycle to work scheme for those who wish to travel to work by bike
- Purchasing only renewable energy

Our workplaces

We have 13 offices across the UK and Channel Islands. Our office spaces are designed with flexibility, diversity, and different working styles at the forefront of our minds. We consider the wellbeing of everyone who enters our offices which is why each office includes contemplation rooms, collaboration spaces, biophilia and places to relax.

Despite the challenges brought on by the pandemic, we have made positive changes across our property portfolio. We have consciously sought out office spaces that successfully safeguard the health, safety and welfare of employees, whilst considering the bigger picture and the future in terms of environmental credentials.

We have partnered with charities and specialist companies to reuse as much of our old furniture as possible with an emphasis on maximum efficient sustainability and reduction of waste output, carbon footprint and financial cost. We also work with companies who take used and unwanted office furniture destined for landfill and divert this resource to community interest companies, social enterprises and other interested parties.

Waste reduction charity WRAP ("Waste & Resources Action Plan") estimates that £9 million per year is spent sending unwanted desks to landfill. Our ongoing focus on sustainability ensured that 80% of our redundant office furniture was reused.

Corporate responsibility report continued

A sustainable workplace does not only impact the environment, but also the people in it. We believe that a sustainable and healthy workplace promotes a more fulfilled and motivated workforce. This, in turn, boosts productivity and reduces work-related hazards and illnesses. All of this is fundamental to enhancing the overall reputation and profitability of our business.

We have chosen office spaces in serviced offices that can be classed as sustainable, typically incorporating wellbeing measures that boost productivity, health and satisfaction, including:

- Natural light
- Renewable energy waste management
- Recycling
- Bike and shower facilities
- Fairtrade products
- Living walls with thriving plants
- Automated low-energy LED lighting systems
- Water conservation strategies
- Our Manchester office now operates from the city's first BREEAM outstanding building with a WiredScore Platinum status. It has also been dubbed Manchester's most cycle-friendly building by CycleScore and has a rooftop terrace with two active beehives

Property strategy

Following our employee's feedback we have committed to providing great places to work with the best possible resources supporting our new ways of working. We have created a workplace strategy that provides the character and principles of our offices to boost engagement, trust, energy, commitment and productivity. We select properties and solutions that enable commercial advantage providing for a more flexible workforce enabling a hybrid approach.

Our movers and shakers in the last year include:

- Acquired larger premises in Jersey to support the consolidation of the Lloyds Channel Islands acquisition
- We have doubled our space in Scotland, creating a fantastic new office that provides flexible working as we integrated the team from Cornelian
- Our Manchester team moved to the BREEAM outstanding building as outlined above
- We relocated our Taunton team to new vibrant offices in the heart of Exeter providing flexible work space

Energy

As a business, we continue to assess our impact on the environment with a view to mitigation or reduction where possible. Our main environmental impacts are energy-related emissions from our network of offices in the UK and Channel Islands, and from employee travel – although this was somewhat lessened as the pandemic reduced employee travel during the financial year.

We have continued to reduce the amount of energy we use in our buildings. Last year, we reported performance using the Streamlined Energy and Carbon Reporting ("SECR"). This is a relatively new energy efficiency reporting scheme that first came into force in April 2019.

Every company must report their Scope 1 and 2 emissions. These are listed below, along with Scope 3 emissions.

- **Scope 1** – includes emissions from activities owned or controlled by a company that directly release emissions into the atmosphere, e.g. the gas used to heat your building.
- **Scope 2** – covers the indirect emissions from the generation of purchased electricity.
- **Scope 3** – includes emissions which the company does not have direct control over, but that it can influence, for instance through its supply chain or the stakeholders it works with. An example of Scope 3 would be the emissions associated with its employees commuting to work.

In line with the SECR legislation, Brooks Macdonald is required to report its energy consumption and greenhouse gas emissions arising in the UK. All Scope 1 and 2 sources of energy and emissions have been disclosed as well as mandatory Scope 3 sources.

	Energy consumption (MWh)		GHG emissions (tCO_2e)	
Source of energy & emissions	**2021**	2020	**2021**	2020
Combustion of Natural Gas	**99.26**	36.89	**18.25**	7.52
Scope 1 total	**99.26**	36.89	**18.25**	7.52
Purchased Electricity	**526.37**	754.60	**122.39**	175.93
Scope 2 total	**526.37**	754.60	**122.39**	175.93
Combustion of Fuel in Staff Vehicles	**52.23**	236.05	**13.08**	58.52
Scope 3 total	**52.23**	236.05	**13.08**	58.52
Gross total	**677.86**	1,027.54	**153.72**	241.97
Carbon-Neutral Utility Contracts	**N/A**	N/A	**(114.84)**	(3.46)
Net total	**N/A**	N/A	**38.88**	238.51
Intensity per 1000 m^2 Gross Floor Area	**124.33**	188.25	**7.13**	43.70

Energy efficiency

Compared to last year, our total energy consumption has reduced by 350 MWh or 34% and our net greenhouse gas emissions have reduced by 200 tonnes of CO_2e or 84%. The average gross floor area of our sites is relatively unchanged, however, per thousand square meters we are consuming 64 MWh less energy and emitting 36.6 tonnes less greenhouse gasses.

The process of changing our utility suppliers is ongoing as contracts come due, with 82% of our electricity consumption now being generated from renewable sources. The natural gas consumption at our new Edinburgh site, which accounts for 34% of our total consumption, has carbon offsetting included in the price. Switching to green suppliers has saved 114.8 tonnes of CO_2e this year, or 75% of our total gross emissions.

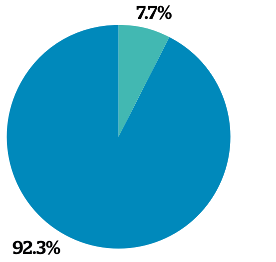
The last twelve months have presented unique challenges which have changed many aspects of how we do business. Desktop computers have been replaced by more energy efficient laptops, and making use of video conferencing software has enabled staff to work from home, and reduce business mileage by conducting meetings remotely. For times when business travel is unavoidable, we are trialling a package which provides transport facilities with included carbon offsetting and data management. With less staff working in the offices, we have made several changes to our portfolio of sites, with some closing and others consolidating into combined sites. In the interest of sustainability all furniture from vacated sites has been re-used, recycled or donated to charity, and minimal structural changes have been carried out during renovations.

Other environmental initiatives include removing single use plastic products from our procurement, ensuring catering is sourced locally, and using chemical free cleaning at our sites.

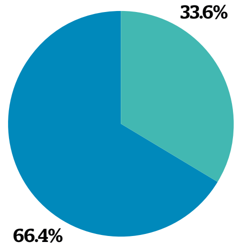
As well as considering the environment as a factor in every decision that we make, we believe it is important to improve the social and economic impacts of our activity. We are proud to subscribe to the "Period Dignity at Work" scheme which, in addition to supporting our own staff, provide environmentally-friendly period products and education around the world. We have also selected a water supplier which builds wells in developing nations.

Corporate responsibility report continued

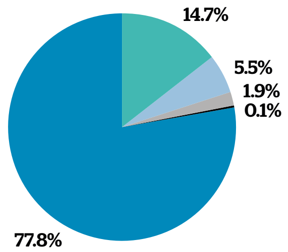
Distribution of annual energy consumption by usage



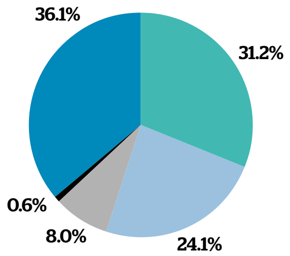
Distribution of annual emissions by usage



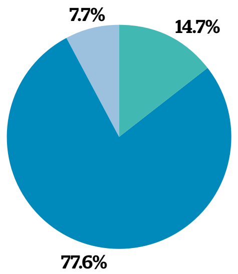
Distribution of annual energy consumption by fuel



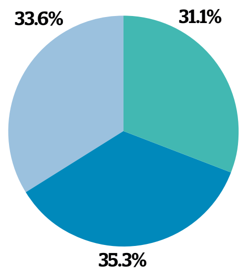
Distribution of annual emissions by fuel



Distribution of annual energy consumption by scope



Distribution of annual emissions by scope



Utilities

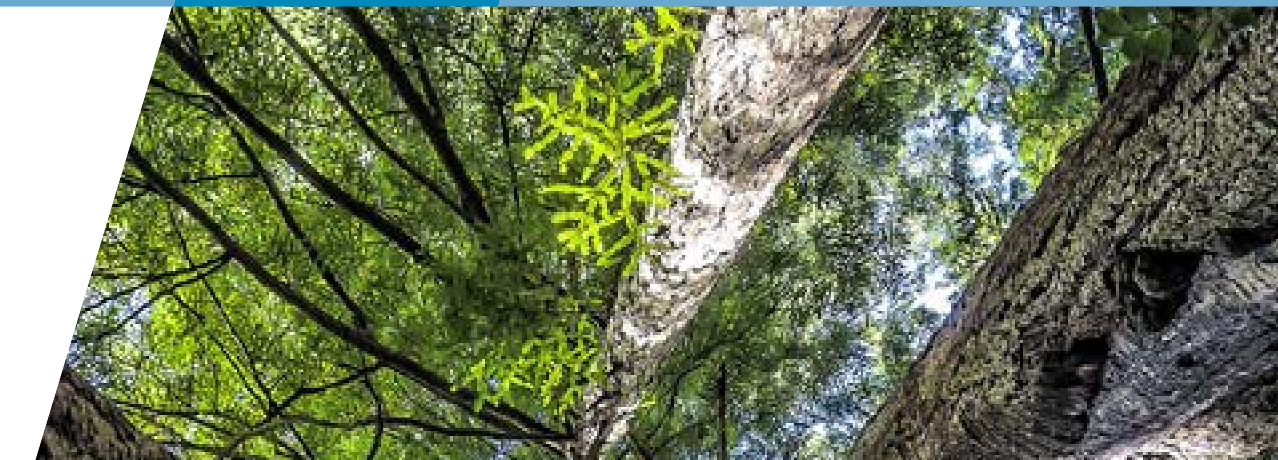
Where possible, energy consumption expressed in kilowatt-hours has been taken from suppliers' invoices. At the Edinburgh site the landlord was unable to provide electricity consumption data, therefore, this has been estimated by comparison to the Manchester site which is comparable in function. The annual consumption of the Manchester site has been divided by the floor area to give a benchmark of 90.54 kWh/m², which has been multiplied by the floor area of the Edinburgh site. Two months of gas consumption data at the Edinburgh site and the final quarterly electricity invoice for the Guernsey site were unavailable at the time that this disclosure was prepared, therefore, these have been estimated by pro-rata of the available data for each site respectively. All other sites have a full year of invoiced electricity and natural gas consumption data. These estimations equate to 52.2MWh or 8.4% of the Group's total utility consumption. The supplies which include estimations are all from carbon neutral supplies and so have no effect on the net carbon footprint of the Group. The energy consumption from electricity and natural gas consumption has been multiplied by the $kgCO_2e/kWh$ conversion factors for the average UK grid supply to calculate the gross location-based greenhouse gas emissions. 75% of energy supplied is from carbon neutral contracts. The emissions from these supplies have been deducted to show the net market-based emissions.

Transport

Certain members of staff use their personal vehicles for work-related purposes and are reimbursed through mileage claims. The fuel type and size of the vehicles' engines are recorded with mileage claims.

Other fuels and emissions

No other fuels are used by the Group. Air conditioning maintenance records did not contain any instances of refrigerant leaks during the reference period. No other sources of fugitive emissions have been identified.



Responsible investing

In 2020 we became a signatory of the UN Principles for Responsible Investment ("PRI"). We are committed to implementing the PRI principles, including enhancing our active ownership practices and further integrating Environmental, Social and Governance ("ESG") analysis into our investment decision making. We have recently published a new Responsible Investment Policy and improved how we integrate ESG considerations into our investment decisions across our Centralised Investment Process. Funds managed by third-party managers make up the majority of our clients' investment portfolios.

We have developed a structured framework for ESG research which incorporates quantitative and qualitative inputs from questionnaires, Morningstar ESG data and fund manager meetings. We have also enhanced our processes for how we integrate ESG considerations into our direct stock selection incorporating both quantitative data sets and qualitative assessments.

Whilst ESG assessments are considered across all our services, we also offer a Responsible Investment Service which has two investment mandates with specific investment objectives. 'Avoid' is based on a formal exclusion policy on five product areas, and 'Advance' is focussed on positively contributing to addressing eight sustainability challenges, either through the products and services that a company provides or through the evolving operational management and footprint of a company.

Climate change

We recognise the serious risk climate change presents to the world and we view it as a critical investment issue that creates both risks and opportunities for the companies in which we invest and can materially impact the long-term value of investments.

We seek to address and mitigate climate investment risks by:

- Assessing material risk and opportunities related to climate change when making investment decisions. We use data to analyse exposure to carbon risk in the third-party funds we invest in, looking at the risks companies face from the transition to a low-carbon economy. Where we identify material climate-related risks, we will engage with fund managers to understand how these are being addressed.
- Encouraging proactive management of climate risks by both our investee companies and third-party fund managers. We are supportive of better quality climate-related disclosures and we expect fund managers and relevant companies to report in line with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations.

Going forward, we will focus on enhancing the carbon-related metrics and data we use in our investment process whilst acknowledging that the quality and consistency of the data is still improving. We are also committed to producing our own TCFD disclosures in line with the upcoming regulatory requirements.

Corporate governance

Presents a clear view of our governance

Contents

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 CEO, who is supported by an Executive Committee. Refer to page 82 for the composition of the Executive Committee.

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 regularly, with a mixture of formal and informal scheduled meetings, together with ad hoc meetings as required, such as, in response to the COVID-19 pandemic.

The Group's Board and Committee structure is detailed on page 74 together with the biographies of Board and Committee members on pages 80 and 81.

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. The Company Secretary also plays a role in ensuring that Board procedures are complied with and applicable rules are followed.

The Board, on the recommendation of the Nominations Committee, considers that all of the Non-Executive Directors are independent. While it can vary through the year, typically, the Company would expect each Non-Executive Director to devote around two days per month to the Group's business. All Board members are required to disclose any external positions or interests which might conflict with their directorship of Brooks Macdonald prior to their appointment and thereafter on a continuous basis so that any potential conflict can be properly assessed. If any conflicts of interest do arise, then they can generally be managed by due process.

UK Corporate Governance Code Compliance Statement

The Group follows the 2018 UK Corporate Governance Code ("the Code"). This report, together with the Report of the Directors and the Strategic report, describes how the Group has applied the principles and complied with the provisions of the Code, or sets out explanations of where the Group is not complying with the Code. A copy of the Code can be found on the Financial Reporting Council's website at www.frc.org.uk.

Implementation of the 2018 UK Corporate Governance Code

Section of the Code	How Brooks Macdonald have applied the Code	Further information
Board leadership and company purpose	The Board seeks to promote the long-term sustainable success of the Company, setting out the Company's purpose, values and strategy and ensuring that these and the Company's culture are aligned.	→ Read more in our Strategic and Corporate responsibility report on pages 54 to 69.
Division of responsibilities	The Group Board, led by the Chairman, sits at the top of the Company's governance framework. The Board and its Committees have clearly defined roles, with the list of matters reserved for the Board and the Committees' terms of reference being available on the Company's website. A majority of the Board are independent Non-Executive Directors.	→ Read more in our Board overview on page 73 and Committee structure on page 74, plus reports of the Committees on pages 84 to 109.
Composition, succession and evaluation	The Nominations Committee oversees formal procedures both to evaluate the Board and to ensure its composition provides an appropriate balance of skills and experience. It also considers succession planning within the Group. The Company seeks to promote diversity at both Board and senior management level.	→ Read more about our Board composition on pages 76 and Nominations Committee on pages 88 to 89.
Audit, risk and internal control	The Board and its Committees oversee procedures and processes by which the Company manages the risks it is willing to take in order to achieve its long-term objectives. This includes ensuring the independence and effectiveness of the internal and external audit functions and monitoring the integrity of the Company's financial statements and formal announcements.	→ Read more about our Audit Committee on pages 84 to 87 and our Risk and Compliance Committee on pages 106 to 109.
Remuneration	The Board and the Remuneration Committee develop and oversee policies and practices which are designed to promote the Company's strategy and its long-term success and to align the interests of senior management with those of the Company's shareholders.	→ Read more about our Remuneration Committee on pages 90 to 105.

Board overview

The Brooks Macdonald Board is responsible for the Group's Corporate governance system and is committed to maintaining a strong governance framework to support our mission to protect and enhance our clients' wealth. In order to achieve this, the Board meets on a regular basis. During the year to 30 June 2021, there were six scheduled Board meetings and details of attendance at these is shown on page 76. In addition, further unscheduled meetings were convened where necessary to consider matters which are time-sensitive in nature and cannot wait until the next scheduled meeting. Typically, these related to the acquisitions made by the Group in the year and the Group's response to the COVID-19 pandemic.

Matters discussed by the Board in the year

Regular updates
- CEO's report including business performance
- Chief Financial Officer's report
- Chief Investment Officer's report
- HR Director's report
- Committee Chairs' updates

Financials
- Annual and Interim Report and Accounts
- Dividend payments recommendations
- Budget and Medium-Term Plan

Projects
- Acquisition of Lloyds Bank International's Channel Islands wealth management and funds business
- Technology partnership with SS&C
- New flows initiatives
- COVID-19 response
- Isle of Man office establishment

→ Read more about our partnership with SS&C on page 53

Governance and regulatory
- Reviews of Committee terms of reference
- AGM arrangements
- SM&CR regime
- Board effectiveness review
- Modern Slavery statement
- PDMR list review
- ICAAP review

Strategy
- Strategy refresh
- Private client strategy
- M&A

Assessing and monitoring culture

The Board monitors the Group's culture through regular reports from the CEO and the HR Director to ensure this is aligned with the Group's purpose and strategy. In addition, we have a designated Non-Executive Director who has responsibility for engaging with the workforce and who regularly holds meetings with different members of staff. Other Non-Executive Directors have also held 'skip-level' meetings with employees to help the Board better understand the views of the Group's staff. The results of the Group's regular staff surveys are also reviewed and discussed at Board meetings. For further information on this see 'How we engage with our stakeholders on pages 50 to 53 and our Corporate responsibility report on pages 54 to 69, of the Strategic report.

Director training and induction

On appointment to the Board, new Directors are given a comprehensive induction programme. This allows them to familiarise themselves with the Group's business, policies and key issues. The induction programme is tailored to the individuals concerned and involves meetings with key individuals within the Group, as well as, external advisers to the Company. Peel Hunt, the Group's NOMAD, also provide an overview of the Directors' responsibilities as a Board member of an AIM-listed entity.

Training is provided for Directors on an ongoing basis. During the year, the Board received training on the AIM rules and regulations amongst other matters .

External appointments

Directors are only permitted to take on external appointments with the approval of the Board. Such approval will only be given where the appointment will not impact on the Director's ability to devote sufficient time to their responsibilities with the Group. The Board did not consider that any new appointments taken on during the year raised an issue in this respect.

Annual Board evaluation

The Board undergoes an annual evaluation of its performance. Further details of this are set out in the Nominations Committee report on page 88.

Board and Committee structure

The Board

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 delegates certain of its responsibilities to the committees shown below.

Audit Committee

The Audit Committee assists the Board in meeting its responsibilities for the integrity of the Group's internal financial controls and its financial reporting. In particular, this involves reviewing and challenging the Group's accounting policies and significant judgement areas and the integrity of its financial reporting. It also provides oversight and monitoring of the internal and external audit functions and works in conjunction with the Risk and Compliance Committee to review the effectiveness of the Group's risk management framework and internal controls.

Nominations Committee

The Nominations Committee is responsible for recommending Board and Committee appointments and 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. This includes conducting the annual Board effectiveness review. The Committee also monitors succession planning at the Group's leadership levels to ensure the Group's continued ability to implement its strategy and operate effectively. 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.

Remuneration Committee

The Remuneration Committee exercises independent judgement in the determination, implementation and operation of the overall Remuneration Policy for the Group. It provides oversight of the design and application of the Remuneration Policy and makes recommendation to the Board of the overarching principles for all Group employees, it ensures the policy is consistent with the risk appetite of the Group and its strategic goals and it reviews and approves the remuneration policies and remuneration for the Executive Directors, members of the Executive Committee, Material Risk Takers and any other employees for whom enhanced oversight is either appropriate, or a regulatory requirement.

Risk and Compliance Committee

The Risk and Compliance Committee assists the Board in meeting its risk management, regulatory, compliance and internal control responsibilities. In discharging these governance responsibilities, the Committee Chair liaises 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.

Brooks Macdonald Group Board

Current	Non-current
Alan Carruthers (Chairman) Andrew Shepherd[1] Ben Thorpe Lynsey Cross[1] Richard Price John Linwood Dagmar Kershaw[2] Robert Burgess[3]	David Stewart[4] Diane Seymour-Williams[5] Caroline Connellan[6]

	Audit Committee	Nominations Committee	Remuneration Committee	Risk and Compliance Committee	Disclosure Committee
Current	• Richard Price (Chair) • John Linwood • Dagmar Kershaw[2] • Robert Burgess[3]	• Alan Carruthers (Chair) • Richard Price • John Linwood • Dagmar Kershaw[2] • Robert Burgess[3]	• John Linwood (Chair) • Richard Price • Dagmar Kershaw[2] • Robert Burgess[3]	• Robert Burgess (Chair)[3,7] • Richard Price • John Linwood • Dagmar Kershaw[2]	• Alan Carruthers (Chair) • Andrew Shepherd[1] • Richard Price • Ben Thorpe
Non-current	• David Stewart[4] • Diane Seymour-Williams[5]	• David Stewart[4] • Diane Seymour-Williams[5]	• David Stewart[4] • Diane Seymour-Williams[5]	• David Stewart[4,8] • Diane Seymour-Williams[4]	• Caroline Connellan[6]

1. Appointed 13 July 2021
2. Appointed 1 July 2020
3. Appointed 1 August 2020
4. Resigned 31 July 2020
5. Resigned 27 October 2020
6. Resigned 27 May 2021
7. Appointed as Chair 1 August 2020
8. Resigned as Chair 31 July 2020

Executive Committee

Andrew Shepherd (Chair)
Lynsey Cross
Robin Eggar
Tom Emery
Richard Hughes
Alick Mackay
Edward Park
Ben Thorpe
Priti Verma

Board and Committee structure continued

List of Board meetings and attendance

	Board	Audit	Nominations	Remuneration	Risk and Compliance	Disclosure
Number of scheduled meetings held during the year	6	6	3	6	5	0
Caroline Connellan[1]	5 5	-	-	-	-	-
Ben Thorpe	6 6	-	-	-	-	-
Alan Carruthers	6 6	-	3 3	-	-	-
John Linwood	6 6	5 6	3 3	6 6	5 5	-
Richard Price	6 6	6 6	3 3	5 6	5 5	-
Diane Seymour-Williams[2]	2 2	2 3	0 0	2 2	2 2	-
David Stewart[3]	1 1	0 0	0 0	0 1	0 0	-
Dagmar Kershaw[4]	6 6	6 6	3 3	6 6	5 5	-
Robert Burgess[5]	5 5	6 6	3 3	5 5	5 5	-

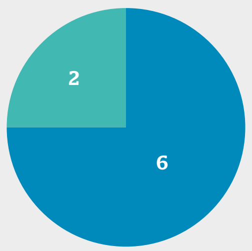
Attended Meetings

1. Resigned 27 May 2021
2. Resigned 27 October 2020
3. Resigned 31 July 2020
4. Appointed 1 July 2020
5. Appointed 1 August 2020

John Linwood, Richard Price, Diane Seymour-Williams, David Stewart, Dagmar Kershaw and Robert Burgess were independent Non-Executive Directors during the year.

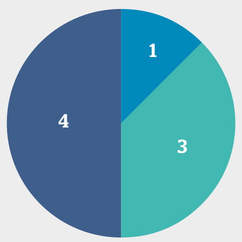
Board composition statistics as at 15 September 2021

Gender diversity



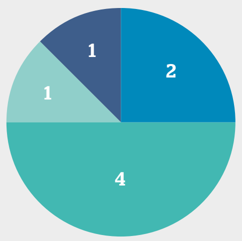
- Male
- Female

Independence



- Chairman
- Executive Directors
- Non-Executive Directors

Board tenure



- <1 year
- 1-3 years
- 3-5 years
- >5 years

Board of Directors

Chair of the Board

Role and responsibilities

- Leading and managing the Board
- Setting the agenda, including discussion of issues of strategy, performance, accountability and risk
- Providing and promoting constructive challenge to management
- Setting clear expectations on culture, values and behaviours
- Performance evaluation of the Board and CEO

Senior Independent Director

Role and responsibilities

- Acting as a sounding board for the Chairman
- Acting as an intermediary for the other Directors
- Providing an alternative channel of communication for investors, primarily on Corporate governance matters
- Leading the evaluation of the Chairman and leading the search for a new Chairman when necessary

CEO

Role and responsibilities

- Leading the Group
- Developing, recommending and executing strategies and strategic priorities
- Maintaining relationships with shareholders and other stakeholders
- Developing the Group's executive management capability
- Overall development of Group policies and communicating the Company's values

Independent Non-Executive Directors

Role and responsibilities

- Contributing constructive, independent challenge and rigour
- Assisting in the development of the Company's strategy
- Ensuring the integrity of financial information, controls and risk management processes
- Monitoring the performance of the Executive Directors against agreed goals and objectives
- Serving on Board Committees

Chief Financial Officer

Role and responsibilities

- Supporting the CEO in developing and implementing strategy
- Providing strategic financial leadership and day-to-day management of the finance function
- With the CEO, explaining performance to shareholders
- Responsibility for the Group's product and service innovation agenda

Chief Operating Officer

Role and responsibilities

- Supporting the CEO in developing and implementing the operational strategy
- Leading the transformation of the Group's operating platform in partnership with SS&C
- Responsibility for the Group's Technology and Operations, including the Business Continuity plans during remote working
- Oversight of the Group's real estate and Corporate social responsibility agenda
- Responsibility for the Group's Marketing strategy and public relations

Board of Directors continued

Read the Board biographies on pages 80 to 81

> “In May, I was delighted to announce the appointment of Andrew Shepherd as our new Group CEO.”
>
> **Alan Carruthers**
> Chairman

Board of Directors continued

Chairman

Alan Carruthers
Non-Executive Chairman

Key skills and experience

- Effective Chairman, leading from the front while also leveraging the skills and experiences of his Board colleagues
- Experienced financial services practitioner

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

Andrew Shepherd
CEO designate

Key skills and experience

- Distinctive people leader
- Unrivalled experience of the industry
- Deep affinity with the Brooks Macdonald culture

Andrew was appointed CEO designate of Brooks Macdonald in 2021, having been with the organisation for almost twenty years. Andrew began his career at Brooks Macdonald as an Investment Manager, becoming Managing Director and then Group Deputy CEO in 2015. In 2019, Andrew took on the role of CEO of the International business, focussing on building the culture whilst reorganising and preparing the business for growth.

Andrew has unrivalled experience and knowledge of the industry with more than 27 years' experience in financial services and investment management. Prior to joining Brooks Macdonald, Andrew worked at Shepherd Associates Financial Management, qualifying as a financial planner prior to holding the position of Investment Director.

Ben Thorpe
Chief Financial Officer

Key skills and experience

- Brings strong commercial perspective to leadership of the business
- Extensive experience of senior finance roles in wealth management and banking

Ben joined Brooks Macdonald in August 2018 as Group Finance Director and an Executive Director on the Group Board and a member of the Disclosure Committee. He has 19 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 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.

Lynsey Cross
Chief Operating Officer

Key skills and experience

- Broad experience across financial services
- Track record in a variety of C-suite roles

Lynsey joined Brooks Macdonald in May 2020 as Chief Operating Officer ("COO"). Lynsey is responsible for advancing how the Group serves their advisers and clients and leads the Group's investment in technology, systems and processes.

With over 25 years of financial services experience, Lynsey has worked in a number of senior roles across both asset management and insurance. More recently she was CEO of ANV Group until she led the company through its acquisition to AmTrust. She was then appointed COO of AmTrust International to oversee their complex integration program.

Additionally, Lynsey is Chair of Diversity and Inclusion at Insurance Institute London and is a Non-Executive Director of MSE NHS Foundation Trust.

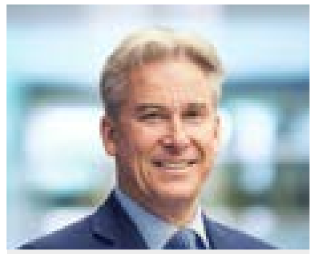
Non-Executive Directors

Richard Price
Independent Non-Executive Director

Key skills and experience

- Appointment as Senior Independent Director reflects his deep understanding of the Group's history and strategy
- Big Four accounting experience underpins leadership of the Audit Committee

Richard joined Brooks Macdonald in 2014 as a Non-Executive Director. He is the Senior Independent Director (subject to FCA approval) and Chair 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 and Alpha Bank London Limited.



Robert Burgess
Independent Non-Executive Director

Key skills and experience

- Brings significant executive and non-executive experience to the Board and the role of Risk and Compliance Chair
- Broad financial services experience, particularly in wealth management, asset management, banking and FinTech
- Significant experience of high-growth businesses

Robert joined Brooks Macdonald as a Non-Executive Director in August 2020 and is Chair of the Risk and Compliance Committee and a member of the Audit, Remuneration and Nominations Committees. Currently a Non-Executive Director at Oaknorth Bank, Robert chairs both the Risk and Compliance Committee and the Credit Committee. Robert is also the Chairman of Invest & Fund, a specialist FinTech business. Robert has over 25 years Financial Services experience across leading Banking, Wealth, Asset Management and FinTech firms. He has held senior executive positions including at Lloyds Banking Group and Scottish Widows, and he was previously a Board Director of Alliance Trust plc and CEO of Alliance Trust Savings.

Dagmar Kershaw
Independent Non-Executive Director

Key skills and experience

- Senior financial services professional with broad experience, particularly in business development
- Significant expertise across the investment management sector

Dagmar joined Brooks Macdonald in July 2020 as a Non-Executive Director. She is a member of the Nominations, Remuneration, Audit and Risk and Compliance Committees. Currently a senior advisor to Strategic Value Partners, and a non-executive director of both Aberdeen Smaller Companies Income Trust Plc and Volta Finance limited, Dagmar has over 25 years' experience in debt and fixed income markets, with a particular focus on alternative and structured investing. Dagmar previously spent eight years at Intermediate Capital Group as Head of Credit Fund Management, and ten years in senior positions at M&G Investments. Dagmar is a Trustee of Laurus Trust.

John Linwood
Independent Non-Executive Director

Key skills and experience

- A deep understanding of technology, cyber security, AI and digital transformation having held senior roles at some of the world's largest global organisations in the technology and media industries
- Brings wide-ranging business and leadership experience to the role of Remuneration Committee Chair
- Experienced Non-Executive Director across FTSE, AIM and private companies as well as Government institutions

John joined Brooks Macdonald as a Non-Executive Director in 2018. He is Chairman of the Remuneration Committee and is a member of the Audit, Nominations and Risk and Compliance Committees. 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 a Non-Executive Director of National Grid ESO.

Executive Committee

Andrew Shepherd
CEO designate

See Andrew's biography on page 80

Ben Thorpe
Chief Financial Officer

See Ben's biography on page 80

Lynsey Cross
Chief Operating Officer

See Lynsey's biography on page 80

Robin Eggar
Managing Director, Head of UK Investment Management

Robin is Managing Director, Head of UK Investment Management at Brooks Macdonald Group and a member of the Executive Committee. In his role, Robin has overall responsibility for running the UK Investment Management and private clients arm of the business and a focus to deliver on the agreed strategy of the Group.

Robin joined Brooks Macdonald in 2001 as a Trainee Investment Manager as part of the Group's graduate training programme. Before becoming MD, Robin established his career in Brooks Macdonald by building and growing his own investment team before assuming management of the wider London Investment Teams.

Robin is a qualified Investment Manager, holds a master's degree in Economic History from the University of Edinburgh and is a chartered member of the CISI.

Tom Emery
Human Resources Director

Tom is the HR Director of the Brooks Macdonald Group and a member of the Executive Committee. Joining Brooks Macdonald in 2017, Tom owns all areas of the HR and people strategy including HR business partnering, performance and reward, HR operations, talent and development, and HR governance.

Tom has spent over 15 years working in HR in industries such as finance, retail, technology and local government. Prior to joining Brooks Macdonald, Tom worked at HSBC for seven years in various roles, including leading HR for First Direct Bank and running HR Operations.

Tom was one of LGBT Great's #50For50 Executives, and since then has regularly appeared in LGBT Great's top 100 executive allies. Tom has a degree in Linguistics from the University of Manchester and a post-graduate diploma in Human Resources Management from the University of Salford.

Richard Hughes
CEO International

Richard joined Brooks Macdonald in 2013 and oversaw the firm's international marketing, distribution and business development strategy. In 2019, Richard assumed the role of Deputy CEO, International before taking over as CEO International in 2021, sitting on the Executive Committee.

Richard previously held the position of Business Development Director at Vistra Group. Prior to this, Richard was a Relationship Manager at BNP Paribas Securities Services where he advised global asset manager clients around the provision of fund administration, custodian and depository services.

Richard is a Chartered Member of the Chartered Institute for Securities & Investment ("CISI") and the Institute of Directors ("IoD").

Richard is Chairman of Cancer Research UK Jersey, a voluntary position.

Alick Mackay
Strategy and Corporate Development Director

Alick Mackay is the Strategy and Corporate Development Director of the Brooks Macdonald Group, and a member of the Executive Committee.

Joining Brooks Macdonald in 2017, Alick owns all areas of the strategy and corporate development agenda, including the Group's approach to potential acquisitions and disposals.

Alick has spent over 30 years working in financial services, principally in wealth management and banking, in roles covering strategy, consulting, COO and technology. Immediately prior to joining Brooks Macdonald, Alick worked at Royal Bank of Scotland for 10 years, leading the strategy team in the investment bank and playing a COO role in the capital markets business. He has also worked for ABN AMRO and McKinsey.

Alick has a degree in Mathematics and Natural Philosophy from the University of Aberdeen, an MSc in Mathematics from the Open University and an MBA from Columbia Business School, New York.

Edward Park
Chief Investment Officer

Edward joined Brooks Macdonald in 2009 and is the Chief Investment Officer sitting on the Executive Committee. He is responsible for the construction and implementation of our investment process through oversight of the investment buylist, our investment rules and the firm's asset allocation positioning. Edward sits on the Investment, Asset Selection and Asset Allocation Committees and is a leading spokesperson for Brooks Macdonald.

In addition to his role within the Centralised Investment Proposition, Edward retains private client relationships to ensure he is involved throughout the investment process.

Edward is a Chartered Financial Analyst ("CFA") Charterholder.

Priti Verma
Chief Risk Officer

Priti is Chief Risk Officer ("CRO") of Brooks Macdonald Group and a member of the Executive Committee. Priti joined the Group in 2018 and led a risk management transformational project with responsibility for the Group Risk, Investment Risk, Compliance and Financial Crime functions and day-to-day oversight of the outsourced internal audit relationship.

Having started her career at one of the Big 4, Priti has over 20 years of experience in financial services, predominantly overseeing risk, compliance and internal audit activities in asset and wealth management firms.

Priti has a Master's in Chemical Engineering where she studied the principles of risk management and process optimisation and has delivered multiple regulatory projects throughout her career interacting with regulators in multiple jurisdictions. Priti currently sits on the Investment Association Strategic Business and Risk Committee.

Audit Committee report

Role and responsibilities

The Audit 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 risk management framework and internal controls

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

Composition and meetings

For most of the year, the Audit Committee comprised Richard Price (Chair), John Linwood, Dagmar Kershaw and Robert Burgess, with Robert joining the Committee following his appointment as a Non-Executive Director on 1 August 2020. David Stewart and Diane Seymour-Williams were also members of the Committee up until 31 July 2020 and 27 October 2020 respectively.

Membership of the Audit Committee is restricted to independent Non-Executive Directors. The CEO, Chief Financial Officer, Chief Risk Officer and representatives of the internal and external auditors routinely attend meetings. The Committee meets with representatives of the internal and external auditors without management present at least once a year. Richard Price has recent and relevant financial experience and the Company believes that the Committee as a whole has competence relevant to the sector in which the Company operates.

The Audit Committee's attendance during the year ended 30 June 2021 is set out in the summary table on page 76.

The Audit Committee's areas of focus

Financial reporting	• Reviewed the Interim and Annual Report and Accounts, ensuring these are fair, balanced and understandable for shareholders and other end users; • Reviewed the polices, key assumptions, and judgements applied in the preparation of the Interim and Annual Report and Accounts, including the external auditors' feedback on financial reporting changes and the Group's financial controls; • Reviewed reports from management on the preparation of the Interim and Annual Report and Accounts, including the accounting of the Lloyds Channel Islands acquisition; • Reviewed the key reporting considerations for the Group's Annual Report and Accounts presented by management with reference to the Financial Reporting Council letter issued in November 2020; 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; • 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 auditors, 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.
Routine matters	• Reviewed the Committee's composition, minutes of prior meetings and its Terms of Reference.

Audit Committee report continued

Internal audit

The Group has outsourced its internal audit function to KPMG since September 2018. KPMG formally report 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 three-year 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 CEO 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 LLP ("PwC"). PwC are coming up to their tenth year as the Group's external auditors. During the year, Jeremy Jensen took over from Natasha McMillan as the audit partner in charge of the Group's audit. As an AIM-listed company, Brooks Macdonald is not required to rotate its audit firm after ten years and, given the challenges posed by COVID-19 and following the guidance given by the Financial Conduct Authority, Financial Reporting Council and Prudential Regulation Authority, the Group does not feel that this is a suitable time to change its auditors. The Group will, however, consider undertaking a tender process when it feels the time is appropriate.

During the year, the Audit Committee monitored the Group's policy on external audit and evaluated and reviewed the independence and effectiveness of PwC in their role. No material issues were raised during the course of the year. The Committee agreed the external audit and assurance fees and reviewed the audit engagement letter. Details of the auditors' remuneration is provided in Note 7 to the Consolidated financial statements included within the Annual Report and Accounts.

The Audit Committee is satisfied that PwC has conducted an effective audit for the year ended 30 June 2021.

Independence and non-audit services

The Audit Committee recognises the fact that, given their 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 that there is no impact on the auditors' objectivity and independence. Monetary sign-off limits are provided within the framework of the Non-Audit Services Policy which was updated and reviewed by the Committee during the year.

Financial reporting

The Committee reviewed the significant issues set out below in relation to the Group's Annual Report and Accounts for the year ended 30 June 2021. Discussions were held with management throughout the year and the Committee is comfortable the Consolidated financial statements included within the Annual Report and Accounts address the judgements and estimates applied, as well as, the disclosures agreed. These significant issues were also reviewed with the external auditors with the Committee's conclusions being in line with the auditors'.

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 is satisfied that the 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 in view of the accelerated withdrawals from the previously acquired business, DPZ Limited seen during the year, the estimated useful economic life of the intangible assets associated with this business is reduced and accordingly approved the recognition of an impairment charge of £1.5 million. The Committee concluded that the assumptions and judgements used in assessing the remaining client relationship intangible assets were reasonable and appropriate. The Committee was also in agreement with the useful economic life of the client relationships arising from the Lloyds Channel Islands acquisition during the year.
Acquisition accounting (see Note 10)	The Committee reviewed management's accounting of the Lloyds Channel Islands acquisition, including the methodology for valuing the intangible assets in arriving at the gain on bargain purchase arising on acquisition and concluded that it was appropriate. The Committee also assessed the reasonableness of the amount recognised on the balance sheet at 30 June 2021 in respect of the discounted deferred contingent consideration for the business of up to £0.3 million payable in November 2022 based on set FUM client attrition rates, and concluded this was appropriate.
Operating platform costs	The Committee reviewed management's accounting of the Group's spend in connection with the new operating platform under the strategic partnership entered into during the year with SS&C Technologies and is in agreement with the treatment of the capitalised costs on the balance sheet and the dual running costs recognised during the year.

Whistleblowing

The Group's whistleblowing policy was reviewed and agreed by the Audit Committee during the year. Responsibility for whistleblowing rests with Richard Price, Chair of the Audit Committee, who has the role of the Group's overall "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. Ultimate responsibility for whistleblowing rests with the Board. No incidents of whistleblowing were reported during the year.

Approval

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

Richard Price
Audit Committee Chair

15 September 2021

Nominations Committee report

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. This includes conducting the annual Board effectiveness review. 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 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.

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 Committee comprises Alan Carruthers (Chair), Richard Price, John Linwood, Dagmar Kershaw and Robert Burgess. 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. The attendance of each Committee member during the year is shown on page 76 of the Annual Report.

Main activities during the year

The Nominations Committee has overseen a number of Board changes during the last year, culminating in the announcement of Andrew Shepherd as the Group's new CEO designate and his appointment to the Board, along with our Chief Operating Officer, Lynsey Cross.

The year began with Dagmar Kershaw joining the Board on 1 July 2020 and Dagmar was closely followed by Robert Burgess who was appointed on 1 August 2020. The Company arranged a joint induction programme for them, involving a variety of presentations and meetings with people from both inside and from outside the Company. These included an overview of the Group, its structure, strategy and performance, as well as, sessions with those responsible for each individual business area. External meetings included those around directors' SM&CR and other regulatory responsibilities, together with a briefing from the Company's Nominated Adviser giving a market overview and explaining AIM requirements.

The resignation of Caroline Connellan as CEO in May 2021 required the Committee to consider her successor. The Company's effective succession plan and the significant time and resources devoted to developing our people meant that the Committee was able to appoint the new CEO from within the Company rather than having to go through an external process.

The Committee agreed unanimously that our then CEO International and Group Deputy CEO, Andrew Shepherd, was the right person to lead the Group and build on its successes to date. His success in reinvigorating our International business, combined with his deep knowledge of the Group and its culture, having worked at Brooks Macdonald for almost 20 years, made him the ideal candidate. Andrew has started his new role strongly and we look forward to his leadership ensuring that the Group continues to create shareholder value and deliver outstanding service for our clients and intermediaries. At the same time that Andrew was appointed to the Group Board, the Committee also decided to appoint Lynsey Cross, our Chief Operating Officer, as a Group Board Director.

This both strengthens the range of skills and knowledge of the Board, as well as, recognising the outstanding work that Lynsey has done since joining the Company.

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. As well as our success in appointing internal talent to the Group Board, Edward Park succeeded Richard Spencer as Chief Investment Officer and Richard Hughes took over from Andrew Shepherd as CEO of Brooks Macdonald International following successful spells as deputies to these roles. The Committee is also committed to maintaining an appropriate balance of skills, experience, independence and diversity across the Group. Further information on the Group's approach to succession planning can be found in the Corporate responsibility report on page 61.

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 appropriate. Whenever external search consultancies are used in the recruitment of Board and senior members of management, they are asked to provide diverse lists of candidates. Further details on the Group's approach to diversity are included in the Corporate responsibility report on page 59 with details of the gender balance of the Company's senior management shown on page 61.

Board effectiveness

The Committee is responsible for overseeing an annual evaluation of the Board, its Committees, the Chair and individual Directors. This includes a review of the composition, diversity and effectiveness of the Board and its Committees and the contribution of each Director. Given the ongoing COVID-19 pandemic, it was agreed that the evaluation should again be conducted internally. This was carried out in June 2021 and a secure, online questionnaire was employed which ensured the anonymity of responses received. This provided an opportunity for each of the Directors to review the processes and procedures of the Board and to scrutinise the performance of themselves and their colleagues. The feedback received was very positive in nature, both concerning the Board as a whole and its Committees. A small number of points were raised for further consideration:

- The Board was very keen to return to having both in person Board meetings and other gatherings where they could discuss topics informally
- Directors would like to have broader debates on a range of subjects, with customer views and succession planning given as examples

The Chair undertook to discuss these matters with his colleagues and agree an action plan to address them. The progress against these actions will be reported on in next year's Annual Report and Accounts. The use of an externally facilitated Board evaluation is also under consideration for a future year.

Last year, a small number of issues for consideration were raised in the Board evaluation. Over the course of the year, the Company took steps to address these matters in order to assist the Board in improving its performance. Further details of the actions involved are given below.

- The Board requested more benchmarking and to receive additional information on the wider market – Board papers have sought to provide more context about the wider market. The results of this year's evaluation suggest that the Board feel they are being given good quality information and that it continues to improve.
- More dedicated time in meetings for broader debate on the implementation of the Group's strategy and future priorities – the Group's strategy refresh was a large part of the agenda in the early part of the year. This year's Board evaluation indicated the Board's satisfaction with how strategy had been covered in the year.
- While the quality of Board papers was generally good, the Board would prefer papers to be shorter and more focused, as well as delivered earlier – management have sought to keep Board papers relatively concise, using appendices where it was felt that more detail may be useful. In addition, efforts have been made to improve timeliness of the circulation of Board papers. As a result, the Board evaluation produced lots of positive comments about the papers and their distribution.

Corporate governance

The Company has chosen to follow the Corporate Governance Code and this is the second year that the Company has reported against the 2018 version of the Code.

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

15 September 2021

Remuneration Committee report

John Linwood
Remuneration Committee Chair

Introduction

On behalf of the Remuneration Committee and the Board, I am pleased to present the Directors' Remuneration report for the financial year ended 30 June 2021 which comprises my Annual Statement, the Annual Report on Remuneration and the Directors' Remuneration Policy. The Annual Report on Remuneration provides a detailed account of each Director's individual total remuneration and sets out the variable pay earned for each Director and how this relates to the Group's performance outcomes for the year and over the longer term. The Directors' Remuneration Policy sets out the framework within which Executive Directors are paid.

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. This has been particularly important and challenging given the COVID-19 pandemic and its continued impact on our business and people.

Key activities of the Committee during the year have included:

- Overseeing a change of Chief Executive and Board leadership and engaging with all stakeholders to ensure a smooth and seamless transition. This included the careful consideration and determination of the remuneration packages for the Executive Directors.
- Ben Thorpe, Chief Financial Officer, took on increased responsibilities including the ownership of the Product and Propositions for the Group following the departure of the former CEO, Caroline Connellan. Ben has also stepped up to lead the Group's M&A activities. In recognition of Ben's wider duties and to ensure his continued retention, motivation and engagement in the long-term success of the Group, the Committee approved a one-off exceptional LTIP award of 7,626 shares for Ben.
- Reviewing the appropriateness of the Long-Term Incentive awards for Executive Directors and following comprehensive consultation with all stakeholders, designing a new performance-based LTIP award more closely aligned to shareholder interests in order to help deliver the Group's ambitious strategic aims.
- Focussing on the integration of the Lloyds Banking Group's Channel Islands wealth management and funds business following its acquisition in 2020, and the partnership with SS&C announced in October 2020.
- Considering the appropriateness of a post-cessation shareholding policy for Executive Directors. It was determined the existing two-year post vesting holding period applicable to all LTIP awards, in conjunction with the Group's malus and clawback policy, provide sufficient protection to the business and consequently it was not considered necessary to also introduce a post-cessation shareholding policy at this present time. Whilst this is a departure from the Corporate Governance Code, this will remain under review by the Committee.
- Overseeing the details and publication of the Group's third annual gender pay gap report. The Group was pleased to report a continued steady reduction in both mean gender pay and bonus gaps.
- Reviewing individual remuneration for all employees in Material Risk Taker and senior Risk and Compliance roles as required under the FCA Remuneration Code.
- The Committee also received regular updates around developments in the governance and regulation of remuneration structures from both internal and external sources, and has taken action to ensure the Group's remuneration approach reflects best practice in this regard as well as rewarding high performance and conduct aligned to our risk management framework and Guiding Principles. At the invitation of the Committee Chair, the CEO and HR Director attend some or all of each meeting. The CRO also advises the Committee on matters relating to remuneration as required. However, no Executive is present when matters relating to their own remuneration are being discussed.

Incentive outcomes for the year

The Group has maintained good performance with funds under management increasing during the financial year from £13.7 billion to £16.5 billion, an increase of 20.3%. This reflects the FUM acquired as part of the Lloyds Channel Islands acquisition in November 2020 of £0.9 billion and positive investment performance of £2.2 billion, partly offset by organic net outflows of £0.3 billion. Underlying profit before tax increased by 33.0% to £30.6 million, ahead of the £23.0 million reported in FY20. Underlying profit before tax margin rose from 21.2% to 25.9% in line with our ongoing and continued commitment to increase profit margins in the medium term.

Following Caroline Connellan's resignation on 27 May 2021, the only Board member to be awarded an annual bonus in respect of Executive Director responsibilities in FY21 was the Chief Financial Officer. In line with previous years, this was awarded against three financial measures: net organic growth in funds under management, underlying profit before tax, and underlying profit before tax margin, and one non-financial measure for strategic and personal objectives. The weightings of the metrics remained the same as previous years with equal weighting to the financial metrics (20% each) and 40% on strategic and personal objectives.

The business has made excellent progress this year and has significantly increased both underlying profit before tax and underlying profit margin. In addition, excellent progress has been made against non-financial targets and this has resulted in a bonus outcome of 120% of base salary (out of a 150% of base salary opportunity). One-third of the bonus earned will be deferred into shares for up to three years. The Remuneration Committee is satisfied that the bonus outcome reflects the overall performance of the Group over the year.

The conditional awards granted in 2019 under the 2018 Long-Term Incentive Plan will vest to Ben Thorpe on 1 November 2021. The conditional awards granted to Caroline Connellan lapsed following her resignation. Such awards were subject to the following performance underpins being met:

- Average Group FUM for the financial year immediately prior to the vest date exceeding the average Group FUM for the financial year ending immediately prior to the date of grant.
- Total dividend for the financial year immediately prior to the vest date exceeding the total dividend for the financial year ending immediately prior to the date of grant.
- Satisfactory risk, compliance, governance and internal control environment across the vesting period.

An assessment against the performance conditions has been made and the Remuneration Committee has confirmed that these have been met. All LTIP awards are subject to a two-year holding period post vest date .

After review, the Remuneration Committee has not applied any discretion in amending the bonus or LTIP outcomes.

Long-term incentive awards granted during the year

Awards of restricted shares were made to the Executive Directors and other members of the Executive Committee under the 2018 Long-Term Incentive Plan ("LTIP") in October 2020. The LTIP awards are subject to continued service and underpins relating to dividends, funds under management and risk and compliance. These awards have a vesting date of October 2023.

In addition, as previously mentioned, a one-off LTIP award was made to Ben Thorpe in June 2021. This exceptional award was made in the context of Caroline Connellan's departure and in recognition of Ben's increased responsibilities in taking ownership of the Group's Product and Propositions, as well as M&A activities. The intention of the award is to ensure continued retention, motivation and engagement and to ensure Ben continues to build a stake in the Group.

Workforce engagement

During FY21, John Linwood continued to be the designated Non-Executive Director to lead the Board's engagement with our people. Various engagement activities, including staff discussion groups, were undertaken to encourage dialogue, get a sense of employee engagement and morale and to provide an opportunity for employee feedback to be brought to the attention of the Board. Whilst no explicit discussion regarding how Executive remuneration aligns with the wider pay policy was held, which is a departure from the Corporate Governance Code, we plan to include this on the staff discussion agenda next year. The Group also runs a regular staff survey which elicits feedback from staff around a number of areas, including

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compensation and benefits. Executive Directors regularly meet with employees through other mechanisms such as all-staff town halls, focus groups, visiting regional offices and joining team meetings. These activities have been continued remotely through lockdown.

Approach to remuneration in FY22

The Committee undertook a review of the remuneration arrangements of the newly appointed and existing Executive Directors. The Committee approved a salary of £400,000 for the newly appointed CEO, Andrew Shepherd and £290,000 for Lynsey Cross, COO, following her appointment onto the Board. Ben Thorpe was also awarded a salary increase to £350,000 from £331,000 in recognition of his change in role to Chief Financial Officer and taking on key strategic responsibility for Product and Propositions as well as leading M&A activity for the Group. All salary increases were effective from 1 July 2021. The Remuneration Committee considers the salary levels to be reflective of the contribution, experience and calibre of the Executive Directors and the salaries for all three Executive Director roles were benchmarked against available market data.

In addition, the Committee consulted with the Company's largest investors with regards to the Executive Director LTIP scheme.

In recent years, awards to Executive Directors have been in the form of restricted shares, with a face value on grant of 50% of salary. These awards vest after a three-year period subject to the achievement of pre-grant underpin tests. Any vested awards are subject to a further two-year post-vesting holding period.

However, with the appointment of the new CEO and in response to shareholder feedback following a comprehensive consultation exercise, the Committee has decided to no longer award restricted shares to Executive Directors. Instead, a performance-based LTIP will be awarded from the current financial year (FY22) onwards. Performance share awards will vest depending on the extent to which they meet stretching performance targets measured over a three-year period. Awards will vest on the third anniversary of grant and must be held by the recipient for a further two years.

The metrics for the award to be granted in FY22 will be based on underlying, diluted Earnings Per Share ("EPS") as well as a basket of ESG-based metrics. 90% of the award will be based on the EPS target and 10% will be based on ESG targets. The grant levels for the CEO and CFO will be 200% of base salary and the COO's award will be 100% of base salary. These awards will only vest based on achieving significantly challenging targets. While the restricted share structure served its purpose during a period of strategic transition, the Remuneration Committee believes a more geared, performance-based structure, more closely aligned with shareholder interests, is appropriate at this juncture as we seek to deliver on our ambitious growth aims. As mentioned earlier, some of our leading shareholders have recommended this switch and others consulted were broadly supportive. We believe performance shares will not only promote greater engagement from the Executive Directors but will also fully align their long-term remuneration arrangements with shareholder and broader stakeholder outcomes.

For FY22, the Executive Directors' annual bonus structure will remain unchanged from last year and will continue to be based on performance against three financial measures: net organic growth in funds under management, underlying profit before tax, and underlying profit before tax margin; and strategic and personal objectives. There is no change to the weighting of the financial and non-financial elements in FY22.

The Committee believes the proposed approach to remuneration is appropriate to retain and incentivise a talented management team is in line with shareholder interests and is appropriately benchmarked against market data. We hope you will be supportive of the advisory remuneration resolution which will be tabled at the Annual General Meeting on 28 October 2021.

Annual report on remuneration

Total remuneration for the financial year to 30 June 2021 (audited)

£'000		Salary and fees	Pension-related benefits	Taxable benefits[1]	Annual bonus[2]	Long-term incentives[3]	Sharesave[4]	Other payment	Total fixed remuner-ation	Total variable remuner-ation	Total
Executives											
Ben Thorpe	**2021**	**323**	**24**	**2**	**397**	**–**	**4**	**–**	**349**	**401**	**750**
	2020	281	25	2	270	27	4	198	308	499	807
Caroline Connellan[5]	**2021**	**364**	**26**	**4**	**-**	**155**	**–**	**–**	**394**	**155**	**549**
	2020	358	32	3	343	63	–	110	393	516	909
	2021	**687**	**50**	**6**	**397**	**155**	**4**	**–**	**743**	**556**	**1,299**
	2020	639	57	5	613	90	4	308	701	1,015	1,716
Non-Executives											
Alan Carruthers	**2021**	**200**	**–**	**–**	**–**	**–**	**–**	**–**	**200**	**–**	**200**
(Chairman)	2020	187	–	–	–	–	–	–	187	–	187
Robert Burgess[6]	**2021**	**64**	**–**	**–**	**–**	**–**	**–**	**–**	**64**	**–**	**64**
	2020	–	–	–	–	–	–	–	–	–	–
Dagmar Kershaw[7]	**2021**	**60**	**–**	**–**	**–**	**–**	**–**	**–**	**60**	**–**	**60**
	2020	–	–	–	–	–	–	–	–	–	–
John Linwood	**2021**	**70**	**–**	**–**	**–**	**–**	**–**	**–**	**70**	**–**	**70**
	2020	66	–	–	–	–	–	–	66	–	66
Richard Price	**2021**	**79**	**–**	**–**	**–**	**–**	**–**	**–**	**79**	**–**	**79**
	2020	67	–	–	–	–	–	–	67	–	67
Diane Seymour-Williams[8]	**2021**	**20**	**–**	**–**	**–**	**–**	**–**	**–**	**20**	**–**	**20**
	2020	59	–	–	–	–	–	–	59	–	59
David Stewart[9]	**2021**	**7**	**–**	**–**	**–**	**–**	**–**	**–**	**7**	**–**	**7**
	2020	74	–	–	–	–	–	–	74	–	74
Colin Harris[10]	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2020	22	–	–	–	–	–	–	22	–	22
	2021	**500**	**–**	**–**	**–**	**–**	**–**	**–**	**500**	**–**	**500**
	2020	475	–	–	–	–	–	–	475	–	475
Total remuneration	**2021**	**1,187**	**50**	**6**	**397**	**155**	**4**	**261**	**1,243**	**556**	**1,799**
	2020	1,114	57	5	613	90	4	308	1,176	1,015	2,191

Notes to the total remuneration table

1. Taxable benefits relate to private medical insurance.
2. The amounts represent the total annual bonus value awarded in respect of the relevant financial year, comprising both cash and share awards. For FY21, the cash payment comprised 66.7% of total annual bonus value and the deferred share award 33.3%.
3. Represents the market value on vest date of any long-term incentive awards vested during the relevant financial year. The share awards that vested during the year for Caroline Connellan comprise 7,458 LTIS awards, and 1,525 LTIS awards, at a market value of £16.49 and £21.00 respectively.
4. Value of benefit associated with discount of the 2020 scheme.
5. Resigned 27 May 2021.
6. Appointed 1 August 2020.
7. Appointed 1 July 2020.
8. Resigned 27 October 2020.
9. Resigned 31 July 2020.
10. Resigned 31 October 2019.

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Annual variable pay outcomes for financial year ended 30 June 2021

The FY21 bonus was based on 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 FY21 structure, a maximum bonus opportunity of 150% of base salary applied to the Executive Director. While the Committee has the discretion to adjust the final outcome to take account of overall performance and exceptional events, no discretion will be applied this year despite the COVID-19 backdrop; the Committee considers that the Remuneration Policy has operated as intended both in terms of Company performance and quantum.

Annual bonus performance targets

For the financial year ended 30 June 2021, bonus was based on the following four metrics (percentage weighting within total bonus opportunity indicated), all of which are aligned to the Group's strategic targets.

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

For all three financial metrics, a sliding scale of targets were set around the budget for the year and account was taken of market consensus and sector performance. Strategic, non-financial objectives were set with a focus on strategy, client, risk and people.

Overall outcome of annual bonus

The overall bonus outcome, including strong performance across all key strategic and personal non-financial measures, resulted in an annual bonus award of 120% of base salary paid to the Chief Financial Officer. 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 criteria (audited)

	Weighting	% of salary at maximum	Threshold[1]	Target[1]	Maximum[1]	Actual for FY21	% of base salary awarded for these criteria
Underlying PBT	20.0%	30.0%	£22.0m	£24.0m	£26.0m	£30.6m	30.0%
Net flows	20.0%	30.0%	2.5%	5.0%	8.4%	(2.0%)	0.0%
Underlying PBT margin (%)	20.0%	30.0%	20.2%	21.9%	23.5%	25.9%	30.0%
Total	**60.0%**	**90.0%**					**60.0%**

1. 33.3% of maximum is payable for Threshold performance, 66.7% of maximum for Target performance and 100% of maximum for Maximum performance.

Performance against non-financial criteria

Strategic objective	Objective	Performance in FY21	Extent to which objective has been met
Strategy	Continued delivery of organic growth strategy, successful integration of acquired business	• Significant progress made in delivering the Group's strategy including the integration of the Cornelian and Lloyds Channel Islands, complementing organic growth actions which have moved the Group back into net flows • An excellent full year result, well ahead of last year's in terms of both underlying profit and underlying profit margin, despite the market volatility and economic uncertainty caused by the continued COVID-19 pandemic • Significant progress made towards delivering adviser and client experience transformation, partnering with SS&C, with project tracking to agreed deadlines and cost	Achieved
People	Ongoing leadership, capability and career development as part of a broader high-performing culture, with continued focus on employee engagement and diversity	• Continued development of leaders through delivery of executive and leadership (mid and senior levels) programmes, and roll out of Group's flagship development programme for client and IFA facing staff, Accelerating Growth • Continued reduction in gender pay gap year-on-year, led broader diversity and inclusion agenda including taking part in #10000blackinterns and supporting the development of the LGBT Great mentoring programme • Ongoing focus on employee engagement, positively reflected in consistently strong engagement scores and focus on employee wellbeing, particularly in the context of the ongoing requirement for remote working. Employee engagement and wellbeing have remained high over the course of the year	Achieved
Client	Focus on consistent delivery of high-quality client and IFA experience, leveraging process improvement and digital.	• Supported clients and advisers through the challenges of COVID-19 by increasing the level of client and adviser support and information, including webinars, tools and ongoing communications to provide better macroeconomic oversight • Ongoing enhancements of core offering and embedded specialist Court of Protection, Responsible Investment Service ("RIS") and Decumulation services, as well as launching a new Private Client offering • Made significant progress in transforming client and adviser experience through digital enhancements, as well as delivered improvements in operations through centralisation and simplification	Achieved
Risk	Maintain a positive and proactive relationship with regulators, ensuring effective risk management. Maintain high standards in managing regulatory matters including delivery of SM&CR.	• Continued steps taken in the ongoing enhancement and embedding of Group-wide risk management framework • Maintained active regulatory engagement in both the UK and Channel Islands to support regulatory requirements and business objectives • Successful implementation and embedding of SM&CR	Achieved

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Overall outcome of the FY21 bonus

	Weighting	% of salary at maximum	% of base salary awarded for these criteria
Strategic and personal objectives	40.0%	60.0%	60.0%
Financial objectives (as above)	60.0%	90.0%	60.0%
Total	**100.0%**	**150.0%**	**120.0%**

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 the Executive Director. Final awards made are detailed in the table below:

Name	Role	Cash (2/3rd)	Deferred shares (1/3rd)	Total	% of base salary[1]
Ben Thorpe	Chief Financial Officer	£264,800	£132,400	£397,200	120.0%

1. Based on base salary of £331,000.

Monetary value of awards made under LTIP and deferred element of annual bonus during FY21 (audited)

Name	FY20 deferred bonus	FY20 LTIPs	One off award	Total
Ben Thorpe	£90,000	£141,000	£175,000	£406,000
Caroline Connellan	£114,000	£180,000	–	£294,000
Total	**£204,000**	**£321,000**	**£175,000**	**£700,000**

Deferred bonus share awards granted during the year (audited)

One third of the FY20 bonus was awarded to the Executive Director in the form of deferred nil cost share options. These awards will vest over three years in three equal tranches after 12, 24 and 36 months.

Name	Basis of award	Date of award	No. of awards	Face value of awards[1]	Vesting date
Ben Thorpe	1/3 of annual bonus	30 Oct 2020	5,489	£90,000	30 Sept 2021/2022/2023
Caroline Connellan	1/3 of annual bonus	30 Oct 2020	6,987	£114,000	30 Sept 2021/2022/2023

1. Based on a share price of £16.375 being the mid-market closing share price on 30 September 2020.

Note that Caroline Connellan's unvested awards as at the date of her cessation of employment lapsed in accordance with the Plan rules.

LTIP awards granted during the year (audited)

Name	Basis of award	Date of award	No. of awards	Face value of awards	Vesting date	End of holding period
Ben Thorpe	50% of salary	30 Sept 2020	7,870	£141,000	30 Sept 2023	30 Sept 2025
	One -off award	23 June 2021	7,626	£175,000	09 June 2024	09 June 2026
Caroline Connellan	50% of salary	30 Sept 2020	10,019	£180,000	30 Sept 2023	30 Sept 2025

A restricted share award under the LTIP was granted to Executive Directors in September 2020 with a face value of 50% of base salary-based on a share price of £17.917 being the three-day average post announcement of results. These awards will vest after three years and a further two-year post-vesting holding period will apply. The LTIP awards are subject to continued service and:

- the maintenance of a satisfactory risk, compliance, governance and internal control environment; and
- a Remuneration Committee assessment that the value being delivered on vesting is commensurate with the underlying financial performance of the Company over the three-year vesting period.

In addition, a one-off LTIP award over 7,626 shares was made to Ben Thorpe in June 2021 based on a share price of £22.95 being the Mid-Market Closing Price ("MMCP") at the date of approval. This exceptional award was made in the context of Caroline Connellan's departure and in recognition of his increased responsibilities around owning Product and Propositions for the Group. The award ensures Ben remains motivated, retained, and continues to build a stake in the Group. Such awards have a three-year cliff vesting profile and are subject to a further two-year post-vesting holding period. The LTIP awards are subject to continued service and:

- the maintenance of a satisfactory risk, compliance, governance and internal control environment; and
- general good health of the Company as assessed by the Remuneration Committee.

All 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. The Committee is able to exercise discretion in circumstances where it considers the award outcomes do not reflect the true performance of the business or individual over that period.

To the extent that they vest, these awards will be shown in the total remuneration table for the financial year ending 30 June 2024.

Note that in accordance with the Plan rules, Caroline Connellan will continue to receive any awards that vest prior to her cessation of employment subject to their original terms. Her unvested deferred bonus share awards and LTIP awards that vest after the date of her cessation of employment lapse in accordance with the Plan rules.

Dilution

All share awards are made in accordance with the Board's dilution policy so that in any rolling period of 10 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, a further limit within this has been set 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. The dilutive effect of LTIP awards issued to date is nil, as these awards are satisfied using market purchased shares.

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Directors' share interests

At 30 June 2021, active Directors' shareholdings were as set out below:

Number of shares	Shares vested but not exercised net of tax	Beneficially owned shares	Value at 30 June 2021	Shareholding as % of base salary
Executives				
Ben Thorpe	18,071	10,408	£457,000	131%
Caroline Connellan (resigned 27 May 2021)	–	–	–	–
Non-Executives				
Alan Carruthers (Chairman)	–	1,450	N/A	N/A
Richard Price (Senior Independent Director)	–	1,450	N/A	N/A
Robert Burgess	–	3,044	N/A	N/A
Dagmar Kershaw	–	–	N/A	N/A
John Linwood	–	300	N/A	N/A
Diane Seymour-Williams (resigned 27 October 2020)	–	–	N/A	N/A
David Stewart (resigned 31 July 2020)	–	–	N/A	N/A
Total	**18,071**	**16,652**		

Vesting profile of all share awards (audited)

The following tables set out details of the Directors' share awards and their vesting profile.

Long-Term Incentive Scheme ("LTIS")

The Long-Term Incentive Scheme was approved by shareholders at the 2010 Annual General Meeting. Awards made to Directors under this scheme were for deferral of annual bonuses and to match awards forgone from previous employers. This scheme has been replaced by the Long-Term Incentive Plan and no awards were made under the previous scheme during the year.

The Long-Term Incentive Scheme has no performance conditions attached but is subject to continued employment by the Group.

B Thorpe

Grant date	Exercise price (p)	Options at 1 July 2020	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2021	Vesting date	Expiry date
21/12/2018	–	6,498	–	–	–	6,498	30/11/2019	21/12/2028
21/12/2018	–	7,079	–	–	–	7,079	30/11/2020	21/12/2028
21/12/2018	–	2,526	–	–	–	2,526	31/10/2021	21/12/2028
Total		**16,103**	**–**	**–**	**–**	**16,103**		

C Connellan

Grant date	Exercise price (p)	Options at 1 July 2020	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2021	Vesting date	Expiry date
03/11/2017	–	1,525	–	(1,525)	–	–	03/11/2020	03/11/2027
Total		**1,525**	**–**	**(1,525)**	**–**	**–**		

Deferred Bonus Plan ("DBP")

The Long-Term Incentive Plan was approved by shareholders at the 2018 Annual General Meeting and encompasses deferral of both annual bonuses (DBP) and conditional awards (LTIP).

The Deferred Bonus Plan awards have no performance conditions attached but are subject to continued employment by the Group.

B Thorpe

Grant date	Exercise price (p)	Options at 1 July 2020	Granted during year	Exercised during year	Lapsed during year	Forfeited during year	Options at 30 June 2021	Vesting date	Expiry date
27/11/2018	–	1,452	–	–	–	–	1,452	31/08/2019	27/11/2028
27/11/2018	–	1,453	–	–	–	–	1,453	31/08/2020	27/11/2028
31/10/2019	–	1,589	–	–	–	–	1,589	30/09/2020	30/09/2029
31/10/2019	–	1,589	–	–	–	–	1,589	30/09/2021	30/09/2029
31/10/2019	–	1,589	–	–	–	–	1,589	30/09/2022	30/09/2029
30/09/2020	–	–	1,829	–	–	–	1,829	30/09/2021	30/09/2030
30/09/2020	–	–	1,829	–	–	–	1,829	30/09/2022	30/09/2030
30/09/2020	–	–	1,831	–	–	–	1,831	30/09/2023	30/09/2030
Total		**7,672**	**5,489**	**–**	**–**	**–**	**13,161**		

C Connellan

Grant date	Exercise price (p)	Options at 1 July 2020	Granted during year	Exercised during year	Lapsed during year	Forfeited during year	Options at 30 June 2021	Vesting date	Expiry date
27/11/2018	–	3,287	–	(3,287)	–	–	–	31/08/2020	27/11/2028
31/10/2019	–	2,022	–	(2,022)	–	–	–	30/09/2020	31/10/2029
31/10/2019	–	2,022	–	–	–	–	2,022	30/09/2021	31/10/2029
31/10/2019	–	2,023	–	–	–	(2,023)	–	30/09/2022	31/10/2029
30/09/2020	–	–	2,329	–	–	–	2,329	30/09/2021	30/09/2030
30/09/2020	–	–	2,329	–	–	(2,329)	–	30/09/2022	30/09/2030
30/09/2020	–	–	2,329	–	–	(2,329)	–	30/09/2023	30/09/2030
Total		**9,354**	**6,987**	**(5,309)**	**–**	**(6,681)**	**4,351**		

Long-Term Incentive Plan ("LTIP") Conditional Awards

The Long-Term Incentive Plan conditional awards are discretionary awards subject to the performance underpins outlined above and continued employment with the Group. All LTIP awards are subject to a two-year holding period post vest date.

B Thorpe

Grant date	Exercise price (p)	Conditional shares at 1 July 2020	Granted during year	Exercised during year	Lapsed during year	Conditional shares at 30 June 2021	Vesting date	Holding period
31/10/2019	–	7,001	–	–	–	7,001	30/09/2022	24 months
30/09/2020	–	–	7,870	–	–	7,870	30/09/2023	24 months
09/06/2021	–	–	7,626	–	–	7,626	09/06/2024	24 months
Total		**7,001**	**15,496**	**–**	**–**	**22,497**		

C Connellan

Grant date	Exercise price (p)	Conditional shares at 1 July 2020	Granted during year	Exercised during year	Lapsed during year	Forfeited during year	Conditional shares at 30 June 2021	Vesting date	Holding period
04/04/2019	–	9,682	–	–	–	(9,682)	–	01/11/2021	24 months
31/10/2019	–	8,910	–	–	–	(8,910)	–	30/09/2022	24 months
30/09/2020	–	–	10,019	–	–	(10,019)	–	30/09/2023	24 months
Total		**18,592**	**10,019**	**–**	**–**	**(28,611)**	**–**		

Remuneration Committee report continued

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 EPS of the Company of at least 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 FY20.

C Connellan

Grant date	Exercise price (p)	Options at 1 July 2020	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2021	Vesting date	Expiry date
18/08/2017	2,011.0	1,491	–	–	–	1,491	18/08/2020	18/08/2027
Total		**1,491**	**–**	**–**	**–**	**1,491**		

Save As You Earn ("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.

B Thorpe

Grant date	Exercise price (p)	Options at 1 July 2020	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2021	Vesting date	Expiry date
13/05/2020	1,172.0	1,535	–	–	–	1,535	01/06/2023	01/12/2023
Total		**1,535**	**–**	**–**	**–**	**1,535**		

Departure of Executive Director

Caroline Connellan resigned on 27 May 2021 and is on gardening leave until her cessation of employment on 14 October 2021. No payment for loss of office nor payment in lieu of notice is payable. The 4,351 Deferred Bonus Share awards that vest prior to the date of cessation of employment will continue in accordance with the terms of the Share Plan Rules. The vested 1,491 CSOP options will lapse on cessation of her employment. The balance of her Deferred Bonus Shares (6,681) and all LTIPs (28,611) have been forfeited.

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.

Remuneration Committee

The current members of the Remuneration Committee comprise myself as Chair, Richard Price, Dagmar Kershaw (joined 1 July 2020) and Robert Burgess (joined 1 August 2020). During the year, David Stewart resigned from the Committee on 31 July 2020 and Diane Seymour-Williams stepped down on 27 October 2020.

The Committee met on six occasions during the year ended 30 June 2021 and members' attendance is set out in the summary table on page 76.

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 makes 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 the Executive Directors, members of the Executive Committee, Material Risk Takers ("MRTs") 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.

During the year, the Committee continued to receive independent advice from FIT Remuneration Consultants LLP ("FIT"). Fees were charged on a time and materials basis; the total fees paid to FIT in respect of its services to the Committee were £18,500 + VAT. No other services were provided by FIT during the year, and the Committee is satisfied that the advice received is objective and independent.

Non-Executive Directors' fees

The Non-Executive Directors' fees were reviewed and, with effect from 1 September 2021, a £5,000 (8.3%) increase was approved to bring the base fees more in line with the market and to reflect the increased complexity of their roles.

	30 June 2022	30 June 2021	Change in fees
Chairman	**£200,000**	£200,000	-
Base fee	**£65,000**	£60,000	8.3%
Senior Independent Director	**£10,000**	£10,000	-
Committee Chair	**£10,000**	£10,000	-

How the policy will be applied to Executive Director remuneration for the financial year ending 30 June 2022

Base salary review

The Committee undertook a review of the remuneration arrangements of the newly appointed and existing Executive Directors. The Committee approved a salary of £400,000 for the newly appointed CEO, Andrew Shepherd and £290,000 for Lynsey Cross following her appointment onto the Board. Ben Thorpe was also awarded a salary increase to £350,000 from £331,000 in recognition of his change in role to Chief Financial Officer and taking on key strategic responsibility for Products and Propositions. All salary increases were effective from 1 July 2021. All roles were benchmarked and the Committee consider the salaries to be aligned with market.

Performance targets for the FY22 annual bonus

For FY22, the annual bonus will be based on performance against a balanced scorecard comprising the following key performance areas:

	Weighting	Threshold	% of base salary at 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%**

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. The performance targets will be disclosed in the FY22 Annual Report for reasons of commercial sensitivity.

LTIP

Before the onset of the COVID-19 crisis, the Remuneration Committee had been considering moving away from restricted shares to a more conventional performance share structure as (i) Phase 1 of the Group's strategy had been completed, (ii) performance shares provided better alignment with the Board's growth aspirations, and (iii) shareholder feedback that the LTIP should be more closely aligned with shareholder outcomes.

The COVID-19 crisis created significant uncertainty and so last year, it was considered appropriate to continue to award restricted shares to Executive Directors up to a maximum of 50% of base salary. Whilst the full repercussions of the COVID-19 pandemic remains to be seen, we believe that the Group is firmly in the growth stage of its strategy. Combined with the appointment of our new CEO, we believe it is now the right time to move away from restricted stocks and introduce performance shares. The Committee has consulted with the Company's largest investors with regards to the Executive Director LTIP scheme.

Remuneration Committee report continued

Previously, restricted share awards under the LTIP were granted as conditional awards with a three-year vesting period and two-year post-vesting holding period up to a maximum of 50% of base salary. These will be replaced with a performance-based LTIP from FY22 onwards. Each award will be conditional on meeting the targets over the three-year vesting period. Any shares awarded will vest on the three-year anniversary of the award and must be held by the recipient for a further two years. The target metrics will be based on underlying, diluted EPS as well as a basket of ESG-based metrics. 90% of the award will be based on the EPS target and 10% will be based on ESG targets. The award level for the CEO and CFO is 200% of base salary and the COO's award level is 100% of base salary. Awards will vest upon achieving significantly challenging targets which will be disclosed in the FY22 Annual Report for reasons of commercial sensitivity. We believe this will promote continued engagement from the Executive Directors but will also fully align their long-term remuneration arrangements with shareholder outcomes.

		Award payout (% of LTIP award)			
LTIP Performance metric	**Weighting**	**Threshold**	**Target**	**Maximum**	**Measurement period**
3-year underlying diluted EPS Growth	90%	22.5%	45%	90%	Measured over the three financial years ending FY24, using FY21 as the base year
ESG – to have the following policies in place being effectively implemented and their goals met: – Diversity Policy – Anti-slavery Policy – Carbon zero plan – Regular employee pulse surveys – ESG Policy	10%	2.5%	5%	10%	
Total as % of award		25%	50%	100%	
Total as % of base salary for CEO and CFO		50%	100%	200%	
Total as % of base salary for COO		25%	50%	100%	

Pension

Pension allowances to the Executive Directors will remain unchanged and will be based on 8% of base salary. We will continue to review our Pension Policy for Executive Directors with the aim of aligning this fully with other Group employees. This is a departure from the Corporate Governance Code, however the intention is to fully comply by FY23.

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.

Remuneration votes received at the 2020 AGM

	Votes for	%	Votes against	%	Votes withheld
Approval of the Directors' Remuneration report	12,525,574	92.8%	970,845	7.2%	106,973

Directors' Remuneration Policy

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

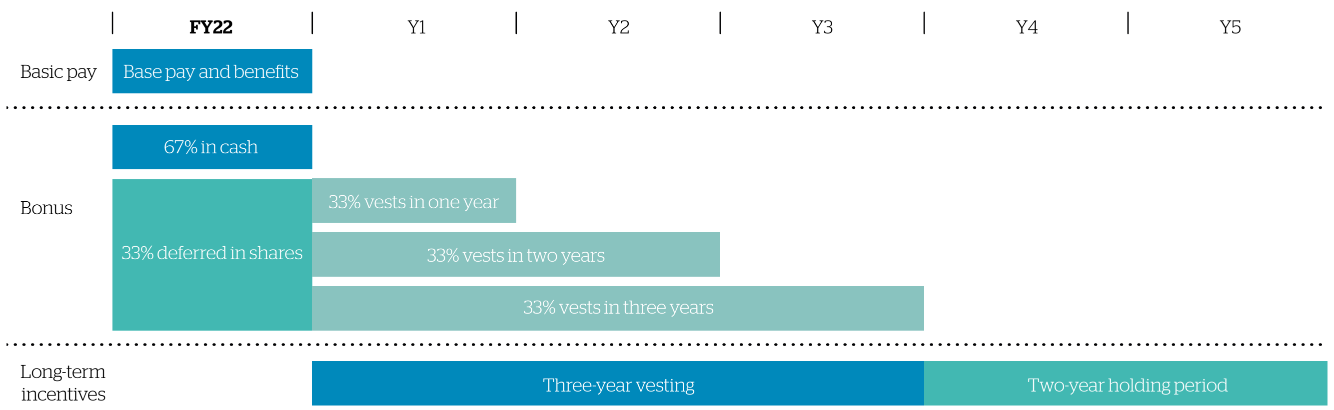
Remuneration Policy principles

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.

Summary of remuneration elements for Executive Directors for FY22

Element	Purpose	Detail	Maximum opportunity
Base salary	Provides fixed remuneration at an appropriate level to attract and retain talent.	Individual levels of base salary are reviewed annually with any increases effective from 1 July, unless there are any exceptional reasons for increases at another time of the year.	Benchmarked against relevant market levels.
Pension	To aid retention of key talent.	Executive Directors receive a pension contribution from the Company equal to 8% of salary, which can either be paid into the Group's defined contribution pension scheme, paid into an alternative pension scheme, or taken in cash (in part or in full).	8% of base salary.
Benefits	To provide valued benefits to the individual.	Executive Directors receive benefits including private medical insurance, private health insurance, life assurance, critical illness cover, as well as an annual health assessment.	In line with Group Policy.
Annual bonus	Rewards annual Group and personal performance and aligns reward with longer-term performance through deferral into shares.	Based on financial and non-financial performance metrics. 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 performance-based LTIP awards up to 200/100% of base salary. The award vests after three years subject to meeting performance targets determined at grant. The metrics for the 2022 grant will be based on: • Diluted EPS 90% • ESG-based metrics 10% The Remuneration Committee may apply different measures and weightings for future awards under the scheme. 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 200% of base salary for the CEO and CFO. Up to 100% for the COO. (in face value of shares at grant).



In accordance with the 2018 Corporate Governance Code, the Committee has ensured that the remuneration structure above is clear, transparent, and predictable, given that the maximum opportunity of variable pay is capped. The annual bonus metrics and deferral have been kept simple and easy to measure. The delivery of variable pay, part in cash and share awards that are subject to malus and clawback mitigates risk and ensures that the Executive Directors are aligned to the interests of shareholders. The balanced scorecard of metrics and targets provides a clear link between performance against the Group's strategic and commercial goals and individual awards, with behaviours consistent with Our Guiding Principles forming a key part of this assessment.

Remuneration Committee report continued

Shareholding requirements

Executive Directors are required to build and maintain a holding in Brooks Macdonald shares or rights to shares equal to 200% of base salary within five years of commencing in role, or the date of adoption of the Policy. A formal post-employment shareholding policy was duly considered, and it was concluded that this was not appropriate for the Group. This is a departure from the Corporate Governance Code, however we believe the five year combined vesting and holding period on all LTIPs as well as the Group's Malus and Clawback Policy is sufficient. The Group, nonetheless, has committed to continue to review this position in the future.

Statement of consideration of shareholder views

The 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. During FY21, consultations with major investors have taken place to seek feedback on proposed changes to Executive Director LTIPs and their views taken into account when determining the performance metrics.

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 2022, all employees continue to be eligible for discretionary performance-related annual bonus based on a balanced scorecard of financial and non-financial metrics. 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 HR department and as part of our regular "Speak Up" employee engagement survey. In addition, the HR Director equally brings items around people and the people agenda to meetings of the Executive Committee which cover, 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.

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.

Approach to remuneration for new Executive Director appointments

The Executive Director contracts have no fixed duration. 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. Currently, for annual bonus and LTIPs, the maximum opportunity is 150% and 200% of base salary respectively. 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 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. This treatment was applied to Caroline Connellan upon her departure from the Group in accordance with the Share Plan rules. 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:

John Linwood
Remuneration Committee Chair

15 September 2021

Risk and Compliance Committee report

Robert Burgess
Risk and Compliance Committee Chair

During the year, the Committee sustained focus on continuing to embed the risk management framework throughout the Group's transition to a new operating model.

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 any remaining risk.

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 is 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 available on the Group's website.

Composition and meetings

David Stewart was the Chair of the Committee until 31 July 2020, following which Robert Burgess was appointed as his replacement (appointed from the 1 August 2020). All of the Group's Non-Executive Directors are members of the Committee.

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 2021 is set out in the summary table on page 76.

The Committee's areas of focus

Risk appetite, strategy and exposure management	• Overseeing 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 Group's Internal Capital Adequacy Assessment Process ("ICAAP") and its compliance with regulatory capital and liquidity requirements; • Recommending the 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 legal developments, the global COVID-19 pandemic 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 the management of outsourcing arrangements; • Maintaining oversight of material issues, errors, 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.

Risk and Compliance Committee report continued

The Committee's areas of focus continued

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 regulatory related projects.
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 effective oversight of the Risk and Compliance functions, monitoring performance against plan; and • Reviewing key communications with regulators and fostering a culture of co-operation and compliance.

Main activities during the year

Some of the Committee's key considerations are outlined in the table below:

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). Continuing to oversee ongoing discussions with all stakeholders, including relevant regulators, as the Group seeks to bring these matters to conclusion.
Enhancement of the Risk Appetite Statement including a refresh of Board level metrics	Risk Appetite Statements, were developed further with a refresh of Board level metrics reporting the Group's position across each of the key 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 alignment across risk reporting across assurance functions	Aligned and enhanced risk reporting across the three lines in a secure collaborative environment, allowing assurance data to be leveraged by all three and facilitating the coordination and consolidation of assurance reporting for review by Senior Management.
Internal Capital Adequacy Assessment Process and Liquidity Risk Management Framework ("LRMF")	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 and liquidity resources required.
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, especially during the ongoing COVID-19 pandemic, steps were taken to strengthen the Group's Cyber Security team and the implementation of a Cyber Security Improvement Plan. The Committee will continue to review this area as a priority.
Regulatory developments	Undertook regular horizon scanning of the regulatory landscape, considering the impact of planned and possible regulatory developments in all jurisdictions in which the Group operates.
UK withdrawal from the European Union ("Brexit")	The Committee has considered the potential impact on the Group's operations and strategy arising from unfavourable terms beyond the transition period, as well as, implications of increased political and economic uncertainty arising from Brexit-related events.

Looking forward

The Committee recognises that the current political and macroeconomic environment will remain uncertain for the foreseeable future, especially given the COVID-19 pandemic induced volatility in the financial markets. The RCC will monitor the implications of this carefully. The further embedding 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 cybercrime and outsourcing, 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 embeddedness of SM&CR.

Approval

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

Robert Burgess
Risk and Compliance Committee Chair

15 September 2021

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 2021.

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 10 to 69, which is incorporated by reference in this Report.

Section 172, employee and other stakeholder engagement

When making decisions and setting the Company's strategy, the Directors of Brooks Macdonald consider the long-term interests of the Group. In doing so, they weigh the competing interests of the Company's stakeholders and the effect their decision may have on the Company's reputation. Further information on how the Company considers the interests of its stakeholders can be found on pages 50 to 53 and more details of how the Company seeks to limit its impact on the environment are provided in the Corporate responsibility report starting on page 54.

Results and dividends

The Group's statutory profit before taxation for the year ended 30 June 2021 was £25,091,000 (FY20: £10,052,000) and the statutory profit after taxation was £19,642,000 (FY20: £6,426,000).

The Directors recommend a final dividend of 40.0p (FY20: 32.0p) per share subject to approval by the shareholders at the AGM on 28 October 2021. Once approved, this will be paid on 5 November 2021 to shareholders on the Company's register at close of business on 24 September 2021. An interim dividend of 23.0p (FY20: 21.0p) per share was paid on 16 April 2021. This results in total dividends for the year ended 30 June 2021 of 63.0p (FY20: 53.0p) per share, representing a total estimated distribution to shareholders of £9,802,000 (FY20: £8,459,000).

Share capital

Details of the Company's authorised and issued share capital, and movements thereof, are set out in Note 27 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.

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.

Number of shares	At 30 June 2021	At 30 June 2020
Chair		
Alan Carruthers	1,450	1,450
Executives[1]		
Caroline Connellan (resigned on 27 May 2021)	N/A	10,448
Ben Thorpe[2]	10,408	8,908
Non-Executives		
John Linwood	300	300
Richard Price	1,450	1,450
Diane Seymour-Williams (stepped down 27 October 2020)	N/A	4,000
David Stewart (resigned 31 July 2020)	N/A	-
Dagmar Kershaw (appointed 1 July 2020)	-	N/A
Robert Burgess (appointed 1 August 2020)	3,044	N/A

1. Andrew Shepherd and Lynsey Cross were appointed after 30 June 2021. Andrew held 34,367 shares in the Company at this date. Lynsey did not have any beneficial interests in the share capital of the Company on this date.
2. At 30 June 2021, Ben Thorpe held 18,071 share options that had vested but had not yet been exercised, net of tax.

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 90 to 105.

Employee share plans

Details of employee share plans are outlined in Note 29 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

In 2010, the Group established an Employee Benefit Trust ("EBT") to acquire shares in the Company to satisfy awards made under the Group's share-based incentive schemes. RBC cees Limited act as the trustee of the EBT. During the year, the EBT purchased 291, 337 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 election or re-election.

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 59.

Political donations

The Group did not make any political donations during the year (FY20: £nil).

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.

Internal controls and risk management

The Directors confirm that they have carried out a robust assessment of the emerging and 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 42.

Substantial shareholdings

As at 30 June 2021, the Company's largest shareholders were as follows:

	Number of shares	% of total voting rights
Liontrust Asset Management	3,177,611	19.64
Octopus Investments	2,357,054	14.57
Brooks Macdonald Asset Management	1,016,345	6.28
Chelverton Asset Management	1,000,000	6.18
Artemis Investment Management	995,717	6.15
Aberdeen Standard Investments	879,569	5.44
Invesco	810,842	5.01
Brooks Macdonald Employee Benefit Trust	584,655	3.61
Canaccord Genuity Wealth Management	561,294	3.47
Fidelity International	553,688	3.42
	16,181,138	

Financial risk management and policies

Details of the Group's financial risk management objectives and policies are set out in Note 30 to the Consolidated financial statements.

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, are 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 they ought to have taken as a director in order to make themself 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.

In view of the market volatility and economic uncertainty experienced during the financial year resulting from the outbreak of the COVID-19 pandemic, the Directors reviewed the Group financial forecasts prepared by Management. These covered the Group's expected future profitability, dividend policy and capital and liquidity projections including stressed scenarios, such as, a prolonged market downturn. Management's mitigating actions, should these scenarios unveil, were also assessed by the Directors. The Board also received regular reports from management on the Group's business continuity plan and the seamless transition to remote and hybrid working.

As noted in the Viability statement on page 48, 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 these Financial statements is appropriate.

Annual General Meeting

The 2021 AGM will be held on 28 October 2021 at 21 Lombard Street, London, EC3V 9AH. 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. Full details of the meeting arrangements are given in the AGM Notice of Meeting. Any changes to the arrangements for our AGM as a result of further government guidance or restrictions will be posted on our website.

By order of the Board of Directors

Phil Naylor
Company Secretary

15 September 2021

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 Companies Act 2006 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 Companies Act 2006;
- 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, Report of the Directors, 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 Annual 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

Andrew Shepherd
CEO designate

15 September 2021

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 2021 and of the group's and company's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements 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 2021; the Consolidated statement of comprehensive income for the year ended 30 June 2021, the Consolidated and Company statements of cash flows for the year ended 30 June 2021, and the Consolidated and Company statements of changes in equity for the year then ended; 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
Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined based on our risk assessment, taking into account changes from the prior year, the financial significance of subsidiaries and other qualitative factors. The Group has two business segments, UK Investment Management and International, including 14 legal entities that operated in the UK and Channel Islands during the reporting period. We conducted audit testing over 8 components in total. Taken together, our audit work accounted for more than 99% of Group revenues and 90% of Group profit before tax.

Key audit matters

- Ongoing impact of COVID-19 (Group and parent)
- Recognition of investment management fee revenue (Group and parent)
- Acquisition of Brooks Macdonald Investment Fund Managers Limited (Group)

Materiality

- Overall group materiality: £1,000,000 (FY20: £989,400) based on 5% of profit before tax adjusted gain on bargain purchase.
- Overall company materiality: £700,000 (FY20: £679,098) based on 1% of net assets.
- Performance materiality: £750,000 (Group) and £525,000 (Company).

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.

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.

Acquisition of Brooks Macdonald Investment Fund Managers Limited ("BMIFM") is a new key audit matter this year. Acquisition of Cornelian Asset Managers Group Limited ("CAM"), which was a key audit matter last year, is no longer included because of the fact that the acquisition was audited during the prior year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Ongoing impact of COVID-19 (Group and parent) The COVID-19 viral infection has continued to be a global pandemic in 2021. It has caused disruption to supply chains and travel, slowed global growth and caused volatility in global markets during the first half of 2021 and to date. The Directors have prepared the Financial statements of the Group on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and that the Group and its key third-party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the coronavirus pandemic.	We critically assessed the Directors' conclusions on any potential impact from COVID-19 during the year. We evaluated the Directors' assessment of the impact of the COVID-19 pandemic on the Group up to the point of approval of the Annual Report by considering how the financial statements might be impacted by the aforementioned disruption and the complexity in measuring such impacts. In assessing the Directors' going concern assessment, we evaluated whether it considered impacts arising from COVID-19. Our procedures in this respect included the following through to the date of approval of the Annual Report: • Evaluating the Group's updated risk assessment and considering whether it addresses the relevant threats presented by COVID-19; • Evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the Financial statements; and • Obtaining evidence to support the key assumptions and forecasts driving the Directors' going concern assessment. This included reviewing the Directors' assessment of the Group's financial position and forecasts as well as their assessment of liquidity. We assessed the disclosures presented in the Annual Report in relation to COVID-19 by: Reading the other information, including the Key risks and Viability statement set out in the Strategic report, and assessing its consistency with the Financial statements and the evidence we obtained in our audit. Our conclusions relating to going concern and other information are set out in the 'Going concern' and 'Reporting on other information' sections of our report.

Independent Auditors' report continued

to the members of Brooks Macdonald Group plc

Key audit matter	How our audit addressed the key audit matter
Recognition of investment management fee revenue (Group and parent) Investment management fee income is generated by Brooks Macdonald Asset Management Limited ("BMAM"), Brooks Macdonald Asset Management (International) Limited ("BMI") and Cornelian Asset Managers Limited ("CAM") entities and is included within portfolio management fee income in the notes to the Financial statements. The investment management fee income component represents 65% of the Group's £118m 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 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; for quarter ends, we reperformed the reconciliations of client cash and stockholding positions to external custody and bank confirmations; and obtained evidence for any differences on a sample basis; • We agreed further tested management's review controls over the performance of these reconciliations and agreed the FUM used for investment management fee calculations to these client cash and stock reconciliations; • We agreed, on a sample basis, fee rates to client contracts; • We tested the valuation for a sample of investment positions by agreeing the prices used to calculate FUM to independent market prices; • We tested the accuracy of fees, by reperforming the calculation of the investment management fees using data techniques for a sample; and • 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.

Key audit matter	How our audit addressed the key audit matter
Acquisition of Brooks Macdonald Investment Fund Managers Limited (Group) Refer to pages 141 to 144 (Note 10: Business Combinations) and page 130 (Note 2 (e): Business combinations) under accounting policies. On 30 November 2020, the group acquired the entire share capital of BMIFM ("the acquisition"). Consideration for the acquisition consisted of four elements - initial cash, cash for surplus capital of the value of net assets acquired, shares issues to the previous shareholders and contingent consideration payable two years after the completion date in January 2023 if certain criteria are met. Management have assessed whether the conditions of the contingent consideration will be satisfied in line with the terms of the acquisition agreement and have concluded they will be met. Assets and liabilities existing on the date of acquisition were recorded on the Consolidated Balance Sheet, with intangible assets in relation to client contracts identified and valued. The difference between the fair value of assets and liabilities acquired and the fair value of consideration paid was recorded as a gain from a bargain purchase. The business combination is considered a key audit matter due to the complexity and high level of judgement around identification and valuation of intangible assets.	We assessed whether the classification as a business combination and treatment of the various aspects of the transaction were in accordance with IFRS 3 'Business Combinations'. With respect to the acquisition, we inspected the purchase agreement and assessed at the acquisition date the fair value of consideration and of the assets and liabilities acquired. In respect of the fair value of consideration paid, we reviewed the purchase agreement and management's basis of valuation for the contingent consideration. The assumptions used in determining that the conditions of contingent consideration were probable to be met and were verified to supporting documentation. In respect of assets and liabilities that existed on the acquisition balance sheet, we performed procedures on a sample basis. We reviewed management's assessment of the identification of intangible assets in relation to discretionary and fund management contracts. We assessed the appropriateness of the methodology used and the reasonableness of the key assumptions within the model by: • Corroborating key inputs to the discounted cash flow model to relevant supporting documentation, including funds under management ("FUM") data, revenues and costs; • Assessing key assumptions used, including the FUM growth rates, revenue yield and attrition rates; • Engaging our valuation experts in assessing the discount rate and; • Testing the mechanics and mathematical accuracy of the model. We ensured the deferred tax liability was calculated accurately in relation to the recognised intangible assets. We recalculated the gain on bargain purchase as the difference between fair value of assets and liabilities acquired and the fair value of the consideration paid. We are satisfied that based on the work performed, the acquisition has been accounted for appropriately with adequate disclosures made in the Annual Report and Accounts.

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 parent company, the accounting processes and controls, and the industry in which they operate.

The Group has two operating business segments. UK Investment Management and International. Within these segments there are 14 legal entities, of which 3 are considered financially significant due to their contribution to Group profit before tax, and were subject to an audit of their complete financial information. In addition, a further 5 reporting entities were in scope for specific audit procedures, as these components contributed a significant proportion of certain financial statement line items. Together with the procedures performed at the Group level, including auditing the consolidation and financial statement disclosures, taxation, and goodwill impairment assessment, our audit work gave us the evidence we needed for our opinion on the financial statements as a whole.

Independent Auditors' report continued
to the members of Brooks Macdonald Group plc

A significant proportion of the Group's trading and operational and financial processes are based in the UK resulting in the majority of the audit procedures being performed locally by the UK audit team. Of the components we have performed audit procedures over, one of these components is based outside the UK, located in the Channel Islands, and therefore we issue Group Instructions to PwC Channel Islands and receive inter-firm reporting.

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:

	Financial statements - Group	Financial statements - Company
Overall materiality	£1,000,000 (FY20: £989,400)	£700,000 (FY20: £679,098)
How we determined it	5% of profit before tax adjusted to remove the gain on bargain purchase	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 it's consolidated statement of comprehensive income. We have adjusted profit before tax to remove the one-off gain on bargain purchase.	1% of net assets which is the benchmark used in prior year. A benchmark of net assets has been used as the Company's primary purpose is to act as a holding Company with investments in the Group's subsidiaries, not to generate operating profits and therefore a profit based measure was not considered appropriate.

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 £5,000 and £1,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £750,000 for the group financial statements and £525,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £50,000 (Group audit) (FY20: £49,470) and £35,000 (Company audit) (FY20: £33,955) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the Directors' updated going concern assessment and challenged the rationale for assumptions including reviewing management's stress testing and scenario analyses using our knowledge of the business; and
- Consideration of the impact of COVID-19 on the Directors' assessment to continue to adopt the going concern basis of accounting as set out in the key audit matters of this report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

Independent Auditors' report continued

to the members of Brooks Macdonald Group plc

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the audit committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

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, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to risk of fraud in revenue recognition and the posting of inappropriate journal entries. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; entries posted containing unusual account descriptions and entries posted with unusual amounts, where any such journals were identified;
- Reviewing all relevant board minutes;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Enquiries with management, compliance and legal, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud; and
- Assessing methods, significant assumptions and data used by management in making significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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.

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 September 2021

Financial statements

Consolidated financial statements

Contents

Consolidated statement of comprehensive income

For the year ended 30 June 2021

	Note	2021 £'000	2020 £'000
Revenue	4	118,206	108,558
Administrative costs	5	(96,012)	(93,794)
Gross profit		22,194	14,764
Other gains/(losses) - net	6	(1,438)	(4,519)
Operating profit	7	20,756	10,245
Gain on bargain purchase	10	4,966	-
Finance income	8	47	261
Finance costs	8	(678)	(454)
Profit before tax		25,091	10,052
Taxation	9	(5,449)	(3,626)
Profit for the period attributable to equity holders of the Company		19,642	6,426
Other comprehensive income		-	-
Total comprehensive income for the year		19,642	6,426
Earnings per share			
Basic	11	125.3p	43.2p
Diluted	11	124.9p	43.1p

The accompanying notes on pages 128 to 166 form an integral part of the Consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2021

	Note	30 June 2021 £'000	30 June 2020[1] £'000
Assets			
Non-current assets			
Intangible assets	13	89,897	83,804
Property, plant and equipment	14	2,756	3,181
Right-of-use assets	15	5,979	6,991
Financial assets at fair value through other comprehensive income	16	500	500
Deferred tax assets	18	2,736	1,524
Total non-current assets		101,868	96,000
Current assets			
Financial assets at fair value through profit or loss	17	624	549
Trade and other receivables	19	28,449	26,081
Current tax receivables		32	-
Cash and cash equivalents	20	54,899	50,168
Total current assets		84,004	76,798
Total assets		185,872	172,798
Liabilities			
Non-current liabilities			
Deferred consideration	21	(303)	(6,300)
Lease liabilities	22	(5,422)	(6,659)
Provisions	23	(279)	(219)
Deferred tax liabilities	18	(8,902)	(7,230)
Other non-current liabilities	25	(548)	(330)
Total non-current liabilities		(15,454)	(20,738)
Current liabilities			
Trade and other payables	24	(27,055)	(22,765)
Current tax liabilities		-	(480)
Deferred consideration	21	(5,934)	(1,691)
Lease liabilities	22	(1,447)	(1,275)
Provisions	23	(1,979)	(2,308)
Total current liabilities		(36,415)	(28,519)
Net assets		134,003	123,541
Equity			
Share capital	27	161	161
Share premium account	27	78,703	77,982
Other reserves	28	8,467	6,398
Retained earnings	28	46,672	39,000
Total equity		134,003	123,541

1. See Note 2c for details regarding the reclassification of current deferred consideration and current provisions as at 30 June 2020.

The Consolidated financial statements on pages 124 to 166 were approved by the Board of Directors and authorised for issue on 15 September 2021, and signed on their behalf by:

Andrew Shepherd
CEO

Ben Thorpe
Chief Financial Officer

Company registration number: 4402058

The accompanying notes on pages 128 to 166 form an integral part of the Consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Note	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2019		139	39,068	4,575	43,091	86,873
Comprehensive income						
Profit for the year		–	–	–	6,426	6,426
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	6,426	6,426
Transactions with owners						
Issue of ordinary shares		22	38,914	–	–	38,936
Share-based payments		–	–	3,571	–	3,571
Share options payments exercised		–	–	(1,770)	1,770	–
Purchase of own shares by Employee Benefit Trust		–	–	–	(4,607)	(4,607)
Tax on share options		–	–	22	–	22
Dividends paid	12	–	–	–	(7,680)	(7,680)
Total transactions with owners		**22**	**38,914**	**1,823**	**(10,517)**	**30,242**
Balance at 30 June 2020		**161**	**77,982**	**6,398**	**39,000**	**123,541**
Comprehensive income						
Profit for the year		–	–	–	19,642	19,642
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	19,642	19,642
Transactions with owners						
Issue of ordinary shares		–	721	–	–	721
Share-based payments		–	–	2,991	–	2,991
Share options payments exercised		–	–	(1,812)	1,812	–
Purchase of own shares by Employee Benefit Trust		–	–	–	(5,210)	(5,210)
Tax on share options		–	–	890	–	890
Dividends paid	12	–	–	–	(8,572)	(8,572)
Total transactions with owners		**–**	**721**	**2,069**	**(11,970)**	**(9,180)**
Balance at 30 June 2021		**161**	**78,703**	**8,467**	**46,672**	**134,003**

The accompanying notes on pages 128 to 166 form an integral part of the Consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2021

	Note	2021 £'000	2020[1] £'000
Cash flows from operating activities			
Cash generated from operations	26	36,907	29,433
Taxation paid		(5,804)	(5,865)
Net cash generated from operating activities		**31,103**	23,568
Cash flows from investing activities			
Purchase of computer software	13	(3,061)	(1,614)
Purchase of property, plant and equipment	14	(620)	(1,958)
Consideration paid	10	(5,287)	(21,102)
Deferred consideration paid	21	(2,421)	(919)
Proceeds from sale of discontinued operations		–	568
Interest received	8	47	252
Finance costs paid	8	–	(5)
Net cash used in investing activities		**(11,342)**	(24,778)
Cash flows from financing activities			
Proceeds of issue of shares	27	721	38,936
Shares issued as consideration	10	–	(9,000)
Payment of lease liabilities and initial direct costs	22	(1,969)	(2,111)
Proceeds of lease reverse premium	22	–	1,250
Purchase of own shares by Employee Benefit Trust	27	(5,210)	(4,607)
Dividends paid to shareholders	12	(8,572)	(7,680)
Net cash (used)/generated in financing activities		**(15,030)**	16,788
Net increase in cash and cash equivalents		**4,731**	15,578
Cash and cash equivalents at beginning of year		50,168	34,590
Cash and cash equivalents at end of year	20	**54,899**	50,168

1. See Note 26 for details regarding changes to the prior year classification of cash flows from operating activities and cash flows from investing activities.

The accompanying notes on pages 128 to 166 form an integral part of the Consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2021

1. General information

Brooks Macdonald Group plc ("the Company") is the Parent Company of a group of companies ("the Group"), which offers a range of investment management services to private high net worth individuals, pension funds, institutions, charities and trusts. The Group also provides financial planning as well as international investment management, and acts as fund manager to a range of onshore and international funds.

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 21 Lombard Street, London, EC3V 9AH.

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"), as adopted by 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.

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 period 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 interests in structured entities, with one consolidated structured entity, being the Brooks Macdonald Group Employee Benefit Trust (Note 27). The Group has interests in other structured entities as a result of contractual arrangements arising from the management of assets on behalf of its clients, but are not consolidated as the Group does not commit to financially support its funds, nor guarantee for the repayment of any borrowings (Note 34). 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 2020, except as explained below.

New accounting standards, amendments and interpretations adopted in the year

In the year ended 30 June 2021, the Group did not adopt any new standards or amendments issued by the IASB or interpretations by the IFRS IC that have had a material impact on the Consolidated financial statements.

As a result of the UK leaving the European Union on 31 January 2021, the Group's Consolidated financial statements for the year ended 30 June 2021 have been prepared under international accounting standards in conformity with the Companies Act 2006. This has not had any impact on the recognition, measurement or disclosure in these Consolidated financial statements.

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

2. Principal accounting policies continued

Standard, Amendment or Interpretation	Effective date
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
COVID-19-related Rent Concessions (Amendment to IFRS 16)	1 January 2020

Comparative year reclassification

Current deferred consideration has been recognised on the face of the Consolidated statement of financial position in the current year. In previous periods, current deferred consideration was recognised within current provisions. The comparative information has therefore been reclassified by moving £1,691,000 from current provisions to current deferred consideration at 30 June 2020 to be consistent with the current period.

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 important estimations are used relate to the measurement of intangible assets, deferred consideration, client compensation provisions and the estimation of the fair value of share-based payments.

There have been no critical judgements required in applying the Group's accounting policies in this period, but there have been the use of important estimations 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 is 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 ("CGU") 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.

In assessing the value of client relationships and the associated investment management contracts and goodwill or gain on bargain purchase arising as part of a business combination, the Group prepares forecasts for the cash flows acquired and discounts to a net present value. The Group uses a pre-tax discount rate, adjusting from a post-tax discount rate calculated by the Group's weighted average cost of capital ("WACC"), adjusted for any specific risks for the relevant CGU. The Group uses the capital asset pricing model ("CAPM") to estimate the WACC, which is calculated at the point of acquisition for a business combination, or the relevant reporting period. The key inputs are the risk-free rate, market risk premium, the Group's adjusted beta with reference to beta data from peer listed companies, small company premium and any risk adjusted premium for the relevant CGU. See Note 13 for further details on the discount rate for the various CGUs.

Deferred consideration

As described in Note 21, the Group has a deferred consideration balance in respect of the acquisition of Cornelian in February 2020, and the Lloyds Channel Island acquisition in November 2020. Deferred consideration is recognised at its fair value, being an estimate of the amount that will ultimately be payable in future periods. For Cornelian, the deferred consideration has been calculated allowing for estimated growth in the acquired funds and estimated cost savings, discounted by the estimated interest rate. For the Lloyds Channel Islands acquisition, the deferred consideration has been calculated based on client attrition, discounted by the estimated interest rate. If the estimated discount rate used in the deferred consideration calculations increased by 2%, the Group's estimated deferred consideration at 30 June 2021 would decrease by £73,000.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

2. Principal accounting policies continued

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 29). 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. A decrease of 10% in the vesting assumptions would decrease the charge in the Consolidated statement of comprehensive income for the year by £801,000. The key inputs into the fair value calculations for the options granted during the year are disclosed in Note 29.

Provisions

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.

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.

As described in Note 23, the Group has 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. 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 when incurred.

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 charged or credited 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 deferred 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 deferred consideration are recognised in accordance with IFRS 9 in the Consolidated statement of comprehensive income.

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

Impairment

Goodwill and other intangible assets with an indefinite life are tested annually for impairment. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's CGUs 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.

2. Principal accounting policies continued

f. 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. Fees are calculated on the basis of a percentage of the value of the portfolio over the period.

Interest

Interest receivable is recognised on an accruals basis.

g. 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.

h. Share-based payments

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.

i. 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.

j. 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.

k. 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.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

2. Principal accounting policies continued

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
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.

l. 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 6 to 20 years and those acquired with fund 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.

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 the 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.

m. 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 (Note 17)

Financial investments 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 remeasured, with gains or losses arising from changes in fair value being recognised in the Consolidated statement of comprehensive income.

Financial assets at fair value through profit or loss include investments in a regulated OEIC, which are managed and evaluated on a fair value basis in line with the market value and also investment positions in the underlying recognised funds. Investment positions in recognised funds are a standard amount of shares per fund that the Group holds to facilitate daily shares and redemptions by the unit holders for funds managed and are recognised at fair value based on the market value. Other financial assets at fair value through profit of loss include amounts outstanding as contingent consideration, classified as this upon initial recognition, which are managed and evaluated on a fair value basis in line with the estimated receivable.

2. Principal accounting policies continued

Fair value through other comprehensive income (Note 16)

Financial investments 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.

Financial assets at fair value through other comprehensive income relates to an investment of redeemable preference shares, which are held to collect contractual cash flows via an annual fixed preferential dividend.

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.

n. 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.

o. 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.

p. 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.

q. 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 expected credit losses.

r. 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.

s. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease liabilities (Note 22)

The Group recognises a lease liability at the inception date of the lease, initially measured at fair value of future lease payments. The carrying amount is adjusted for interest charged and payments made.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

2. Principal accounting policies continued

Right-of-use assets (Note 15)

The Group recognises a right-of-use asset at the inception date of the lease, initially measured at cost, which represents the initial amount of the lease liability adjusted for any lease payments made before the commencement date. The right-of-use assets are depreciated on a straight-line basis over the shortest of the expected life of the asset and the lease term, adjusted for any remeasurements of the lease liability.

t. Employee Benefit Trust

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

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

u. 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.

v. 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 two operating divisions: UK Investment Management 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 Executive Committee, 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.

From 1 January 2021, the Group integrated its previous Financial Planning segment into its UK Investment Management segment. As a result, the prior year information has been restated to reflect the new segments of UK Investment Management, International and Group and other consolidation adjustments, consistent with the current year.

The UK Investment Management segment offers a range of investment management services to private high net worth individuals, pension funds, institutions, charities and trusts, as well as wealth management services to high net worth individuals and families, giving independent "whole of market" financial advice enabling clients to build, manage and protect their wealth. The International segment is based in the Channel Islands and offers a similar range of investment management and financial planning services as the UK Investment Management segment. The Group segment principally comprises the Group Board's management and associated costs, along with the consolidation adjustments.

3. Segmental information continued

Following the Lloyds Channel Islands acquisition (Note 10), the activities since acquisition have been included in the International segment.

Revenues and expenses are allocated to the business segment that originated the transaction. Sales between segments are carried out at arm's length. Centrally incurred expenses are allocated to business segments on an appropriate pro rata basis.

Year ended 30 June 2021	UK Investment Management £'000	International £'000	Group & consolidation adjustments £'000	Total £'000
Total revenue	102,998	18,211	–	121,209
Inter segment revenue	(3,003)	–	–	(3,003)
External revenue	99,995	18,211	–	118,206
Underlying administrative costs	(45,738)	(10,804)	(30,870)	(87,412)
Operating contribution	54,257	7,407	(30,870)	30,794
Allocated costs	(25,067)	(2,864)	27,931	–
Net finance (cost)/income	(285)	(21)	109	(197)
Underlying profit/(loss) before tax	28,905	4,522	(2,830)	30,597
Gain on bargain purchase	–	–	4,966	4,966
Amortisation of client relationships	(1,770)	(992)	(2,166)	(4,928)
Acquisition-related costs	(467)	(2,244)	39	(2,672)
Impairment of client relationship contracts	–	(1,210)	(303)	(1,513)
Dual running costs of operating platform	(1,000)	–	–	(1,000)
Finance cost of deferred consideration	–	(7)	(292)	(299)
Changes in fair value of deferred consideration	–	–	(60)	(60)
Profit/(loss) mark-up on Group allocated costs	143	(147)	4	–
Profit/(loss) before tax	25,811	(78)	(642)	25,091
Taxation				(5,449)
Profit for the period attributable to equity holders of the Company				19,642

Year ended 30 June 2021	UK Investment Management £'000	International £'000	Group & consolidation adjustments £'000	Total £'000
Statutory operating costs included the following:				
Amortisation	4,307	1,209	2,166	7,682
Depreciation	2,142	495	–	2,637
Interest income	3	10	–	13

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

3. Segmental information continued

Year ended 30 June 2020[1]	UK Investment Management £'000	International £'000	Group & consolidation adjustments £'000	Total £'000
Total revenue	99,781	13,335	(6)	113,110
Inter segment revenue	(4,552)	–	–	(4,552)
External revenue	95,229	13,335	(6)	108,558
Underlying administrative costs	(45,165)	(8,026)	(32,424)	(85,615)
Operating contribution	50,064	5,309	(32,430)	22,943
Allocated costs	(26,069)	(2,890)	28,959	–
Net finance income	1	50	29	80
Underlying profit/(loss) before tax	23,996	2,469	(3,442)	23,023
Goodwill impairment	–	–	(4,471)	(4,471)
Acquisition-related costs	(1,085)	(606)	(2,570)	(4,261)
Amortisation of client relationships and contracts acquired with fund managers	(701)	(420)	(1,762)	(2,883)
Head office relocation costs	(1,166)	–	–	(1,166)
Finance cost of deferred consideration	–	–	(145)	(145)
Changes in fair value of contingent consideration	(54)	–	–	(54)
Finance income from contingent consideration	7	–	2	9
Profit mark-up on Group allocated costs	136	(136)	–	–
Profit/(loss) before tax	21,133	1,307	(12,388)	10,052
Taxation				(3,626)
Profit for the period attributable to equity holders of the Company				6,426

Year ended 30 June 2020[1]	UK Investment Management £'000	International £'000	Group & consolidation adjustments £'000	Total £'000
Statutory operating costs included the following:				
Amortisation	3,134	429	1,764	5,327
Depreciation	2,940	324	120	3,384

1. The prior year has been restated to reflect the integration of the previous Financial Planning into UK Investment Management as described earlier in this Note.

4. Revenue

	2021 £'000	2020 £'000
Portfolio management fees	98,006	95,108
Fund management fees	15,353	8,644
Advisory fees	4,526	4,325
Financial services commission	321	481
Total revenue	118,206	108,558

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.

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. Fees are calculated on the basis of a percentage of the value of the portfolio over the period.

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.

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.

	2021 £'000	2020 £'000
United Kingdom	99,995	95,223
Channel Islands	18,211	13,335
Total revenue	118,206	108,558

b. Major clients

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

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

5. Employee information

Administrative costs are recognised as the services are received. The biggest component of the Group's administrative costs are the costs of employee benefits as shown below. Other costs incurred in administrative costs can be seen in Note 7.

a. Staff costs

	2021 £'000	2020 £'000
Wages and salaries	41,855	38,502
Social security costs	5,351	4,335
Other pension costs	1,909	1,676
Share-based payments	2,502	3,080
Redundancy costs	330	818
Total staff costs	51,947	48,411

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:

	2021 Number of employees	2020 Number of employees
Business staff	262	243
Functional staff	181	192
Total staff	443	435

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.

	2021 £'000	2020 £'000
Short-term employee benefits	1,851	2,040
Post-employment benefits	50	57
Share-based payments	36	94
Total compensation	1,937	2,191

d. Directors' emoluments

Further details of Directors' emoluments are included within the Remuneration Committee report on pages 90 to 105.

	2021 £'000	2020 £'000
Salaries and bonuses	1,084	1,560
Non-Executive Directors' fees	500	475
Benefits in kind	6	5
	1,590	2,040
Pension contributions	50	57
Amounts receivable under long-term incentive schemes	159	94
Total Directors' remuneration	1,799	2,191

The aggregate amount of gains made by Directors on the exercise of share options during the year was £293,000 (FY20: £167,000).

5. Employee information continued

Retirement benefits are accruing to one Directors (FY20: one) under a defined contribution pension scheme.

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

	2021 £'000	2020 £'000
Remuneration and benefits in kind	722	814
Amounts received under long-term incentive schemes	–	63
Total remuneration	722	877

The amount of gains made by the highest paid Director on the exercise of share options during the year was £nil (FY20: £63,000).

6. Other gains/(losses) – net

Other gains/(losses) – net 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.

	2021 £'000	2020 £'000
Client relationship contracts impairment (Note 13)	(1,513)	–
Gain from changes in fair value of financial assets at fair value through profit or loss	75	6
Goodwill impairment (Note 13)	–	(4,471)
Loss from changes in fair value of contingent consideration receivable (Note 17)	–	(54)
Other gains/(losses) – net	(1,438)	(4,519)

7. Operating profit

Operating profit is stated after charging:

	2021 £'000	2020 £'000
Staff costs (Note 5)	51,947	48,411
Amortisation of client relationships and contracts acquired with fund managers (Note 13)	4,928	2,883
Amortisation of computer software (Note 13)	2,754	3,363
Acquisition-related costs (Note 10)	2,672	4,261
Financial Services Compensation Scheme levy (see below)	2,219	2,160
Impairment of client relationship contracts (Note 13)	1,513	–
Dual running costs of operating platform	1,000	–
Depreciation of property, plant and equipment (Note 14)	1,045	2,269
Auditors' remuneration (see below)	849	640
Impairment of goodwill (Note 13)	–	4,471
Head office relocation costs	–	1,166

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

	2021 £'000	2020 £'000
Fees payable to the Company's auditors for the audit of the consolidated Group and Parent Company financial statements	260	195
Fees payable to the Company's auditors and its associates for other services:		
Audit of the Company's subsidiaries pursuant to legislation	304	193
Audit-related assurance services	285	252
Total remuneration	849	640

Financial Services Compensation Scheme levies

Administrative costs for the year ended 30 June 2021 include a charge of £2,219,000 (FY20: £2,160,000) in respect of the Financial Services Compensation Scheme ("FSCS") levy, comprising £1,245,000 in respect of the estimated levy for the 2021/22 scheme year, and £974,000 in respect of the final and supplementary levies for the 2020/21 scheme year.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

8. Finance income and finance costs

	2021 £'000	2020 £'000
Finance income		
Dividends on preference shares	34	42
Bank interest on deposits	13	210
Finance income from contingent consideration	–	9
Total finance income	47	261
Finance costs		
Interest on lease liabilities (Note 22)	319	304
Change in fair value of deferred consideration	60	–
Interest expense	–	5
Finance cost of deferred consideration (Note 21)	299	145
Total finance costs	678	454

9. Taxation

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

	2021 £'000	2020 £'000
UK Corporation Tax at 19% (FY20: 19%)	5,466	3,991
Over provision in prior years	(127)	(66)
Total current tax	5,339	3,925
Deferred tax credits	(6)	(674)
Under provision of deferred tax in prior years	116	462
Research and development tax credit	–	(87)
Income tax expense	5,449	3,626

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:

	2021 £'000	2020 £'000
Profit before taxation	25,091	10,052
Profit multiplied by the standard rate of tax in the UK of 19% (FY20: 19%)	4,767	1,910
Tax effect of amounts that are not deductible (taxable) in calculating taxable income:		
Overseas tax losses not available for UK tax purposes	(541)	(24)
Disallowable expenses	447	394
Share-based payments	30	(139)
Depreciation and amortisation	1,419	336
Impairment charges	287	850
Non-taxable income	(951)	(10)
Research and development tax credit	–	(87)
(Over)/under provision in prior years	(9)	396
Income tax expense	5,449	3,626

9. Taxation continued

The deferred tax credits for the year arise from:

	2021 £'000	2020 £'000
Share option reserve	(77)	(247)
Accelerated capital allowances	(53)	(91)
Accelerated capital allowances on research and development	(16)	(154)
Dilapidations	15	–
Amortisation of acquired client relationship contracts	309	(224)
Unused overseas trading losses	(184)	42
Under provision in prior years	116	–
Deferred tax credits	110	(674)

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 2021 is 19% (FY20: 19%).

It was outlined in the Finance Bill 2021 (11 March 2021), and substantively enacted having received royal ascent on the 10 June 2021 that the UK corporation tax rate would increase to 25% from 1 April 2023 and remain at 19% until that date. As a result, the relevant deferred tax balances have been remeasured. Deferred tax assets and liabilities are calculated at the rate that is expected to be in force when the temporary differences unwind; however, limited to the extent that such rates have been substantively enacted.

10. Business combinations

2021

On 30 November 2020, the Group acquired Lloyds Bank International's Channel Islands wealth management and funds business ("Lloyds Channel Islands acquisition"). The acquisition brings a high-quality discretionary client base, adds a multi-asset and fixed income fund range to the Group's offering, and increases distribution reach through well-established intermediary relationships. The acquisition consisted of the entire share capital of Lloyds Investment Fund Managers Limited (renamed Brooks Macdonald International Fund Managers Limited following acquisition), and a portfolio of discretionary management private clients.

The acquisition has been accounted for using the acquisition method and details of the purchase consideration are as follows:

	Note	£'000	£'000
Business consideration		4,650	
Business consideration adjustment	i	(1,070)	
Initial business consideration – Discretionary business			3,580
Shares consideration		4,650	
Excess for net assets	ii	95	
Initial shares consideration – Funds business			4,745
Initial cash paid			8,325
Deferred contingent consideration at fair value	iii		308
Total purchase consideration			8,633

i. Following completion, an adjustment was made to the business consideration in relation to the revenue that has transferred to the Group. The adjustment reflects the fall in revenue acquired by the Group compared to the expected revenue that would transfer to the Group in the Sale and Purchase Agreement ("SPA").

ii. Per the SPA, the completion balance sheet was to contain net assets of £2,500,000 to be acquired by the Group. Any excess or deficit of the actual net assets acquired would be paid or recouped by the Group. The actual net assets acquired by the Group were £2,595,000, resulting in the Group paying additional consideration of £95,000.

iii. The total cash deferred contingent consideration is £334,000, payable in two years following completion, based on the client attrition of the funds under management acquired over the two-year period.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

10. Business combinations continued

The fair value of the deferred consideration liability has been remeasured at 30 June 2021, and remains unchanged, which assumes the deferred consideration criteria will be met resulting in the full £334,000 to be paid in two years. The client attrition has been forecast using a similar outflows pattern to that experienced by the rest of the Group. The client attrition is dependent on several unpredictable variables including client sentiment and market conditions.

Client relationship intangible assets of £9,080,000 and £3,147,000 were recognised on acquisition in respect of the expected cash inflows and economic benefit from the discretionary and fund management contracts acquired respectively. A gain on bargain purchase of £4,284,000 was recognised on acquisition in relation to the discretionary business and a gain on bargain purchase of £682,000 was recognised on acquisition in relation to the funds business as the net identifiable assets acquired were greater than the total purchase consideration, which has been recognised in the Consolidated statement of comprehensive income. The fair value of the assets acquired are the gross contractual amounts and all are considered to be fully recoverable. The fair value of the identifiable assets and liabilities acquired, at the date of acquisition, are detailed in Note a below.

Directly attributable acquisition costs of £19,000 (FY20: £606,000) and integration costs of £2,225,000 (FY20: £nil) were incurred in the acquisition and integration of the Lloyds Channel Islands acquisition, which have been charged to administrative costs in the Consolidated statement of comprehensive income but excluded from underlying profit. During H1 of the year ended 30 June 2021, the Group incurred the remaining integration costs of £456,000 (FY20: £1,426,000) in relation to the Cornelian acquisition that completed during the prior year, see further details below in this Note.

a. Net assets acquired through business combination

	£'000
Trade and other receivables	35
Cash at bank	3,038
Trade and other payables	(367)
Corporation tax payable	(115)
Total net assets recognised by acquired companies	2,591
Fair value adjustments:	
Client relationship contracts - discretionary business	9,080
Client relationship contracts - fund-management business	3,147
Deferred tax liabilities	(1,219)
Net identifiable assets	13,599
Gain on bargain purchase	(4,966)
Total purchase consideration	8,633

The trade and other receivables were recognised at their fair value, being the gross contractual amounts, deemed fully recoverable.

b. Impact on reported results from date of acquisition

In the period from acquisition to 30 June 2021, the Lloyds Channel Islands acquisition earned revenue of £5,315,000 and statutory profit before tax of £3,005,000.

c. Net cash outflow resulting from business combinations

	£'000
Total purchase consideration	8,633
Less deferred cash consideration at fair value	(308)
Cash paid to acquire Lloyds Channel Islands	8,325
Less cash held by Lloyds Channel Islands	(3,038)
Net cash outflow - investing activities	5,287

10. Business combinations continued

2020

On 28 February 2020, the Group acquired the entire share capital of Cornelian Asset Managers Group Limited ("Cornelian"), an Edinburgh-based independent, well-established wealth manager with national distribution reach. Cornelian Asset Managers Group Limited had two wholly owned subsidiaries: Cornelian Asset Managers Limited and Cornelian Asset Managers Nominees Limited, which also formed part of the Group on acquisition.

The acquisition has been accounted for using the acquisition method and details of the purchase consideration are as follows:

	Note	£'000
Cash paid	i	22,000
Shares issued	ii	9,000
Cash paid for final net assets acquired		5,757
Deferred contingent consideration at fair value	iii	7,466
Total purchase consideration		44,223

i. The Group issued 1,690,141 ordinary shares in November 2019 to fund the cash consideration (Note 27), based on the share price on 21 November 2020 of £18.25 discounted by £0.50 to £17.75 per share.

ii. The Group issued 453,172 ordinary shares to the previous shareholders of Cornelian Asset Managers Group Limited at a price of £19.86 per share, based on the share price at 28 February 2020 (Note 27).

iii. The total cash deferred contingent consideration is £8,000,000, payable in up to three instalments in March 2021, October 2021 and March 2022, based on the future value of the funds under management acquired, and cost savings and synergies achieved on integrating the business (Note 21).

The fair value of the deferred consideration liability has been remeasured at 30 June 2020, and remains unchanged, which assumes the deferred consideration criteria will be met resulting in the full £8,000,000 to be paid at the various payment dates. The growth of funds under management ("FUM") has been forecast using a similar growth pattern to that experienced by the rest of the Group. The future value of the FUM is dependent on several unpredictable variables including client retention and market movements. The cost savings and synergies are expected to be yielded in full, which has been forecast based on the Group's five-year Medium-Term Plan ("MTP").

Client relationship intangible assets of £25,623,000 were recognised on acquisition in respect of the expected cash inflows and economic benefit from the discretionary and fund-management contracts acquired. Goodwill of £16,111,000 was recognised on acquisition in respect of the expected growth in the funds under management and associated cash inflows. The fair value of the assets acquired are the gross contractual amounts and all are considered to be fully recoverable. The fair value of the identifiable assets and liabilities acquired, at the date of acquisition, are detailed in Note d below.

Directly attributable acquisition costs of £2,229,000 and integration costs, including staff retention costs of £1,426,000, were incurred in the acquisition and integration of Cornelian, which have been charged to administrative costs in the Consolidated statement of comprehensive income but excluded from underlying profit.

d. Net assets acquired through business combination

	£'000
Computer software	87
Property, plant and equipment	74
Financial assets at fair value through profit and loss	543
Trade and other receivables	1,244
Cash and cash equivalents	6,655
Trade and other payables	(1,229)
Deferred tax liabilities	(17)
Total net assets recognised by acquired companies	7,357
Fair value adjustments:	
Client relationship contracts - discretionary business	18,012
Client relationship contracts - fund-management business	7,611
Deferred tax liabilities	(4,868)
Net identifiable assets	28,112
Goodwill	16,111
Total purchase consideration	44,223

The trade and other receivables were recognised at their fair value, being the gross contractual amounts.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

10. Business combinations continued

e. Impact on reported results from date of acquisition

In the period from acquisition to 30 June 2020, Cornelian earned revenue of £3,048,000 and statutory profit before tax of £452,000. Had Cornelian been consolidated from 1 July 2019, the Consolidated statement of comprehensive income would show revenue of £7,328,000 and statutory profit before tax of £1,685,000.

f. Net cash outflow resulting from business combinations

	£'000
Total purchase consideration	44,223
Less:	
– Shares issued as consideration	(9,000)
– Deferred cash consideration at fair value	(7,466)
Cash paid to acquire Cornelian	27,757
Less cash held by Cornelian	(6,655)
Net cash outflow – investing activities	21,102

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, which is an alternative performance measure, are calculated based on 'underlying earnings', which is also 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 and contingent consideration, gain on bargain purchase, goodwill impairment, client relationship contracts impairment, amortisation of client relationships and contracts acquired with fund managers, acquisition-related costs, dual running costs of operating platform and head office relocation costs. Details of why these amounts are excluded from underlying earnings, an alternative performance measure, are described in the Strategic report on page 38. The tax effect of these adjustments has also been considered.

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

	2021 £'000	2020 £'000
Earnings attributable to ordinary shareholders	19,642	6,426
Gain on bargain purchase	(4,966)	-
Amortisation of acquired client relationship contracts (Note 13)	4,928	2,867
Acquisition-related costs (Note 10)	2,672	4,261
Impairment of acquired client relationship contracts (Note 13)	1,513	-
Dual running costs of operating platform	1,000	-
Finance cost of deferred consideration (Note 21)	299	145
Changes in fair value of deferred consideration (Note 21)	60	-
Goodwill impairment (Note 13)	-	4,471
Head office relocation costs	-	1,166
Changes in fair value of contingent consideration (Note 17)	-	54
Amortisation of contracts acquired with fund managers (Note 13)	-	16
Finance income of contingent consideration (Note 17)	-	(9)
Tax impact of adjustments	(760)	(939)
Underlying earnings attributable to ordinary shareholders	24,388	18,458

11. Earnings per share continued

Basic earnings per share is calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of shares in issue throughout the 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:

	2021 Number of shares	2020 Number of shares
Weighted average number of shares in issue	15,671,672	14,870,729
Effect of dilutive potential shares issuable on exercise of employee share options	50,891	46,052
Diluted weighted average number of shares in issue	15,722,563	14,916,781

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

	2021 p	2020 p
Based on reported earnings:		
Basic earnings per share	125.3	43.2
Diluted earnings per share	124.9	43.1
Based on underlying earnings:		
Basic earnings per share	155.6	124.1
Diluted earnings per share	155.1	123.7

12. Dividends

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

	2021 £'000	2020 £'000
Final dividend paid for the year ended 30 June 2020 of 32.0p (FY19: 32.0p) per share	4,999	4,382
Interim dividend paid for the year ended 30 June 2021 of 23.0p (FY20: 21.0p) per share	3,573	3,298
Total dividends	8,572	7,680
Final dividend proposed for the year ended 30 June 2021 of 40.0p (FY20: 32.0p) per share	6,229	5,161

The interim dividend of 23.0p (FY20: 21.0p) per share was paid on 16 April 2021.

A final dividend for the year ended 30 June 2021 of 40.0p (FY20: 32.0p) per share was declared by the Board of Directors on 15 September 2021 and is subject to approval by the shareholders at the Company's Annual General Meeting. It will be paid on 5 November 2021 to shareholders who are on the register at the close of business on 24 September 2021. 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.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

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 2019	35,776	8,874	32,161	3,521	80,332
Additions	16,111	1,614	25,623	–	43,348
Cost of intangible assets on acquisition of subsidiary	–	1,006	–	–	1,006
Disposals	–	(991)	–	–	(991)
At 30 June 2020	51,887	10,503	57,784	3,521	123,695
Additions	–	3,061	12,227	–	15,288
Disposals	–	(2,166)	–	–	(2,166)
At 30 June 2021	**51,887**	**11,398**	**70,011**	**3,521**	**136,817**
Accumulated amortisation and impairment					
At 1 July 2019	6,742	3,192	16,726	3,505	30,165
Amortisation charge	–	2,444	2,867	16	5,327
Accumulated amortisation of intangible assets on acquisition of subsidiary	–	919	–	–	919
Accumulated amortisation on disposals	–	(991)	–	–	(991)
Impairment	4,471	–	–	–	4,471
At 30 June 2020	11,213	5,564	19,593	3,521	39,891
Amortisation charge	–	2,754	4,928	–	7,682
Accumulated amortisation on disposals	–	(2,166)	–	–	(2,166)
Impairment	–	–	1,513	–	1,513
At 30 June 2021	**11,213**	**6,152**	**26,034**	**3,521**	**46,920**
Net book value					
At 1 July 2019	29,034	5,682	15,435	16	50,167
At 30 June 2020	40,674	4,939	38,191	–	83,804
At 30 June 2021	**40,674**	**5,246**	**43,977**	**–**	**89,897**

The amortisation charge of intangible assets is recognised within administrative costs in the Consolidated statement of comprehensive income.

Intangible assets totalling £74,462,000 at 30 June 2021 are recognised in the United Kingdom and £15,435,000 are recognised in the Channel Islands.

13. Intangible assets continued

a. Goodwill

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

	2021 £'000	2020 £'000
Funds		
Braemar Group Limited ("Braemar")	3,320	3,320
Levitas Investment Management Services Limited ("Levitas")	–	–
	3,320	3,320
International		
Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited (collectively "Brooks Macdonald International")	21,243	21,243
Cornelian		
Cornelian Asset Managers Group Limited ("Cornelian")	16,111	16,111
Total goodwill	**40,674**	**40,674**

Goodwill is reviewed annually for impairment and its recoverability has been assessed at 30 June 2021 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 and forecasts approved by the relevant subsidiary company boards of directors. The most recent budgets prepared are part of the detailed budget process for the year ending 30 June 2022, and then extrapolated over a longer period of the next four years, resulting in the budgets and forecasts covering a period of five years. Cash flows are then extrapolated beyond the five-year budget and forecast period using an expected long-term growth rate, with the long-term growth rate considered reasonable against the budgeted and forecast growth.

The Cornelian CGU recoverable amount was calculated as £39,420,000 at 30 June 2021, 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. The revenue generated in the cash flow forecasts is based on FUM forecasts multiplied by the relevant yields, with FUM growth ranging between 6% and 7% annually over the five-year period. FUM growth is forecast using estimated new business targets, expected outflows and estimated impact of market performance. Expenditure growth is forecast between 4% and 6% annually over the five-year period. Both the FUM growth and expenditure growth reflect historic actual growth and planned management actions and are considered to be reasonable in the current market and industry conditions. A pre-tax discount rate of 13% has been used, based on the Group's assessment of the risk-free rate of interest and specific risks relating to Cornelian. The recoverable amount was based on the estimated cash inflows over the next five financial years, the period covered by the most recent forecasts, which reflect planned management actions and are considered to be reasonable in the current market and industry conditions. The 2% long-term growth rate applied is considered prudent in the context of the long-term average growth rate for the funds and investment management industries in which the CGU operates.

Sensitivity analysis has been performed and an impairment would arise if the one of the following occurred:

- An increase of the pre-tax discount rate by 1%.
- A decrease in the perpetuity growth rate by 2%.
- A decrease in the pre-tax cash flows by 12% from the forecasts.

Based on a value-in-use calculation, the recoverable amount of the Brooks Macdonald International CGU at 30 June 2021 was £83,061,000, 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% (FY20: 11%) has been used, based on the Group's assessment of the risk-free rate of interest and specific risks relating to Brooks Macdonald

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

13. Intangible assets continued

International. The key input in forecasting revenue is FUM, which is forecast to grow between 12% and 17% annually over the five-year period. FUM growth is forecast using estimated new business targets, expected outflows and estimated impact of market performance. Annual cash inflow growth rates range between 9% and 45% 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 reasonable in the current market and industry conditions. 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. Sensitivity analysis has not been performed given the vast headroom the recoverable amount provides over the goodwill balance.

Based on a value-in-use calculation, the recoverable amount of the Braemar CGU at 30 June 2021 was £10,461,000, indicating that there is no impairment. A pre-tax discount rate of 14% (FY20: 11%) 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 FUM of the funds business and the long-term growth rate. The revenue generated in the cash flow forecasts is based on FUM forecasts multiplied by the relevant yields, with FUM growth ranging between 6% and 7% annually over the five-year period. FUM growth is forecast using estimated new business targets, expected outflows and estimated impact of market performance. Expenditure growth is forecast between 3% and 7% annually over the five-year period. The inputs to the forecast cash inflows over the next five financial years, reflect historic actual growth and planned management activities and are considered to be reasonable in the current market and industry conditions. 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. Sensitivity analysis has not been performed given the vast headroom the recoverable amount provides over the goodwill balance.

At 30 June 2021, headroom exists in the calculations of the respective recoverable amounts of these CGUs over the carrying amounts of the goodwill allocated to them. On this basis, the Directors have concluded that there is no impairment required to the goodwill balances at 30 June 2021.

At the end of the financial year ended 30 June 2019, the Group entered into a five-year partnership agreement in relation to Levitas that carried a lower sponsorship fee, the aim of this reduction was to enhance FUM flows and deepen the relationship with the fund distributor. Unfortunately, for reasons beyond the Group's control, the anticipated fund inflows were not forthcoming and the Levitas fund recorded net outflows during the financial year ended 30 June 2020, impacting its rate of growth and future cash flows. Based on an updated value-in-use calculation, the recoverable amount of the Levitas CGU at 30 June 2020 did not support the goodwill balance of £4,471,000 and was fully impaired.

b. Computer software

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

During the year ended 30 June 2021, the Group conducted a review of the computer software assets and retired assets from the fixed asset register with a £nil net book value, and no longer used in the business. This resulted in disposals of computer software, with cost and accumulated amortisation both totalling £2,166,000 (2020: £991,000).

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 (6 to 20 years). During the year, the Group recognised an impairment of £1,513,000 on the client-relationship intangible assets as the expected useful economic life was reduced from 15 to 12 years. No further impairment indicators were present for the acquired client relationship contract intangible assets.

Of the client-relationship intangible assets held by the Group at 30 June 2021, the expected amortisation charge for the year ending 30 June 2022 is £5,443,000. If the useful economic lives are reduced by one year, the charge would increase by £1,302,000.

During the year ended 30 June 2021, the Group acquired client relationship contracts totalling £12,227,000, as part of the Lloyds Channel Islands acquisition (Note 10), which were recognised as separately identifiable intangible assets in the Consolidated statement of financial position. The additions included contracts related to the Lloyds discretionary business of £9,080,000, with a useful economic life of 15 years, and £3,147,000 related to the Cornelian funds-management business, with a useful economic life of six years.

13. Intangible assets continued

d. Contracts acquired with fund managers

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

14. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings and office equipment £'000	IT equipment £'000	Total £'000
Cost				
At 1 July 2019	3,150	8,305	3,334	14,789
Additions	1,241	328	389	1,958
Cost of property, plant and equipment on acquisition of subsidiary	19	104	195	318
Disposals	(466)	(7,720)	(1,436)	(9,622)
At 30 June 2020	3,944	1,017	2,482	7,443
Additions	434	29	157	620
Disposals	(1,748)	(322)	(697)	(2,767)
At 30 June 2021	**2,630**	**724**	**1,942**	**5,296**
Accumulated depreciation				
At 1 July 2019	1,420	7,942	2,250	11,612
Depreciation charge	1,072	317	639	2,028
Accumulated depreciation of property, plant and equipment on acquisition of subsidiary	19	102	123	244
Depreciation on disposals	(466)	(7,720)	(1,436)	(9,622)
At 30 June 2020	2,045	641	1,576	4,262
Depreciation charge	476	104	465	1,045
Depreciation on disposals	(1,748)	(322)	(697)	(2,767)
At 30 June 2021	**773**	**423**	**1,344**	**2,540**
Net book value				
At 1 July 2019	1,730	363	1,084	3,177
At 30 June 2020	1,899	376	906	3,181
At 30 June 2021	**1,857**	**301**	**598**	**2,756**

During the year ended 30 June 2021, the Group conducted a review of the property, plant and equipment assets and retired assets from the fixed asset register with a £nil net book value, and no longer used in the business. This resulted in disposals of property, plant and equipment with cost and accumulated depreciation both totalling £2,767,000.

Property, plant and equipment totalling £2,331,000 at 30 June 2021 are recognised in the United Kingdom and £425,000 are recognised in the Channel Islands.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

15. Right-of-use assets

	Property £'000
Cost	
At 1 July 2019	1,799
Additions	6,692
At 30 June 2020	8,491
Additions	601
At 30 June 2021	**9,092**
Accumulated depreciation	
At 1 July 2019	244
Depreciation charge	1,256
At 30 June 2020	1,500
Depreciation charge	1,613
At 30 June 2021	**3,113**
Net book value	
At 1 July 2019	1,555
At 30 June 2020	6,991
At 30 June 2021	**5,979**

The additions relate to three additional leases that commenced during the year ended 30 June 2021. The Group's right-of-use assets relates solely to property-related leases.

Right-of-use assets totalling £5,498,000 at 30 June 2021 are recognised in the United Kingdom and £481,000 are recognised in the Channel Islands.

16. Financial assets at fair value through other comprehensive income

	2021 £'000	2020 £'000
At 1 July	500	500
Change in fair value	–	–
At 30 June	**500**	500

At 30 June 2021, the Group held an investment of redeemable £500,000 preference shares in an unlisted company incorporated in the UK. The preference shares previously carried an entitlement to a fixed preferential dividend at a rate of 8% per annum, which reduced to 4% per annum in April 2021 following the renewal of the preference shares. Unlisted preference shares are classified as financial assets at fair value through other comprehensive income.

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.

16. Financial assets at fair value through other comprehensive income continued

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
At 1 July 2020	549	–	500	1,049
Net gain from changes in fair value	75	–	–	75
At 30 June 2021	**624**	**–**	**500**	**1,124**
Comprising:				
Financial assets at fair value through other comprehensive income	–	–	500	500
Financial assets at fair value through profit and loss (Note 17)	624	–	–	624
Total financial assets	**624**	**–**	**500**	**1,124**

The Level 3 assets include unlisted preference shares that are valued using a perpetuity income model, based upon the preference dividend cash flows. The fair value of the assets are not deemed to be impacted by changes in the unobservable inputs as the dividend cash flows are contractual.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities				
At 1 July 2020	–	–	7,991	7,991
Additions	–	–	308	308
Finance cost of deferred consideration	–	–	299	299
Fair value adjustments	–	–	60	60
Payments made	–	–	(2,421)	(2,421)
At 30 June 2021	**–**	**–**	**6,237**	**6,237**
Comprising:				
Deferred consideration (Note 21)	–	–	6,237	6,237
Total financial liabilities	**–**	**–**	**6,237**	**6,237**

The Level 3 financial liabilities consist of deferred consideration, valued using the net present value of the expected future amounts payable. The key inputs are management approved forecasts and expectations against the criteria of the deferred consideration to set expectations of future amounts payable. The deferred consideration is reviewed and revalued at regular intervals over the deferred consideration period (Note 21). The fair value is sensitive to the change in management approved forecasts; however, at each reporting date, the relevant management approved forecasts are deemed to be the most accurate and relevant input to the fair value measurement.

17. Financial assets at fair value through profit or loss

	2021 £'000	2020 £'000
At 1 July	549	613
Additions	–	543
Finance income of contingent consideration	–	9
Loss from changes in fair value of contingent consideration receivable	–	(54)
Net gain from changes in fair value	75	6
Payments received	–	(568)
At 30 June	**624**	549

During the year ended 30 June 2020, the Group acquired Cornelian Asset Managers Group Limited (see Note 10). On acquisition, Cornelian Asset Managers Group Limited held 500,000 shares in five of the SVS Cornelian Risk Managed Passive Funds, totalling £543,000 on acquisition. During the year ended 30 June 2021, the Group recognised a gain on these investments of £75,000. The Group's holding in the SVS Cornelian Risk Managed Passive Funds at 30 June 2021 was £624,000.

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For the year ended 30 June 2021

18. 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.

	2021 £'000	2020 £'000
Deferred tax assets		
Deferred tax assets to be settled after more than one year	2,022	430
Deferred tax assets to be settled within one year	714	1,094
Total deferred tax assets	2,736	1,524
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than one year	(8,022)	(6,463)
Deferred tax liabilities to be settled within one year	(880)	(767)
Total deferred tax liabilities	(8,902)	(7,230)

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

	2021 £'000	2020 £'000
At 1 July	(5,706)	(1,055)
Additional liability on acquisition of client-relationship intangible assets (Note 10)	(1,219)	(4,868)
Adjustment on acquisition of business combination	(21)	(17)
(Charge)/credit to the Consolidated statement of comprehensive income	(110)	212
Credit recognised in equity	890	22
At 30 June	(6,166)	(5,706)

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

	Share-based payments £'000	Trading losses carried forward £'000	Dilapidations £'000	Accelerated capital allowances £'000	Total £'000
Deferred tax assets					
At 1 July 2019	620	499	-	104	1,223
Adjustment on acquisition of business combination	-	-	-	(17)	(17)
Credit/(charge) to the Consolidated statement of comprehensive income	247	(42)	-	91	296
Credit to equity	22	-	-	-	22
At 30 June 2020	889	457	-	178	1,524
Adjustment on acquisition of business combination	-	-	-	(21)	(21)
Under provision in prior years charged to the Consolidated statement of comprehensive income	-	-	44	-	44
Credit/(charge) to the Consolidated statement of comprehensive income	77	184	(15)	53	299
Credit to equity	890	-	-	-	890
At 30 June 2021	1,856	641	29	210	2,736

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.

18. Deferred income tax continued

	Accelerated capital allowances on research & development £'000	Intangible asset amortisation £'000	Total £'000
Deferred tax liabilities			
At 1 July 2019	-	2,278	2,278
Additional liability on acquisition of client-relationship intangible assets	-	4,868	4,868
Credit to the Consolidated statement of comprehensive income	(154)	(224)	(378)
Under provision in prior years charged to the Consolidated statement of comprehensive income	462	-	462
At 30 June 2020	308	6,922	7,230
Additional liability on acquisition of client-relationship intangible assets (Note 10)	-	1,219	1,219
Under provision in prior years charged to the Consolidated statement of comprehensive income	160	-	160
(Credit)/charge to the Consolidated statement of comprehensive income	(16)	309	293
At 30 June 2021	452	8,450	8,902

19. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	1,820	1,184
Other receivables	447	1,054
Prepayments and accrued income	26,182	23,843
Total current trade and other receivables	28,449	26,081

The credit risk balance is immaterial in relation to trade receivables, refer to Note 30c. for details on the credit risk assessment. Accrued income includes portfolio management fee income for the quarter ended 30 June 2021, outstanding at the Consolidated statement of financial position date.

During the year ended 30 June 2021, the Group completed the Lloyds Channel Islands acquisition (Note 10). On acquisition, Lloyds Investment Fund Managers Limited (renamed Brooks Macdonald International Fund Managers Limited following acquisition), held investment positions in the underlying recognised funds, totalling £4,000, recognised in other receivables. Investment positions in recognised funds are a standard amount of shares per fund that Brooks Macdonald International Fund Managers Limited holds to facilitate daily shares and redemptions by the unit holders. The requirement to advise the custodian of shares to be created or cancelled within two hours of the valuation point, which is generally before the dealing prices for the day have been released, results in Brooks Macdonald International Fund Managers Limited holding shares. The value of the investment positions in the recognised funds at 30 June 2021 was £286,000, with an equal and opposite balance recognised in other payables.

20. Cash and cash equivalents

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.

21. Deferred consideration

Deferred consideration payable is split between non-current liabilities and current liabilities 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:

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

21. Deferred consideration continued

	2021 £'000	2020 £'000
At 1 July	7,991	1,299
Additions	308	7,466
Finance cost of deferred consideration	299	145
Fair value adjustments	60	-
Payments made during the year	(2,421)	(919)
At 30 June	6,237	7,991
Analysed as:		
Amounts falling due within one year	5,934	1,691
Amounts falling due after more than one year	303	6,300
Total deferred consideration	6,237	7,991

During the year ended 30 June 2021, the Group completed the Lloyds Channel Islands acquisition (Note 10) and part of the consideration is to be deferred over a period of two years. The total cash deferred consideration of £334,000 was recognised at its fair value of £308,000 on acquisition. The deferred consideration is payable in December 2022 based on the future revenue generated by the discretionary business acquired. Since acquisition to 30 June 2021, the Group recognised a finance cost of £7,000 on the Lloyds Channel Islands acquisition deferred consideration. The fair value of the Lloyds Channel Islands acquisition deferred consideration at 30 June 2021 was £315,000.

During the year ended 30 June 2021, the fair value of the estimated deferred consideration for Cornelian Asset Managers Group Limited (Note 10) was revalued by £60,000 due to a change in the estimated timing of when the consideration will be payable. During the year ended 30 June 2021, the Group revalued the deferred consideration by £60,000 due to a change in the estimated timing of when the consideration will be payable and paid £2,000,000 to the vendors of Cornelian. During the year ended 30 June 2021, the Group recognised a finance cost of £286,000 in relation to the Cornelian deferred consideration. The fair value of the Cornelian deferred consideration at 30 June 2021 was £5,922,000 (FY20: £7,576,000).

During the year ended 30 June 2021, the final payment was made in relation to the acquisition of Levitas totalling £421,000 (FY20: £919,000). Full details of the Levitas acquisition are disclosed in Note 13 of the 2015 Annual Report and Accounts. The fair value of the Levitas deferred consideration at 30 June 2021 was £nil.

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

22. Lease liabilities

	£'000
At 1 July 2019	1,799
Additions	7,865
Payments made against lease liabilities	(2,034)
Interest on lease liabilities	304
At 30 June 2020	7,934
Additions	585
Payments made against lease liabilities	(1,969)
Interest on lease liabilities	319
At 30 June 2021	6,869
Analysed as:	
Amounts falling due within one year	1,447
Amounts falling due after more than one year	5,422
Total lease liabilities	6,869

The additions relate to additional property-related leases that commenced during the year ended 30 June 2021.

23. Provisions

	Client compensation £'000	Exceptional costs of resolving legacy matters £'000	FSCS levy £'000	Leasehold dilapidations £'000	Total £'000
At 1 July 2019	100	701	928	366	2,095
Charge to the Consolidated statement of comprehensive income	266	–	2,171	381	2,818
Additions on acquisition of subsidiary	–	–	–	103	103
Utilised during the year	(328)	(93)	(1,598)	(470)	(2,489)
At 30 June 2020	38	608	1,501	380	2,527
Charge to the Consolidated statement of comprehensive income	347	–	2,218	136	2,701
Utilised during the year	(385)	(8)	(2,474)	(103)	(2,970)
At 30 June 2021	–	600	1,245	413	2,258
Analysed as:					
Amounts falling due within one year	–	600	1,245	134	1,979
Amounts falling due after more than one year	–	–	–	279	279
Total provisions	–	600	1,245	413	2,258

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. The amount utilised during the year represented a goodwill payment made to a client of £8,000. The amount remaining at 30 June 2021 of £600,000 relates to the remaining goodwill offers yet to be accepted by clients. During the year ended 30 June 2020, a contingent liability was recognised in relation to potential claims related to the legacy matters (Note 32), which is still recognised as at 30 June 2021.

c. FSCS levy

Following confirmation by the FSCS in April 2021 of its final industry levy for the 2021/22 scheme year, the Group has made a provision of £1,245,000 (FY20: £1,501,000) for its estimated share.

d. 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.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

24. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	4,758	4,573
Other taxes and social security	5,744	6,070
Other payables	1,115	51
Accruals and deferred income	15,438	12,071
Total trade and other payables	27,055	22,765

Included within accruals and deferred income is an accrual of £508,000 (FY20: £306,000) in respect of employer's National Insurance contributions arising from share option awards under the LTIS (Note 29b). 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 29).

25. Other non-current liabilities

	2021 £'000	2020 £'000
At 1 July	330	714
Additional liability in respect of share option awards	384	193
Transfer to current liabilities	(166)	(577)
At 30 June	548	330

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 £384,00 (FY20: £193,000) in respect of existing awards, granted in previous years, that are expected to vest in the future. During the year, an amount of £166,000 (FY20: £577,000) was transferred to current liabilities, reflecting awards that are expected to vest within the next 12 months. At 30 June 2021, the non-current liability for employer's National Insurance contributions arising from share option awards under the LTIS and LTIP schemes was £548,000 (FY20: £330,000).

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

	2021 £'000	2020[1] £'000
Operating profit	20,756	10,245
Adjustments for:		
Amortisation of intangible assets	7,682	5,327
Depreciation of property, plant and equipment	1,045	2,028
Depreciation of right-of-use assets	1,614	1,256
Other losses/(gains) – net	1,438	4,519
(Increase)/decrease in receivables	(2,333)	2,642
Increase/(decrease) in payables	3,765	(202)
(Decrease)/increase in provisions	(269)	431
Increase/(decrease) in other non-current liabilities	218	(384)
Share-based payments charge	2,991	3,571
Net cash inflow from operating activities	36,907	29,433

1. The cash held by subsidiary entities acquired has been recognised in cash flows from investing activities on the Consolidated statement of cash flows. In the prior year, this had been classified as cash generated from operations and therefore has been changed to reflect the correct classification. The changes made to the prior year numbers are that acquisition of subsidiaries, net of cash acquired has been increased by £6,655,000, working capital movement in receivables has been increased by £1,948,000, working capital movement in payables has been reduced by £1,246,000 and net assets acquired in business combination has been decreased by £7,357,000.

27. 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 2019	13,950,071		139	39,068	39,207
Shares issued:					
– on placing	1,690,141	–	17	29,387	29,404
– as consideration	453,172	–	5	8,995	9,000
– on exercise of options	25,862	1,381.0 – 1,725.0	–	424	424
– to Sharesave Scheme	7,856	1,400.0 – 1,738.0	–	108	108
At 30 June 2020	16,127,102		161	77,982	78,143
Shares issued:					
– on exercise of options	7,976	1,629.8 – 2,260.0	–	65	65
– to Sharesave Scheme	46,060	1,600.0 – 2,300.0	–	656	656
At 30 June 2021	16,181,138		161	78,703	78,864

The total number of ordinary shares issued and fully paid at 30 June 2021 was 16,181,138 (FY20: 16,127,102) with a par value of 1p per share.

On 27 November 2019, the Group issued 1,690,141 ordinary shares by way of a non-pre-emptive placing for non-cash consideration. The shares were placed at an equivalent of 1,775p per share, which raised £29,404,000, net of £600,000 share issue costs, offset against share premium arising on the issue. The shares were issued to fund the acquisition of Cornelian (Note 10).

In addition, on 28 February 2020, the Group issued 453,172 ordinary shares to the previous shareholders of Cornelian Asset Managers Group Limited as non-cash consideration for the acquisition. The non-cash consideration of £9,000,000 was calculated at an equivalent of 1,986p per share in accordance with the Sale and Purchase Agreement.

There was £nil share capital issued on exercise of options and to Sharesave Scheme members in the year ended 30 June 2021 (FY20: £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 29b. At 30 June 2021, the EBT held 608,516 (FY20: 409,163) 1p ordinary shares in the Company, acquired for a total consideration of £11,000,000 (FY20: £7,519,000) with a market value of £13,908,000 (FY20: £6,800,000). They are classified as treasury shares in the Consolidated statement of financial position, their cost being deducted from retained earnings within shareholders' equity.

28. Other reserves and retained earnings

Other reserves comprise the following balances:

	2021 £'000	2020 £'000
Share option reserve	8,275	6,206
Merger reserve	192	192
Total other reserves	8,467	6,398

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 29.

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.

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28. Other reserves and retained earnings continued

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

	2021 £'000	2020 £'000
At beginning of the year	6,206	4,383
Share-based payments	2,991	3,571
Transfer to retained earnings	(1,812)	(1,770)
Tax credit on share-based payments	890	22
At end of the year	8,275	6,206

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

	2021 £'000	2020 £'000
At beginning of the year	39,000	43,091
Profit for the financial year	19,642	6,426
Transfer from share option reserve	1,812	1,770
Purchase of own shares by Employee Benefit Trust	(5,210)	(4,607)
Dividends paid	(8,572)	(7,680)
At end of the year	46,672	39,000

29. 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 0.01% to 2.00%. No options outstanding at 30 June 2021 (FY20: 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 £2,991,000 (FY20: £3,952,000). The weighted average remaining contractual life of all equity-settled share-based payment schemes at 30 June 2021 was 1.52 years (FY20: 1.88 years). The weighted average share price of all options exercised during the year was £16.59 (FY20: £19.86).

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

	Long-Term Incentive Plan	Save As You Earn (SAYE)
Grant date	Various	11/05/2021
Share price at grant £	14.00-19.50	20.10
Vesting period	9-48 months	36 months
Volatility %	29-46%	37%
Annual dividend %	2.62-3.72%	2.54%
Risk-free rate %	-0.08-0.62%	0.14%
Option value £	12.41-19.22	5.29

29. Equity-settled share-based payments continued

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	-	12.41 - 19.22	240,965
Employee Sharesave Scheme	17.04	5.29	55,346

At the end of the period, amounts totalling £2,487,000 (FY20: £1,079,000) had vested and were eligible for exercise by scheme participants.

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 (FY20: none).

	2021		2020	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	658,468	-	492,560	-
Awarded in the year	240,965	-	270,760	-
Exercised in the year	(46,713)	-	(24,961)	-
Forfeited in the year	(46,663)	-	(79,891)	-
At 30 June	806,057	-	658,468	-

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	2021 Number of options	2020 Number of options
2018	-	2019 - 2021	55,286	73,995
2019	-	2020 - 2022	55,823	75,810
2020	-	2021 - 2023	70,365	-
All years			181,474	149,805

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	2021 Number of options	2020 Number of options
2018	-	2021	29,300	29,300
2019	-	2022	26,352	26,352
2020	-	2023	33,974	-
All years			89,626	55,652

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

29. Equity-settled share-based payments continued

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	2021 Number of options	2020 Number of options
2019	-	2019 - 2024	246,802	297,652
2020	-	2020 - 2024	160,283	155,449
2021	-	2021 - 2024	133,579	-
All years			540,664	453,101

b. Long-Term Incentive Scheme ("LTIS")

The Group made no new awards under the LTIS during the year. 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 (FY20: none). The off-cycle awards made in 2017 and 2018 were to two senior Executives to replace awards forfeited from previous employers.

	2021 Number of options	2020 Number of options
At 1 July	123,846	209,216
Exercised in the year	(41,915)	(78,635)
Forfeited in the year	(38,591)	(6,735)
At 30 June	43,340	123,846

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

Scheme year (grant date)	Exercise price £	Vesting period	2021 Number of options	2020 Number of options
2010	-	2013	-	-
2011	-	2014	-	-
2012	-	2015	552	552
2013	-	2016	1,230	5,021
2014	-	2017	4,037	8,855
2015	-	2018	6,737	10,173
2016	-	2019	8,680	16,502
2017 (off-cycle)	-	2020	-	-
2017	-	2020	6,001	66,214
2018 (off-cycle)	-	2019 - 2020	16,103	16,529
All years			43,340	123,846

At 30 June 2021, options for schemes up to and including the 2018 scheme have vested and are able to be exercised.

29. Equity-settled share-based payments continued

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.

	2021 Number of shares	2020 Number of shares
At 1 July	409,163	268,045
Acquired in the year	288,148	244,714
Exercised in the year	(88,795)	(103,596)
At 30 June	608,516	409,163

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.

	2021		2020	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	40,503	16.92	73,497	16.76
Exercised in the year	(9,115)	16.00	(25,862)	16.39
Forfeited in the year	(5,024)	18.99	(7,132)	16.78
At 30 June	26,364	16.67	40,503	16.92

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

Scheme year (grant date)	Exercise price £	Vesting period	2021 Number of options	2020 Number of options
2013	14.52	2016	-	4,134
2014	13.81	2017	4,349	4,349
2015	17.19	2018	13,377	16,678
2016	17.25	2019	6,868	9,914
2017 (off-cycle)	20.11	2020	279	1,491
2017	19.66	2020	1,491	3,937
All years			26,364	40,503

At 30 June 2020, 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 August 2020. No awards expired during the year (FY20: none).

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

29. Equity-settled share-based payments continued

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.

	2021		2020	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	289,849	12.73	204,117	14.79
Granted in the year	55,346	17.04	198,276	11.72
Exercised in the year	(44,921)	14.60	(7,856)	14.70
Forfeited in the year	(51,884)	13.71	(104,688)	14.68
At 30 June	248,390	13.15	289,849	12.73

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

Scheme year (grant date)	Exercise price £	Vesting period	2021 Number of options	2020 Number of options
2017	17.38	2020	–	12,641
2018	14.94	2021	2,189	44,370
2019	14.00	2022	24,006	34,562
2020	11.72	2023	167,060	198,276
2021	17.04	2024	55,135	-
All years			248,390	289,849

At 30 June 2020, options for the 2016 scheme have vested and are able to be exercised. 6,326 awards under the 2016, 2017 and 2018 schemes expired during the year (FY20: none).

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.

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	No fixed payment date £'000	Total £'000
At 30 June 2021						
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	–	–	–	–	624	624
Cash and balances at bank	54,899	–	–	–	–	54,899
Trade receivables	–	1,820	–	–	–	1,820
Other receivables	–	26,629	–	–	–	26,629
	54,899	28,449	–	–	1,124	84,472
Cash flows from financial liabilities						
Trade payables	–	(4,758)	–	–	–	(4,758)
Other financial liabilities	–	(23,007)	(8,650)	(6,552)	–	(38,209)
	–	(27,765)	(8,650)	(6,552)	–	(42,967)
Net liquidity gap	54,899	684	(8,650)	(6,552)	1,124	41,505
At 30 June 2020						
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	–	–	–	–	549	549
Cash and balances at bank	50,168	–	–	–	–	50,168
Trade receivables	–	1,181	3	–	–	1,184
Other receivables	–	24,897	–	–	–	24,897
	50,168	26,078	3	–	1,049	77,298
Cash flows from financial liabilities						
Trade payables	–	(4,573)	–	–	–	(4,573)
Other financial liabilities	–	(18,605)	(4,861)	(13,508)	–	(36,974)
	–	(23,178)	(4,861)	(13,508)	–	(41,547)
Net liquidity gap	50,168	2,900	(4,858)	(13,508)	1,049	35,751

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

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 £549,000 (FY20: £502,000). An increase of 1% would have an equal and opposite effect.

Foreign exchange risk

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

Price risk

Price risk is the risk that the fair value of the future cash flows from financial instruments will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to price risk through its holdings of equity securities and other financial assets, which are measured at fair value in the Consolidated statement of financial position (Notes 16 and 17). A 1% fall in the value of these financial instruments would have the impact of reducing total comprehensive income by £23,000 (FY20: £27,000). 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 2021, there was no significant concentration of credit risk in any particular counterparty (FY20: none).

Assets exposed to credit risk recognised on the Consolidated statement of financial position total £54,899,000 (FY20: £50,168,000), being the Group's total cash and cash equivalents.

Trade receivables with a carrying amount of £1,820,000 (FY20: £1,184,000) 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 one year (FY20: one year).

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 2021 was £134,003,000 (FY20: £123,541,000). 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 that 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 2020 ICAAP will be approved in December 2020. 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 issues which, in the event of a dispute, could develop into litigious proceedings and, in some cases, may result in contingent liabilities. Similarly, a contingent liability may arise in the event of a finding in respect of the Group's tax affairs, including the accounting for VAT, which could result in a financial outflow and/or inflow from the relevant tax authorities.

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 prior year ended 30 June 2020, a small number of clients rejected goodwill offers made by Brooks Macdonald Asset Management (International) Limited in connection with the exceptional costs of resolving legacy matters (Note 23b), which were 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 2021. 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Brooks Macdonald Asset Management Limited	–	-	–	22,641
Brooks Macdonald Asset Management (International) Limited	246	14	–	-
Brooks Macdonald Retirement Services (International) Limited	–	29	–	-
Brooks Macdonald Financial Consulting Limited	–	-	2,753	2,638

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

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

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.

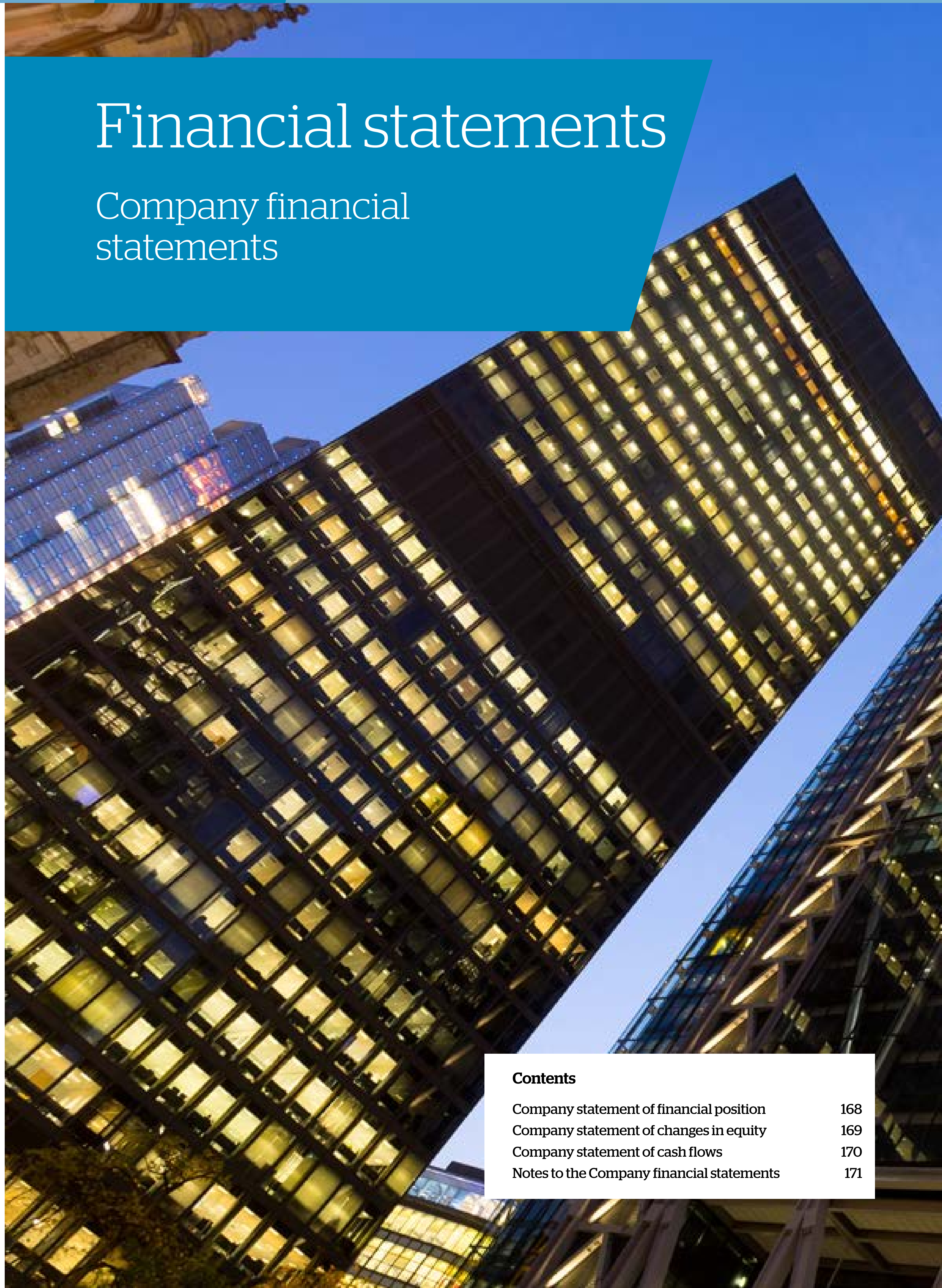
The only consolidated structured entity is the Brooks Macdonald Group Employee Benefit Trust, details of which are given in Note 27.

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 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 £2.076bn (FY20: £2.051bn). Included in revenue on the Consolidated statement of comprehensive income is management fee income of £15,353,000 (FY20: £8,644,000) from unconsolidated structured entities managed by the Group.

35. Events since the end of the year

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



Financial statements

Company financial statements

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Company statement of financial position

As at 30 June 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Intangible assets	40	441	951
Investment in subsidiaries	41	96,258	119,047
Financial assets at fair value through other comprehensive income	42	500	500
Total non-current assets		97,199	120,498
Current assets			
Trade and other receivables	43	270	75
Cash and cash equivalents		7,996	13,628
Total current assets		8,266	13,703
Total assets		105,465	134,201
Liabilities			
Non-current liabilities			
Deferred consideration	44	–	(6,300)
Total non-current liabilities		–	(6,300)
Current liabilities			
Trade and other payables	45	(3,830)	(26,222)
Deferred consideration	44	(5,922)	(1,691)
Total current liabilities		(9,752)	(27,913)
Net assets		95,713	99,988
Equity			
Share capital	47	161	161
Share premium account	47	78,703	77,982
Share option reserve		6,501	6,501
Retained earnings		10,348	15,344
Total equity		95,713	99,988

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 year ended 30 June 2021. Brooks Macdonald Group plc reported profit after tax for the year ended 30 June 2021 of £8,786,000 (FY20: £12,696,000).

The Company financial statements were approved by the Board of Directors and authorised for issue on 15 September 2021, and signed on their behalf by:

Andrew Shepherd
CEO

Ben Thorpe
Chief Financial Officer

Company registration number: 4402058

The accompanying notes on pages 171 to 177 form an integral part of the Company financial statements.

Company statement of changes in equity

For the year ended 30 June 2021

	Note	Share capital £'000	Share premium account £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2019		139	39,068	4,682	14,480	58,369
Comprehensive income						
Profit for the year	38	–	–	–	12,696	12,696
Total comprehensive income		–	–	–	12,696	12,696
Transactions with owners						
Issue of ordinary shares		22	38,914	–	–	38,936
Share-based payments		–	–	2,274	–	2,274
Share-based payments transfer		–	–	(455)	455	–
Purchase of own shares by Employee Benefit Trust		–	–	–	(4,607)	(4,607)
Dividends paid	39	–	–	–	(7,680)	(7,680)
Total transactions with owners		22	38,914	1,819	(11,832)	28,923
Balance at 30 June 2020		161	77,982	6,501	15,344	99,988
Comprehensive income						
Profit for the year	38	–	–	–	8,786	8,786
Total comprehensive income		–	–	–	8,786	8,786
Transactions with owners						
Issue of ordinary shares		–	721	–	–	721
Purchase of own shares by Employee Benefit Trust		–	–	–	(5,210)	(5,210)
Dividends paid	39	–	–	–	(8,572)	(8,572)
Total transactions with owners		–	721	–	(13,782)	(13,061)
Balance at 30 June 2021		161	78,703	6,501	10,348	95,713

The accompanying notes on pages 171 to 177 form an integral part of the Company financial statements.

Company statement of cash flows

For the year ended 30 June 2021

	Note	2021 £'000	2020 £'000
Cash flow from operating activities			
Cash generated from operations	46	9,820	15,931
Tax refund		–	106
Net cash generated from operating activities		9,820	16,037
Cash flows from investing activities			
Investment in subsidiaries	41	–	(30,257)
Finance income		30	17
Deferred consideration paid	44	(2,421)	(919)
Net cash used in investing activities		(2,391)	(31,159)
Cash flows from financing activities			
Proceeds of issue of shares	47	721	38,936
Shares issued as consideration		–	(9,000)
Purchase of own shares by Employee Benefit Trust		(5,210)	(4,607)
Dividends paid to shareholders	39	(8,572)	(7,680)
Net cash (used)/generated in financing activities		(13,061)	17,649
Net (decrease)/increase in cash and cash equivalents		(5,632)	2,527
Cash and cash equivalents at beginning of year		13,628	11,101
Cash and cash equivalents at end of year		7,996	13,628

The accompanying notes on pages 171 to 177 form an integral part of the Company financial statements.

Notes to the Company financial statements

For the year ended 30 June 2021

36. Principal accounting policies

General information

Brooks Macdonald Group plc ("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 21 Lombard Street, London, EC3V 9AH.

Statement of compliance

As a result of the UK leaving the European Union on 31 December 2020, the individual Financial statements of the Company for the year ended 30 June 2021 have now been prepared under International Accounting Standards in conformity with the Companies Act 2006. This has not had any impact on the recognition, measurement or disclosure in these Consolidated financial statements.

Developments in reporting standards and interpretations

Developments in reporting standards and interpretations are set out in Note 2c 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 financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss and deferred consideration 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.

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 2021

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

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 investment in subsidiaries and deferred consideration.

There have been no critical judgements required in applying the Company'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.

Investment in subsidiaries

The Company's investment in subsidiaries are reviewed annually for impairment, or when a change in circumstances indicates that it might be impaired. When required, the recoverable amounts of subsidiaries are determined by value in use calculations, which require the use of estimates to derive the projected future cash flows attributable to each subsidiary. If the projected cash flows cannot support the cost of investment, an impairment in the investment in subsidiary may be required. Details of the investment in subsidiaries are given in Note 41.

Deferred consideration

As described in Note 44, the Company has a deferred consideration balance in respect of the acquisition of Cornelian Asset Managers Group Limited in February 2020. Deferred consideration is recognised at its fair value, being an estimate of the amount that will ultimately be payable in future periods. The deferred consideration has been calculated allowing for estimated growth in the acquired funds and estimated cost savings, discounted by the estimated interest rate.

38. Profit for the year

Brooks Macdonald Group plc reported profit after tax for the year ended 30 June 2021 of £8,786,000 (FY20: £12,696,000). Auditors' remuneration is disclosed in Note 7 of the Consolidated financial statements. The average monthly number of employees during the year was eight (FY20: eight). Directors' emoluments are set out in Note 5d 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 2019	1,985
Additions	–
At 30 June 2020	1,985
Additions	–
At 30 June 2021	**1,985**
Accumulated amortisation	
At 1 July 2019	524
Amortisation charge	510
At 30 June 2020	1,034
Amortisation charge	510
At 30 June 2021	**1,544**
Net book value	
At 1 July 2019	1,461
At 30 June 2020	951
At 30 June 2021	**441**

41. Investment in subsidiaries

	Group undertakings £'000
Net book value	
At 1 July 2019	74,251
Additions:	
– Investment in subsidiaries	46,723
– Capital contribution relating to share-based payments	2,595
Impairment of subsidiary	(4,522)
At 30 June 2020	119,047
Additions	–
Impairment of subsidiary	(22,789)
At 30 June 2021	**96,258**

During the year ended 30 June 2021, the Company recognised an impairment in relation to a subsidiary company, Cornelian Asset Management Group Limited for £14,289,000, and an impairment in relation to a subsidiary company, Brooks Macdonald Financial Consulting Limited for £8,500,000. The impairments were recognised due to a reorganisation of the Group structure and the businesses transferred to a subsidiary company within the Brooks Macdonald Group plc group of companies.

Details of the Company's subsidiary undertakings at 30 June 2021, 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 and financial consulting
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 International Funds Managers Limited	Ordinary £1	Channel Islands	Fund management
Brooks Macdonald International Nominees (Guernsey) Limited	Ordinary £1	Channel Islands	Non-trading
Brooks Macdonald Nominees Limited	Ordinary £1	UK	Non-trading
Brooks Macdonald Retirement Services (International) Limited	Ordinary £1	Channel Islands	Retirement planning
Cornelian Asset Managers Group Limited	Ordinary 20p	UK	Investment management
Cornelian Asset Managers Limited	Ordinary £1	UK	Fund management
Cornelian Asset Managers Nominees Limited	Ordinary £1	UK	Non-trading
Levitas Investment Management Services Limited	Ordinary £1	UK	Fund sponsor
Secure Nominees Limited	Ordinary £1	Channel Islands	Non-trading

Notes to the Company financial statements continued

For the year ended 30 June 2021

41. Investment in subsidiaries continued

The registered office for all subsidiaries is 21 Lombard Street, London, EC3V 9AH 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 International Fund Managers Limited	5 Anley Street, St. Helier, Jersey, JE2 3QE
Brooks Macdonald International Nominees (Guernsey) Limited	Ground Floor, Dorey Court, Admiral Park, St. Peter Port, Guernsey, GY1 2HT
Brooks Macdonald Retirement Services (International) Limited	5 Anley Street, St. Helier, Jersey, JE2 3QE
Cornelian Asset Managers Group Limited	Hobart House, 80 Hanover Street, Edinburgh, EH2 1EL
Cornelian Asset Managers Limited	Hobart House, 80 Hanover Street, Edinburgh, EH2 1EL
Cornelian Asset Managers Nominees Limited	Hobart House, 80 Hanover Street, Edinburgh, EH2 1EL
Secure Nominees Limited	1st Floor Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 2HH

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 2021:

- Braemar Group Limited
- Brooks Macdonald Nominees Limited
- Cornelian Asset Managers Group Limited
- Cornelian Asset Managers 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 2021 were £2,000.

42. Financial assets at fair value through other comprehensive income

	2021 £'000	2020 £'000
At beginning of year	500	500
Net changes in fair value	-	-
At end of year	500	500

At 30 June 2021, the Company held an investment of 500,000 redeemable £1 preference shares in an unlisted company incorporated in the UK. The preference shares previously carried an entitlement to a fixed preferential dividend at a rate of 8% per annum, which reduced to 4% per annum in April 2021 following the renewal of the preference shares. Unlisted preference shares are classified as financial assets at fair value through other comprehensive income.

43. Trade and other receivables

	2021 £'000	2020 £'000
Amounts owed by subsidiary undertakings	246	44
Prepayments and accrued income	24	31
Total trade and other receivables	270	75

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

44. Deferred consideration

Deferred consideration 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:

	2021 £'000	2020 £'000
At beginning of year	7,991	1,299
Additions	-	7,466
Finance cost of deferred consideration	292	145
Fair value adjustments	60	-
Payments made during the year	(2,421)	(919)
At end of year	5,922	7,991
Analysed as:		
Amounts falling due within one year	5,922	1,691
Amounts falling due after more than one year	-	6,300
Total deferred consideration	5,922	7,991

During the year ended 30 June 2020, the Company acquired Cornelian Asset Managers Group Limited (Note 10) and part of the consideration was deferred over a period of up to two years. The total cash deferred consideration of £8,000,000 was recognised at its fair value of £7,466,000 upon acquisition. The deferred consideration is payable in up to three instalments in March 2021, October 2021 and March 2022 and based on the future value of the funds under management acquired and cost savings and synergies achieved on integrating the business. During the year ended 30 June 2021, the Company revalued the deferred consideration by £60,000 due to a change in the estimated timing of when the consideration will be payable and paid £2,000,000 to the vendors of Cornelian. During the year ended 30 June 2021, the Company recognised a finance cost of £286,000 in relation to the Cornelian deferred consideration. The fair value of the Cornelian deferred consideration at 30 June 2021 was £5,922,000 (FY20: £7,576,000).

During the year ended 30 June 2021, the final payment was made in relation to the acquisition of Levitas totalling £421,000 (FY20: £919,000). Full details of the Levitas acquisition are disclosed in Note 13 of the 2015 Annual Report and Accounts. The fair value of the Levitas deferred consideration at 30 June 2020 was £nil (FY20: £415,000).

45. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	20	114
Amounts owed to subsidiary undertakings	2,754	25,279
Accruals and deferred income	1,056	829
Total trade and other payables	3,830	26,222

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

Notes to the Company financial statements continued

For the year ended 30 June 2021

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

	2021 £'000	2020 £'000
Operating profit	9,108	12,857
Adjustments for:		
Impairment of subsidiary	22,789	4,522
Changes in fair value of deferred consideration	60	-
(Increase)/decrease in receivables	(195)	615
Decrease in payables	(22,053)	(2,140)
Share-based payments	111	77
Net cash inflow from operating activities	9,820	15,931

47. 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 2019	13,950,071	139	39,068	39,207
Shares issued:				
– on placing	1,690,141	17	29,387	29,404
– as considerations	453,172	5	8,995	9,000
– on exercise of options	25,862	-	424	424
– to Sharesave Scheme	7,856	-	108	108
At 30 June 2020	16,127,102	161	77,982	78,143
Shares issued:				
– on exercise of options	7,976	-	65	65
– to Sharesave Scheme	46,060	-	656	656
At 30 June 2021	16,181,138	161	78,703	78,864

The total number of ordinary shares, issued and fully paid at 30 June 2021, was 16,181,138 (FY20: 16,127,102) with a par value of 1p per share. Excluding 608,516 (FY20: 409,163) treasury shares held by the Employee Benefit Trust (see below), the Company had 15,572,622 (FY20: 15,717,939) ordinary 1p shares in issue as at 30 June 2021. Details of the shares issued are given in Note 27 of the Consolidated financial statements.

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 29c 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 85,439 (FY20: 103,596) options. The cost of the shares released on exercise of these options amounted to £1,617,000 (FY20: £1,738,000). At 30 June 2021, the number of shares held by the EBT was 608,516 (FY20: 409,163) with a market value of £13,908,000 (FY20: £6,800,000) acquired for a total consideration of £11,000,000 (FY20: £7,519,000). 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 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.

48. Related party transactions

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

	2021 £'000	2020 £'000
Short-term employee benefits	1,590	2,040
Post-employment benefits	50	57
Share-based payments	159	94
Total compensation	1,799	2,191

Dividends totalling £14,000 (FY20: £9,000) 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:

	2021 £'000	2020 £'000
Dividends received:		
Brooks Macdonald Asset Management Limited	17,500	17,500
Levitas Investment Management Services Limited	800	1,500
Cornelian Asset Managers Group Limited	16,289	4,000
Braemar Group	190	-
Total transactions with subsidiaries	34,779	23,000

The Company's balances with fellow Group companies at 30 June 2021 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.

49. 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 Secretary	Phil Naylor
Company registration number	4402058
Registered office	21 Lombard Street, London, EC3V 9AH
Website	www.brooksmacdonald.com

Financial calendar

Results announcement	16 September 2021
Ex-dividend date for final dividend	23 September 2021
Record date for final dividend	24 September 2021
Annual General Meeting	28 October 2021
Final dividend payment date	5 November 2021

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Glossary

Abbreviation	Definition
ACD	Authorised Corporate Director
AGM	Annual General Meeting
AIM	Alternative Investment Market
ANLA	Adjusted Net Liquid Asset
APS	AIM Portfolio Service
ARC	Asset Risk Consultants
BMG, Company, Parent Company	Brooks Macdonald Group plc
BMIS	Brooks Macdonald Investment Solutions
BPR	Business Property Relief
BPS	Bespoke Portfolio Service
CASS	Client Assets Sourcebook
CAPM	Capital asset pricing model
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating unit
CIP	Centralised Investment Process
COO	Chief Operating Officer
Cornelian, CAM	Cornelian Asset Managers Group Limited and its controlled entities
COVID-19	Coronavirus global pandemic
CREST	The settlement system used by the London Stock Exchange for settling all its transactions
CRO	Chief Risk Officer
CSOP	Company Share Option Plan
CSR	Corporate Social Responsibility
D&I	Diversity and inclusion
DBP	Deferred Bonus Plan
DCF	Defensive Capital Fund
DFM	Discretionary Fund Managers
EBT	Employee Benefit Trust
EMEA	Europe, Middle East and Africa
EPS	Earnings per share
ESG	Environmental, social and governance
ESOA	Exceptional Share Options Awards
EU	European Union
FCA	UK Financial Conduct Authority
FIT	FIT Remuneration Consultants LLP
FPS	Fund Portfolio Service
FRC	UK Financial Reporting Council
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
Group	Brooks Macdonald Group plc and its controlled entities
I2020	Investment 2020
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment process
IFA	Independent Financial Adviser
IFPRU	The FCA's Prudential Sourcebook for Investment Firms
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IHT	Inheritance Tax
JFSC	Jersey Financial Services Commission
KPI	Key Performance Indicator
Lloyds Channel Islands	Lloyds Banking Group's Channel Islands wealth management and funds business
LRMF	Liquidity Risk Management Framework
LTIS	Long-term incentive scheme
LTIP	Long-term incentive plan
M&A	Mergers and acquisitions
MAF	Multi-Asset Fund
MMCP	Mid-Market Closing Price
MiFID II	Markets in Financial Instruments Directive II
MRT	Material Risk Takers
MTP	Medium-Term Plan
MPS	Managed Portfolio Service
NOMAD	Nominated adviser
OEIC	Open-Ended Investment Company
ORAS	Overarching risk appetite statement
PBT	Profit before tax
PMPS	Platform Managed Portfolio Service
PRI	Principles for Responsible Investing
PwC	PricewaterhouseCoopers LLP
RCC	Risk and Compliance Committee
RIS	Responsible Investment Service
RMF	Risk management framework
RPI	Retail price index
ROU	Right-of-use asset
SAYE	Employee Sharesave Scheme
SECR	Streamlined Energy and Carbon Reporting
SM&CR	Senior Managers and Certification Regime
SPA	Sale and Purchase Agreement
SS&C	SS&C Technologies
T&E	Travel and entertaining
TCFD	Task Force on Climate-related Financial Disclosures
The Code	UK Corporate Governance Code
UK	United Kingdom
UKIM	UK Investment Management
VAT	Value added tax
WACC	Weighted average cost of capital
WRAP	Waste & Resources Action Plan

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(Subject to regulatory approval)

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