BROOKS MACDONALD

Making a difference

Realising ambitions, securing futures

Annual Report and Accounts
for the year ended 30 June 2022

Contents

Highlights of the year

Strategic progress

Positive net flows throughout the year, **now five successive quarters**

BMIS more than doubled FUM, MPS overall

up 25%

Underlying profit margin

up to 28.2%

in line with the Group's commitment to **top quartile margin** over the medium term

Major milestone on digital transformation, with all of our client- and adviser-facing processes now live on the SS&C platform (shortly after year end)

Announced **acquisition of Integrity Wealth Solutions** in May, subject to regulatory approval

Financial highlights

Funds under management ("FUM") (£bn)

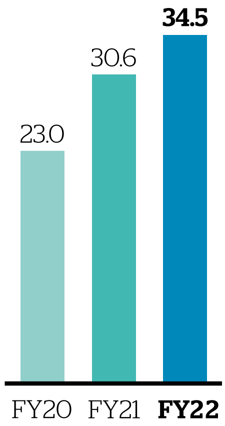
£15.7bn

Revenue (£m)

£122.2m

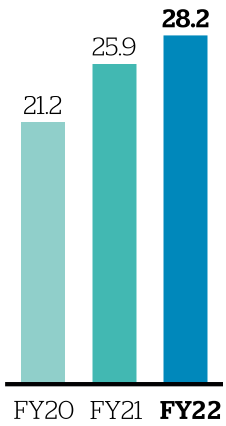
Underlying profit before tax (£m)

£34.5m



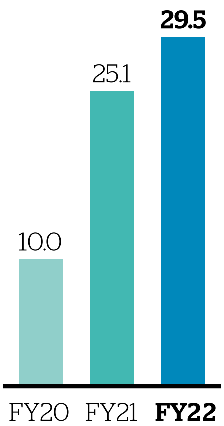
Underlying profit margin before tax (%)

28.2%



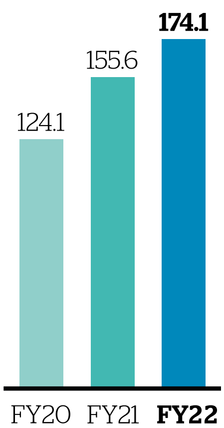
Statutory profit before tax (£m)

£29.5m



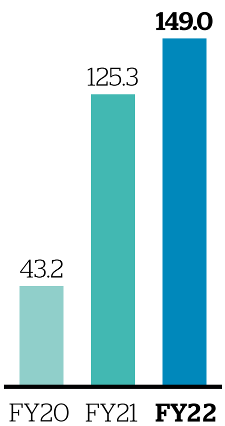
Underlying basic earnings per share (p)

174.1p



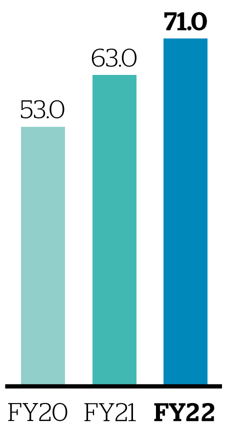
Statutory basic earnings per share (p)

149.0p



Total dividend per share (p)

71.0p



The underlying figures represent the results for the Group's activities excluding underlying adjustments as listed on page 35. These represent alternative performance measures ("APMs") for the Group. Refer to the Non-IFRS financial information section on page 181 for a glossary of the Group's APMs, their definition, and the criteria for how underlying adjustments are considered. A reconciliation between the Group statutory and underlying profit before tax is included on page 35.

Making a difference

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

Clients

Private clients

Trustees

Pension funds

Independent Financial Advisors

We make a difference for the advisers in our network by understanding their clients’ needs, challenges and concerns, delivering consistently robust investment performance, and providing additional support to their businesses.

Support and innovation

We drive innovation in our products and services. We have a range of specialist products - Responsible Investment, Decumulation, Court of Protection, and AIM - and our B2B BM Investment Solutions offering for advisers has been enormously successful.

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.

Centralised Investment Process

Our CIP identifies the best investment ideas in our team and makes sure they are shared as widely as possible, making a difference by protecting and enhancing our clients’ wealth.

Read more about our Centralised Investment Process on pages 16 to 17

Read more about our services on pages 18 to 19

Read more about our clients on pages 20 to 23

Our investment case

1 Market opportunity

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

2 Delivery capability

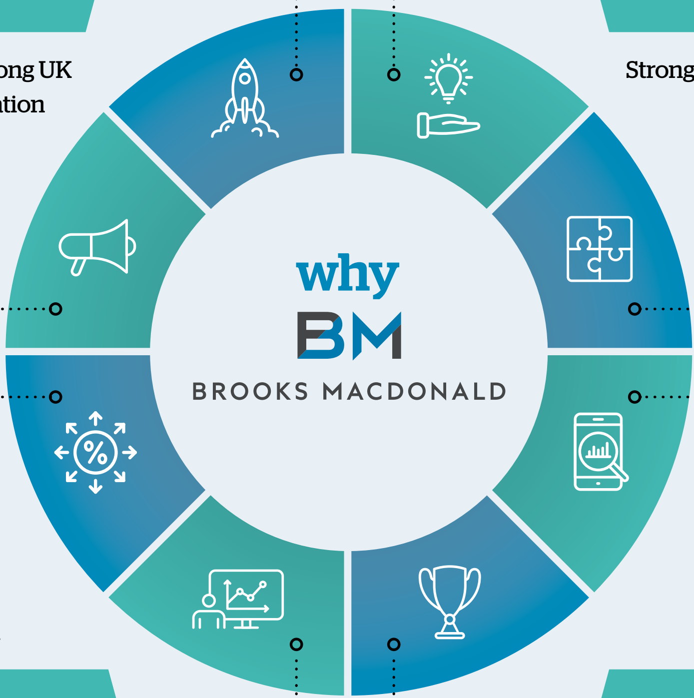
Clear vision for Brooks Macdonald as the leading investment manager for intermediaries, with complementary advice-led Private Clients business.

3 Strong culture and brand

Strong brand, particularly among UK financial advisers, with reputation for consistent investment process and commitment to client service.

4 Distribution reach

Strong relationships in intermediary channel, positioned to take advantage of robust demand for outsourced investment management.



5 Centralised Investment Process

Strong Centralised Investment Process, driving consistently robust investment returns for clients.

6 Service excellence

Building market-leading intermediary experience and client service levels, through our digital transformation in partnership with SS&C.

7 Broad investment proposition

Compelling investment proposition, differentiated set of specialised BPS products, funds and unitised solutions, and business-to-business investment solutions tailored to adviser.

8 Quality of leadership team

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 12 to 25

Strategic report

A comprehensive review of our business and strategy

Chairman's statement

> "An excellent first year under the leadership of Andrew Shepherd as CEO."
>
> Alan Carruthers
> Chairman

Introduction

I am pleased to report that Brooks Macdonald has had an excellent first year under the leadership of Andrew Shepherd as CEO. Despite challenging market conditions, the Group set records for revenue, underlying profit and underlying profit margin. The closing FUM figure of £15.7 billion was delivered through positive and improving net flows, offset by the impact on asset values of declining and volatile markets. After the Group's net flows returned to being positive in Q4 of the previous financial year, they remained positive throughout the twelve months to 30 June 2022, delivering 4.8% organic net new business for the year. The fourth quarter (three months to 30 June 2022) was particularly pleasing with an annualised positive net flows rate of 6.7%.

Our Centralised Investment Process continues to deliver strong performance over the medium and longer term, underpinning our mission to protect and enhance our clients' wealth. Our investment performance remains robust versus our peer group, as measured by the ARC indices, particularly over 3, 5 and 10 years. Overall Group investment performance for this financial year was (9.6)%, driven by three factors: the overall market decline, which affected both equity markets (MSCI All Countries World Index was down 12.3%) and bond markets (Bloomberg Gilts Total Return Index fell 14.3%); exposure to small- and medium-sized companies, which is common across the wealth management industry; and the impact of equity volatility on some of the portfolios the Group runs for clients with higher risk appetite.

Performance overview

Brooks Macdonald continues to grow strongly, driven by our strategy of focusing on intermediaries, alongside our complementary Private Clients business. Underlying profit before tax was £34.5 million, up 12.7% on the year (FY21: £30.6 million), and underlying basic earnings per share ("EPS") was up 11.9% to 174.1p (FY21: 155.6p).

174.1p

Underlying basic EPS up 11.9% to 174.1p from the FY21 figure of 155.6p.

71.0p

Dividend up 8.0 p or 12.7% to 71.0p (FY21: 63.0p).

Statutory profit before tax rose 17.5% to £29.5 million (FY21: £25.1 million). Statutory basic EPS rose 18.9% to 149.0p (FY21: 125.3p).

Delivering our strategy

We have a clear strategy based on the three value drivers of market-leading organic growth, service and operational excellence, and selective high-quality M&A. We have continued to deliver against all three drivers:

- On organic growth, our focus on BM Investment Solutions and our Managed Portfolio Service (both in custody and on third-party platforms) has been highly successful with FUM growth of 25%.
- We have driven improvements in our adviser experience and client service levels, with all client- and adviser-facing processes moving to the SS&C platform shortly after year end, continuing our digital transformation.
- We announced the acquisition of Integrity Wealth Solutions, subject to regulatory approval.

In parallel, we have maintained our focus on the culture of the business and taken forward Our Promise, which is the Group's commitment to its people, to deliver an inclusive culture, fulfilling careers, and great recognition.

Dividend

The Board has recommended a final dividend of 45.0p (FY21: 40.0p), which, subject to approval by shareholders, will result in total dividends for the year of 71.0p (FY21: 63.0p). This represents an increase of 12.7% in total dividend on the previous year and underlines the Board's confidence in the prospects for the Group, despite the challenging macroeconomic environment, and our commitment to a progressive dividend policy. The final dividend will be paid on 4 November 2022 to shareholders on the register at the close of business on 23 September 2022.

Board changes

There were two changes to the Board during the financial year. As mentioned in last year's Annual Report and Accounts, our CEO, Andrew Shepherd, and the Group Chief Operating Officer, Lynsey Cross, were appointed to the Board with effect from 13 July 2021.

Looking ahead

The UK macroeconomic outlook in the short term remains highly uncertain, with high inflation, a cost of living crisis, increasing interest rates, and recessionary risks. Nonetheless, the fundamental opportunity for Brooks Macdonald remains strong, driven by demographic and policy trends as well as increasing adviser demand for outsourced investment management. The Group has a strong balance sheet, consistently supportive shareholders and an ambitious growth agenda. We look to the future with confidence.

Alan Carruthers
Chairman

14 September 2022

Read more about our Corporate governance on pages 70 to 115

Read more about our performance on pages 28 to 39

CEO's review

> "Another year of strong performance, making a difference for our clients, intermediaries and colleagues."
>
> Andrew Shepherd
> CEO

Introduction

I am delighted that my first full year as CEO of Brooks Macdonald has been another year of record performance across a number of dimensions, further demonstrating the strength and resilience of our business model.

The ongoing macroeconomic and market conditions have been challenging for all our stakeholders, and I thank them for their support. I am pleased that our positive and improving net flows show that our clients and their intermediaries recognise and value our products and services. I am also extremely grateful to our people who, over recent years, have dealt with Brexit, the pandemic and a global economic crisis whilst, despite all that, maintaining their service and commitment to our clients and their intermediaries.

Delivering our strategy

Brooks Macdonald's strategy is founded on the three value drivers of organic growth, service and operational excellence, and selective high-quality acquisitions. We are committed to delivering consistently top quartile underlying profit margins, through building on the sustainable and scalable business model we have put in place. We continue to make progress, ready to capitalise on the growth opportunities we see ahead, achieving higher returns as we go.

A core element of our strategy, alongside our robust Centralised Investment Process and our compelling investment proposition, is delivering a high-quality intermediary experience alongside exceptional client service. We are committed to continuous improvement on that dimension and I am delighted that, shortly after our financial year end, we reached a major milestone in our digital transformation when we went live with all our client- and intermediary-facing processes on the SS&C platform.

£122.2m

Revenue reached a new record of £122.2m driven by strong flows and robust investment performance.

28.2%

Achieved a further increase in underlying profit margin of 2.3 points on prior year, delivering on our commitment.

This is a critical step in our digital transformation, giving our clients and their intermediaries improved digital self-service capabilities, complementing the high-quality of our face-to-face relationships. The platform includes automated onboarding, full intermediary and client portal functionality, and bespoke reporting.

The migration has been a massive effort and I want to thank all our staff for their commitment and indeed patience as we continue the work to embed and refine the new processes and systems.

However, although this is a major milestone, it is by no means the end of our digital transformation, which will continue with further improvements in, for example, our use of data and the application of artificial intelligence.

We announced another building block in our M&A agenda with the acquisition of Integrity Wealth Solutions ("Integrity"), an IFA firm whom we have worked closely with for almost a decade now. We expect the acquisition to complete, subject to regulatory approval, later this calendar year. As well as being an important addition to our Private Clients business, Integrity will give us deeper insight into the products and services a high-quality, growing IFA firm values from a discretionary fund manager. This was one of a number of M&A discussions and going forward we expect further acquisitions.

We continue to review how we can further help the intermediaries we know well and with whom we have built a long-term trust-based relationship. While we do not set out to be a consolidator of IFAs, we are keen to give the opportunity to successful financial advisers, like Integrity, to join a larger wealth management company, and we expect this to become an increasingly important part of our proposition. We firmly believe that the biggest single factor in successful integration of acquisitions is complementary cultures, so working with firms we know well gives us a head start in integration.

Financial performance

We had another year of strong financial performance in FY22, continuing to deliver on our medium-term commitment to top quartile margins, with the underlying profit margin up 2.3 points to 28.2%. We also delivered record revenue and underlying profit levels of £122.2 million and £34.5 million respectively.

Statutory profit before tax rose 17.5% to £29.5 million (FY21: £25.1 million).

Our year-end closing FUM was £15.7 billion. Net flows were positive in all quarters, 4.8% at Group level for the full year, and reaching an annualised level of 6.7% for the final quarter. Total FUM was down 4.8% over the year, with the decline being the result of strong flows offset by the impact of declining markets on asset values. We have a strong pipeline going into FY23, although market conditions are resulting in some clients taking longer to commit funds.

Investment performance and market conditions

Investment performance for the year came in at (9.6)%, with declining markets bringing down FUM totals. Nonetheless, our investment performance remains strong for client portfolios over 3, 5 and 10 years against peers as represented by ARC benchmarks.

The path of investment markets over the year was complex, with the market environment favouring different asset classes and different investment styles at different times. In the first quarter, equities were strong and Brooks Macdonald's growth and mid-cap positions performed well. Later in 2021, equity sentiment worsened, with smaller companies most affected. Active funds, which tend to have a smaller companies skew, therefore underperformed, which was negative for the Group given our active bias. During 2022, the market has focused on

CEO's review continued

inflationary risks, resulting initially in good performance for our short-duration bond positions but declines in our growth-orientated equity positions. The last quarter of our financial year saw investors shift focus to possible recessionary risks, leading to falls across asset classes. Brooks Macdonald performed broadly in line with peers.

Looking ahead, we expect inflation to begin to moderate in the United States but remain sticky in Europe. Despite the higher yields now available in bond markets, equities remain our preferred asset class given the lower valuations after the sell-off to date in 2022. The impact of inflation is creating a catalyst for flows as clients look to 'put money to work' to help offset the effect of rising prices on real returns.

Review of business performance

UK Investment Management

In UK Investment Management ("UKIM"), led by Robin Eggar and his team, we have continued to provide high-quality service to clients and intermediaries across the UK. We have seen positive net flows throughout the year, reaching an annualised rate of 8.6% at UKIM level in the final quarter. The standout performance was from BM Investment Solutions ("BMIS"), our 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. Over the course of FY22, the team continued to build on their previous success, signing a series of material deals.

Our Platform Managed Portfolio Service ("PMPS") also had a good year. 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 over 20 of the most popular platforms, and this has helped drive strong growth in the year. BMIS and PMPS combined to deliver the material majority of our net flows over the year.

In our flagship Bespoke Portfolio Service ("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 continued success of these more specialised offerings highlights how we have been able to innovate to meet developing client needs.

In common with much of the industry, our Funds business had a challenging year, with persistent net outflows. Within that, our Defensive Capital Fund ("DCF") had a stronger year, with a particular highlight being positive investment performance in such a difficult year, although flows continued to be affected by the ongoing downturn in sentiment in the Investment Association's Targeted Absolute Return sector.

We see multi-asset funds as a major potential source of growth for Brooks Macdonald, and we have therefore started repositioning our Funds business, with the first step being a material repricing of our Cornelian Risk Managed Fund range to drive medium-term growth.

During the year, we opened offices in Southampton and Birmingham, replacing our former offices in Fareham and Leamington Spa respectively, to improve facilities for clients and colleagues, and to access a larger group of intermediaries and greater pools of wealth.

Private Clients

Our new Private Clients arm, bringing together Financial Planning and UKIM direct client investment management services, has also had strong flows and has restructured processes to ensure our direct clients receive the best possible service. The acquisition of Integrity Wealth Solutions (expected to complete, subject to regulatory approval, later this calendar year) brings further scale, capability and management expertise to our Private Clients business, and we look forward to welcoming Martin Lindsey and his team to the Group.

International

In International, Richard Hughes' first full year since he took over from me as CEO International has been a good one, with improving flows and solid commercial performance in difficult market conditions. We opened a new Isle of Man office, which we expect to be an increasing source of business growth, particularly through our referral agreement with Lloyds Bank.

People

I am personally committed to ensuring that we support the talent we have in the business, as well as bringing in new, high-quality hires. The aim of our people agenda is to enable our strategy by attracting, engaging and retaining the best talent in the industry. The people agenda is founded on our Guiding Principles (see page 54) and promoting and advancing our culture is a core priority for me. The current focus of our people agenda, what we call 'Our Promise,' is to offer an inclusive culture, fulfilling careers, and great recognition.

Among internal promotions this year, we brought two more of our most talented internal leaders on to the Executive Committee in March: Caroline Abbondanza, our Chief Technology Officer, and Simon Broomfield, our General Counsel. I am also delighted to welcome Sarah Ackland as our new Global Head of Distribution. Sarah is an experienced senior executive with deep expertise in the UK retail funds market, most recently at Liontrust and Architas, and took up her post after the financial year end.

Outlook

One year into my tenure as CEO, we are well positioned to take advantage of the opportunities facing Brooks Macdonald, despite the external macroeconomic and markets challenges. We will build on our success to date:

- Driving organic growth, both through intermediaries and among private clients;
- Ensuring service and operational excellence, building on our migration of all client- and intermediary-facing processes to the SS&C platform to further our digital transformation; and
- Executing selective high-quality acquisitions.

We will also continue to deliver top quartile profit margins and improving returns.

The fundamental opportunity for Brooks Macdonald remains strong. An ageing population, a supportive policy environment that both encourages individuals to save for their retirement and gives them pension freedoms to invest as they please, plus growing wealth in our target demographic, all combine to give us a highly positive market opportunity so long as we continue to deliver strong investment performance alongside exceptional client service.

We have a strong team and we are well positioned for the future, with deep experience in navigating a wide range of economic conditions. I would like to finish by reiterating my thanks to our clients, the intermediaries we work with, and our people for their continuing support. I look forward with excitement to what we can achieve together.

Andrew Shepherd
CEO

14 September 2022

Business model

Over the 31 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 that we have made a difference through 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. We work to increase the capability of our people continuously across all levels of the organisation through a combination of developing our internal talent and making selective key hires, and we have a powerful mix of long-term 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, of course, our theme for this year's Annual Report, 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 build strong relationships with our advisers and can, on occasion, provide a potential exit route for those looking to sell their business

... directly with private clients

- Some clients approach us directly for financial planning, when we can work with the client directly to understand whether they need one-off advice or more regular financial planning
- We can provide independent 'whole of market' advice, or on a restricted basis, including the provision of our investment management services if they are suitable for the client

In all cases where we provide an investment management service, we manage the client's portfolio with the same investment rigour.

We deliver 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 which solutions are appropriate to our clients and the broader market, and to ensure they remain appropriate. We deliver our services through a network of 14 offices across the UK and the Crown Dependencies.

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

1. **Robust Centralised Investment Process**
Consistent strong performance, ahead of ARC benchmarks across core risk profiles for 3, 5 and 10 years. Rigorous process giving consistency of outcomes to clients with similar needs.

2. **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 BM Investment Solutions offering.

3. **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 technology partner SS&C.

How we make a difference 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 continuously improve the strong people proposition we have developed, which is called 'Our Promise' 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

UK and global economy

Market conditions: The UK economy, in common with those of other countries around the world, is suffering from the effects of war in Ukraine, global supply chain problems, and a cost of living crisis, all exacerbated in the UK's case by both the actual impact of Brexit and the ongoing uncertainty around its ultimate implementation. To date, while this has inevitably undermined market confidence, and we have seen some hesitation in clients committing assets to market, it has had limited effect on flows. We continue to monitor activity closely.

Our response: Given current market uncertainty, within our asset allocation we advocate balance in portfolios, both between value and growth stocks and across geographies, including the UK. More broadly, we continue to work closely with intermediaries and current and prospective private clients to manage sentiment to support net flows.

Changing product preferences

Market conditions: Advisers are increasingly moving away from their historic use of discretionary fund managers as providers of bespoke portfolio services in their custody, to model portfolio services and funds delivered on third-party platforms. This changing product mix gives the industry a lower revenue yield per £ of funds under management but has less impact, or even positive impact, at the level of profit margin.

Our response: We have strong offerings in both model portfolio services (our Managed Portfolio Service ("MPS")) and funds (our Blueprint and Risk Managed ranges), and we have made them available in different formats (e.g., our Responsible Investment MPS) across all major platforms (21 in total). This has enabled us to drive strong positive net flows, particularly in our B2B BM Investment Solutions offering.

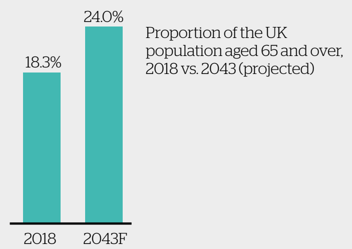
Long-term trends

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

What the market trends mean for Brooks Macdonald

The fundamental opportunity for Brooks Macdonald remains strong and improving.

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.

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 consistently apply a sustainability lens to our core investment process.

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 Platform research shows advisers who have not outsourced before are now looking to outsource and those who do already outsource are looking to outsource more.

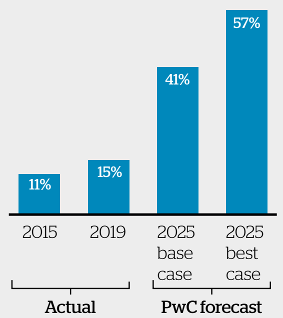
Our response: We continue to help advisers serve their clients in ways that work for both parties, applying our investment management expertise to protect and enhance clients' wealth. We are flexible in our approach, offering bespoke portfolios, more specialist variants (e.g., Responsible Investment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

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.

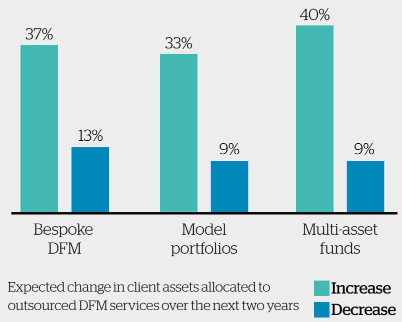
Our response: We welcome the general direction of regulation. We are committed to ensure we are serving advisers and clients appropriately and professionally, and actively contribute to regulatory consultations both directly and through our membership of the trade bodies, the Investment Association and the Personal Investment Management and Financial Advice Association ("PIMFA").

ESG funds as a proportion of total European mutual funds



Source: PwC Financial times

Adviser use of outsourced DFMs



Source: GlobalData

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 have upgraded our technology delivery with our partnership arrangement with SS&C, the leading wealth management technology and services provider, and we are excited that our full SS&C technology suite went live shortly after the financial year end. But this is only the beginning and we will continue to push forward our digital transformation, delivering better client and adviser experience.

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 may 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, most notably this year RBC's acquisition of Brewin Dolphin. 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

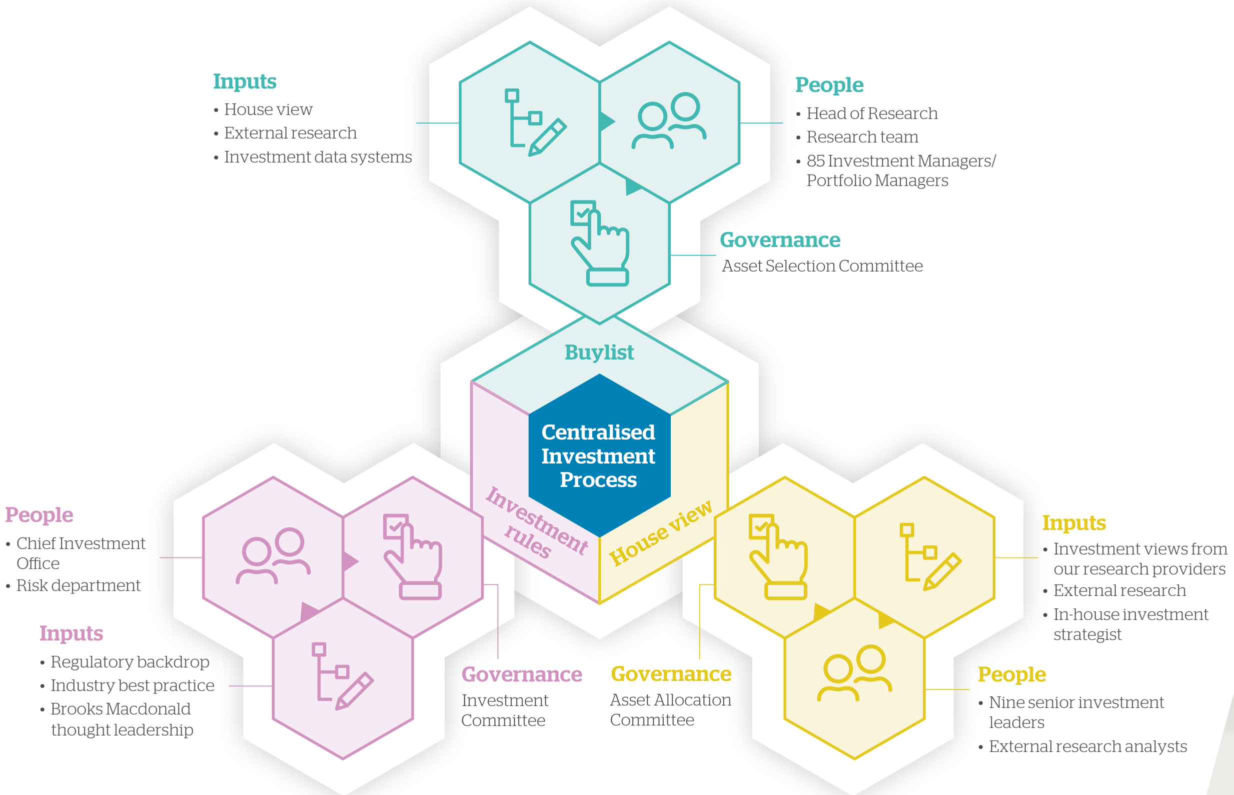
Group Centralised Investment Process

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:

Deliver strong risk adjusted returns for clients	Generate the best ideas and then use them as widely as possible	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 greatest 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, has put us in a good position to weather any foreseeable investment storm that may occur.

We believe that in order to provide the best outcomes for our clients it is important to integrate consideration of Environmental, Social and Governance ("ESG") factors into our Centralised Investment Process.

We recognise that a broad range of financial and non-financial factors may be relevant in making investment decisions. We have therefore systematically embedded ESG considerations into our investment analysis frameworks in order to help identify financially material risks and opportunities. Common principles and research disciplines are applied, to the greatest degree possible, across all research activities within a robust and transparent framework. However as global multi-asset investors, our approach to assessing ESG factors is tailored to each asset class and the vehicle used to invest in each asset class. We have published a Responsible Investment Policy, which outlines our approach and the key quantitative and qualitative inputs. We will continue to review and develop our approach to ESG integration to ensure we consider the most relevant and material information that can help improve client outcomes.

Brooks Macdonald is a signatory to the United Nations supported Principles for Responsible Investing ("PRI") and we are committed to implementing the six principles of the PRI across our investment management activities.

Our services continued

We provide our services through two core businesses:

1 UK Investment Management

Providing discretionary fund management services to UK 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 Crown Dependencies, the UAE, South Africa and Europe from offices in Jersey, Guernsey and the Isle of Man.

1 UK Investment Management (FUM at 30 June 2022: £13.5bn)

Within UK Investment Management ("UKIM"), there are seven 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 objectives 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, either businesses that provide solutions to sustainability challenges through their products and services, 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 investing following settlement of personal injury or clinical negligence claims, many of whom are vulnerable due to the effects of their injuries.

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 Relief ("BR"), 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.

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 SVS Brooks Macdonald Blueprint Fund – a range of four risk-managed multi-asset funds: Defensive Income, Cautious Growth, Balanced and Strategic Growth.
- The SVS Cornelian Risk Managed 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.

BM Investment Solutions

The Group designs 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 £438.8 million at 30 June 2022.

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-driven 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 2022: £2.2bn)

International is based in the Crown Dependencies of Jersey, Guernsey and the Isle of Man 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 are 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.

For its private clients, the International business also offers wider financial planning services around their wealth and investments, with a focus on pensions and structuring.

Supporting our clients and advisers

> “Working with BM Investment Solutions has been a game-changer for my team in how much time we can spend with clients.”

Bill
CEO, South-West IFA firm

How we are helping Nicola accelerate the growth of her financial advice business

We have worked with Nicola for over five years now, while she has been building and growing her East Midlands-based advice business. She and her team have recommended both our Bespoke Portfolio Service and our Managed Portfolio Service to their clients, depending on the need. We have developed a strong relationship with Nicola and her team and now, as she looks for investment to accelerate that growth, we are having an exciting conversation with her about whether Brooks Macdonald can help her meet her goals by investing in her business or, indeed, whether her business should join the Group.

How our Platform Managed Portfolio Service helped Geraldine meet her investment needs

Geraldine was a successful professional, building up material savings. She spoke to a financial adviser and agreed with the adviser's assessment that she did not, at this stage, have material bespoke investment needs. The adviser therefore 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 Geraldine's risk appetite and investment objectives. Our Platform MPS targets low ongoing charges while maintaining the rigour of the investment process and was an ideal match for Geraldine.

How BM Investment Solutions made a difference for Bill in driving forward his business

As a financial adviser, Bill was getting frustrated by the time he was devoting to client investment reporting and the investment management process, which he felt were increasingly getting in the way of his top priority activity – talking to new and existing clients about their financial needs and desires. He came to us and our specialist BM Investment Solutions team worked with him to design a tailored managed portfolio solution that met his clients' risk profile. We provide active investment management, co-branded factsheets and regular reporting for all the portfolios – and Bill gets more time to talk to clients!

While these case studies are based on real people and events, names and some other details have been changed to protect confidentiality. The suitability of any recommendation is dependent upon each individual's personal and financial circumstances, in addition to other factors. These case studies do not constitute advice or a recommendation and investment decisions should not be made on the basis of them.

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.

Supporting our clients and advisers continued

"Brooks Macdonald's Responsible Investment Service enables me to make my investments work for a sustainable future."

Mario
Private investor

How we made a difference to Mr and Mrs Misra's retirement through our Decumulation Service

Mr and Mrs Misra wanted to retire in two to three years' time and decided to consult a financial adviser. Their financial adviser assessed their needs, identifying in particular a need for flexibility in the later years, and recommended Brooks Macdonald's Decumulation Service as suitable. We constructed a portfolio with two elements – one short-term, principally invested in structured products to safeguard their income in the early years of retirement and one long-term, invested in growth assets. The Misra's are delighted with the income they will get in the early years and the flexibility they'll get later, with better protection from the effects of inflation.

How we helped Mario make a difference through his investments

Mario was dissatisfied with the degree to which he was able to make his investing work for a sustainable future. He approached an adviser who recommended the Advance strategy of our Responsible Investment Service, which proactively supports companies that seek solutions to sustainability issues, or that have strong corporate policies and outputs relating to environmental, social, and governance criteria. Mario is pleased that his investments are now working for sustainability, without compromising on investment returns.

How our Bespoke Portfolio Service met John's investment requirements

John was a successful professional with no near-term thoughts of retirement. He had gathered a complex range of investments which resulted in tax complications and he had some specific income requirements from his investments. On a friend's recommendation, he approached us directly and met with an adviser from our Private Clients team. Our Private Client manager worked closely with John to design a suitable portfolio that would meet his objectives and allow him to manage his tax liabilities efficiently. They meet regularly to ensure John's portfolio continues to deliver the desired outcomes.

While these case studies are based on real people and events, names and some other details have been changed to protect confidentiality. The suitability of any recommendation is dependent upon each individual's personal and financial circumstances, in addition to other factors. These case studies do not constitute advice or a recommendation and investment decisions should not be made on the basis of them.

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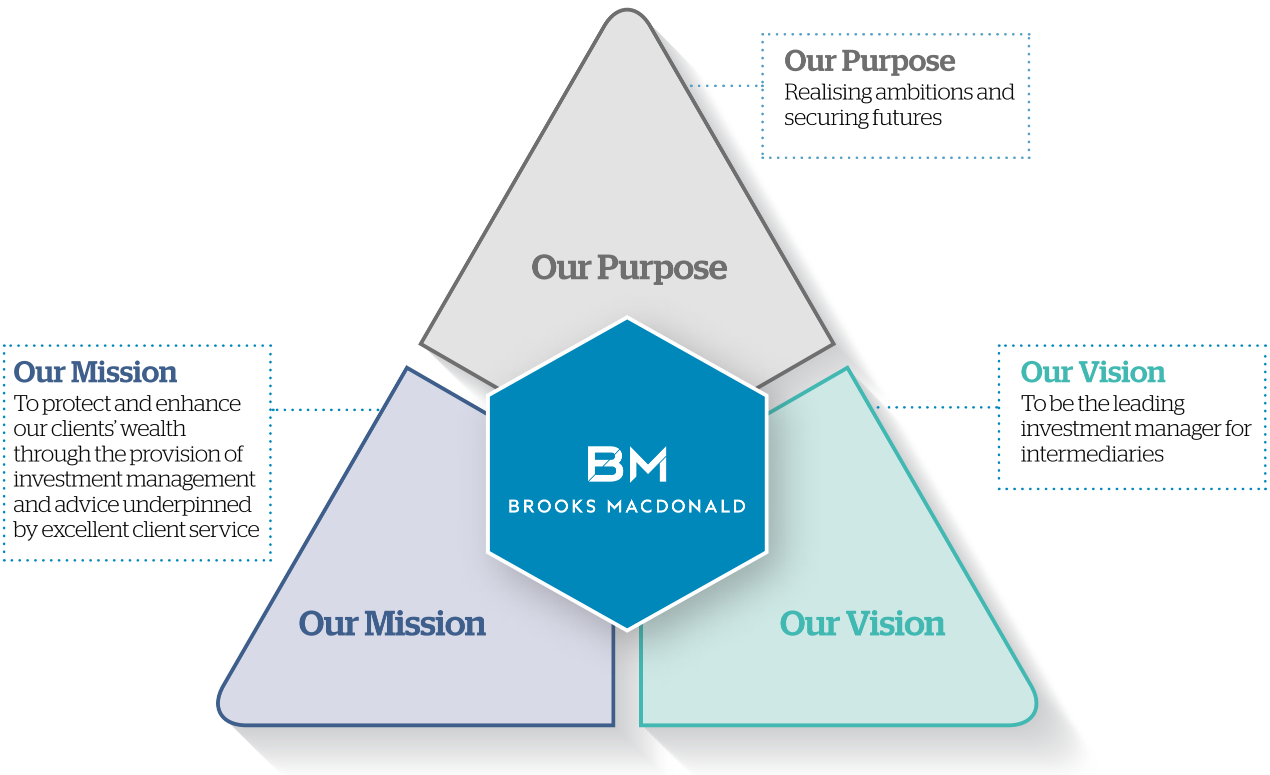
Our strategy

Brooks Macdonald is delivering strong performance and has put in place foundations for our continued future success. 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 to be 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 advice-led 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 have put in place. Within the three value drivers of the existing strategy, we announced five priority areas for 2022:

Organic growth

- *Investment Solutions:* strong focus on MPS, Funds and BMIS, the fastest-growing sectors of the wealth marketplace.
- *Private Clients:* standardisation and streamlining of our financial planning processes, building a strong advice-led pillar of the Group.

Service and operational excellence

- *Being the best we can be:* driving continuous improvement in our client and adviser service levels, delivering digital transformation, increasing data-driven decision making throughout the firm.
- *Delivering Our Promise:* attracting, engaging and retaining the best talent in the industry.

Agile, high-quality M&A

- *Selective acquisitions:* disciplined acquisition criteria – high-quality businesses that are a good strategic and cultural fit and bring compelling economics – and ambitious inorganic growth plans, with Integrity Wealth acquisition announced in May (subject to regulatory approval).

Delivering our strategy

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

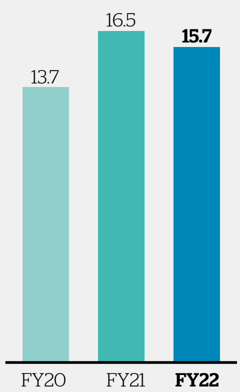
Value driver	Progress in FY22
Organic growth	• Increasingly strong positive net flows of client assets throughout the financial year • Further strong business-to-business mandates through BM Investment Solutions • Further growth in Platform MPS and our specialist BPS products – Responsible Investment Service, Decumulation, Court of Protection, and the AIM Portfolio Service • Positive net flows in Private Clients
Service and operational excellence	• Continued to work with our technology partner, SS&C, rolling out digital onboarding and (after financial year end) migrating all our processes to the SS&C platform
Agile, high-quality M&A	• Announced acquisition of Integrity Wealth Solutions in May, subject to regulatory approval • 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 underlying figures represent the results for the Group's activities excluding underlying adjustments as listed on page 35. These represent alternative performance measures ("APMs") for the Group. Refer to the Non-IFRS financial information section on page 181 for a glossary of the Group's APMs, their definition, and the criteria for how underlying adjustments are considered.

1 FUM and revenue

Funds under management (£bn)

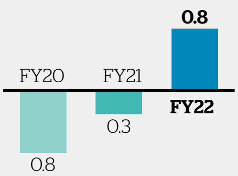


↓4.8%

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)



↑£1.1bn

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)

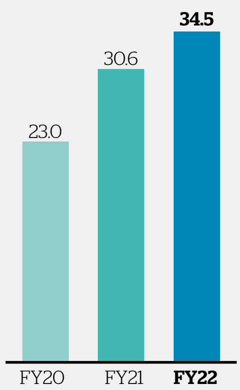
↑3.4%

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)

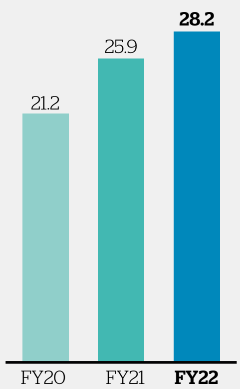


↑12.7%

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 an appropriate year-on-year comparison.

Underlying profit margin before tax (%)

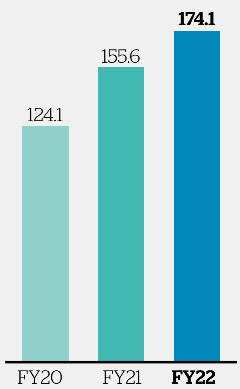


↑2.3pts

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 basic earnings per share (p)



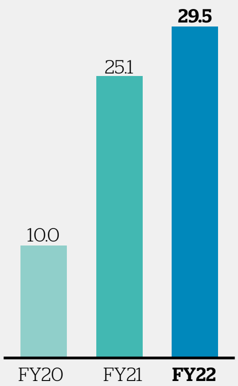
↑11.9%

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 before tax (£m)

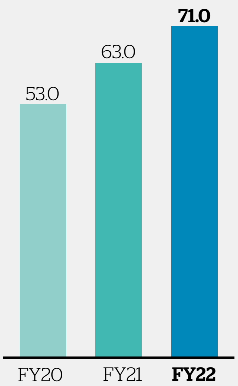


↑17.5%

Definition
Revenue less total costs before tax.

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

Total dividend per share (p)

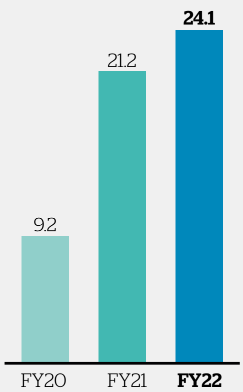


↑12.7%

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.

Statutory profit margin before tax (%)

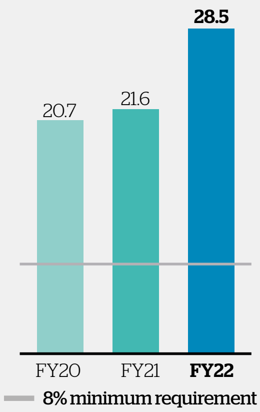


↑2.9pts

Definition
Statutory profit before tax as a percentage of revenue.

Relevance
This measures the Group's profitability reflecting key drivers of long-term profitability.

Total capital ratio (%)

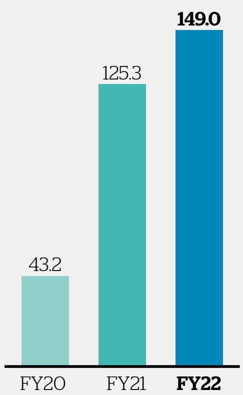


↑6.9pts

Definition
The Group's total regulatory capital resources relative to its Fixed Overhead 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.

Statutory basic earnings per share (p)

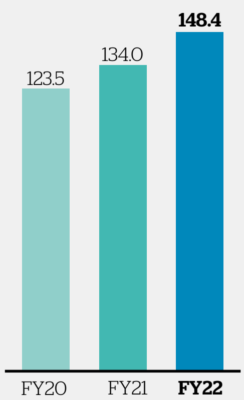


↑18.9%

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

Relevance
This measures the Group's profitability calculated in accordance with International Financial Reporting Standards and takes into account new shares issued during the year.

Net assets (£m)



↑10.7%

Definition
The Group's total net assets per the Consolidated statement of financial position.

Relevance
This demonstrates the Group's balance sheet strength.

Financial review

"The Group made further progress in the delivery of its strategy, reporting positive net flows and record underlying profit and margin, although the market downturn meant earnings in H2 were marginally lower than H1."

Ben Thorpe
Chief Financial Officer

Review of results for the year

The Group delivered another strong set of results for FY22, despite the second half of the financial year being impacted by the Russian invasion of Ukraine. The change in financial markets and client sentiment has been significant, with the situation being further impacted by the increase in energy prices, the resulting rise of inflation and the need for central banks to respond with higher interest rates. However, the Group responded well and flows in H2 were up on H1 and financial performance was resilient. Therefore, once again, the Group reported improved revenue, underlying profit and underlying profit margin.

The improved performance was due to increased revenue driven by higher average FUM for the year and the full year impact of the Lloyds Channel Islands acquisition, and the Group's continued discipline around costs and financial resources.

This contributed to an underlying profit of £34.5 million, an increase of 12.7% on the previous year and an underlying profit margin of 28.2%, up 2.3 percentage points from last year's margin of 25.9%.

£122.2m

Total revenue for the Group increased by 3.4% to £122.2 million mainly driven by higher average FUM and the full-year impact of the Lloyds Channel Islands acquisition.

£34.5m

Underlying profit before tax increased by 12.7% driven by growth in revenue and continued cost discipline.

£29.5m

Statutory profit before tax increased by 17.5% driven by the higher underlying earnings with statutory adjustments broadly flat.

Group financial results summary

The table below shows the Group's financial performance for the year ended 30 June 2022 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 underlying performance, and the statutory results. Underlying profit represents an alternative performance measure ("APM") for the Group. Refer to the Non-IFRS financial information section on page 181 for a glossary of the Group's APMs, their definition, and the criteria for how underlying adjustments are considered. A breakdown of the underlying adjustments is shown on page 35.

	FY22 £m	FY21 £m	Change
Revenue	122.2	118.2	3.4%
Fixed staff costs	(40.5)	(40.0)	1.3%
Variable staff costs	(14.8)	(13.2)	12.1%
Total staff costs	(55.3)	(53.2)	3.9%
Non-staff costs	(31.3)	(32.2)	(2.8)%
FSCS levy	(1.1)	(2.2)	(50.0)%
Total non-staff costs	(32.4)	(34.4)	(5.8)%
Total underlying costs	(87.7)	(87.6)	0.1%
Underlying profit before tax	34.5	30.6	12.7%
Underlying adjustments	(5.0)	(5.5)	(9.1)%
Statutory profit before tax	29.5	25.1	17.5%
Taxation	(6.1)	(5.5)	10.9%
Statutory profit after tax	23.4	19.6	19.4%
Underlying profit margin before tax	28.2%	25.9%	2.3ppt
Underlying basic earnings per share	174.1p	155.6p	11.9%
Underlying diluted earnings per share	168.7p	150.6p	12.0%
Statutory profit margin before tax	24.1%	21.2%	2.9ppt
Statutory basic earnings per share	149.0p	125.3p	18.9%
Statutory diluted earnings per share	144.4p	121.3p	19.0%
Dividends per share	71.0p	63.0p	12.7%

FUM movement in the year

The table below shows the opening and closing FUM position and the flows for the year broken down by segment and by our key services within UK Investment Management ("UKIM").

	Year ended 30 June 2022 (£m)									
	Opening FUM 1 Jul 21	Organic net new business Q1	Q2	Q3	Q4	Total	Total Inv. Perf.	Closing FUM 30 Jun 22	Total organic net new business	Total mvmt
BPS	**9,460**	**6**	**51**	**30**	**1**	**88**	**(967)**	**8,581**	**0.9%**	**(9.3)%**
MPS Custody	1,025	13	3	10	5	31	(96)	960	3.0%	(6.3)%
MPS Platform	1,386	149	153	171	325	798	(131)	2,053	57.6%	48.1%
MPS total	**2,411**	**162**	**156**	**181**	**330**	**829**	**(227)**	**3,013**	**34.4%**	**25.0%**
UKIM discretionary	**11,871**	**168**	**207**	**211**	**331**	**917**	**(1,194)**	**11,594**	**7.7%**	**(2.3)%**
Funds – DCF	478	(11)	2	(15)	(22)	(46)	7	439	(9.6)%	(8.2)%
Funds – Other	1,598	(15)	(23)	(20)	(3)	(60)	(120)	1,418	(3.8)%	(11.3)%
Funds total	**2,076**	**(26)**	**(21)**	**(35)**	**(25)**	**(106)**	**(113)**	**1,857**	**(5.1)%**	**(10.5)%**
UKIM total	**13,947**	**142**	**186**	**176**	**306**	**810**	**(1,307)**	**13,451**	**5.8%**	**3.6%**
International	**2,512**	**(14)**	**12**	**3**	**(26)**	**(25)**	**(271)**	**2,216**	**(1.0)%**	**(11.8)%**
Total	**16,459**	**128**	**198**	**179**	**280**	**785**	**(1,578)**	**15,667**	**4.8%**	**(4.8)%**

Total investment performance	(9.6)%
MSCI PIMFA Private Investor Balanced Index[1]	(6.3)%

1. Capital-only index.

During the year, the Group recorded positive net flows of £0.8 billion or 4.8%, representing an upswing of £1.1 billion on last year. This was offset by the market downturn experienced in the second half leading to an overall decrease in the Group's closing FUM of 4.8% to £15.7 billion (FY21: £16.5 billion).

Investment performance for the year came in at (9.6%), with declining markets bringing down FUM totals. Nonetheless, investment performance remains strong for client portfolios over the three, five and ten-years against peers as represented by ARC benchmarks.

Within UKIM, the BPS core offering made good progress with net inflows of £0.1 billion in the year. 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 different client needs.

Increasing flows in MPS has been an area of strategic focus for the Group in FY22 and our MPS services delivered flows of £0.8 billion in the year, primarily seen within Platform MPS and in Brooks Macdonald Investment Solutions, with several material deals agreed during the year.

The Funds business recorded total net outflows of £0.1 billion during the year. Whilst still experiencing net outflows overall, we have seen a notable decline in outflows in the Defensive Capital Fund compared to the prior year, assisted in part by its robust investment performance over the last six months.

International made good progress in the year, returning to positive net flows for two-quarters of the year, with net outflows reducing from £59.8 million to £25.4 million overall for the year.

Revenue

The Group's total revenue for FY22 increased by 3.4% to £122.2 million (FY21: £118.2 million). FUM-related revenue overall increased by 3.5% to £116.1 million, whilst non-FUM-related revenue increased marginally to £6.1 million. The rise in fee income was driven by higher average FUM as a result of net inflows and favourable markets in H1, and the full-year impact of the Lloyds Channel Islands business, which contributed an additional £3.4 million of revenue compared to FY21.

This was offset by a reduction in transactional income as a result of the Group's relatively stable asset allocation during the year and the continued trend of clients moving to a fee-only rate card.

Interest turn increased slightly on the prior year, driven by the rise in the Bank of England base rates in the latter part of the financial year, although it continues to remain low by historic levels.

Total financial planning and wealth management advice income increased slightly by £0.2 million during the year. Within that, UKIM financial planning fees were up by £0.4 million as we continue to grow our Private Clients business, whilst International saw a slight reduction as more private clients moved to an all-in investment management fee.

Revenue, yields and average FUM

	Revenue			Average FUM			Yield[2]		
	FY22 £m	FY21 £m	Change %	FY22 £m	FY21 £m	Change %	FY22 bps	FY21 bps	Change bps
BPS fees	59.9	58.7	2.0				65.8	67.3	(1.5)
BPS non-fees (transactional)	12.1	14.5	(16.6)				13.3	16.6	(3.3)
BPS non-fees (interest turn)	1.0	1.4	(28.6)				1.1	1.6	(0.5)
Total BPS	73.0	74.6	(2.1)	9,108	8,722	4.4	80.2	85.5	(5.3)
MPS Custody	6.4	6.0	6.7	1,029	950	8.3	62.6	63.2	(0.6)
MPS Platform	3.5	2.3	52.2	1,808	1,119	61.6	19.2	20.6	(1.4)
Total MPS	9.9	8.3	19.3	2,837	2,069	37.1	34.9	40.1	(5.2)
UKIM discretionary	82.9	82.9	–	11,945	10,791	10.7	69.4	76.8	(7.4)
Funds	12.8	12.2	4.9	2,220	2,207	0.6	57.8	55.3	2.5
Total UKIM	95.7	95.1	0.6	14,165	12,998	9.0	67.6	73.2	(5.6)
International fees	9.0	8.9	1.1	1,602	1,636	(2.1)	56.7	54.4	2.3
International non-fees	2.7	2.9	(6.9)	–	–	–	16.6	17.7	(1.1)
Lloyds Channel Islands[1]	8.7	5.3	64.2	841	540	55.7	103.0	101.9	1.1
Total International	20.4	17.1	19.3	2,443	2,176	12.3	83.6	79.3	4.3
Total FUM-related revenue	116.1	112.2	3.5	16,608	15,174	9.5	70.0	73.9	(3.9)
Financial planning – UK	4.1	3.7	10.8						
Financial planning – International	0.8	1.0	(20.0)						
Other income	1.2	1.3	(7.7)						
Total non-FUM-related revenue	6.1	6.0	1.7						
Total Group revenue	122.2	118.2	3.4						

1. The Lloyds Channel Islands yields for FY21 were calculated on a pro rata basis reflecting the relative period the business was owned by the Group.

2. The yield calculation is based on the average FUM at the respective billing dates.

The yield on BPS fees for UKIM decreased by 1.5bps to 65.8bps during the year (FY21: 67.3bps). This was driven by the movement from net outflows to net inflows year on year and also a number of IFA partners passing through pricing thresholds, as we captured higher levels of their new business. This highlights the alignment between us and IFAs and how our collective success can ultimately lead to better outcomes for clients. The BPS non-fee income yield also declined, primarily due to the decrease in transactional income (3.3bps) due to a higher proportion of fee-only accounts and a relatively stable asset allocation; and lower interest turn (0.5bps) driven by lower Bank of England base rates at the start of the financial year.

MPS recorded a decline in yields of 5.2bps to 34.9bps. This reduction was principally driven by a change in mix with Platform MPS growing more rapidly than custody MPS. The Platform MPS service includes our Brooks Macdonald Investment Solutions offering that attracts relatively larger mandates, which benefit from discounted tiered rates.

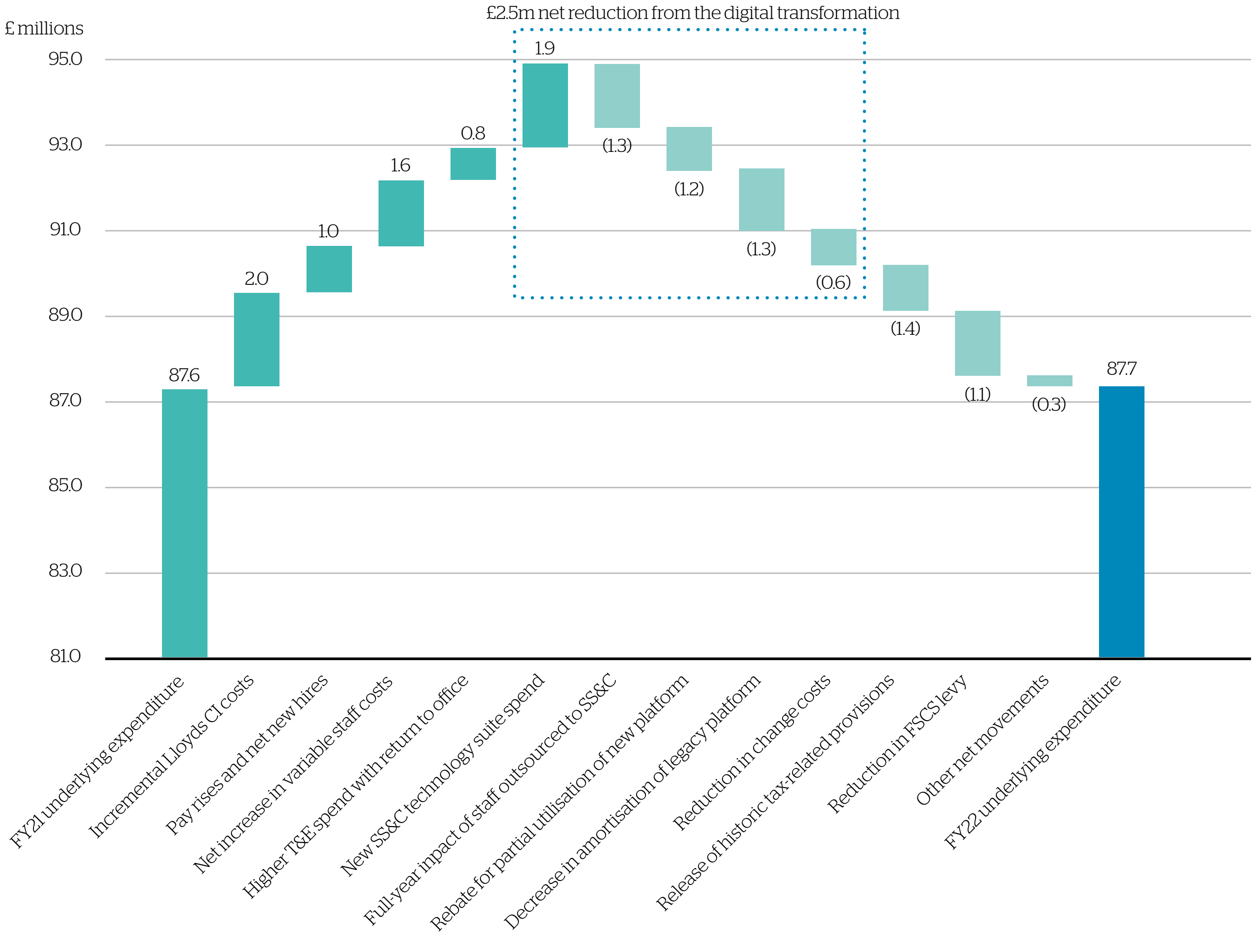
The Funds fee yields rose by 2.5bps to 57.8bps in FY22, also as a result of a change in mix and the impact of timing inflows and outflows.

International fee-income yields were up by 2.3bps to 56.7bps as a result of higher performance and custody fees, whilst non-fee income yield declined by 1.1bps driven by a decrease in interest and FX income during the year. The Lloyds Channel Islands assets reported a yield of 103.0bps, slightly up on the prior year.

Underlying costs

Total underlying costs have remained relatively flat at £87.7 million (FY21: £87.6 million) with the increase in staff costs fully offset by a reduction in non-staff costs.

Underlying expenditure bridge FY22



Breakdown of net movement in total underlying costs into staff and non-staff costs

	Total £m	Lloyds CI £m	BM Core £m
Staff costs increase	2.1	0.9	1.2
Non-staff costs (decrease)/increase	(2.0)	1.1	(3.1)
Total FY22 underlying cost increase/(decrease)	0.1	2.0	(1.9)

Staff costs

Total staff costs increased by £2.1 million to £55.3 million. Of this, £0.9 million was driven by the incremental costs arising from the Lloyds Channel Islands acquisition, which completed at the end of November 2020.

Fixed staff costs for the Group's core operations decreased slightly by £0.3 million. This comprised an increase of £1.0 million resulting from pay rises and net new joiners, with FTE headcount increasing slightly from 430 to 446 during the year, offset by savings of £1.3 million arising from the transfer of a number of roles from the Investment Services and the Technology departments to SS&C in December 2020 as part of the Group's digital transformation project.

Variable staff costs increased by 12.1% to £14.8 million in FY22. Apart from the impact of the Lloyds Channel Islands acquisition, the increase comprised a higher bonus pool reflecting the improvement in the Group's financial performance, offset by a reduction in the share-based payment charge as the share option schemes held at the end of the year were marked to market.

Non-staff costs

Non-staff costs amounted to £32.4 million representing a decrease of 5.8% on the prior year. Excluding the impact of the acquired costs of £1.1 million, non-staff costs for the core business fell by £3.1 million or 11.0%. Within that there were a number of movements, which are set out in the bridge chart on the left and the key items explained below.

With the Group's return to office and increased travel and client facing activities, travel and entertainment spend increased by £0.8 million on the prior year.

During the year, the Group turned on portions of the new SS&C technology landscape with a full go-live taking place shortly after year end. This gave rise to additional external technology spend of £1.9 million in the year. This was in part driven by the transition from our legacy systems but also by the delivery of brand-new capabilities to the Group to support our growth agenda. In FY22, the main delivery being a whole new suite of tools to support our Funds business, which has grown rapidly through the acquisition of the Cornelian and Lloyds offshore funds businesses.

This movement to an outsourced technology and operations provider has allowed us to make further structural non-staff costs reductions. For example, during the year, the Group fully amortised the remaining legacy operating platform-related assets in advance of moving onto the SS&C platform. This gave rise to a decrease in computer software amortisation of £1.3 million compared to FY21. The Group also spent £0.6 million less on technology and operational change as it focused on the new system go-live.

The Group also received a further benefit from the partnership agreement with SS&C as it received a transition funding credit of £1.2 million due to the partial utilisation of the new operating platform during the transition period.

Following agreement with HMRC over the VAT treatment on the supply of certain Group services and other historic tax provisions, the Group recognised a release of £1.4 million during the year. Moreover, the FSCS levy for the year represented a reduction of £1.1 million on the fee charged for FY21.

Profit before tax

Combined, the above gave rise to an underlying profit before tax of £34.5 million, representing an increase of 12.7% on FY21 and resulting in a profit margin of 28.2%, an increase of 2.3 percentage points (FY21: 25.9%).

On a statutory basis, the profit before tax increased by 17.5% to £29.5 million (FY21: £25.1 million). The statutory profit margin before tax also saw an increase from last year, up to 24.1%. The quantum of one-off underlying adjustments for the year has reduced by £0.5 million, with just three material adjustments. A breakdown of the underlying adjustments, together with an explanation of each, is included on page 35.

Financial review continued

Segmental analysis

The Group reports its results across two key operating segments, UK Investment Management and International. The tables below provide a breakdown of the half-year performance broken down by these segments, with comparatives.

FY22 (£m)	UK Investment Management	International	Group and consolidation adjustments	Total
Revenue	101.0	21.2	–	122.2
Direct costs	(43.4)	(14.0)	(30.0)	(87.4)
Operating contribution	57.6	7.2	(30.0)	34.8
Indirect cost recharges and net finance costs	(25.4)	(3.2)	28.3	(0.3)
Underlying profit/(loss) before tax	**32.2**	**4.0**	**(1.7)**	**34.5**
Underlying adjustments	(1.9)	(3.0)	(0.1)	(5.0)
Statutory profit/(loss) before tax	**30.3**	**1.0**	**(1.8)**	**29.5**
Underlying profit margin before tax	**31.9%**	**18.9%**	**N/A**	**28.2%**
Statutory profit margin before tax	**30.0%**	**4.7%**	**N/A**	**24.1%**

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/(loss) before tax	29.0	4.5	(2.9)	30.6
Underlying adjustments	(3.1)	(4.6)	2.2	(5.5)
Statutory profit/(loss) before tax	25.9	(0.1)	(0.7)	25.1
Underlying profit before tax margin	29.0%	24.7%	N/A	25.9%
Statutory profit/(loss) margin before tax	25.9%	(0.5)%	N/A	21.2%

UKIM, which includes the Group's Private Clients business, reported a 1.0% increase in revenue, arising from higher fee income offset by a fall in transactional income. The increase in revenue, combined with disciplined cost management and efficiencies, resulted in an underlying profit of £32.2 million, up by 11.0%, and an underlying profit margin of 31.9%, an improvement of 2.9 percentage points.

The International segment reported an increase in revenues of 16.5% driven by higher fee income during the year, primarily due to a full-year contribution from the Lloyds Channel Islands business. Direct costs of £14.0 million were ahead of the prior year, largely as a result of the incremental costs from the Lloyds Channel Islands business, investment in setting up the Isle of Man office, which is now fully up and running and legal and professional costs incurred in re-domiciling and simplifying the legal entity corporate structure. This resulted in a slight decline in underlying profit to £4.0 million and a lower underlying profit margin of 18.9% for the year. Excluding the Isle of Man office direct costs of £0.5 million, the International underlying profit margin would have been 21.2%, a reduction of 3.5 percentage points on FY21 due to the impact of markets on fee income in the second half of the year and the additional costs noted above.

Reconciliation between underlying and statutory profits

Underlying profit before tax is considered by the Board to be an appropriate reflection of the Group's performance compared to the statutory results as it excludes income and expense categories, which are deemed to be of a non-recurring nature or a non-cash operating item. Reporting at an underlying basis is also considered appropriate for external analyst coverage. Underlying profit is deemed to be an alternative performance measure ("APM"); refer to the Non-IFRS financial information section on page 181 for a glossary of the Group's APMs, their definitions, and the criteria for how underlying adjustments are considered. A reconciliation between underlying and statutory profit before tax for the year ended 30 June 2022 with comparatives is shown in the table below:

	FY22 £m	FY21 £m
Underlying profit before tax	34.5	30.6
Amortisation of client relationships	(5.5)	(4.9)
Dual running operating platform costs	(2.4)	(1.0)
Changes in fair value and finance cost of deferred consideration	(0.1)	(0.4)
Other non-operating income	3.0	–
Client relationship contracts impairment	–	(1.5)
Acquisitions related items:		
– Gain arising on acquisition	–	5.0
– Integration and staff retention costs	–	(2.7)
Total underlying adjustments	(5.0)	(5.5)
Statutory profit before tax	29.5	25.1

Amortisation of client relationship contracts (£5.5 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 6 and 20 years. The increase in the charge from last year is due to the full year impact of the Lloyds Channel Islands acquisition. This amortisation charge has been excluded from the underlying profit since it is a significant non-cash item. Refer to Note 14 to the Consolidated financial statements for more details.

Dual running operating platform costs (£2.4 million charge)

The Group is in a partnership agreement with SS&C to transform our client- and intermediary-facing processes, launch a digital onboarding solution and enhance our operating platform. As part of the transition process, during FY22 the Group incurred incremental costs in running two operating platforms concurrently. The increase is due to the full-year impact given the partnership agreement commenced half way through FY21. 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 (£0.1 million charge)

This comprises the associated net finance costs arising on deferred consideration payments from acquisitions carried out by the Group, together with their fair value measurements where applicable. Refer to Note 24 of the Consolidated financial statements for more details.

Other non-operating income (£3.0 million credit)

During the year, the Group received confirmation from HMRC that the supply of certain Group services was exempt from VAT. As a result, the Group received a refund from HMRC in respect of VAT arising on those services during the period from 1 July 2017 to 30 June 2020 of £3.0 million. This has been treated as an adjusting item to the underlying profit in view of its non-recurring nature.

FY21 – 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 FY21, the estimated useful economic life of the intangible assets associated with this business was reduced. Accordingly, an impairment charge of £1.5 million was recognised in FY21.

Financial review continued

FY21 – 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 11 of the Consolidated financial statements for details on the acquisition accounting.

ii. 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.

Reconciliation between profits and earnings before interest, tax depreciation and amortisation ("EBITDA")

The table below provides a reconciliation between the Group's underlying profit before tax and the earnings before interest, tax and depreciation ("EBITDA"), which constitutes an APM, and which the Board considers to be an appropriate alternative measure to the Group's BAU performance.

	FY22 £m	FY21 £m	Change %
Statutory profit before tax	29.5	25.1	17.5
Add back total underlying adjustments (as listed on page 35)	5.0	5.5	(9.1)
Underlying profit before tax	34.5	30.6	12.7
Add back:			
Net finance costs	0.2	0.2	–
Depreciation and amortisation	4.0	5.4	(25.9)
Underlying EBITDA	38.7	36.2	6.9
Net finance costs on deferred consideration	0.1	0.4	(75.0)
Amortisation of client relationships	5.5	4.9	12.2
Earnings before interest, tax depreciation and amortisation ("EBITDA")	44.3	41.5	6.7

Taxation

The Group's total tax charge for the year was £6.1 million, representing an increase of 10.9% from last year (FY21: £5.5 million). The Group's underlying effective tax rate has increased marginally from 20.3% to 20.8% and the statutory effective tax rate has decreased from 21.7% to 20.8%. This is due to a higher proportion of allowable deductions for tax purposes, such as those arising from the allowance on share-option exercises, compared to taxable add backs, which have not changed significantly from the prior year. Details on taxation are provided in Note 9 of the Consolidated financial statements.

Earnings per share

Basic statutory earnings per share for the Group in FY22 was 149.0p (FY21: 125.3p). On an underlying basis, basic earnings per share was 174.1p representing an increase of 11.9% on the prior year (FY21: 155.6p) driven by the increase in underlying earnings. Details on the basic and diluted earnings per share are provided in Note 12 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 45.0p per share (FY21: 40.0p). Including the interim dividend of 26.0p per share (FY21: 23.0p), this results in a total dividend for the year of 71.0p per share (FY21: 63.0p), an overall increase of 8.0p or 12.7%. Refer to Note 13 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 27 October 2022.

Financial position and regulatory capital

Net assets increased by 10.7% to £148.4 million at 30 June 2022 (FY21: £134.0 million), demonstrating the Group's continued strong financial position. The Group's tangible net assets (net assets excluding intangibles) was up to £62.5 million at 30 June 2022 (FY21: £44.1 million). As at 30 June 2022, the Group had regulatory capital resources of £70.0 million (FY21: £52.6 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 28.5% (FY21: 21.6%). The total capital ratio is the Group's total regulatory capital resources relative to its Fixed Overhead Requirement.

	FY22 £m	FY21 £m
Share capital	0.1	0.1
Share premium	79.1	78.7
Other reserves	10.0	8.5
Retained earnings	59.2	46.7
Total equity	148.4	134.0
Intangible assets (net book value)	(85.9)	(89.9)
Deferred tax liabilities associated with intangible assets	7.5	8.5
Tier 1 capital	70.0	52.6
Own funds	70.0	52.6

Brooks Macdonald Asset Management Limited, the Group's main operating subsidiary, is a MIFIDPRU Investment 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 FY21 ICAAP review was conducted for the year ended 30 June 2021 and signed off by the Board in December 2021. 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 IFPR Public Disclosures (previously referred to as the 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.

Financial review continued

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 £61.3 million (FY21: £54.9 million) and the Group had no borrowings at 30 June 2022.

During the year ended 30 June 2022, the Group made the final payment in relation to the acquisition of Cornelian Asset Managers Group Limited of £6.0 million.

The Group incurred capital expenditure of £3.2 million (FY21: £3.7 million). This comprised technology-related development of £2.9 million, property-related costs of £0.2 million and IT and office equipment of £0.1 million. The capital expenditure comprised the programme implementation and software costs incurred in respect of the migration of the Group's client- and intermediary-facing processes onto the SS&C platform. The amortisation for these costs will commence in FY23 and will be amortised over the remaining eight years of the ten-year agreement entered into with SS&C.

FY23 guidance and outlook

Looking ahead, we anticipate the impact of lower markets year on year to have some impact on financial performance, although this will be in part offset by lower variable performance-based pay. The Group has a clear plan in place to manage and offset inflationary cost pressures and we are focused on containing cost growth to a mid-single digit percentage increase. We remain mindful of the need to support staff through these difficult times, whilst balancing our desire to deliver top quartile underlying profit margins.

Despite these short-term headwinds, the Group is well placed to deliver on our strategy in the medium term. The fundamental opportunity is huge and building and we now have all the required elements to deliver our ambitious organic and inorganic growth agenda and we look forward to the future with confidence.

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

Ben Thorpe
Chief Financial Officer

14 September 2022

Risks

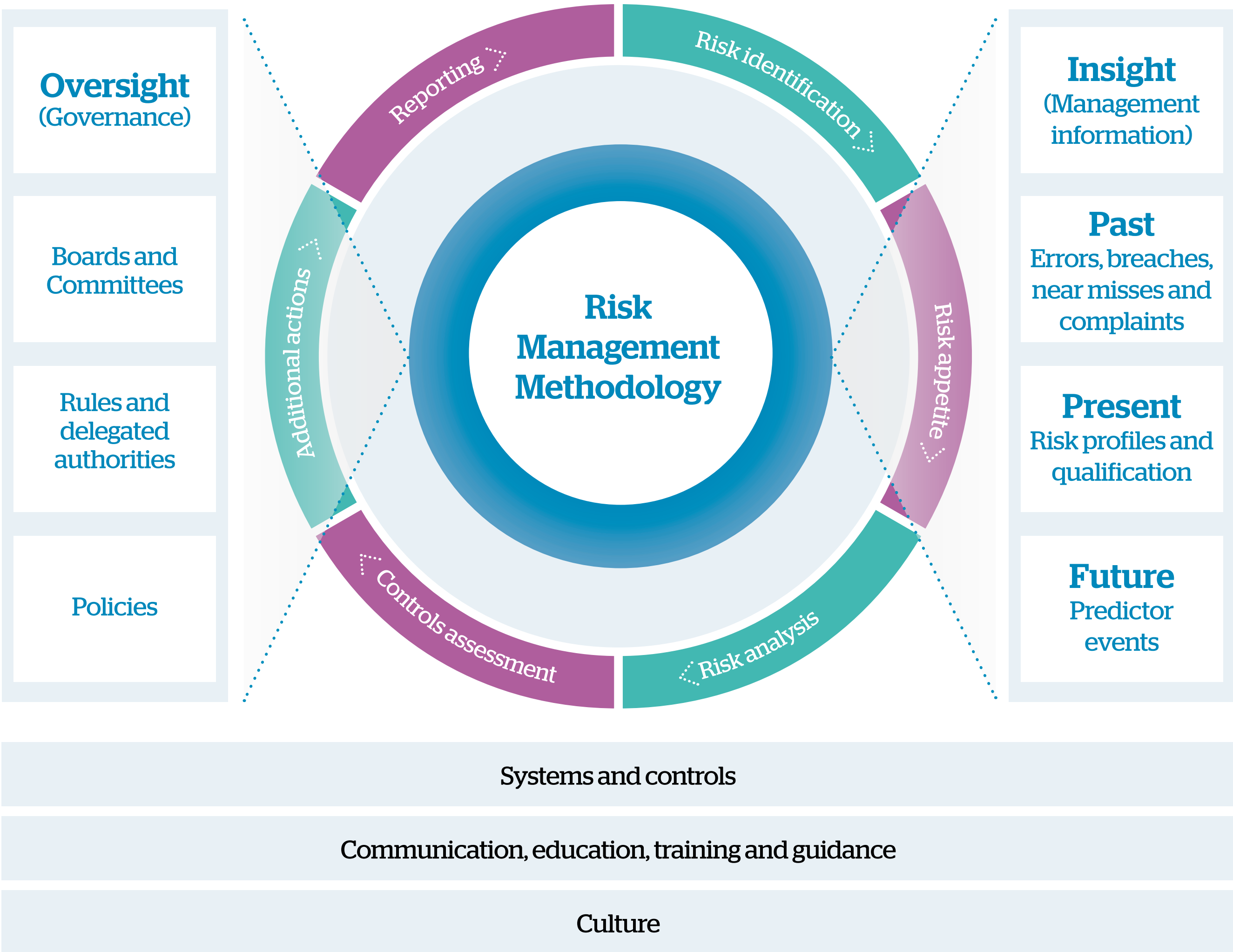
Continued dynamic approach to risk identification and management in order to support positive client outcomes

Despite the pandemic, geopolitical and macroeconomic challenges faced in the last year and the subsequent increase in certain risk exposures, the Group has continued in its commitment to promote a positive compliance and risk culture across the organisation.

Furthermore, it has maintained its focus on embedding and enhancing the risk management framework, through its focus on resilience, third parties, and client outcomes.

The Group has also continued its drive towards efficient, data-driven and evidenced-based risk management, which has facilitated the transition to a more agile and dynamic approach to identifying, assessing, managing and monitoring risks.

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 appropriate governance; an efficient 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 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 and Risk Assessment ("ICARA").

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.

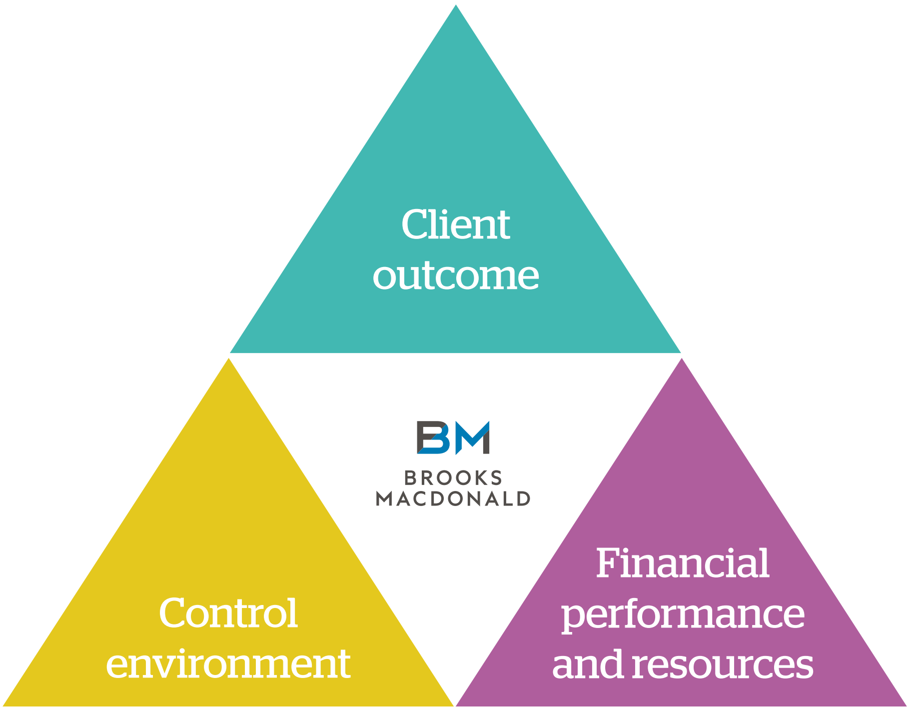
Additional actions. Where differences exist between our risk appetite and the current residual risk profile, we take action to either accept, avoid or transfer part or all of those risks that are outside our risk appetite, or to reconsider the risk appetite.

Reporting. Ongoing reporting of risks to senior management provides insight to inform risk-based 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 aim to 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 helps 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 put client interests at the heart of everything we do to ensure appropriate client outcomes.

Control environment

- We, 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 optimise profitability and use resources efficiently to drive financial performance.
- We, at all times, maintain adequate capital and liquid assets to meet financial and funding obligations as they fall due.
- We 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 continues to remain 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	**Unchanged** →	The Group has adequate liquidity resources significantly above its Minimum Liquidity Requirement and maintains appropriate banking facilities. The Group regularly monitors forecast against actual cash flows and matches the maturity profiles of financial assets and liabilities. The Group has robust 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	**Increasing** ↑	Although it is likely that the worst of the pandemic induced market shocks have passed, the continued conflict in Ukraine and the associated geopolitical tensions, coupled with significant global inflationary pressure, gives rise to increased volatility and heightened downside risk.

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 • Acquisitions • Business growth • Extreme market events • Investment performance • Product governance	Unchanged →	Despite current macro-economic and geological challenges, the Group continues to post positive net flows on a quarterly basis, therefore highlighting the resiliency of its business model.
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.	• Suitability and conduct risk	Unchanged →	The Group continues to work on numerous initiatives to promote good risk and compliance culture and awareness to ensure positive client outcomes.
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/data security • Change management • IT infrastructure and capability • Operational maturity • Third-party suppliers • People • Resilience	Unchanged →	This risk remains unchanged despite the increase of external threats brought about by the current geopolitical environment coupled with idiosyncratic risks linked to the Group's transition to a new operating model and business as usual oversight. The Group is monitoring this risk closely and will continue to invest in enhancing its control environment.
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	Unchanged →	The Group continues to maintain capital resources and liquid assets above its minimum regulatory requirement and internal thresholds.
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 continues to remain unchanged given that the regulatory landscape and focus on the wealth management industry has not changed.

Emerging risks

Definition	Context
9. Climate change (Emerging) The potential financial, reputational and client-related risks associated with ever increasing climate change-related risks.	With the frequency of extreme natural events increasing as a result of climate change, this could have a profound impact on the financial services industry.
10. Geopolitical landscape (Emerging) In light of an ongoing energy crisis and cost of living issues.	Geopolitical events have a direct impact on market risk listed previously. Prolonged economic downturn also has an impact on client sentiment and thus business and strategic risk as listed previously.

Viability statement

In accordance with the UK Corporate Governance Code, the Board has assessed the Group's viability over a five-year period from FY23 through to FY27. The decision to do so over this period is to be aligned with the Group's strategy, its budgeting and forecasting process and the scenarios set out in the 2021 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 Russian invasion of Ukraine and subsequent impact on markets and rising inflation, 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 FY23 to FY27 was reviewed, challenged and approved by the Board in June 2022.

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 28% and 12% 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, with the CET1 capital ratio forecast to decrease by 63% over the five-year period, without management applying any mitigating actions.

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), as well as freezing and deferring purchases of non-current assets and a recruitment freeze or headcount reduction. In the Group's modelling on the above-mentioned multi-layered scenario, the management mitigating actions implemented forecast that the Group's forecast CET1 capital ratio would increase by 29% as opposed to fall by 63% without any mitigating actions. 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.

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 regularly carries out a robust assessment of the Group's current and future viability, supported by the resilient operating model."

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 6 to 7, the CEO's review on pages 8 to 11, and the Corporate responsibility report on pages 52 to 67.

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 51 on the acquisition of Integrity Wealth Solutions.

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. Since the COVID-19 pandemic, online interaction has supplemented face-to-face meetings and we have increased the content available to clients on our website, including providing regular market commentary.	Our desire to give our clients better access to information about their investments resulted in the development of the InvestBM platform as part of our partnership with SS&C. ESG continues to be an important topic for our clients and is reflected in the Group's ESG strategy, objectives and initiatives.

How we engage with our stakeholders and make informed decisions

	Why we engage	How we engage	Outcomes
Intermediaries	Our focus is on working with intermediaries to support their clients and our vision for Brooks Macdonald is to be 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. In the current uncertain times and difficult markets, 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. In response to demand from advisers, we have also piloted an online, digital onboarding facility which will be rolled out more broadly over the coming year.
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 stated people strategy, Our Promise, which commits to providing fulfilling careers and great reward in an inclusive culture. 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 is 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.	The COVID-19 pandemic increased our focus on the wellbeing of our staff and as restrictions have lifted, we have maintained our commitment to supporting our people. We run regular employee engagement surveys, the results of which are closely monitored by the Executive Committee and other senior leaders. The results 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 correspond with relevant regulators during the financial year in respect of their supervision activity. We also send proactive correspondence to our regulators throughout the year with respect to any changes and developments in our business.	We provide timely submission of all relevant regulatory reporting and respond on a timely basis to any regulatory requests. We have a constructive relationship to ensure alignment with the relevant regulatory frameworks and have met the regulators' expectations on the topics of discussion. We regularly attend meetings with, and provide input to, the industry bodies and associations we are affiliated with to ensure we are 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 and we regularly review our processes to see if we can reduce our impact on the environment.	The Foundation made donations of over £46,000 during the year to a variety of charities that are important to our people including Red Cross Ukraine and Safer, a charity in Guernsey that supports individuals in abusive relationships. We have introduced a structured procurement process in order to ensure that we select business partners who are aligned with our beliefs.

Engagement in action: acquisition of Integrity Wealth Solutions

In May 2022, we announced our acquisition of Integrity Wealth Solutions ("Integrity"), subject to FCA approval. We expect this transaction to complete by the end of the calendar year. Throughout the acquisition process, the Directors had to consider and weigh up the interests of each of the Company's stakeholders who will be affected by this transaction.

Clients

Our clients are at the forefront of any decisions that the Board makes. The Board recognised that by scaling up the Company's Private Clients business and by adding to the expertise in the team, the Company can better service its clients' needs.

Community and the environment

Corporate social responsibility is central to how the Company runs its business. It was important to ensure that Integrity shared similar community and environmental values, and this formed a critical part of the Chairman's meeting with Integrity's CEO. Integrity use technology to reduce both paper use and their carbon footprint and also support a number of local charities, with the CEO being an active member of his local Round Table.

Regulators

The Company is required to obtain change of control permission from the Financial Conduct Authority before this acquisition can complete. Prior to approving the acquisition, the Board considered the elements that the regulator would look at in determining whether to grant this permission.

Advisers

A key reason for making the acquisition is to give the Company better insight into the products and services that high-quality IFA firms want from discretionary fund managers. The Directors realised, however, that there was a potential risk that some IFAs in our network in the West Midlands might now see the Company as a competitor. On balance, the Board agreed that the value the acquisition brought in terms of better understanding the needs of its IFA intermediaries outweighed this risk, which could be managed by clear ground rules and careful communication.

Shareholders

The additional scale, skills and capability brought into the Company will help the business develop and expand its Private Clients business thereby increasing shareholder returns and value. The Board felt that this acquisition was therefore a good use of funds.

Employees

An important reason for the Board approving the acquisition is to allow the Company's existing Private Clients team to enhance their skills and processes by taking on board some of the methods used by a successful, growing business like Integrity. This should enable those employees to further advance their careers.

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 Group continues 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.	• Embed our promise to support Brooks Macdonald being an inclusive, inspiring place to work • Develop leaders who prioritise engagement, diversity and wellbeing • Increase employee engagement • Have fun and celebrate our achievements	• Rolled out a leadership development programme to all people leaders to foster a high performance culture, aligned to our Guiding Principles • Maintained a strong employee engagement score • Rolled out a new performance management framework that supports everyone to be at their best • Continued to effectively support our people by enhancing employee policies and benefits, focusing on communication and wellbeing
Our community  We support our communities through the BM Foundation and encourage staff volunteering and fundraising.	• Continue to develop the BM Foundation • Support community causes and events • Encourage staff to complete voluntary work	• The BM Foundation made over 22 donations, totalling over £46,000 during the year • The Group matches all donations made by the BM Foundation • All staff are able to use a paid volunteering day • The Group has partnered with the Dame Kelly Holmes Trust and is participating in several events to raise over £30,000 for the charity
Our environment  We are a responsible Group and seek to reduce our impact on the environment as far as possible.	• Continue to evolve our environmental procurement strategy • Operational environmental tracker gathering data to confirm ways of reducing our Tier 1 and 2 impacts • To identify what Tier 3 data we could target and outline where there are gaps	• Reused office refurbishments in Tunbridge Wells • Green car scheme – a benefit that enables our staff to purchase green vehicles through salary sacrifice • Operational data collated and fed into our Streamlined Energy and Carbon Reporting ("SECR"). Gap analysis captured and targets identified for 2023

June 2022 'Speak Up' employee engagement score

67

(FY21: 66 points)

June 2022 'Speak Up' employee response rate

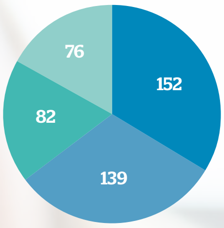
84%

(FY21: 77%)

BM Foundation charitable donations of over

£46,000

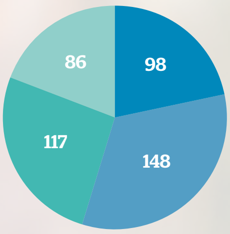
Number of employees by length of service (30 June 2022):



- Under 2 years
- 2-4 years
- 5-9 years
- 10+ years

Total: 449

Number of employees by age (years) (30 June 2022):



- 18-29
- 30-39
- 40-49
- 50+

Total: 449

> "BM has long prided itself on its strong culture and through the last 12 months have taken the opportunity to take further steps to strengthen what we offer to our people, which in turn helps us nurture a culture that enables our business to thrive."

Tom Emery
Chief People Officer

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

Our Guiding Principles

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

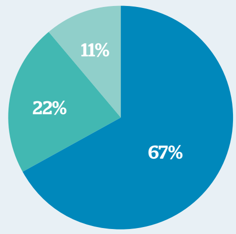
Our Guiding Principles are at the core of our culture and set the standards for the decisions we make and the way we treat our clients, partners, and each other.

In November each year we celebrate our annual 'above and beyond' awards, nominated and voted for by our people. We present awards for each of our Guiding Principles, with our diamond award presented to the person who has shown outstanding and unwavering commitment to all four throughout the year. In addition, every month, members of our Executive Committee recognise individuals who have been nominated by their peers and leadership group who have gone above and beyond by role modelling our Guiding Principles.

Engagement with our people

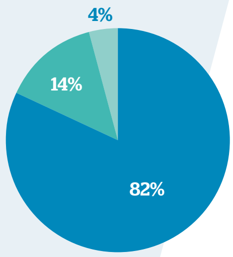
June 2022 Speak Up score – 67 (+1 from May 2021)

1. Overall engagement



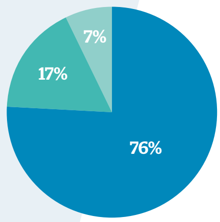
Overall score based on answers to all questions

2. Advocacy



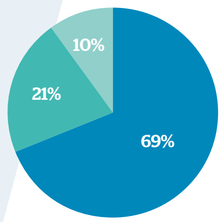
I am happy to recommend Brooks Macdonald to others as a great place to work

3. Diversity and inclusion



Brooks Macdonald enables me to be myself at work

4. Wellbeing



The Group has taken positive steps to support my wellbeing

● Positive ● Neutral ● Negative

Speak Up highlights

A record 84% of our people completed our most recent Speak Up survey in May 2022, up from 74% in November 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, equity and inclusion ("DEI"), leadership, wellbeing (including flexible working), 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 proportion of our people reporting that they say 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. Overwhelmingly, the things that our people love most about working at Brooks Macdonald are the people and the culture.

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.

Transforming our culture

The Group has had a stated people strategy for the past few years, focused around the three areas of Our Promise. Our Promise lays out the actions that will ensure we attract, engage, develop and retain the best talent in the marketplace, which in turn will ensure we achieve our strategic objectives.

As the world emerges from the pandemic, different challenges to those we faced before are developing and the competition for talent is increasingly intense. We know culture is a primary driver for attracting talent.

Brooks Macdonald has long prided itself on its strong culture, and through the last 12 months has taken the opportunity to take further steps to strengthen what we offer to our people, which in turn helps us to nurture a culture that enables our business to thrive.

Leadership development

We know that our people leaders set the tone and drive the culture. We focus leadership skills on three core areas; leading the business, leading others, and leading self.

During 2022 we rolled out 'Your Team At Its Best' to all people leaders. 'Your Team At Its Best' is a leadership development programme that aims to support all people leaders. The programme focuses on:

- **What it means to be a leader at Brooks Macdonald** – alignment to our vision, Guiding Principles and leadership development framework, plus the latest theory and insights.
- **How to ensure your team is at its best everyday** – conscious role modelling, inspiring trust, ownership and responsibility, resilience, and personal/team development.
- **Process and procedures** – everything leaders need to know and where to find it, the culture of performance management, alignment to Our Promise and signposting of further support.
- **Live examples and practice sessions** – bringing to life key learning, using 'live' examples in 'break-out' groups.

The programme is in the form of a self-directed learning guide as well as facilitated face-to-face training.

In addition, we launched a 'Your Team At Its Best' community of support; this utilises Microsoft Teams to house insights, discussion, and best practice for alumni of the programme. We hold regular practical skills-building sessions using the tools within the 'Your Team At Its Best' skills guide including developing high performing teams, whilst maintaining a psychologically safe and inclusive team environment. We focus on effective coaching for leaders, which research suggests is a key element of effective leadership.

We believe the learning and tools from the 'Your Team At Its Best' programme will help and support our leaders to continue to develop a high performing culture.

Corporate responsibility report continued

Talent and development

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, flagship 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.

During 2022, we are partnering with Future Talent Learning to invest in a female only cohort of talented individuals from Brooks Macdonald. This continues to show our commitment to fostering a learning culture but also allows us the opportunity to shine a light on under-represented groups, particularly within wealth management.

We recognise the value in taking talented people on at the beginning of their careers and our emerging talent programmes are central to Our Promise of supporting people to have fulfilling careers. Graduate 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.

A day in the life of...
Chris Cowling (Investment20/20 finance trainee)

I joined Brooks Macdonald in October 2021 as part of the Investment20/20 programme, and in the short time I've currently been with the Company, I have gained a lot of experience thanks to the support from my colleagues across the Group. The biggest thing that I have taken away so far is that it's okay to make mistakes, at the end of the day we're only human. But it's important we learn from them! I couldn't really ask for better colleagues who are available to provide support and advice on tasks big or small as well as the fact they won't look at you any differently for making mistakes or asking questions.

I have also developed and gained new skills both role specific as well as company/industry based, mainly being able to step back and look at the bigger picture and see how the work I do affects the wider group both in finance and Brooks Macdonald.

Prior to joining Brooks Macdonald, I had a very limited understanding of the wealth management industry, I knew of its existence and roughly what it was, I never really had a view on the industry prior to joining but I can now say it is a very interesting area of the financial world - one with a lot of depth and plenty of learning experiences.

Some advice I'd give to anyone thinking about joining Brooks Macdonald is to go for it, with a wide range of job roles it opens the door(s) for some great opportunities. I'm happy with where my time in Brooks Macdonald has taken me and I'm excited for my next steps!

If I were to describe Brooks Macdonald in three words it would be: supportive, rewarding, inspiring.

Inclusive futures

Investment20/20

One of the ways we develop our emerging talent is through our successful partnership with Investment20/20 where, to date, we have successfully recruited over 36 trainees since 2019. A number of these trainees have since taken up full time positions in a variety of roles across BM including technology, risk and compliance, finance and investment management. A further four more trainees will join Brooks Macdonald in October 2022.

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 several events hosted by Investment20/20 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 allow for greater diversity at entry level roles, as well as the opportunity to develop young people with no prior experience, and making a positive contribution to the wider community.

Investment Management graduate trainee programme

In January 2022, we had 10 Investment Management graduate trainees start with BM. As part of our recruitment strategy, we partnered with Investment20/20 to ensure we continue to recruit from diverse, socio-economic backgrounds. As a firm we want to improve both demographic and cognitive diversity of future recruits and seek to break down barriers of the wealth management industry. We had an overwhelming response to the programme with over 600 applicants.

The 10 graduates all secured roles primarily in our client and advisers-facing teams and were supported as they completed a professional qualification via the apprenticeship route – level 4 Investment Advice Diploma.

We developed the assessment in conjunction with Zircon BeTalent to ensure we were able to remove as much bias from the selection process as possible and fully align it to our Guiding Principles and Group capability framework. This ensured we were recruiting candidates based on their skills and values, rather than their backgrounds.

A Day in the life of . . .
Trianna Inniss (Investment Management graduate trainee)

As a graduate Investment Manager on the 'Inclusive futures programme' at Brooks Macdonald, the clear focus on diversity and inclusion was one of the reasons I was inspired to apply. My time at Brooks Macdonald has empowered me to be my best through the appreciation of my uniqueness, which has given me the freedom to grow and develop at my own pace.

I have also been afforded the opportunity to attend events for initiatives focused on fostering diversity and inclusion, such as Female Folio. This has enabled the development of connectivity and community with stakeholders across the business.

Summer interns

We continue to partner with GAIN (Girls are Investors) and 10,000 Black Interns to bring in summer interns. This year we had three summer interns, who started in June 2022. The internship lasts for eight weeks and is designed to provide young people from diverse backgrounds the opportunity to learn more about a career within Investment Management in areas where their demographic is typically under-represented.

Gender pay gap

In April 2022, we were pleased to report that we built on the progress we reported in 2021. The results we published in 2022 reflect earnings paid to employees in the UK (but not the Channel Islands) in the 12-month period up to April 2021.

We've continued to narrow our mean hourly pay gap and also achieved further decreases in our mean and median bonus pay gaps. From the work we've done, we know that our gender pay gap is not caused by paying men and women differently for like roles but from having fewer women in our client-facing and senior management positions.

Despite encouraging progress resulting from our gender-neutral remuneration policy, we acknowledge that our gender pay gap continues to remain too wide. The improvement in our results reflects the progress we've made in increasing female representation in senior management roles, and demonstrates the investment we're making in our diversity, equity and inclusion initiatives.

> "The DEI group is involved in much more than performative dates on the diversity calendar. The group is one of action, focusing on educating and supporting fellow BM colleagues."
>
> Latoya Anderson
> Member of the DEI group

Diversity, equity and inclusion ("DEI")

At Brooks Macdonald, Our Promise is to nurture an inclusive culture that values and supports our people and their views, regardless of their background. Diverse perspectives, experiences and backgrounds make us more creative and dynamic in helping BM to grow.

Our Executive Committee has four women out of twelve, and two out of eight on our Group Board.

Last year we commissioned 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. We are pleased to report that we have delivered all the key recommendations, including a full overview of policies and procedures to ensure the language is inclusive. In addition, we have developed and launched a suite of new policies to support nurturing an inclusive culture, including:

- Domestic abuse
- Menopause at work
- Neurodiversity at work
- Mental health at work
- Dignity at work
- Gender transitioning guidance
- Family leave to include, miscarriage, still birth, abortion and babies born too early or sick

To support our continued commitment to gender diversity and reducing our gender pay gap, we have made further enhancements to our primary parental leave (usually maternity) benefit. We now support with six months' full pay. The enhancement to maternity pay further embeds Our Promise to nurture an inclusive culture that supports all working parents. We have already extended our paternity leave to six weeks' full pay.

We recently began an increased focus on equity to include removing barriers for those that might face them, creating equal access to opportunities for all. We have rolled out several initiatives this year to drive our DEI agenda including the launch of 'Inclusive Culture' training across the Group. These sessions enabled all staff to take time away from their work and consider what DEI means to them, our business and how we can all play our part in nurturing a diverse culture.

We continue to meet with our DEI group to gain different views, insights and feedback and have celebrated several DEI events across the financial year. We still have lots more to do as a business and within the industry, but we aim to shape all that we do around improving diversity, equity and inclusion across the business.

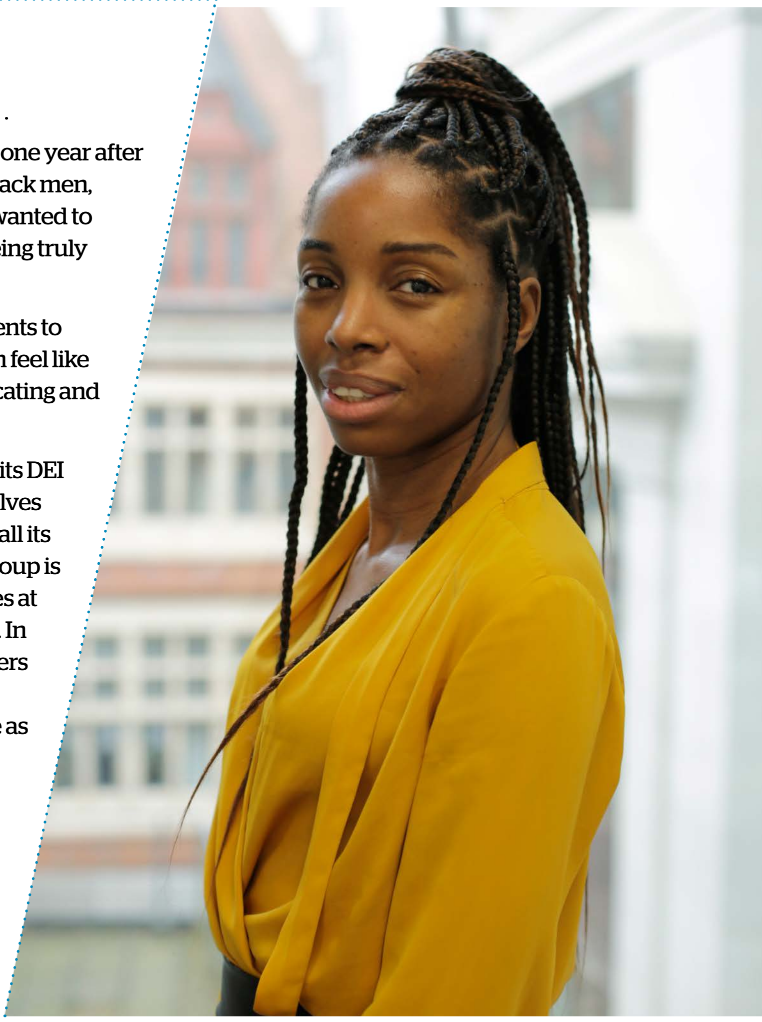
Latoya Anderson – member of the DEI group and Co-chair of the BAME employee resource group

I joined the DEI (Diversity, Equity and Inclusion) group in 2020, one year after joining Brooks Macdonald (BM). As the mother of two young black men, the murder of George Floyd resonated with me strongly, and I wanted to help BM play its part in supporting its diverse workforce and being truly inclusive.

The DEI group is involved in much more than performative events to mark dates on the diversity calendar, which while valuable, can feel like a tick box exercise. The group is one of action, focusing on educating and supporting fellow BM colleagues.

Like most firms, Brooks Macdonald still has some way to go on its DEI journey but having passionate colleagues who involve themselves in encouraging an inclusive culture that welcomes diversity in all its forms is an important part of taking the agenda forward. The group is focused on helping people feel comfortable in being themselves at work, comfortable to speak up and be heard without prejudice. In partnership with business leaders, we are breaking down barriers in recruitment and helping retain diverse talent by looking at existing frameworks, policies, and processes to ensure they are as inclusive as they can be.

Being part of this group has been an interesting, eye-opening experience that adds another valuable dimension to my working day at BM. I am looking forward to continuing connecting with my fellow colleagues across the business - whether we agree or not - so that we can continue to learn from each other.



We have continued our partnerships with LGBT Great, #10000blackinterns, Investment20/20 and City Hive. Through our partnership with LGBT Great we are proud to have our Chief People Officer named in their Global Top 100 Gamechangers; recognising inspiring people who are helping to change the game for LGBT+ diversity, equity and inclusion across the industry. Through our partnership with City Hive we are advertising all roles through their platform to target a more diverse pool of candidates, as well as working closely with them to understand what more we can do to drive female representation. Through our partnership with #10000blackinterns we have welcomed three summer interns this year and through Investment20/20 we have recruited four trainees starting later this year.

Flexible working and wellbeing

We made changes to our flexible working principles in September 2021. These were designed to evolve our ways of working to ensure that both our business and our people succeed in the post-pandemic world. We are focused 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.

Our thinking continues to evolve reflecting the market, the feedback from our employees, and the recruitment market where flexible working is increasingly seen as a non-negotiable in attracting talent. We are focused on empowering our people and leaders to be able to determine a work pattern that suits their role, working style and personal preferences, and are keen to ensure that all our people are successfully able to balance their work with their personal priorities and preferences. We also see this as a key enabler to improving our DEI.

Corporate responsibility report continued

Recognising and rewarding our people

To support our people to give their best and recognise their changing social responsibility, wellbeing and flexible working needs, over the past 12 months, we have continued to grow our total rewards offering. We have added a UK Government-approved electric car scheme, deepened our family leave benefits to both support pregnancy loss and reduce the pension gap experienced by parents who choose to take longer leave periods, and have continued to invest in our personal development budget to support all our people explore their personal growth and skills improvement. What we offer is already under review again and we are excited to be planning the changes we hope to announce shortly.

Currently, our flexible benefits package offers a wide range of benefits including:

- Pension
- Minimum 27 days' holiday, with the option to purchase additional days
- Enhanced family leave benefits (maternity, paternity, shared parental, adoption)
- Private medical cover
- Income protection insurance
- Critical illness cover
- Life assurance
- Electric car scheme
- Discounts on products and services
- Personal development budget to learn a new skill not related to work
- Cycle to work scheme
- Sharesave scheme

> "Support for our communities is central to our Guiding Principles, and by supporting not-for-profit organisations, the donations we make support the vital work of charities in the UK and abroad."

Tom Emery
Chief People Officer

We also make sure the pay we offer to all our people is fair and competitive by conducting rigorous annual benchmarking and having a clear understanding of the contribution each of our people makes. During early 2022, we recognised the impact the changing cost of living was having, particularly on our lower paid people, and we made some widespread changes outside of our normal salary review cycle to support them. As well as fair and competitive salaries, our discretionary bonus scheme plays a key role in the Group being able to attract, engage and retain our people. Its design considers both regulatory best practices for firms in our sector and in each year the performance of the Group and the long-term outcomes of our clients.

Alongside our pay and benefits offering, 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.

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 to care, do the right thing, and make a difference, and by supporting not-for-profit organisations, the donations we make 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 268 donations totalling £329,900. It is funded by an annual donation from the Group and regular contributions from staff members via the payroll. This year, we have seen an increase in the number of staff members making regular contributions.

The BM Foundation makes it possible for our people to request donations for 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 BM Foundation has also taken the opportunity to use its funds to recognise charities that are connected to specific events or celebrations, such as a donations made to the Stephen Lawrence Foundation and the LGBT+ anti-abuse charity, Galop.

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

The last 12 months has seen requests for donations to a variety of charities important to our people. These have included Red Cross Ukraine and Safer, a charity based in Guernsey that supports individuals in abusive relationships. In total we made over 22 donations from the Foundation during the year, totalling over £46,000.

All our employees can access a paid day off to volunteer in the community. Our people have used this day to support several charities and initiatives close to their hearts.

During FY22, in celebration of its 30th birthday, the Group partnered with the Dame Kelly Holmes Trust and has been participating in several events to raise £30,000 for the charity. The initiatives include a Group-wide sports day, quiz night, the Standard Chartered Great City 5km Race as well as a brave group of employees who are heading to a castaway island.

BM foundation

You make a difference

Corporate responsibility report continued

Our environment

We continue to widen our knowledge and expertise on how we can improve the way we operate to improve our environmental and social impact. Our next steps include setting out our short-term and long-term greenhouse gas ("GHG") emission reduction targets by year end 2023, providing the pathway to achieving net zero in our operations by 2030. We know that setting goals will provide the benchmark needed to accurately calculate our emissions.

Scope 1, 2 and 3 emissions

Scope 1, 2 and 3 is a way of categorising the different kinds of carbon emissions a company creates in its own operations, and in its wider value chain. The term first appeared in the Greenhouse Gas Protocol of 2001 and today, scopes are the basis for mandatory GHG reporting in the UK.

- Scope 1 emissions – the greenhouse gas emissions that we make directly – for example while running boilers and vehicles.
- Scope 2 emissions – the emissions we make indirectly such as electricity or energy.
- Scope 3 emissions – all the emissions that we are indirectly responsible for, up and down our value chain, for example, buying products from suppliers.

We see offsetting as an action to carry forward once we have exhausted all that we can in controlling what we do and putting into place all the steps needed to reduce our emissions.

Offsetting is a short-term solution that must be carefully managed and, to achieve our long-term goal of net zero operations, we must encourage emissions reduction and behaviour changes. Progress toward our GHG reduction targets will be tracked and communicated through annual public reporting, aligned with Article 4.9 of the Paris Agreement.

Our target is to be operational net zero by 2030 and Gross Internal Area ("GIA") net zero by 2050.

Sustainable procurement

Our focus in this area has not waned as we constantly look to do more. For the last few years, we have ramped up our efforts to ensure we can meet our target of renewable energy. We are now realising Scope 1 and Scope 2 improvements. Scope 3 is far reaching and relies on ensuring we have the right business partners to enable us to achieve our target of operational net zero by 2030. Our procurement strategy has matured, and we have introduced a matrix that all departments must follow as part of their onboarding of new suppliers, or as contracts end, applying our enhanced standards to ensure we are on target to achieving Scope 3. We do have a choice about the businesses we partner with and see alignment as a key indicator. We will only work with suppliers who have ethical business practices that align with our own, like paying the living wage (including London living wage where appropriate) to their colleagues, alongside sustainability and/or Corporate Social Responsibility policies.

We benchmark all new and existing suppliers, and this is a key differentiator in our quest to be operational net zero.

So how are we doing?

Environment enhancements 2021 – 2022

Workspace

- Holistic enhanced workspaces that are suitable and fit for purpose to support different workstyles
- Minimised our office fitout environmental impact; solvent free paints, cradle to grave furniture, reusing and repurposing most of our furniture and what was left was donated to charities

Engagement

- Cycle to work scheme
- Sustainable working group
- Electric car scheme
- Fairtrade and locally sourced produce
- Sustainable working group

Wellness

- Biophilia to improve the air and reduce stress in the workplace
- Contemplation rooms for relaxation, destressing, prayer and to breathe
- Inclusive office signage including braille, pictures and colours to assist those with sight and neurodiversity challenges

Resources

- Enhanced, measurable procurement strategy
- Supplier and contract management
- ESG governance defined
- Printers default double-sided and black and white
- Recycling and recycled products
- Removing single use plastic

Our workplaces

We have grown to 14 offices across the UK. Our office spaces are designed to provide colleagues with a diversity of space types that match their work style and set the stage for higher productivity and morale. We consider the wellbeing of everyone who enters our workplaces, which is why each office includes a choice of working styles for quiet focused work, collaboration spaces, biophilia, a space away from the desk to eat, and places to relax. We have also consciously sought out office spaces that successfully safeguard the health, safety, and welfare of colleagues, whilst considering the bigger picture and the future in terms of environmental credentials.

Despite the challenges brought on by the pandemic, we have made positive changes across our property portfolio, expanding our serviced office strategy in line with our ambitions to be flexible, sustainable and right in the heart of the community, making it easy for colleagues to shop locally and build relationships with local businesses and the wider community, without relying on a car for commuting. We have also revised our workplace strategy to embed this vision.

We continue to embed our strategy of partnering with charities and 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. Occupying serviced offices ensures we are not repeating past practices of moving and clearing every five years as we grow or reduce requirements. The flexibility also enables our colleagues to have more choices within the working environment with the shared resources available.

Property strategy

The way we work is changing and our workspaces are upgrading and improving. Gone are the days of traditional office spaces and rigid working days. The percentage of people who work remotely in the UK has skyrocketed, as conventional office spaces become obsolete.

Our property strategy is reviewed annually and is continually updated to safeguard the health, safety and welfare of colleagues, as well as considering the bigger picture and the future view in terms of environmental credentials. We focus on providing offices that boost engagement, trust, energy, commitment, and productivity by selecting properties that offer a flexible, hybrid approach.

Why serviced offices?

Environmentally serviced offices with shared spaces reduce the impact on the environment. Simply, individual businesses bringing in individual suppliers and services creates more time, travel and cost and has a direct impact on the total amount of energy used.

Our colleagues no longer need to navigate areas like maintenance, reconciling multiple bills, completing assessments, ordering supplies, cleaning etc.

Social interaction is a key component as landlords organise and celebrate special days such as Valentines to encourage wider collaboration.

Additional services and facilities that are offered by some of our serviced offices include, but not limited to:

- Shower facilities for cycling to work
- Gyms
- Golf simulators
- Terraces to relax and provide outside space
- Yoga classes
- Wellbeing talks around topics like nutrition designed to boost employee mental health and wellbeing

Our office movers and shakers in the last year include:

- Fareham to Southampton
- Leamington Spa to Birmingham
- Reviewed and renewed at Tunbridge Wells
- New serviced office opened in Isle of Man

Reduce, reuse, recycle

"Integrating reuse and recycling into our office refurbishments provides a great opportunity to combine our commercial and environmental objectives."

Eniitan Page
Director of Workplace and Sustainability

Traditionally, an office refurbishment has meant out with the old and in with the new, and office furniture has often been treated as a short term disposable item. However, we are now integrating reuse and recycling into all office refurbishments to deliver improved working environments, alongside costs savings. Any budget made or saved is then diverted to creating better meeting, break out or relaxation areas.

Wherever possible, we will look to recycle and recirculate office furniture within our own network. When clearing redundant items from an office, we prioritise reuse, avoiding the need to strip out existing finishes and furniture as this is less wasteful and is a key factor for us in forging a more sustainable environment.

When moving offices, we review all items with a view as to how they can be reused or repurposed. An obvious option is to recycle existing elements, finishes and furniture wherever we can. In recent refits, we have donated furniture and equipment to schools, charities and social enterprises through our partnership with 'Clear Environment'. This not only benefits the recipients, but also contributes to our corporate social responsibility agenda.

For incoming tenants, we negotiate the sale of our existing furniture and fittings for a donation to our charity – the BM Foundation.

When we do buy new materials, we prioritise carbon neutrality and make sure we use the most sustainable products available, with long life cycles and made from reclaimed and reused materials.

We continue to look to affordable solutions that reduce waste without compromising on design or quality.

Corporate responsibility report continued

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 Crown Dependencies, and from employee travel – as we have come out of the pandemic this has increased but not to the pre-pandemic numbers.

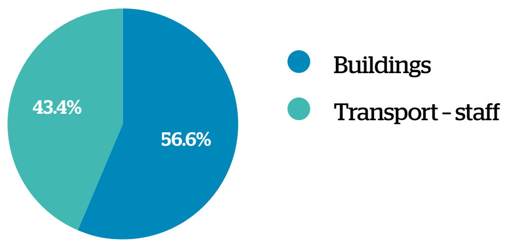
In line with the Streamlined Energy and Carbon Reporting ("SECR") legislation, Brooks Macdonald is required to report its energy consumption and greenhouse gas emissions arising in the UK. All Scope 1 and 2 sources of energy and emissions have been disclosed as well as mandatory Scope 3 sources.

	Energy consumption (MWh)		GHG emissions (tCO_2e)	
Source of energy and emissions	**2022**	2021	**2022**	2021
Combustion of natural gas	**90.5**	99.3	**16.6**	18.2
Scope 1 total	**90.5**	99.3	**16.6**	18.2
Generation of purchased electricity	**556.0**	526.4	**118.1**	122.4
Scope 2 total	**556.0**	526.4	**118.1**	122.4
Combustion of fuel in staff vehicles	**239.2**	52.2	**58.8**	13.1
Scope 3 total	**239.2**	52.2	**58.8**	13.1
Gross total	**885.7**	677.9	**193.5**	153.7
Carbon-neutral utility contracts	**N/A**	N/A	**(119.3)**	(114.8)
Net total	**N/A**	N/A	**74.2**	38.9
Intensity per 1000 m^2 gross floor area	**185.4**	124.3	**15.5**	7.1
Intensity per £m turnover	**7.3**	5.7	**0.6**	0.3

Energy efficiency

Compared to last year, our total energy consumption has increased by 207.8 MWh and our net greenhouse gas emissions has slightly increased by 35.3 tonnes of CO_2e. This is primarily due to an increase in business travel as pandemic restrictions have lifted, however, we continue to utilise technology and remote working, which reflects in that we have still reduced our overall emissions by 165 tonnes of CO_2e when comparing to our pre-pandemic results. We also collect more detailed data than before, allowing us to accurately calculate our environmental impact and we are currently exploring our wider Scope 3 emissions to capture even more. A noticeable positive change is our use of serviced offices reducing our overall floor space for better utilisation of the space we occupy. We have also increased the percentage of our utilities from renewable sources to 88%, (last year this was 75%). Challenging landlords to change how they procure energy has been key to reducing our energy impact, but our biggest challenge is gas, that said much of this is offset within the contract.

Distribution of annual emissions by usage



Utility calculation

Where possible, energy consumption expressed in kilowatt-hours has been taken from suppliers' invoices, and in the absence of invoices, estimates have been made. Estimates used equate to approximately 189 MWh or 10% of the total consumption. The supplies that have been estimated are all from carbon neutral sources and so have no impact on the Company's carbon footprint. All other sites have a full year of invoiced electricity and natural gas consumption data. The energy consumption from electricity and natural gas consumption has been multiplied by the kgCO_2 e/kWh conversion factors for the average UK grid supply to calculate the gross location-based greenhouse gas emissions. 88% of energy supplied is from carbon neutral contracts. The emissions from these supplies have been deducted to show the net market-based emissions.

During the last 12 months, we have continued implementing ways of being more sustainable. This includes the continuation of our property review, closing inefficient offices for more sustainable options, whilst increasing both client and staff experience. All furniture from vacated sites has been re-used, recycled, or donated to charity, and minimal structural changes have been carried out during renovations. For example, we have recently refurbished our Tunbridge Wells site by re-using components from other sites from zip taps to furniture but still providing a fresher, collaborative, and more functional space, moving just one wall, reusing and repainting everything else.

Additional environmental initiatives include chemical free cleaning and rolling out alternative sustainable vegan snack choices throughout catering offering.

Transport

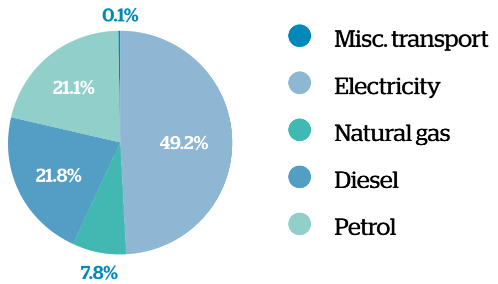
Certain members of staff use their personal vehicles for work-related purposes and are reimbursed through mileage claims. The fuel type and size of the vehicles' engines are recorded with mileage claims. The KWh/mile and kg CO_2e mile conversion factors form the category 'Cars (by size)' have been used to calculate greenhouse gas emissions and underlying energy use.

We have launched a green car salary sacrifice scheme enabling colleagues to access Ultra Low Emission Vehicles ("ULEVs").

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.

Distribution of annual emissions by fuel



Sustainability forum

An inclusive, collaborative approach is needed to embed sustainability across the business to meet the changing regulatory requirements, our commitments as signatories to the United Nations Principals of Responsible Investing ("UNPRI"), and to reflect our corporate values. To support this, we have established a 'Sustainability Forum', which brings together representatives from across the Group with representation from all departments. The purpose of the forum is to identify, prioritise and co-ordinate efforts on sustainability-related initiatives across both our operational and commercial activities, and to facilitate the sharing of ideas and information. Although the Forum has broad representation, it establishes focused working groups to drive progress, an example being the Task Force on Climate-related Financial Disclosures ("TCFD") working group. The Sustainability Forum is chaired by Eniitan Page (Director of Workplace and Sustainability) and sponsored by our Chief Information Officer, Edward Park.

Corporate governance

An introduction to our Board of Directors, Executive Committee, and our approach to Corporate governance and remuneration

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 relation to the completion of the transition to SS&C platforms and systems as part of the digital transformation project.

The Group's Board and Committee structure is detailed on page 74 and 75 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 52 to 67.
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 71 and Committee structure on page 74, plus reports of the Committees on pages 86 to 111.
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 90 to 91.
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 86 to 89 and our Risk and Compliance Committee on pages 108 to 111.
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 92 to 107.

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 2022, there were seven scheduled Board meetings and details of attendance at these is shown on page 76. In addition, further unscheduled meetings may be convened where necessary to consider matters that are time-sensitive in nature and cannot wait until the next scheduled meeting. Historically, subjects have included acquisitions 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
- Chief People Officer's report
- Committee Chairs' updates

Financials

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

Projects

- Acquisition of Integrity Wealth
- Partnership with SS&C

Governance and regulatory

- Reviews of Committee terms of reference
- AGM arrangements
- SMCR regime
- Board effectiveness review
- Modern Slavery statement
- PDMR list review
- ICAAP review

Strategy

- Strategy refresh
- M&A

Assessing and monitoring culture

The Board monitors the Group's culture through regular reports from the CEO and the Chief People Officer 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 informal meetings with employees from across the business 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 48 to 51 and our Corporate responsibility report on pages 52 to 67 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 among 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 90.

FY22 Company timeline

	Company events	Meetings and topics
July 2021	• Appointment of Andrew Shepherd and Lynsey Cross on 13 July 2021 to the Group Board • Opened Cheltenham and Exeter offices	**Group Board meeting** • Q4 trading update • Update on CSR strategy and goals • Board effectiveness
September 2021		**Group Board meeting** • CEO 100 days' review • FY21 results, dividend and annual report • AGM arrangements
October 2021	• Group AGM	**Group Board meeting** • Insurance • ICAAP
November 2021	• Opened Isle of Man office • Brooks Macdonald 30th birthday	
December 2021		**Group Board strategy day** **Group Board meeting** • Board strategy • Modern Slavery statement • Update on CSR
January 2022	• Opened Birmingham and Southampton offices	**Group Board meeting** • Q2 trading update
March 2022		**Group Board meeting** • Interim Report and Accounts • Update on Russia/Ukraine
April 2022	• Female Folio launch	
May 2022	• Announcement of intended acquisition of Integrity Wealth Solutions Limited • Completion of Channel Islands entity simplification project	
June 2022		**Group Board meeting** • Medium-Term Plan • Jersey office visit with Group Board

The acquisition of Integrity Wealth Solutions Limited

In May 2022, the Company announced (subject to regulatory approval) the acquisition of Integrity Wealth Solutions Limited, a successful and rapidly growing independent financial adviser ("IFA") firm with assets under advice of c. £250 million and c. 800 clients. The acquisition brings scale, capability and management expertise to Brooks Macdonald's Private Clients business, as well as giving deeper insight into the products and services a high-quality, growing IFA firm values from a discretionary fund manager.

2014

Integrity Wealth Solutions first start offering Brooks Macdonald products and services

2020

Integrity make initial contact with Brooks Macdonald regarding a possible sale of their business

September 2021

Discussions progress far enough for this matter to be brought before the Board for consideration. Management explain the benefits and structure of the proposed acquisition to the Board. The Board ask for further details about how the integration of the two businesses would work and agree that the Company should submit an indicative, non-binding offer to the sellers.

December 2021

The Board are advised that discussions with the sellers continue to progress and that due diligence was currently being carried out. The Board strategy day addresses both the Company's approach to M&A and also the organisation of its Private Client business, with this potential acquisition being relevant to both subjects.

January 2022

The Board are advised that due diligence was largely complete, including detailed file review of a number of client files, particularly those related to defined benefit pension transfers. Based on the evidence of the due diligence so far, management remain keen to conclude the acquisition once that is completed. In particular, they emphasise the quality of the Integrity management team. The Board agree that the Chairman should meet with Integrity CEO, given that it is intended that he plays a key role in the Company's Private Clients team post acquisition. The Board also consider any impact that the acquisition may have on the Company's relationships with other IFAs.

March 2022

Management report that they are close to being able to complete the acquisition. Noting that Integrity are based in Nuneaton, the Board emphasise the importance of their team sharing ideas with the Company's team in London. Following a discussion, the Board agree to approve moving to exchange of contracts.

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

Alan Carruthers (Chairman)
Andrew Shepherd[1]
Ben Thorpe
Lynsey Cross[1]
Richard Price
John Linwood
Dagmar Kershaw
Robert Burgess

Audit Committee

- Richard Price (Chair)
- John Linwood
- Dagmar Kershaw
- Robert Burgess

Nominations Committee

- Alan Carruthers (Chair)
- Richard Price
- John Linwood
- Dagmar Kershaw
- Robert Burgess

Remuneration Committee

- John Linwood (Chair)
- Richard Price
- Dagmar Kershaw
- Robert Burgess

Risk and Compliance Committee

- Robert Burgess (Chair)
- Richard Price
- John Linwood
- Dagmar Kershaw

Executive Committee

Andrew Shepherd (Chair)
Sarah Ackland[2]
Caroline Abbondanza[3]
Simon Broomfield[3]
Lynsey Cross
Robin Eggar

Tom Emery
Richard Hughes
Alick Mackay
Edward Park
Ben Thorpe
Priti Verma

1. Appointed 13 July 2021.
2. Appointed 5 September 2022.
3. Appointed 28 February 2022.

Board and Committee structure continued

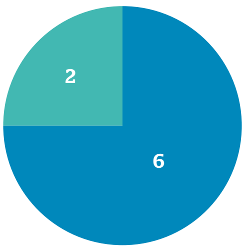
List of Board meetings and attendance

		Board	Audit	Nominations	Remuneration	Risk and Compliance	Disclosure
Number of meetings held during the year		7	6	2	4	5	0
Andrew Shepherd	Executive Director	7 7	–	–	–	–	–
Ben Thorpe	Executive Director	7 7	–	–	–	–	–
Lynsey Cross	Executive Director	7 7	–	–	–	–	–
Alan Carruthers	Chairman	7 7	–	2 2	–	5 5	–
John Linwood	Independent Non-Executive Director	6 7	6 6	1 2	4 4	5 5	–
Richard Price	Independent Non-Executive Director	7 7	6 6	2 2	4 4	5 5	–
Dagmar Kershaw	Independent Non-Executive Director	7 7	6 6	2 2	4 4	5 5	–
Robert Burgess	Independent Non-Executive Director	7 7	6 6	2 2	4 4	5 5	–

Attended Meetings

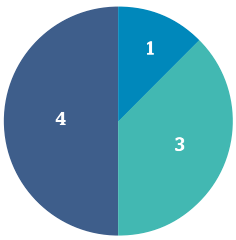
Board composition statistics as at 14 September 2022

Gender diversity



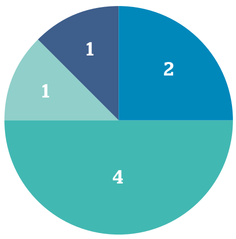
Male
Female

Independence



Chairman
Executive Directors
Non-Executive Directors

Board tenure



< 2 years
2-4 years
4-6 years
> 6 years

Board of Directors

Chair of the Board

Role and responsibilities

- Leading and managing the Board and is responsible for its overall effectiveness
- Setting the agenda, including discussion of issues of strategy, performance, accountability and risk
- Providing and promoting constructive challenge to management and facilitating the contribution of the Non-Executive Directors
- 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 and day-to-day responsibility for running the Group's business
- 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 independent oversight and constructive, rigorous challenge
- Assisting in the development of the Company's strategy
- Ensuring the integrity of financial information, controls and risk management processes
- Scrutinising 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
- Responsibility for the Group's legal and company secretarial functions

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

Board of Directors continued

Read the Board biographies on pages 80 to 81

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).

Executive Directors

Andrew Shepherd
CEO

Key skills and experience

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

Andrew joined Brooks Macdonald in 2002 and was appointed CEO in 2021. He has held numerous roles across the Group, including Group Deputy CEO since 2015, and most recently CEO of the International business since 2019.

Andrew has worked in investment management and financial services since 1994. Prior to joining Brooks Macdonald, Andrew worked at Shepherd Associates Financial Management, holding the position of investment director.

Non-Executive Directors

Richard Price
Senior 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 and Chair of the Audit Committee and a member of the Risk and Compliance, Remuneration, 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, holding a number of roles, including the UK Head of KPMG's Financial Sector Transaction Services practice.

Richard is also 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 of 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.

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 Chief Financial Officer and an Executive Director on the Group Board. Alongside Finance, Ben is also responsible for product insight and innovation, and both the company secretarial and legal teams.

He has 20 years of financial services experience. He was formerly Head of Finance at Brewin Dolphin. 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.

Ben is a graduate of the LSE and a fellow of the Chartered Institute of Management Accountants.

Lynsey Cross
Chief Operating Officer

Key skills and experience

- Broad experience across financial services
- Track record in 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 our 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.

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 adviser to Strategic Value Partners and Non-Executive Chair of both Volta Finance and Aberdeen Smaller Companies Income Trust plc. Dagmar is also a Trustee of Laurus Trust.

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 10 years in senior positions at M&G Investments.

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 and a Strategic Technology Advisor to the UK Ministry of Defence.

Executive Committee

Executive Directors

Andrew Shepherd
CEO

See Andrew's biography on page 80

Ben Thorpe
Chief Financial Officer

See Ben's biography on page 81

Lynsey Cross
Chief Operating Officer

See Lynsey's biography on page 81

Executive Committee Members

Caroline Abbondanza
Chief Technology Officer

Caroline Abbondanza is the Chief Technology Officer of the Brooks Macdonald Group, and a member of the Executive Committee. Joining Brooks Macdonald in 2019, Caroline owns all areas of the technology, digital and cyber strategy and delivery agenda, including the management of outsourced partnerships.

Caroline has over 20 years' experience working in technology in financial services, previously holding group executive committee positions at FNZ and Travelex. She also chairs the Investment Association Technology Forum and is a member of their cyber resilience and tech innovation committees. Caroline has a degree in social anthropology and politics and has completed the executive leadership programme at the University of Cambridge.

Sarah Ackland
Global Head of Distribution

Sarah Ackland is Global Head of Distribution for the Brooks Macdonald Group, and a member of the Executive Committee. Joining Brooks Macdonald in 2022, Sarah leads the distribution and marketing teams across the UK and International markets.

Sarah has spent more than 25 years in investment management and has a deep knowledge and understanding of distribution and marketing in the sector. She joins Brooks Macdonald from Liontrust, where she was Head of Multi-Asset Business. She was previously Head of UK Funds at the Architas UK Investment Business, prior to its purchase by Liontrust.

Sarah has a BA in Psychology and Art from Liverpool University and is IMC qualified.

Simon Broomfield

General Counsel

Simon Broomfield is the General Counsel of Brooks Macdonald and a member of the Executive Committee. Joining Brooks Macdonald in 2008, Simon is responsible for advising the Group Directors and employees on all legal matters affecting the Group in all jurisdictions. He is also responsible for managing the Group legal team and acts as the Company's data protection officer.

Simon was called to the Bar of England and Wales in 2002 and admitted as a Solicitor of the Senior Courts of England and Wales in 2009. He has significant experience in civil litigation, corporate and commercial law, banking and financial services law, M&A, consumer credit, and data protection.

Simon has an MBA from Imperial College and is Vice President and former Chair of the Bar Association for Commerce, Finance and Industry. He is a Chartered Member of the Chartered Institute of Securities and Investments.

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

Chief People Officer

Tom is the Chief People Officer 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.

Executive Committee continued

Executive Committee Members

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 Deloitte, 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

“The Committee placed additional emphasis on the Group’s alternative performance measures during the year.”

Richard Price
Audit Committee Chair

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 Audit 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 of 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

The Audit Committee comprised Richard Price (Chair), John Linwood, Dagmar Kershaw and Robert Burgess for the entire year. Membership of the Audit Committee is restricted to independent Non-Executive Directors. The CEO, Chief Financial Officer, Chief Risk Officer, Chief Operating 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 2022 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 the accounting, judgements applied and presentation of the costs and capital expenditure incurred by the Group in connection with the transition to the new operating platform under the strategic partnership entered into with SS&C Technologies; • Reviewed the updates from management on the Group's tax matters, including the accounting and judgements applied and the presentation of the tax provisions and other tax-related entries included in the Interim and Annual Report and Accounts; • Reviewed the overall presentation of alternative performance measures ("APMs") to ensure they are not given undue prominence, reviewed the nature of the adjusting items excluded from the statutory results and evaluated the clarity and explanations of APM reconciliations; • Reviewed the key reporting considerations for the Group's Interim and Annual Report and Accounts presented by management with reference to the Financial Reporting Council thematic reviews issued during the year on APMs; provisions, contingent liabilities and contingent assets; and viability and going concern; 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 Group's external auditors, PricewaterhouseCoopers LLP ("PwC"), 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 the Group's internal auditors, 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; • Monitored and reviewed KPMG's review of the CASS controls and processes in connection with the migration of the Group's custody assets to the SS&C Technologies' operating platform and systems; • 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 considered CASS-related matters, including PwC's CASS audit findings; • 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"), who have been appointed since 2011. Jeremy Jensen is the audit partner in charge of the Group's audit, with the current year being his second year. As an AIM-listed company, Brooks Macdonald is not required to rotate its audit firm after 10 years, although the Group will 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 2022.

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 reviewed by the Committee during the year, and any non-audit services provided to the Group reviewed in line with the Policy.

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 2022. 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 those of the auditors.

Issue	Key considerations and conclusions
Goodwill (see Note 14)	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 14)	In determining the useful economic life of the Group's client relationship intangible assets, the Committee reviewed relevant analysis presented by management. The Committee was in agreement and satisfied that the client relationship intangible assets are adequately supported by the respective impairment tests and reviews.
New operating platform transition costs	The Committee reviewed management's accounting of the costs incurred in connection with the transition to the new operating platform and is in agreement with the treatment of the capitalised costs on the balance sheet and the dual running costs recognised during the year within APMs.

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

14 September 2022

Nominations Committee report

"The Committee encouraged and supported management's continued focus on diversity, equity and inclusion and the roll out of 'Inclusive Culture' training across the Group."

Alan Carruthers
Nominations Committee Chair

Role and responsibilities

The Nominations Committee is responsible for reviewing the composition of the Board and the Board Committees to ensure they are suitably constituted, with an appropriate balance of skills, experience, knowledge and diversity. 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 Chief People Officer may attend all, or part, of a meeting by invitation. The attendance of each Committee member during the year is shown on page 76.

Main activities during the year

Last year's Nominations Committee report detailed the appointment of Andrew Shepherd as CEO and the appointment of both him and Lynsey Cross, our COO to the Board. Both formally joined the Board on 13 July 2021. As existing employees, neither required the full induction programme that we offer to new directors coming from outside the business but both received briefings from the Company's Nominated Adviser, giving a market overview and explaining AIM requirements as well as being reminded of the Senior Managers and Certification Regime ("SMCR") and other regulatory responsibilities that their new roles would entail.

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. This was showcased in 2021 when Andrew Shepherd and Lynsey Cross were appointed to the Board and Edward Park and Richard Hughes joined the Executive Committee. The pipeline of talent joining the Executive Committee continued in 2022 as Simon Broomfield, our General Counsel, and Caroline Abbondanza, our Chief Technology Officer, further strengthened the committee. Both have brought valuable skill sets and knowledge, which add to the quality of debate at meetings. Where there is no suitable internal candidate for a senior management role, management are encouraged to look outside the business for the skills that the Company needs. Such was the case for the new Global Head of Distribution role and, following a robust selection process, Sarah Ackland was appointed to this Executive Committee position.

Leadership development is a key part of growing our talent and succession planning and during 2022 we rolled out 'Your Team At Its Best' to all people leaders across the Group. This is a leadership development programme, which will help to nurture our business leaders and support them as they drive a high-performing culture. The Committee is also committed to maintaining an appropriate balance of skills, experience, independence and diversity across the wider Group. Further information on the Group's approach to succession planning and leadership development can be found in the Corporate responsibility report on page 55.

Diversity, equity and inclusion

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, understanding, skills, experience and expertise of directors from a range of backgrounds. The Committee will also 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. The Committee strongly supports management's efforts to nurture an inclusive culture within the Group. Diverse perspectives, experiences and backgrounds across our workforce help us to understand better the needs of our clients and, therefore, to grow the business. Further details on the Group's approach to diversity are included in the Corporate responsibility report on page 57 with details of the gender balance of the Company's senior management shown on page 58.

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. This year's Board evaluation was carried out internally in June 2022. 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:

- Directors would like more information on competitors and market intelligence.
- Greater use of NED-only sessions and Board dinners to allow informal discussions and the socialisation of ideas and observations.
- Earlier NED involvement in some business decisions.

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 was very keen to return to having both in-person Board meetings and other gatherings – the easing of COVID-19 restrictions over the last year has allowed the Board to return to having in-person meetings. The June 2022 meeting was held at our Jersey office, which allowed the Board to spend more time both together and with key members of our International team.
- Directors would like to have broader debates on a range of subjects – the Board arranged a strategy day in December to encourage wide debate on the Company's future strategy. The CEO's reports to the Board now focus on a smaller number of subjects, allowing broader discussion on these items, with culture and flexible working being topics of particular debate.

Corporate governance

The Company has chosen to follow the Corporate Governance Code and this is the third 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

14 September 2022

Remuneration Committee report

> "During a year of strong performance, we have continued to ensure alignment between the remuneration of our people and the sustainable outcomes of our clients."
>
> 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 2022, 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 and will be presented as an advisory resolution to shareholders at the upcoming Annual General Meeting in October 2022. 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 fulfils its role in optimising our risk culture and driving the right commercial outcomes aligned to long-term shareholder interests. This has been particularly important and challenging given the continued market volatility and its impact on our business and people.

Key activities of the Committee during the year have included:

- Implementation of the new performance-based long-term incentive awards for Executive Directors reported in last year's Annual Report and Accounts: this is more closely aligned to shareholder interest in order to help deliver the Group's ambitious strategic aims and deliver sustainable value to shareholders.
- Taking steps to align the pension contributions of Executive Directors and other senior employees with those of the wider workforce. All employees now receive a uniform 6% employer's pension contribution.
- Overseeing the details and publication of the Group's fifth annual gender pay gap report. The Group was pleased to report a further reduction in both mean gender pay and bonus gaps, while identifying that the median pay gaps were not seeing the required level of progress.
- Reviewing and approving individual remuneration for all employees in Material Risk Taker and senior Risk and Compliance roles as required under the FCA Remuneration Code, as well as the remuneration offers for new members of senior management.
- The execution of its other regulatory oversight responsibilities, including the review and appropriate risk and performance adjustment of all incentive funding, approval of any guaranteed variable remuneration arrangements and the setting of an appropriate fixed to variable pay ratio.
- The development and ongoing monitoring of a MIFIDPRU Remuneration Code implementation plan to ensure the Group is fully compliant with the changing regulatory requirements under the new code, effective from the 2023 financial reporting period.
- 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, Chief People Officer, and Group Head of Reward 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 underlying profit before tax increasing by 12.7% to £34.5 million, ahead of the £30.6 million reported in FY21. Underlying profit before tax margin rose from 25.9% to 28.2% in line with our ongoing and continued commitment to increase profit margins in the medium term. Funds under management went from £16.5 billion to £15.7 billion, a change of (4.8)%, which reflects the volatile market conditions experienced in the second half of the financial year.

From 13 July 2021, the Board has had three Executive Directors (Chief Executive Officer, Chief Financial Officer and Chief Operating Officer), with the former Chief Executive Officer, Caroline Connellan, having resigned at 27 May 2021 and holding no directorships in the 2022 financial reporting period. All three Directors present for FY22 were awarded bonuses in respect of their contributions during the year. In line with previous years, the Executive Director bonus 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.

Despite challenging market conditions, the business has made good progress this year and has 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 130.9% of base salary (out of a maximum 150% of base salary opportunity) for the three Executive Directors. 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 30 September 2022. This award is 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 Long-Term Incentive Plan ("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.

Andrew Shepherd was awarded a conditional share award in April 2019 on appointment to his previous role of Chief Executive Officer, International. The performance conditions necessary for vesting related to the net flows and financial contribution of the International division. This award vested on 30 June 2022 at 13% of maximum opportunity.

Long-term incentive awards granted during the year

Awards of performance shares were made to the Executive Directors under the 2018 Long-Term Incentive Plan at 30 September 2021.

The metrics for the awards granted were based on underlying, diluted earnings per share ("EPS") as well as a basket of ESG-based metrics. 90% of the award was based on the EPS target and 10% on ESG targets. The grant levels for the CEO and CFO were 200% of base salary and the COO's award was 100% of base salary. These awards will only vest based on achieving significantly challenging targets and participating executives remaining in employment with the Group. These awards have a vesting date of 30 September 2024.

Workforce engagement

During FY22, 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, including how executive remuneration aligns with the wider pay policy. The Group also runs a regular staff survey, which elicits feedback from staff around a number of areas, including 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. It has been possible to move some of these activities in-person now that COVID-19 restrictions have been lifted.

Remuneration Committee report continued

Approach to remuneration in FY23

The Committee undertook a review of the base salaries of the three Executive Directors and approved salary increases of 4% to each. This is aligned to the average remuneration increase of the wider workforce during the same review period. All salary increases were effective from 1 July 2022. The Remuneration Committee considers these salary levels to be both affordable and commensurate with the skills, competencies and experience necessary to successfully lead an organisation of the Group's commercial and regulatory complexity and strategic ambition. The salaries for all three Executive Director roles were also benchmarked against close peer market data.

The Group will continue to operate the performance share approach to long-term incentive awards in FY23 that operated in FY22. The metrics for the award to be granted in FY23 will again 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 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. Formulaic adjustments for actual dilution and effective tax rates operate within the LTIP performance assessment to ensure the final outturn reflects executive management contribution and performance. We believe that continuing to use performance shares will promote engagement from the Executive Directors and fully align their long-term remuneration arrangements with shareholder and broader stakeholder outcomes.

For FY23, 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 FY23.

With the exception of realignment of executive director pension contributions to the workforce average, no changes are proposed to key benefits in FY23.

The Committee believes the proposed approach to remuneration is appropriate to retain and incentivise a talented management team and is in line with shareholder interests and appropriately benchmarked against market data. We hope that shareholders will be supportive of the advisory remuneration resolution, which will be tabled at the Annual General Meeting on 27 October 2022.

Annual report on remuneration

Total remuneration for the financial year ended 30 June 2022

£'000		Salary and fees	Pension-related benefits	Taxable benefits[1]	Annual bonus[2]	Long-term incentives[3]	Sharesave	Other deduction[4]	Total	Total fixed remuner-ation	Total variable remuner-ation
Executives											
Andrew Shepherd[5]	2022	400	28	3	524	469	–	(5)	1,419	426	993
	2021	–	–	–	–	–	–	–	–	–	–
Ben Thorpe	2022	350	25	2	458	576	–	(7)	1,404	370	1,034
	2021	323	24	2	397	–	4	–	750	349	401
Lynsey Cross[6]	2022	290	20	3	380	–	–	–	693	313	380
	2021	–	–	–	–	–	–	–	–	–	–
Caroline Connellan[7]	2022	–	–	–	–	–	–	–	–	–	–
	2021	364	26	4	–	155	–	–	549	394	155
	2022	1,040	73	8	1,362	1,045	–	(12)	3,516	1,109	2,407
	2021	687	50	6	397	155	4	–	1,299	743	556
Non-Executives											
Alan Carruthers	2022	200	–	–	–	–	–	–	200	200	–
(Chairman)	2021	200	–	–	–	–	–	–	200	200	–
Robert Burgess	2022	74	–	–	–	–	–	–	74	74	–
	2021	64	–	–	–	–	–	–	64	64	–
Dagmar Kershaw	2022	64	–	–	–	–	–	–	64	64	–
	2021	60	–	–	–	–	–	–	60	60	–
John Linwood	2022	74	–	–	–	–	–	–	74	74	–
	2021	70	–	–	–	–	–	–	70	70	–
Richard Price	2022	84	–	–	–	–	–	–	84	84	–
	2021	79	–	–	–	–	–	–	79	79	–
Diane Seymour-Williams[8]	2022	–	–	–	–	–	–	–	–	–	–
	2021	20	–	–	–	–	–	–	20	20	–
David Stewart[9]	2022	–	–	–	–	–	–	–	–	–	–
	2021	7	–	–	–	–	–	–	7	7	–
	2022	496	–	–	–	–	–	–	496	496	–
	2021	500	–	–	–	–	–	–	500	500	–
Total remuneration	2022	1,536	73	8	1,362	1,045	–	(12)	4,012	1,605	2,407
	2021	1,187	50	6	397	155	4	–	1,799	1,243	556

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 FY22, 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 and exercised during the relevant financial year. The share awards that vested during the year for Andrew Shepherd comprise 14,705 LTIS awards, and 4,827 LTIP awards, at a market value of £23.02 and £27.00 respectively. The share awards that vested during the year for Ben Thorpe comprise 16,103 LTIS awards, and 7,912 DBP awards, at a market value of £23.25 and £25.01 respectively. The long-term incentive values shown for Caroline Connellan in 2021 reflect restricted share awards made in a lower opportunity structure relative to the awards made to executive directors in 2022 under a performance share plan.
4. Other deductions relate to the car benefit scheme that Andrew Shepherd and Ben Thorpe elected to utilise in FY22.
5. Appointed 13 July 2021.
6. Appointed 13 July 2021.
7. Resigned 27 May 2021. 2021 salary shown reflects part -year earnings with annual salary being £410,000 at time of resignation.
8. Resigned 27 October 2020.
9. Resigned 31 July 2020.

Remuneration Committee report continued

Annual variable pay outcomes for financial year ended 30 June 2022

The FY22 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 FY22 structure, a maximum bonus opportunity of 150% of base salary applied to each 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; 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 2022, the 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 130.9% of base salary paid to the Chief Executive Officer, Chief Financial Officer and the Chief Operating 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

	Weighting	% of salary at maximum	Threshold[1]	Target[1]	Maximum[1]	Actual for FY22	% of base salary awarded for these criteria
Underlying PBT	20.0%	30.0%	£30.6m	£34.0m	£37.0m	£34.5m	21.7%
Net flows	20.0%	30.0%	2.5%	5.0%	7.5%	4.8%	19.2%
Underlying PBT margin (%)	20.0%	30.0%	25.0%	25.7%	26.9%	28.2%	30.0%
Total	**60.0%**	**90.0%**					**70.9%**

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 FY22	Extent to which objective has been met
Strategy	Continued delivery of organic growth strategy including successful implementation of business transformation initiatives, complemented by selective high-quality acquisitions and successful integration of previous acquisitions	• Significant progress made in delivering the Group's strategy including the acquisition of Integrity Wealth Solutions, subject to regulatory approval, complementing organic growth actions, which have seen the Group record net flows every quarter. • A strong full year result, ahead of last year's in terms of both underlying profit and underlying profit margin, despite the deteriorating market conditions caused by inflation, rising commodity prices, and the conflict in Ukraine. • Significant progress made towards delivering the adviser and client experience transformation, partnering with SS&C, with go-live completed on 25 July 2022.	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 post-pandemic culture with focus on leadership development, launch of 'Your Team At Its Best' development programme and community for all leaders, 'Mentoring Marketplace,' connected working, as well as ongoing focus on managing underperformance. • Continued reduction in mean gender pay gap year on year, led broader diversity and inclusion agenda, including delivering inclusive cultures programme to all leaders and staff members, launch of inclusive futures graduate programme, extending participation in the #100blackinterns programme for a second year, enhancing parental leave provisions, and introducing several new inclusive policies, such as mental health at work and guidance to support neurodivergent employees and those going through the menopause. • Continued focus on employee engagement, positively reflected in consistently strong engagement scores and focus on employee wellbeing. Employee engagement and wellbeing have remained high over the course of the year, and turnover relatively low.	Achieved
Client	Focus on consistent delivery of high-quality client and IFA experience, leveraging process and digital improvements, making us easier to do business with. Continued focus on proposition development to meet client needs and support IFAs	• Supported clients and advisers through the continued macroeconomic challenges through client and adviser information, including webinars, tools and ongoing communications to provide better macroeconomic oversight. • Worked closely with IFAs to enhance client outcomes and adviser business strategies through the development of our Brooks Macdonald Investment Solutions proposition. • Made further progress in transforming client and adviser experience through digital enhancements including digital onboarding, and delivered improvements in operations, largely through developing partnership with SS&C.	Achieved
Risk	Ongoing evolution and embedding of risk management framework and supporting culture and mitigating risk appropriately. Maintain a positive and proactive relationship with regulators and high standards in managing regulatory matters	• 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. • Development and implementation of enhanced approach to operational resilience in line with regulation and best practice.	Achieved

Remuneration Committee report continued

Overall outcome of the FY22 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%	70.9%
Total	**100.0%**	**150.0%**	**130.9%**

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

Name	Role	Cash (2/3) £'000	Deferred shares (1/3) £'000	Total £'000	% of base salary[1]
Andrew Shepherd	Chief Executive Officer	349	175	524	130.9%
Ben Thorpe	Chief Financial Officer	305	153	458	130.9%
Lynsey Cross	Chief Operating Officer	253	127	380	130.9%

1. Based on base salary of the Chief Executive Officer (£400,000), Chief Financial Officer (£350,000) and the Chief Operating Officer (£290,000) respectively.

Monetary value of awards made under LTIP and deferred element of annual bonus during FY22

Name	FY21 deferred bonus £'000	FY21 LTIPs £'000	One-off award £'000	Total £'000
Andrew Shepherd	103	800	–	903
Ben Thorpe	132	700	–	832
Lynsey Cross	96	290	–	386
Total	**331**	**1,790**	**–**	**2,121**

Deferred bonus share awards granted during the year

One-third of the FY21 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] £'000	Vesting date
Andrew Shepherd	1/3 of annual bonus	30 Sep 2021	4,247	103	30 Sept 2022/2023/2024
Ben Thorpe	1/3 of annual bonus	30 Sep 2021	5,476	132	30 Sept 2022/2023/2024
Lynsey Cross	1/3 of annual bonus	30 Sep 2021	3,971	96	30 Sept 2022/2023/2024

1. Based on a share price of £24.18, being the average mid-market closing price over the five-day period prior to 30 September 2021.

LTIP awards granted during the year

Name	Basis of award	Date of award	No. of awards	Face value of awards £'000	Vesting date	End of holding period
Andrew Shepherd	200% of salary	30 Sept 2021	33,086	800	30 Sept 2024	30 Sept 2026
Ben Thorpe	200% of salary	30 Sept 2021	28,950	700	30 Sept 2024	30 Sept 2026
Lynsey Cross	100% of salary	30 Sept 2021	11,994	290	30 Sept 2024	30 Sept 2026

A performance share award under the LTIP was granted to Executive Directors in September 2021 with a face value of 100% of base salary (Lynsey Cross) or 200% of base salary (Andrew Shepherd and Ben Thorpe) based on a share price of £24.18, being the average mid-market closing price over the five-day period prior to grant date. 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 performance conditions relating to:

- diluted earnings per share (90% weighting); and
- a basket of ESG metrics (10% weighting) .

The awards will also be subject to the following underpin:

- 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 2025.

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.

Directors' share interests

At 30 June 2022, active Directors' shareholdings were as set out below:

Number of shares	Minimum shareholding requirement (% of salary)	Beneficially owned shares	Shares vested but not exercised net of tax	Unvested qualifying shares (deferred bonus shares) net of tax	Value at 30 June 2022[1] £'000	Shareholding as % of base salary
Executives						
Andrew Shepherd	200%	45,583	6,421	4,435	1,256	314%
Ben Thorpe	200%	21,321	–	5,550	598	171%
Lynsey Cross	200%	–	–	2,055	46	16%
Non-Executives						
Alan Carruthers (Chairman)	N/A	1,450	–	–	N/A	N/A
Richard Price (Senior Independent Director)	N/A	1,450	–	–	N/A	N/A
John Linwood	N/A	300	–	–	N/A	N/A
Dagmar Kershaw	N/A	840	–	–	N/A	N/A
Robert Burgess	N/A	3,044	–	–	N/A	N/A
Total		**73,988**	**6,421**	**12,040**		

1. Value based on mid-market close average share price on 30 June 2022 of £22.25.

Vesting profile of all share awards

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.

A Shepherd

Grant date	Exercise price (p)	Options at 1 July 2021	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2022	Vesting date	Expiry date
14/10/2014	–	2,833	–	(2,833)	–	–	14/10/2017	14/10/2024
29/10/2015	–	4,876	–	(4,876)	–	–	29/10/2018	29/10/2025
07/11/2016	–	4,961	–	(4,961)	–	–	07/11/2019	07/11/2026
03/11/2017	–	2,035	–	(2,035)	–	–	03/11/2020	03/11/2027
Total		**14,705**	**–**	**(14,705)**	**–**	**–**		

B Thorpe

Grant date	Exercise price (p)	Options at 1 July 2021	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2022	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)**	**–**	**–**		

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.

A Shepherd

Grant date	Exercise price (p)	Options at 1 July 2021	Granted during year	Exercised during year	Lapsed during year	Forfeited during year	Options at 30 June 2022	Vesting date	Expiry date
31/10/2019	–	1,120	–	–	–	–	1,120	30/09/2021	30/09/2029
31/10/2019	–	1,122	–	–	–	–	1,122	30/09/2022	30/09/2029
30/09/2020	–	1,289	–	–	–	–	1,289	30/09/2021	30/09/2030
30/09/2020	–	1,289	–	–	–	–	1,289	30/09/2022	30/09/2030
30/09/2020	–	1,290	–	–	–	–	1,290	30/09/2023	30/09/2030
30/09/2021	–	–	1,415	–	–	–	1,415	30/09/2022	30/09/2031
30/09/2021	–	–	1,415	–	–	–	1,415	30/09/2023	30/09/2031
30/09/2021	–	–	1,417	–	–	–	1,417	30/09/2024	30/09/2031
Total		**6,110**	**4,247**	**–**	**–**	**–**	**10,357**		

B Thorpe

Grant date	Exercise price (p)	Options at 1 July 2021	Granted during year	Exercised during year	Lapsed during year	Forfeited during year	Options at 30 June 2022	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
30/09/2021	–	–	1,825	–	–	–	1,825	30/09/2022	30/09/2031
30/09/2021	–	–	1,825	–	–	–	1,825	30/09/2023	30/09/2031
30/09/2021	–	–	1,826	–	–	–	1,826	30/09/2024	30/09/2031
Total		**13,161**	**5,476**	**(7,912)**	**–**	**–**	**10,725**		

L Cross

Grant date	Exercise price (p)	Options at 1 July 2021	Granted during year	Exercised during year	Lapsed during year	Forfeited during year	Options at 30 June 2022	Vesting date	Expiry date
30/09/2021	–	–	1,323	–	–	–	1,323	30/09/2022	30/09/2031
30/09/2021	–	–	1,323	–	–	–	1,323	30/09/2023	30/09/2031
30/09/2021	–	–	1,325	–	–	–	1,325	30/09/2024	30/09/2031
Total		**–**	**3,971**	**–**	**–**	**–**	**3,971**		

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

The Long-Term Incentive Plan conditional awards are discretionary awards subject to the performance conditions as determined by the Remuneration Committee (specific conditions for FY22 awards are detailed earlier in this report) and continued employment with the Group. All LTIP awards are subject to a two-year holding period post vest date.

A Shepherd

Grant date	Exercise price (p)	Conditional shares at 1 July 2021	Granted during year	Exercised during year	Lapsed during year	Conditional shares at 30 June 2022	Vesting date	Holding period
01/04/2020	–	44,053	–	–	(38,326)	5,727	30/06/2022	24 months
24/11/2020	–	2,040	–	–	–	2,040	30/09/2023	24 months
09/06/2021	–	8,715	–	–	–	8,715	09/06/2024	24 months
30/09/2021	–	–	33,086	–	–	33,086	30/09/2024	24 months
Total		**54,808**	**33,086**	**–**	**(38,326)**	**49,568**		

B Thorpe

Grant date	Exercise price (p)	Conditional shares at 1 July 2021	Granted during year	Exercised during year	Lapsed during year	Forfeited during year	Conditional shares at 30 June 2022	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
09/06/2021	–	–	28,950	–	–	–	28,950	30/09/2024	24 months
Total		**22,497**	**28,950**	**–**	**–**	**–**	**51,447**		

L Cross

Grant date	Exercise price (p)	Conditional shares at 1 July 2021	Granted during year	Exercised during year	Lapsed during year	Forfeited during year	Conditional shares at 30 June 2022	Vesting date	Holding period
30/09/2020	–	4,466	–	–	–	–	4,466	30/09/2023	24 months
09/06/2021	–	6,319	–	–	–	–	6,319	09/06/2024	24 months
30/09/2021	–	–	11,994	–	–	–	11,994	30/09/2024	24 months
Total		**10,785**	**11,994**	**–**	**–**	**–**	**22,779**		

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 FY22.

A Shepherd

Grant date	Exercise price (p)	Options at 1 July 2021	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2022	Vesting date	Expiry date
21/11/2013	1,452.0	2,067	–	–	–	2,067	21/11/2016	21/11/2023
Total		**2,067**	**–**	**–**	**–**	**2,067**		

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.

A Shepherd

Grant date	Exercise price (p)	Options at 1 July 2021	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2022	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**		

B Thorpe

Grant date	Exercise price (p)	Options at 1 July 2021	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2022	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**		

L Cross

Grant date	Exercise price (p)	Options at 1 July 2021	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2022	Vesting date	Expiry date
11/05/2021	1,704.0	1,056	–	–	–	1,056	01/06/2024	01/12/2024
Total		**1,056**	**–**	**–**	**–**	**1,056**		

Departure of Executive Director

Caroline Connellan resigned on 27 May 2021 and left the Group on 14 October 2021. No payment for loss of office nor payment in lieu of notice was payable.

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 and Robert Burgess. There have been no appointments or retirements from the Committee during FY22.

The Committee met on five occasions during the year ended 30 June 2022 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"). FIT was appointed by the Remuneration Committee Chair in 2019 and has provided regular advice to the Committee since then. Fees were charged on a time and materials basis; the total fees paid to FIT in respect of its services to the Committee were £6,000 + 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

Following a market-based review, no change was made to the Chairman's fee during FY22.

To reflect the increasing complexity and time commitment requirements of the Group's Non-Executive Director roles, the base fee was increased from £60,000 to £65,000 on 1 September 2021.

Confirmation of the change in free structure between FY22 and FY21 is shown in the below table.

	FY22 £'000	FY21 £'000	Change in fees
Chairman	200	200	–
Base fee	65	60	8.3%
Senior Independent Director	10	10	–
Committee Chair	10	10	–

How the policy will be applied to Executive Director remuneration for the financial year ending 30 June 2023

Base salary review

The Committee undertook a review of the base salaries of the three Executive Directors and approved salary increases of 4% to each. This is aligned to the average remuneration increase of the wider workforce. All salary increases were effective from 1 July 2022. 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.

Performance targets for the FY23 annual bonus

For FY23, 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 FY23 Annual Report for reasons of commercial sensitivity.

LTIP

The Group will continue to operate the performance share approach to long-term incentive awards in FY23 that operated in FY22. The metrics for the award to be granted in FY23 will again 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 EPS targets are considered by the Committee to be market sensitive and will be disclosed in the Annual Report and Accounts in September 2025. 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. We believe that continuing to use performance shares will promote engagement from the Executive Directors and fully align their long-term remuneration arrangements with shareholder and broader stakeholder outcomes.

		Award payout (% of LTIP award)			
LTIP Performance metric	**Weighting**	**Threshold**	**Target**	**Maximum**	**Measurement period**
Three -year underlying diluted EPS Growth	90%	22.5%	45%	90%	Measured over the three financial years ending FY25, using FY22 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 have been reduced from 8% to 6% to align fully with other Group employees.

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.

Votes received on the Directors' Remuneration Report at the 2021 AGM

	Votes for	%	Votes against	%
Approval of the Directors' Remuneration report	8,967,178	68.1%	4,209,698	31.9%

Directors' Remuneration Policy

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

Remuneration Policy principles

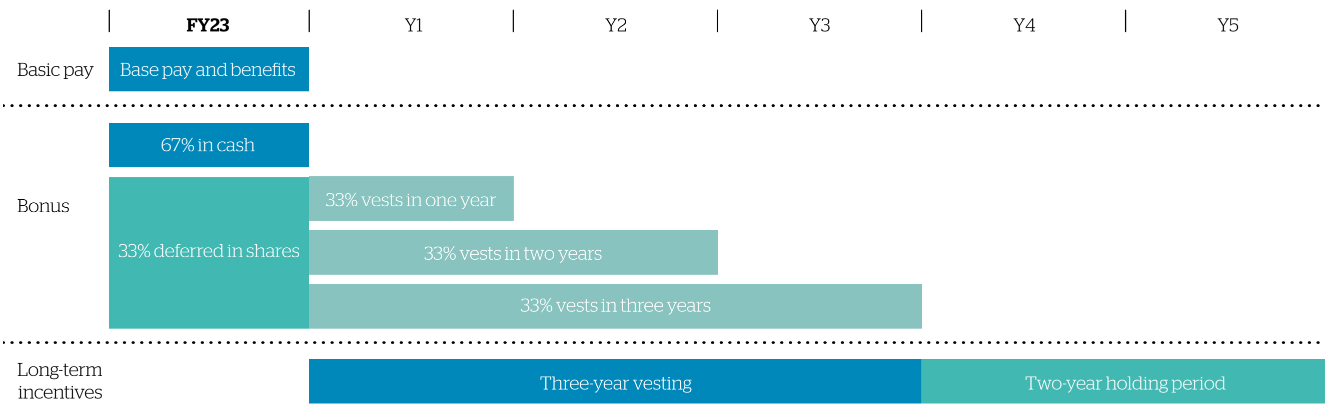
The Policy is designed to:

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

Remuneration Committee report continued

Summary of remuneration elements for Executive Directors for FY23

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 6% 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).	6% 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 2023 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.

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 again during FY22, 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 took 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 ended 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 Chief People Officer 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 Chief People Officer 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

14 September 2022

Risk and Compliance Committee report

> "The Committee had a continued focus on change management and resilience, alongside its data driven agenda."
>
> Robert Burgess
> Risk and Compliance Committee Chair

Over the past year, the macroeconomic environment, geopolitical challenges and regulatory agenda, in addition to the Group's idiosyncratic risks, particularly as it transitioned to a new operating model, have been material areas of focus for the Committee.

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 risks.

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 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

The Committee comprises only independent Non-Executive Directors. The members include Robert Burgess, John Linwood, Richard Price and Dagmar Kershaw. Robert Burgess was the Chair of the Committee during the year.

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, legal, and cyber and resilience experience.

The Committee's attendance during the year ended 30 June 2022 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 limits and policies for controlling risk within the Board's stated appetite; • Reviewing any red-rated risks and assessing the adequacy of mitigating or remedial actions; • Monitoring steps taken by management to bring red-rated risks 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 assessment 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 2021/22 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 2021/22 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, and regulatory, taxation and legal developments in order to assess 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 and Compliance Committee report continued

The Committee's areas of focus continued

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 second line assurance programme is adequate in view of the complexity and risk profile of the Group, monitoring its completion and overseeing remedial actions arising as appropriate.
Overseeing regulatory compliance	• Considering regulatory developments and the potential impact on the Group; • Reviewing key regulatory topics through reports prepared by second line 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 second-line 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:

Key risks against risk appetite	Reviewed key risks faced by the Group, including emerging risks with particular focus on operational, investment, resilience, outsourcing and suitability risks that could impact the business strategy and operational model.
Change agenda	Oversight of the change agenda and specifically the impact on the strategic transition to a new operating model.
Regulatory development	Reviewed key risks in relation to regulatory change with specific focus on Operational Resilience and Consumer Duty.
Cybercrime and resilience	Reviewed activities undertaken by the Cyber Security function and the ongoing programme of enhancements made in response to current geopolitical events, including heightened attacks from Russia.
Geopolitical matters	Reviewed the Group's very limited exposure to Russian assets and Russian connected clients and the impact this could have had on the Group's investment position, corporate stance and reputation.
ICAAP, Liquidity Risk Management Framework ("LRMF") and Wind Down Plan ("WDP")	Supervised the 2021/22 ICAAP undertaken in the year, including development of risk scenarios and stress tests and reporting to the Board on the level of capital and liquidity resources required.
Extreme market events	Assessed the impact of the Russian invasion of Ukraine on global markets and economic environments and the outcome of continuous monitoring and review as part of the Centralised Investment Process.

Looking forward

Key priorities for the Committee in the coming year include ensuring continued business model resilience in the current challenging geopolitical and economic environment, a sustained focus on investment and suitability risks, along with further enhancements to the operational resilience and third-party oversight frameworks, and the bedding in of the new operating model.

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

14 September 2022

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 2022.

Principal activities and business review

Brooks Macdonald specialises in providing investment management services in the UK and internationally. The Company is a public limited company whose shares are traded on the Alternative Investment Market of the London Stock Exchange. A review of the business, together with its strategic outlook and future developments is set out in the Strategic report on pages 6 to 67, 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 48 to 51 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 52.

Results and dividends

The Group's statutory profit before taxation for the year ended 30 June 2022 was £29,546,000 (FY21: £25,091,000) and the statutory profit after taxation was £23,411,000 (FY21: £19,642,000).

The Directors recommend a final dividend of 45.0p (FY21: 40.0p) per share subject to approval by the shareholders at the AGM on 27 October 2022. Once approved, this will be paid on 4 November 2022 to shareholders on the Company's register at close of business on 23 September 2022. An interim dividend of 26.0p (FY21: 23.0p) per share was paid on 14 April 2022. This results in total dividends for the year ended 30 June 2022 of 71.0p (FY21: 63.0p) per share, representing a total estimated distribution to shareholders of £7,031,000 (FY21: £9,802,000).

Share capital

Details of the Company's authorised and issued share capital, and movements thereof, are set out in Note 28 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 2022	At 30 June 2021
Chair		
Alan Carruthers	1,450	1,450
Executives		
Andrew Shepherd[1]	45,583	N/A
Ben Thorpe	21,321	10,408
Lynsey Cross[2]	–	N/A
Non-Executives		
Richard Price	1,450	1,450
John Linwood	300	300
Dagmar Kershaw	840	–
Robert Burgess	3,044	3,044

1. Andrew Shepherd was appointed on 13 July 2021. Andrew held 34,367 shares in the Company at this date. At 30 June 2022, Andrew Shepherd held 6,421 share options that had vested but had not yet been exercised, net of tax.

2. Lynsey Cross was appointed on 13 July 2021 and did not have any beneficial interests in the share capital of the Company on this date.

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 92 to 107.

Employee share plans

Details of employee share plans are outlined in Note 30 to the Consolidated financial statements. Our Employee Sharesave Scheme is administered by Morgan Stanley Shareworks. Our share-based long-term incentive plans are administered by Investec.

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. JTC Employer Solutions Trustee Limited act as the trustee of the EBT. During the year, the EBT purchased 124,297 shares and sold or transferred out 152,174 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 pages 52 to 60.

Political donations

The Group did not make any political donations during the year (FY21: £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, starting on page 40.

Substantial shareholdings
As at 30 June 2022, the Company's largest shareholders were as follows:

	Number of shares	% of total voting rights
Liontrust Asset Management	3,171,127	19.57
Octopus Investments	2,696,343	16.64
Brooks Macdonald Asset Management	1,127,702	6.96
Chelverton Asset Management	900,000	5.55
Aberdeen Standard Investments	879,569	5.43
Invesco	825,817	5.10
Fidelity International	613,024	3.78
Brooks Macdonald Employee Benefit Trust	590,354	3.64
Gresham House Asset Management	566,275	3.49
Canaccord Genuity Wealth Management	549,552	3.39

Financial risk management and policies
Details of the Group's financial risk management objectives and policies are set out in Note 31 to the Consolidated financial statements.

Events since the end of the year
Details of events after the reporting date are set out in Note 36 to the Consolidated financial statements.

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, 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.

As noted in the Viability statement on page 46, 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 2022 AGM will be held on 27 October 2022 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.

By order of the Board of Directors

Phil Naylor
Company Secretary

14 September 2022

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts and the Financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and the parent Company Financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 the profit or loss of the Group for that period. In preparing the Financial statements, the Directors are required to:

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

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

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

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

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and parent Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Report of the Directors is approved:

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

The Statement of Directors' responsibilities has been approved by the Board of Directors and signed on its behalf by:

Andrew Shepherd
CEO

14 September 2022

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 2022 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 UK-adopted international accounting standards; 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 statement of financial position and Company statement of financial position as at 30 June 2022; the Consolidated statement of comprehensive income, the Consolidated statement of cash flows and Company statement of cash flows, the Consolidated statement of changes in equity and the Company statement 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 other listed entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 7, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

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. The group comprised 14 legal entities across the UK and Channel Islands during the reporting period. We conducted audit testing over 7 legal entities, including 1 entity in the Channel Islands. Taken together, our audit work accounted for more than 95% of group revenues.

Key audit matters

- Recognition of investment management fees (group)
- Impairment of investment in subsidiaries (parent)

Materiality

- Overall group materiality: £1,400,000 (FY21: £1,000,000) based on 5% of profit before tax adjusted for two non-recurring items, firstly relating to a reduction of £3m for non-operating income (Note 10) and, secondly, adding back £2.4m for dual-running costs of operating platform (Note 3).
- Overall company materiality: £1,087,000 (FY21: £700,000) based on 1% of net assets.
- Performance materiality: £1,050,000 (FY21: £750,000) (group) and £815,000 (FY21: £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.

Impairment of investment in subsidiaries is a new key audit matter this year. Acquisition of Brooks Macdonald International Fund Managers Limited ("BMIFML") and the ongoing impact of COVID-19, which were key audit matters last year, are no longer included because of the timing of the acquisition of BMIFML, which occurred in the prior year and the ongoing impact from COVID-19 on the group and company during the year has been limited. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Recognition of investment management fee revenue (group) Investment management fees are generated by Brooks Macdonald Asset Management Limited ("BMAM") and Brooks Macdonald Asset Management (International) Limited ("BMI") and are set out in Note 4 to the financial statements. Investment management fees of £83m represent approximately 68% of the group's £122m total revenue. Recognition of investment management fees is a key audit matter due to its size and the significant audit effort involved in testing this revenue stream. Investment management 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 fee rates from client contracts and the existence and valuation of funds under management, which could result in errors.	We performed the following procedures in relation to investment management fees: • 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; • 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, 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; and • We tested the accuracy of investment management fees using data techniques, by reperforming the calculation ourselves. Based on the audit procedures performed and evidence obtained, our testing did not identify any evidence of material misstatement.
Impairment of investment in subsidiaries (parent) The Parent company holds investment in subsidiaries of £102m which is set out in Note 42 of the company financial statements. The impairment assessment of the investment in subsidiaries balance is a key audit matter due to the magnitude of the balance in the context of the net assets of the company. Management performed an impairment assessment where judgment is required to be applied in considering whether an impairment trigger has occurred utilising a number of assumptions, such as forecast cash flows, discount rates and long-term growth rates.	We performed the following procedures in relation to the impairment of investment in subsidiaries on a sample basis: • Obtained and assessed management's impairment assessment; • Assessed the forecast cash flows generated by the company's subsidiaries; and • Assessed the appropriateness of the discount rates and long-term growth rate assumptions applied. Based on the audit procedures performed and evidence obtained, our testing did not identify any evidence of material misstatement.

Independent Auditors' report continued

to the members of Brooks Macdonald Group plc

How we tailored the audit scope

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

The group comprised 14 legal entities across the UK and Channel Islands during the reporting period. We conducted audit testing over 7 legal entities, including 1 entity in the Channel Islands audited by PwC Channel Islands under our instruction and oversight. Across these legal entities, 2 were considered financially significant due to their contribution to the group's and company's results, and were subject to an audit of their complete financial information. A further 3 legal entities were assessed by us as contributing to significant audit risk areas impacting the group's financial statements and so we also performed audits of the complete financial information of these 3 legal entities. We performed audit testing on 2 further legal entities' complete financial information based on our professional judgement. Together with the audit procedures performed at the group level on the consolidation, our audit work gave us the evidence we needed for our opinion on the financial statements as a whole.

A significant proportion of the group's trading, operational and financial processes are based in the UK resulting in the majority of the audit procedures being performed by the group audit team in the UK. The group audit team issued instructions to PwC Channel Islands for the legal entity, BMIFML, because that entity's trading, operational and financial processes are based in the Channel Islands. We received inter-firm reporting from PwC Channel Islands with respect to their audit of BMIFML and performed appropriate oversight of their audit work.

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	£1,400,000 (FY21: £1,000,000).	£1,087,000 (FY21: £700,000).
How we determined it	5% of profit before tax adjusted for two non-recurring items, firstly relating to a reduction of £3m for other non-operating income (Note 10) and, secondly, adding back £2.4m for dual-running costs of operating platform (Note 3)	1% of net assets
Rationale for benchmark applied	The most appropriate benchmark for group materiality is adjusted profit before tax on the basis that the group is primarily measured on its financial performance via its consolidated statement of comprehensive income, adjusted as appropriate for non-recurring items. Adjusted profit before tax was 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. 1% of net assets was the benchmark used in prior year.

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 £2,173 and £1,170,000. 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% (FY21: 75%) of overall materiality, amounting to £1,050,000 (FY21: £750,000) for the group financial statements and £815,000 (FY21: £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 lower 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 £65,000 (group audit) (FY21: £50,000) and £54,000 (company audit) (FY21: £35,000) 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' annual going concern assessment and challenging the rationale for assumptions including review of management's stress testing and scenario analyses using our knowledge of the business; and
- Assessing management's forecasts for 12 months from the point of signing the FY22 audit opinion to determine the adequacy of the going concern basis.

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 2022 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;

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

- 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.

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 through 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 relevant board minutes;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Enquiries with management, risk, 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

14 September 2022

Consolidated financial statements

Consolidated statement of comprehensive income

For the year ended 30 June 2022

	Note	2022 £'000	2021[1] £'000
Revenue	4	122,210	118,206
Administrative costs	5	(95,288)	(96,012)
Gross profit		26,922	22,194
Other gains/(losses) - net	6	(55)	(1,438)
Operating profit	7	26,867	20,756
Finance income	8	68	47
Finance costs	8	(372)	(678)
Other non-operating income	10	2,983	-
Gain on bargain purchase	11	–	4,966
Profit before tax		29,546	25,091
Taxation	9	(6,135)	(5,449)
Profit for the year attributable to equity holders of the Company		23,411	19,642
Other comprehensive income		–	-
Total comprehensive income for the year		23,411	19,642
Earnings per share			
Basic	12	149.0p	125.3p
Diluted	12	144.4p	121.3p

1. See Note 12 for details regarding the restatement of diluted earnings per share.

The accompanying notes on pages 128 to 167 form an integral part of the Consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Assets			
Non-current assets			
Intangible assets	14	85,887	89,897
Property, plant and equipment	15	2,202	2,756
Right-of-use assets	16	4,971	5,979
Financial assets at fair value through other comprehensive income	17	500	500
Deferred tax assets	19	3,002	2,736
Total non-current assets		96,562	101,868
Current assets			
Financial assets at fair value through profit or loss	18	784	624
Trade and other receivables	20	30,473	28,449
Current tax receivables		–	32
Cash and cash equivalents	21	61,328	54,899
Total current assets		92,585	84,004
Total assets		189,147	185,872
Liabilities			
Non-current liabilities			
Lease liabilities	22	(4,075)	(5,422)
Provisions	23	(326)	(279)
Deferred consideration	24	–	(303)
Deferred tax liabilities	19	(7,959)	(8,902)
Other non-current liabilities	26	(570)	(548)
Total non-current liabilities		(12,930)	(15,454)
Current liabilities			
Lease liabilities	22	(1,952)	(1,447)
Provisions	23	(819)	(1,979)
Deferred consideration	24	(327)	(5,934)
Trade and other payables	25	(23,861)	(27,055)
Current tax liabilities		(833)	-
Total current liabilities		(27,792)	(36,415)
Net assets		148,425	134,003
Equity			
Share capital	28	162	161
Share premium account	28	79,141	78,703
Other reserves	29	9,962	8,467
Retained earnings	29	59,160	46,672
Total equity		148,425	134,003

The Consolidated financial statements on pages 124 to 167 were approved by the Board of Directors and authorised for issue on 14 September 2022, 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 167 form an integral part of the Consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2022

	Note	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 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	28	–	721	–	–	721
Share-based payments		–	–	2,991	–	2,991
Share options 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	13	–	–	–	(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
Comprehensive income						
Profit for the year		–	–	–	23,411	23,411
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	23,411	23,411
Transactions with owners						
Issue of ordinary shares	28	1	438	–	–	439
Share-based payments		–	–	2,779	–	2,779
Share options exercised		–	–	(2,494)	2,494	–
Purchase of own shares by Employee Benefit Trust		–	–	–	(3,100)	(3,100)
Tax on share options		–	–	1,210	–	1,210
Dividends paid	13	–	–	–	(10,317)	(10,317)
Total transactions with owners		1	438	1,495	(10,923)	(8,989)
Balance at 30 June 2022		**162**	**79,141**	**9,962**	**59,160**	**148,425**

The accompanying notes on pages 128 to 167 form an integral part of the Consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	27	32,826	36,907
Corporation Tax paid		(5,269)	(5,804)
Tax refund	10	2,983	–
Net cash generated from operating activities		30,540	31,103
Cash flows from investing activities			
Purchase of computer software	14	(2,912)	(3,061)
Purchase of property, plant and equipment	15	(289)	(620)
Purchase of financial assets at fair value through profit or loss	18	(215)	–
Consideration paid	11	–	(5,287)
Deferred consideration paid	24	(6,000)	(2,421)
Interest received	8	68	47
Net cash used in investing activities		(9,348)	(11,342)
Cash flows from financing activities			
Proceeds of issue of shares	28	439	721
Payment of lease liabilities	22	(1,785)	(1,969)
Purchase of own shares by Employee Benefit Trust	28	(3,100)	(5,210)
Dividends paid to shareholders	13	(10,317)	(8,572)
Net cash used in financing activities		(14,763)	(15,030)
Net increase in cash and cash equivalents		6,429	4,731
Cash and cash equivalents at beginning of year		54,899	50,168
Cash and cash equivalents at end of year	21	61,328	54,899

The accompanying notes on pages 128 to 167 form an integral part of the Consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2022

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 for the year ended 30 June 2022 have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS") and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. These Consolidated financial statements have been prepared on a 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. For further details on the Group's going concern assessment, see the Viability statement on page 46 and Audit Committee report on page 86. There have been no post balance sheet events that have materially impacted the Group's liquidity headroom and going concern assessment.

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 28). 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 repayment of any borrowings (Note 35). The Group has disclosed all of its subsidiary undertakings in Note 42 of the Company's Financial statements.

c. Changes in accounting policies

The Group's accounting policies that have been applied in preparing these Financial statements are consistent with those disclosed in the Annual Report and Accounts for the year ended 30 June 2021, except as explained below.

New accounting standards, amendments and interpretations adopted in the year

In the year ended 30 June 2022, the Group did not adopt any new standards or amendments issued by the International Accounting Standards Board ("IASB") or interpretations by the IFRS Interpretations Committee ("IFRS IC") that have had a material impact on the 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
Deferral of IFRS 9 (Amendments to IFRS 4)	1 January 2021
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 4, IFRS 16)	1 January 2021
COVID-19-related Rent Concessions (Amendment to IFRS 16)	1 April 2021

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 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 14. In assessing the fair value of these assets, the Group has estimated their finite life based on information about the typical length of existing client relationships. Contracts acquired with fund managers and acquired client relationship contracts are amortised on a straight-line basis over their estimated useful lives, ranging from 5 to 20 years.

Of the client-relationship intangible assets held by the Group at 30 June 2022, the expected amortisation charge for the year ending 30 June 2023 is £5,443,000. If the useful economic lives were to reduce by one year, the charge would increase by £1,302,000.

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 and sensitivity analysis are given in Note 14.

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 14 for further details on the discount rate for the various CGUs.

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 30). 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 total options would decrease the share-based payment charge and the associated national insurance charge in the Consolidated statement of comprehensive income for the year by £891,000 and £159,000 respectively. The key inputs into the fair value calculations for the options granted during the year are disclosed in Note 30.

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

2. Principal accounting policies continued

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 credited or charged to the Consolidated statement of comprehensive income. Identifiable assets and liabilities assumed on acquisition are recognised in the Consolidated statement of financial position at their fair value at the date of acquisition.

Any 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 cash-generating units ("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.

f. Revenue

Investment management fees

Investment management fees are earned for the management services provided to clients. Fees are billed quarterly in arrears but are recognised over the period the service is provided. Fees are calculated based on a percentage of the value of the portfolio at the billing date. 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 it is virtually certain that it will be received.

Fund management fees

Fund management fees are earned for the management services provided to several open-ended investment companies ("OEICs"). Fees are billed monthly in arrears but are recognised over the period the service is provided. Fees are calculated daily based on a percentage of the value of each fund. 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.

Transactional income

Transactional income is earned through dealing and admin charges levied on trades at the time a deal is placed for a client. Revenue is recognised at the point of the trade being placed.

Wealth management

Wealth management income relates to fees for the provision of financial advice. Fees are charged to clients using an hourly rate, by a fixed fee arrangement, or by a fund-based arrangement whereby fees are calculated based on a percentage of the value of the portfolio at the billing date. All fees are recognised over the period the service is provided. Commissions receivable and payable are accounted for in the period in which they are earned.

2. Principal accounting policies continued

Interest turn
Interest turn is bank interest earned on client cash deposits. Income is recognised over the period for which the deposit is held with the bank. Amounts shown are net of any interest passed on to clients.

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.

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.

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

2. Principal accounting policies continued

Computer software

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

Goodwill

Goodwill arising as part of a business combination is initially measured at cost, being the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the separately identifiable assets, liabilities and contingent liabilities of the subsidiary at 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

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 regulated OEICs, which are managed and evaluated on a fair value basis in line with the market value.

Fair value through other comprehensive income

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 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 represent solely payment of principal and interest.

n. Foreign currency translation

The Group's functional and presentational currency is 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.

2. Principal accounting policies continued

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. Employee Benefit Trust ("EBT")

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

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

t. 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.

u. 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.

v. Other non-operating income

Other non-operating income is that which, in the opinion of the Board, is material by size and irregular in nature and therefore requires separate disclosure within the Consolidated statement of comprehensive income in order to assist the users of the Consolidated financial statements in understanding the underlying business performance of the Group.

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

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 Group Board of Directors, which is the Group's chief operating decision-maker. In accordance with IFRS 8 'Operating Segments', disclosures are required to reflect the information which the Board of Directors uses internally for evaluating the performance of its operating segments and allocating resources to those segments. The information presented in this Note is consistent with the presentation for internal reporting.

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 the Isle of Man, offering a similar range of investment management and wealth management 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.

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 2022	UK Investment Management £'000	International £'000	Group and consolidation adjustments £'000	Total £'000
Total revenue	105,550	21,156	–	126,706
Inter segment revenue	(4,496)	–	–	(4,496)
External revenue	101,054	21,156	–	122,210
Underlying administrative costs	(43,469)	(14,016)	(29,932)	(87,417)
Operating contribution	57,585	7,140	(29,932)	34,793
Allocated costs	(25,129)	(3,152)	28,281	–
Net finance costs	(254)	(15)	–	(269)
Underlying profit/(loss) before tax	32,202	3,973	(1,651)	34,524
Amortisation of client relationships	(2,978)	(2,465)	–	(5,443)
Other non-operating income	2,983	–	–	2,983
Dual running costs of operating platform	(2,119)	(309)	–	(2,428)
Finance cost of deferred consideration	–	(12)	(78)	(90)
Profit/(loss) mark-up on Group allocated costs	214	(214)	–	–
Profit/(loss) before tax	30,302	973	(1,729)	29,546
Taxation				(6,135)
Profit for the period attributable to equity holders of the Company				23,411

Year ended 30 June 2022	UK Investment Management £'000	International £'000	Group and consolidation adjustments £'000	Total £'000
Statutory operating costs included the following:				
Amortisation	2,888	917	3,117	6,922
Depreciation	2,014	498	–	2,512
Interest income	20	23	–	43

3. Segmental information continued

Year ended 30 June 2021	UK Investment Management £'000	International £'000	Group and 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 (costs)/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 relationships	–	(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 and 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 2022

4. Revenue

Year ended 30 June 2022	UK Investment Management £'000	International £'000	Total £'000
Investment management fees	70,161	13,182	83,343
Transactional income	12,209	2,491	14,700
Fund management fees	13,187	4,441	17,628
Wealth management fees	4,082	832	4,914
Interest turn	1,377	210	1,587
Other income	38	–	38
Total revenue	**101,054**	**21,156**	**122,210**

Year ended 30 June 2021[1]	UK Investment Management £'000	International £'000	Total £'000
Investment management fees	67,301	11,452	78,753
Transactional income	15,008	2,766	17,774
Fund management fees	12,538	2,815	15,353
Wealth management fees	3,721	963	4,684
Interest turn	1,427	215	1,642
Total revenue	99,995	18,211	118,206

1. The revenue note has been updated to provide a more appropriate breakdown of how revenue is recorded and monitored by the Directors. As a result, the prior year revenue breakdown has been reclassified to ensure a consistent, like-for-like comparison to the current year.

Investment management fees
Investment management fees are earned for the management services provided to clients. Fees are billed quarterly in arrears but are recognised over the period the service is provided. Fees are calculated based on a percentage of the value of the portfolio at the billing date. 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.

Transactional income
Transactional income is earned through dealing and admin charges levied on trades at the time a deal is placed for a client. Revenue is recognised at the point of the trade being placed.

Foreign exchange trading fees are also included, that are charged on client trades placed in non-base currencies, and therefore requiring a foreign currency exchange in order to action the trade. Revenue is recognised at the point of the trade being placed.

Fund management fees
Fund management fees are earned for the management services provided to several OEICs. Fees are billed monthly in arrears but are recognised over the period the service is provided. Fees are calculated daily based on a percentage of the value of each fund. 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.

4. Revenue continued

Wealth management fees

Wealth management fees relate to fees for the provision of financial advice. Fees are charged to clients using an hourly rate, by a fixed fee arrangement, or by a fund-based arrangement whereby fees are calculated based on a percentage of the value of the portfolio at the billing date. All fees are recognised over the period the service is provided. Commissions receivable and payable are accounted for in the period in which they are earned.

Interest turn

Interest turn is bank interest earned on client cash deposits. Income is recognised over the period for which the deposit is held with the bank. Amounts shown are net of any interest passed on to clients.

a. Geographic analysis

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

	2022 £'000	2021 £'000
United Kingdom	101,054	99,995
Channel Islands	21,079	18,211
Isle of Man	77	–
Total revenue	**122,210**	118,206

b. Major clients

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

5. Employee information

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

a. Payroll costs

	2022 £'000	2021 £'000
Salaries and bonuses	43,528	41,855
Social security costs	5,751	5,351
Other pension costs	2,303	1,909
Share-based payments	2,184	2,502
Redundancy costs	104	330
Total payroll costs	**53,870**	51,947

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:

	2022 Number of employees	2021 Number of employees
Business staff	264	262
Functional staff	190	181
Total staff	**454**	443

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

5. Employee information continued

c. Key management compensation

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

	2022 £'000	2021 £'000
Short-term employee benefits	2,894	1,851
Post-employment benefits	73	50
Share-based payments	1,045	36
Total compensation	4,012	1,937

The current year total compensation includes three Executive Directors, including bonuses. The prior year total compensation includes two Executive Directors, however only one Executive Director received a bonus in the prior year following the CEO's resignation towards the end of FY21 as discussed in the Remuneration Committee Report on pages 92 to 107.

d. Directors' emoluments

Further details of Directors' emoluments are included within the Remuneration Committee report on pages 92 to 107.

	2022 £'000	2021 £'000
Salaries and bonuses	2,390	1,084
Non-Executive Directors' fees	496	500
Benefits in kind	8	6
	2,894	1,590
Pension contributions	73	50
Amounts receivable under long-term incentive schemes	1,045	159
Total Directors' remuneration	4,012	1,799

The aggregate amount of gains made by Directors on the exercise of share options during the year was £1,045,000 (FY21: £293,000). Retirement benefits are accruing to three Directors (FY21: two) under a defined contribution pension scheme.

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

	2022 £'000	2021 £'000
Remuneration and benefits in kind	950	722
Amounts received under long-term incentive schemes	469	-
Total remuneration	1,419	722

The amount of gains made by the highest paid Director on the exercise of share options during the year was £469,000 (FY21: £293,000).

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.

	2022 £'000	2021 £'000
Client relationship contracts impairment (Note 14)	–	(1,513)
Changes in fair value of financial assets at fair value through profit or loss (Note 18)	(55)	75
Other gains/(losses) – net	(55)	(1,438)

7. Operating profit

Operating profit is stated after charging:

	2022 £'000	2021 £'000
Payroll costs (Note 5)	53,870	51,947
Amortisation of client relationships (Note 14)	5,443	4,928
Dual running costs of operating platform	2,428	1,000
Depreciation of right-of-use assets (Note 16)	1,669	1,613
Amortisation of computer software (Note 14)	1,479	2,754
Financial Services Compensation Scheme levy (see below)	1,234	2,219
Auditors' remuneration (see below)	995	851
Depreciation of property, plant and equipment (Note 15)	843	1,045
Acquisition-related costs (Note 11)	–	2,672
Impairment of client relationship contracts (Note 14)	–	1,513

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

	2022 £'000	2021 £'000
Fees payable to the Company's auditors for the audit of the consolidated Group and Parent Company financial statements	267	260
Fees payable to the Company's auditors and its associates for other services:		
Audit of the Company's subsidiaries pursuant to legislation	416	304
Audit-related assurance services	310	285
Non-audit-related services	2	2
Total remuneration	995	851

Financial Services Compensation Scheme levies

Administrative costs for the year ended 30 June 2022 include a charge of £1,234,000 (FY21: £2,219,000) in respect of the Financial Services Compensation Scheme ("FSCS") levy, all of which is in respect of the estimated levy for the 2022/23 scheme year.

8. Finance income and finance costs

	2022 £'000	2021 £'000
Finance income		
Dividends on preference shares	25	34
Bank interest on deposits	43	13
Total finance income	68	47
Finance costs		
Finance cost of lease liabilities (Note 22)	282	319
Change in fair value of deferred consideration (Note 24)	–	60
Finance cost of deferred consideration (Note 24)	90	299
Total finance costs	372	678

Notes to the consolidated financial statements continued
For the year ended 30 June 2022

9. Taxation

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

	2022 £'000	2021 £'000
UK Corporation Tax at 19% (FY21: 19%)	6,441	5,466
Over provision in prior years	(307)	(127)
Total current tax	6,134	5,339
Deferred tax credits	(211)	(6)
Under provision of deferred tax in prior years	212	116
Income tax expense	6,135	5,449

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, split out between underlying and statutory profits:

Year ended 30 June 2022	Underlying profit £'000	Underlying profit adjustments £'000	Statutory profit £'000
Profit before taxation	34,524	(4,978)	29,546
Profit multiplied by the standard rate of tax in the UK of 19%	6,560	(946)	5,614
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:			
– Depreciation and amortisation	609	(207)	402
– Non-taxable income	(8)	–	(8)
– Overseas tax losses not available for UK tax purposes	(293)	–	(293)
– Lower tax rates in other jurisdictions in which the Group operates	(201)	92	(109)
– Disallowable expenses	309	15	324
– Share-based payments	315	–	315
– Over provision in prior years	(110)	–	(110)
Income tax expense	7,181	(1,046)	6,135
Effective tax rate	20.8%	n/a	20.8%

9. Taxation continued

Year ended 30 June 2021	Underlying profit £'000	Underlying profit adjustments £'000	Statutory profit £'000
Profit before taxation	30,597	(5,506)	25,091
Profit multiplied by the standard rate of tax in the UK of 19%	5,813	(1,046)	4,767
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:			
– Depreciation and amortisation	749	670	1,419
– Non-taxable income	(7)	(944)	(951)
– Overseas tax losses not available for UK tax purposes	(541)	–	(541)
– Disallowable expenses	174	273	447
– Impairment charges	–	287	287
– Share-based payments	30	–	30
– Over provision of deferred tax in prior years	(9)	–	(9)
Income tax expense	6,209	(760)	5,449
Effective tax rate	20.3%	n/a	21.7%

The deferred tax charges/(credits) for the year arise from:

	2022 £'000	2021 £'000
Share-based payments	399	(77)
Accelerated capital allowances	73	(53)
Accelerated capital allowances on research and development	(63)	(16)
Dilapidations	12	15
Amortisation of acquired client relationship contracts	(880)	309
Trading losses carried forward	248	(184)
Under provision in prior years	212	116
Deferred tax charge	1	110

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 2022 is 19% (FY21: 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.

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

10. Other non-operating income

During the year, the Group received confirmation from HMRC that the supply of certain group services were exempt from VAT. As a result, the Group received a refund from HMRC in respect of VAT arising on those services during the period from 1 July 2017 to 30 June 2020 of £2,983,000. This has been treated as non-operating income in view of its non-recurring nature and given it is outside the ordinary course of business. This other non-operating income is fully taxable for Corporation Tax purposes.

11. Business combinations

2022

On 23 May 2022, the Group announced, subject to regulatory approval, the acquisition of Integrity Wealth (Holdings) Limited, together with its subsidiary, Integrity Wealth Solutions Limited ("IWS"), a successful and rapidly growing Independent Financial Adviser ("IFA") firm with funds under management of c.£250m and c.800 clients. The acquisition consists of acquiring 100% of the issued share capital of Integrity Wealth (Holdings) Limited and Integrity Wealth Bidco Limited (intermediate holding company), and this will be funded through existing financial resources.

Under the terms of the acquisition, the purchase consideration includes an initial up front portion and a deferred contingent element. The acquisition will be accounted for in the Group's books following regulatory approval, expected in H1 FY23.

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 was accounted for using the acquisition method and details of the purchase consideration are as follows:

	Note	2021 £'000	2021 £'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.

11. Business combinations continued

The fair value of the deferred consideration liability has been remeasured at 30 June 2022, and remains unchanged, which assumes the deferred consideration criteria will be met, resulting in the full £334,000 to be paid in December 2022. 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 was recognised in the Consolidated statement of comprehensive income. The fair value of the assets acquired were the gross contractual amounts and were all considered to be fully recoverable. The fair value of the identifiable assets and liabilities acquired, at the date of acquisition, are detailed in (a) below.

Directly attributable acquisition costs of £nil (FY21: £19,000) and integration costs of £nil (FY21: £2,225,000) were incurred in the acquisition and integration of the Lloyds Channel Islands acquisition, which were charged to administrative costs in the Consolidated statement of comprehensive income but excluded from underlying profit.

a. Net assets acquired through business combination

	2021 £'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

	2021 £'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

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

12. Earnings per share

The Directors believe that underlying earnings per share provides an appropriate reflection of the Group's performance in the year. Underlying earnings per share, which is an alternative performance measure ("APM"), is calculated based on 'underlying earnings', which is also an APM. Refer to page 181 for a glossary of the Group's APMs, their definition and criteria for how underlying adjustments are considered. The tax effect of the underlying adjustments to statutory earnings has also been considered, refer to Note 9 for the taxation on underlying and statutory profit.

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

	2022 £'000	2021 £'000
Earnings attributable to ordinary shareholders	**23,411**	19,642
Amortisation of acquired client relationship contracts (Note 14)	5,443	4,928
Other non-operating income (Note 10)	(2,983)	-
Dual running costs of operating platform	2,428	1,000
Finance cost of deferred consideration (Note 24)	90	299
Gain on bargain purchase (Note 11)	-	(4,966)
Acquisition-related costs (Note 11)	-	2,672
Impairment of acquired client relationship contracts (Note 14)	-	1,513
Changes in fair value of deferred consideration (Note 24)	-	60
Tax impact of adjustments	(1,046)	(760)
Underlying earnings attributable to ordinary shareholders	**27,343**	24,388

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:

	2022 Number of shares	2021[1] Number of shares
Weighted average number of shares in issue	**15,707,706**	15,671,672
Effect of dilutive potential shares issuable on exercise of employee share options	502,259	521,547
Diluted weighted average number of shares in issue	**16,209,965**	16,193,219

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

	2022 p	2021[1] p
Based on reported earnings:		
Basic earnings per share	149.0	125.3
Diluted earnings per share	144.4	121.3
Based on underlying earnings:		
Basic earnings per share	174.1	155.6
Diluted earnings per share	168.7	150.6

1. The Group previously reported the dilutive effect of potential shares issuable on exercise of employee share options for employee share options that are satisfied from newly created shares. This did not take into account share options that are satisfied from shares bought in the market and held in the Group's Employee Benefit Trust ("EBT"). The Group now considers it is appropriate to also take into account the share options that are satisfied from shares held in the EBT where the average market price of the ordinary shares during the period exceeds the exercise price of the options, in calculating the dilutive weighted average number of shares in issue. Accordingly, the diluted weighted average number of shares in issue and diluted earnings per share for the comparative period has been restated to be consistent with the current period calculation.
For the year ended 30 June 2021, the reported effect of dilutive potential shares was 50,891 and the reported diluted weighted average number of shares in issue was 15,722,563. For the year ended 30 June 2021, the reported diluted earnings per share on statutory and underlying earnings was 124.9p and 155.1p respectively.

13. Dividends

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

	2022 £'000	2021 £'000
Final dividend paid for the year ended 30 June 2021 of 40.0p (FY20: 32.0p) per share	6,251	4,999
Interim dividend paid for the year ended 30 June 2022 of 26.0p (FY21: 23.0p) per share	4,066	3,573
Total dividends	**10,317**	8,572
Final dividend proposed for the year ended 30 June 2022 of 45.0p (FY21: 40.0p) per share	7,031	6,229

The interim dividend of 26.0p (FY21: 23.0p) per share was paid on 14 April 2022.

A final dividend for the year ended 30 June 2022 of 45.0p (FY21: 40.0p) per share was declared by the Board of Directors on 14 September 2022 and is subject to approval by the shareholders at the Company's Annual General Meeting. It will be paid on 4 November 2022 to shareholders who are on the register at the close of business on 23 September 2022. In accordance with IAS 10 'Events After the Reporting Period', the aggregate amount of the proposed dividend expected to be paid out of retained earnings is not recognised as a liability in these Financial statements.

14. Intangible assets

	Goodwill £'000	Computer software £'000	Acquired client relationship contracts £'000	Contracts acquired with fund managers £'000	Total £'000
Cost					
At 1 July 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
Additions	–	2,912	–	–	2,912
Disposals	–	(7,380)	–	–	(7,380)
At 30 June 2022	**51,887**	**6,930**	**70,011**	**3,521**	**132,349**
Accumulated amortisation and impairment					
At 1 July 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
Amortisation charge	–	1,479	5,443	–	6,922
Accumulated amortisation on disposals	–	(7,380)	–	–	(7,380)
At 30 June 2022	**11,213**	**251**	**31,477**	**3,521**	**46,462**
Net book value					
At 1 July 2020	40,674	4,939	38,191	–	83,804
At 30 June 2021	40,674	5,246	43,977	–	89,897
At 30 June 2022	**40,674**	**6,679**	**38,534**	**–**	**85,887**

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

At 30 June 2022, intangible assets totalling £76,140,000 are recognised in the United Kingdom and £9,747,000 are recognised in the Channel Islands.

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

14. 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:

	2022 £'000	2021 £'000
Funds		
Braemar Group Limited ("Braemar")	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 2022 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 2023, and then extrapolated over a longer period for the following 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 £61,502,000 at 30 June 2022, giving a surplus over the Cornelian CGU carrying amount of £29,182,000, 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. The revenue growth forecasts range between 13% and 21% annually over the five-year period. Revenue growth is forecast using new business targets, expected outflows and estimated impact of market performance on FUM, multiplied by estimated fee yields. Expenditure growth is forecast between 4% and 6% annually over the five-year period. Both the revenue 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 16% has been used (FY21: 13%), 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.

The Directors do not believe that any reasonably possible change would result in an impairment however to provide additional analysis, sensitivity analysis has been performed to show what may be required for an impairment to be recognised.

- An increase of the pre-tax discount rate by 12%, from 16% to 28% would result in an impairment.
- The 2% perpetuity growth rate would need to reduce by 24% to -22% to trigger an impairment.
- The forecast pre-tax cash flows would need to reduce by 40% to result in an impairment.

14. Intangible assets continued

Based on a value-in-use calculation, the recoverable amount of the Brooks Macdonald International CGU at 30 June 2022 was £64,453,000, giving a surplus over the Brooks Macdonald International CGU carrying amount of £32,200,000, 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 14% (FY21: 12%) has been used, based on the Group's assessment of the risk-free rate of interest and specific risks relating to Brooks Macdonald International. The key input in forecasting revenue is FUM, which is forecast to grow between 8% and 12% annually over the five-year period, based on new business targets, expected outflows and estimated impact of market performance. Annual cash flow growth rates range between 14% and 47% 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.

The Directors do not believe that any reasonably possible change would result in an impairment however to provide additional analysis, sensitivity analysis has been performed to show what may be required for an impairment to be recognised.

- An increase of the pre-tax discount rate by 10%, from 14% to 24% would result in an impairment.
- The 2% perpetuity growth rate would need to reduce by 23% to -21% to trigger an impairment.
- The forecast pre-tax cash flows would need to reduce by 47% to result in an impairment.

Based on a value-in-use calculation, the recoverable amount of the Braemar CGU at 30 June 2022 was £17,847,000, giving a surplus over the Braemar CGU carrying amount of £3,299,000 indicating that there is no impairment. A pre-tax discount rate of 17% (FY21: 14%) 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 9% and 11% 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 1% and 12% 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.

The Directors do not believe that any reasonably possible change would result in an impairment however to provide additional analysis, sensitivity analysis has been performed to show what may be required for an impairment to be recognised.

- An increase of the pre-tax discount rate by 48%, from 17% to 65% would result in an impairment.
- The 2% perpetuity growth rate could reduce by 100% to -98% and an impairment would still not be triggered.
- The forecast pre-tax cash flows would need to reduce by 83% to result in an impairment.

At 30 June 2022, 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 2022.

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 2022, the Group received £2,039,000 from SS&C towards the costs incurred in the transition of the client- and adviser-facing processes to their platform and systems, which has been utilised against capitalised spend on the project. The gross computer software additions during the year were £4,951,000, with the net amount recognised of £2,912,000, after the amount received from SS&C.

During the year ended 30 June 2022, 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 £7,380,000.

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For the year ended 30 June 2022

14. Intangible assets continued

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 ended 30 June 2021, the Group acquired client relationship contracts totalling £12,227,000, as part of the Lloyds Channel Islands acquisition (Note 11), which were recognised as separately identifiable intangible assets in the Consolidated statement of financial position. The additions included contracts related to the Lloyds Channel Islands discretionary business of £9,080,000, with a useful economic life of 15 years, and £3,147,000 related to the Lloyds Channel Islands funds-management business, with a useful economic life of six years.

During the year ended 30 June 2021, 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.

d. Contracts acquired with fund managers

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

15. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings and office equipment £'000	IT equipment £'000	Total £'000
Cost				
At 1 July 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
Additions	146	28	115	289
Disposals	(88)	(11)	(811)	(910)
At 30 June 2022	**2,688**	**741**	**1,246**	**4,675**
Accumulated depreciation				
At 1 July 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
Depreciation charge	446	101	296	843
Depreciation on disposals	(88)	(11)	(811)	(910)
At 30 June 2022	**1,131**	**513**	**829**	**2,473**
Net book value				
At 1 July 2020	1,899	376	906	3,181
At 30 June 2021	1,857	301	598	2,756
At 30 June 2022	**1,557**	**228**	**417**	**2,202**

During the year ended 30 June 2022, 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 £910,000.

Property, plant and equipment totalling £1,902,000 at 30 June 2022 are recognised in the United Kingdom and £300,000 are recognised in the Channel Islands.

16. Right-of-use assets

	Cars £'000	Property £'000	Total £'000
Cost			
At 1 July 2020	–	8,491	8,491
Additions	–	601	601
At 30 June 2021	–	9,092	9,092
Additions	328	333	661
At 30 June 2022	**328**	**9,425**	**9,753**
Accumulated depreciation			
At 1 July 2020	–	1,500	1,500
Depreciation charge	–	1,613	1,613
At 30 June 2021	–	3,113	3,113
Depreciation charge	37	1,632	1,669
At 30 June 2022	**37**	**4,745**	**4,782**
Net book value			
At 1 July 2020	–	6,991	6,991
At 30 June 2021	–	5,979	5,979
At 30 June 2022	**291**	**4,680**	**4,971**

During the year ended 30 June 2022, the Group entered into a new car leasing arrangement to provide a salary sacrifice car leasing scheme for employees. Each vehicle leased to individual employees creates a separate right-of-use asset and lease liability measured at present value of the remaining lease payments, discounted using the lessee's estimated incremental borrowing rate (see Note 22).

The property additions relate to three new leases that commenced during the year ended 30 June 2022.

Right-of-use assets totalling £4,723,000 at 30 June 2022 are recognised in the United Kingdom and £248,000 are recognised in the Channel Islands.

17. Financial assets at fair value through other comprehensive income

	2022 £'000	2021 £'000
At 1 July	500	500
Change in fair value	–	–
At 30 June	**500**	500

At 30 June 2022, the Group held an investment of redeemable £500,000 preference shares in an unlisted company incorporated in the UK. The preference shares carry an entitlement to a fixed preferential dividend at a rate of 4% per annum. Unlisted preference shares are classified as financial assets at fair value through other comprehensive income.

The following table 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.

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17. 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 2021	624	–	500	1,124
Additions	215	–	–	215
Changes in fair value	(55)	–	–	(55)
At 30 June 2022	**784**	**–**	**500**	**1,284**
Comprising:				
Financial assets at fair value through other comprehensive income	–	–	500	500
Financial assets at fair value through profit and loss (Note 18)	784	–	–	784
Total financial assets	**784**	**–**	**500**	**1,284**

The Level 3 assets include unlisted preference shares which 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 2021	–	–	6,237	6,237
Finance cost of deferred consideration	–	–	90	90
Payments made	–	–	(6,000)	(6,000)
At 30 June 2022	**–**	**–**	**327**	**327**
Comprising:				
Deferred consideration (Note 24)	–	–	327	327
Total financial liabilities	**–**	**–**	**327**	**327**

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 24). 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.

18. Financial assets at fair value through profit or loss

	2022 £'000	2021 £'000
At 1 July	624	549
Additions	215	–
Changes in fair value	(55)	75
At 30 June	**784**	624

The Group holds 500,000 shares in five of the SVS Cornelian Risk Managed Passive Funds. During the year ended 30 June 2022, the Group recognised a loss on these investments of £36,000. The Group's holding in the SVS Cornelian Risk Managed Passive Funds at 30 June 2022 was £588,000.

In September 2021, the Group invested £215,000 in the Blueprint Multi Asset Fund range across the various models within the fund range. During the period from acquisition to 30 June 2022, the Group recognised a loss on these investments of £19,000. The Group's holding in the Blueprint Multi Asset Fund range at 30 June 2022 was £196,000.

19. 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.

	2022 £'000	2021 £'000
Deferred tax assets		
Deferred tax assets to be settled after more than one year	1,486	2,022
Deferred tax assets to be settled within one year	1,516	714
Total deferred tax assets	3,002	2,736
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than one year	(7,019)	(8,022)
Deferred tax liabilities to be settled within one year	(940)	(880)
Total deferred tax liabilities	(7,959)	(8,902)

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

	2022 £'000	2021 £'000
At 1 July	(6,166)	(5,706)
Additional liability on acquisition of client-relationship intangible assets (Note 11)	–	(1,219)
Adjustment on acquisition of business combination	–	(21)
Charge to the Consolidated statement of comprehensive income (Note 9)	(1)	(110)
Credit recognised in equity	1,210	890
At 30 June	(4,957)	(6,166)

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 2020	889	457	–	178	1,524
Adjustment on acquisition of business combination	–	–	–	(21)	(21)
Under provision in prior years	–	–	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
(Under)/over provision in prior years	–	(260)	48	–	(212)
Charge to the Consolidated statement of comprehensive income	(399)	(248)	(12)	(73)	(732)
Credit to equity	1,210	–	–	–	1,210
At 30 June 2022	2,667	133	65	137	3,002

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.

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19. Deferred income tax continued

	Accelerated capital allowances on research and development £'000	Intangible asset amortisation £'000	Total £'000
Deferred tax liabilities			
At 1 July 2020	308	6,922	7,230
Additional liability on acquisition of client-relationship intangible assets	–	1,219	1,219
(Credit)/charge to the Consolidated statement of comprehensive income	(16)	309	293
Under provision in prior years	160	–	160
At 30 June 2021	452	8,450	8,902
Credit to the Consolidated statement of comprehensive income	(63)	(880)	(943)
At 30 June 2022	**389**	**7,570**	**7,959**

20. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	3,690	1,820
Other receivables	1,666	447
Prepayments and accrued income	25,117	26,182
Total current trade and other receivables	**30,473**	28,449

The credit risk balance is immaterial in relation to trade receivables, refer to Note 31(c) for details on the credit risk assessment. Accrued income includes portfolio management fee income for the quarter ended 30 June 2022, outstanding at the Consolidated statement of financial position date.

Included in other receivables is a balance of £1,500,000 receivable from SS&C towards the costs incurred in the transition of the client- and adviser-facing processes to their platform and systems, which was received in July 2022.

21. 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.

22. Lease liabilities

	Cars £'000	Property £'000	Total £'000
At 1 July 2020	–	7,934	7,934
Additions	–	585	585
Payments made against lease liabilities	–	(1,969)	(1,969)
Finance cost of lease liabilities	–	319	319
At 30 June 2021	–	6,869	6,869
Additions	328	333	661
Payments made against lease liabilities	(41)	(1,744)	(1,785)
Finance cost of lease liabilities	5	277	282
At 30 June 2022	**292**	**5,735**	**6,027**
Analysed as:			
Amounts falling due within one year	90	1,862	1,952
Amounts falling due after more than one year	202	3,873	4,075
Total lease liabilities	**292**	**5,735**	**6,027**

In the year ended 30 June 2022, the Group entered into a new car leasing arrangement to provide a salary sacrifice car leasing scheme for employees. Each vehicle leased to individual employees creates a separate right-of-use asset (Note 16) and lease liability measured at present value of the remaining lease payments, discounted using the lessee's estimated incremental borrowing rate.

23. Provisions

	Client compensation £'000	Exceptional costs of resolving legacy matters £'000	FSCS levy £'000	Leasehold dilapidations £'000	Tax-related £'000	Total £'000
At 1 July 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
Charge to the Consolidated statement of comprehensive income	398	–	1,304	126	162	1,990
Transfer from trade and other payables	–	–	–	–	1,217	1,217
Utilised during the year	(286)	(600)	(2,163)	(172)	(1,099)	(4,320)
At 30 June 2022	**112**	**–**	**386**	**367**	**280**	**1,145**
Analysed as:						
Amounts falling due within one year	112	–	386	41	280	819
Amounts falling due after more than one year	–	–	–	326	–	326
Total provisions	**112**	**–**	**386**	**367**	**280**	**1,145**

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23. Provisions continued

a. Client compensation

Client compensation provisions relate to the potential liability arising from client complaints against the Group. Complaints are assessed on a case-by-case basis and provisions for compensation are made where judged necessary. The amount recognised within provisions for client compensation represents management's best estimate of the potential liability. The timing of the corresponding outflows is uncertain as these are made as and when claims arise.

b. Exceptional costs of resolving legacy matters

Following a review into legacy matters arising from the former Spearpoint business, which was acquired by the Group in 2012, a provision was recognised for costs of resolving these, including associated expenses in the years ended 30 June 2017 and 30 June 2018. These matters related to a number of discretionary portfolios formerly managed by Spearpoint, now managed by the Group and a Dublin-based fund, for which Spearpoint acted as investment manager. The Directors deem the legacy matters to be resolved and therefore a provision is no longer required. The amount utilised during the year of £600,000 represents the remaining offers paid to claimants and associated legal fees during the year ended 30 June 2022. There are a small number of clients who have rejected the goodwill offers, and the Group has recognised a contingent liability as a result of these, see Note 33 for further details.

c. FSCS levy

Following confirmation by the FSCS in July 2022 of its final industry levy for the 2022/23 scheme year, the Group has made a provision of £386,000 (FY21: £1,245,000) 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.

e. Tax-related

During the year ended 30 June 2022, the Group recognised a provision in relation to an input VAT review, making a voluntary disclosure to HM Revenue and Customs ("HMRC"), totalling £162,000.

At 1 July 2021, the Group reclassified other tax-related provisions from trade and other payables, totalling £1,217,000. These amounts were previously voluntarily disclosed to HMRC, however HMRC had not responded on the disclosures and it was therefore deemed more appropriate to reclassify the balance as a provision.

As discussed in Note 10, the Group received a refund from HMRC in relation to previously paid VAT on certain Group services. As disclosed in the 2020 Annual Report and Accounts, the Group previously recognised an estimated VAT liability due to HMRC in relation to certain Group services. Following HMRC's confirmation that this VAT is no longer payable on these services, the Group released £1,044,000 in relation to the estimated VAT payable, which is no longer payable. The remaining utilised amount of £55,000 relates to the HMRC four-year time limitation rules, reducing the relevant provision accordingly.

24. 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:

	2022 £'000	2021 £'000
At 1 July	6,237	7,991
Additions	–	308
Finance cost of deferred consideration	90	299
Fair value adjustments	–	60
Payments made during the year	(6,000)	(2,421)
At 30 June	**327**	6,237
Analysed as:		
Amounts falling due within one year	327	5,934
Amounts falling due after more than one year	–	303
Total deferred consideration	**327**	6,237

During the year ended 30 June 2021, the Group completed the Lloyds Channel Islands acquisition (Note 11) 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. During the year ended 30 June 2022, the Group recognised a finance cost of £12,000 on the Lloyds Channel Islands acquisition deferred consideration. The fair value of the Lloyds Channel Islands acquisition deferred consideration at 30 June 2022 was £327,000.

During the year ended 30 June 2022, the final payment was made in relation to the acquisition of Cornelian Asset Managers Group Limited totalling £6,000,000 (FY21: £2,000,000). Prior to the final payment, £78,000 was recognised as a finance cost of deferred consideration within FY22. Full details of the Cornelian acquisition are disclosed in Note 11 of the 2020 Annual Report and Accounts.

Deferred consideration is classified as Level 3 within the fair value hierarchy, as defined in Note 17.

25. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	4,668	4,758
Other taxes and social security	2,389	5,744
Other payables	326	1,115
Accruals and deferred income	16,478	15,438
Total trade and other payables	**23,861**	27,055

Included within accruals and deferred income is an accrual of £570,000 (FY21: £508,000) in respect of employer's National Insurance contributions arising from share option awards under the LTIS (Note 30b). 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 30).

26. Other non-current liabilities

	2022 £'000	2021 £'000
At 1 July	548	330
Additional liability in respect of share option awards	299	384
Transfer to current liabilities	(277)	(166)
At 30 June	570	548

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 £299,000 (FY21: £384,000) in respect of existing awards, granted in previous years, that are expected to vest in the future. During the year, an amount of £277,000 (FY21: £166,000) was transferred to current liabilities, reflecting awards that are expected to vest within the next 12 months. At 30 June 2022, the non-current liability for employer's National Insurance contributions arising from share option awards under the LTIS and LTIP schemes was £570,000 (FY21: £548,000).

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

	2022 £'000	2021 £'000
Operating profit	26,867	20,756
Adjustments for:		
– Amortisation of intangible assets	6,922	7,682
– Depreciation of property, plant and equipment	843	1,045
– Depreciation of right-of-use assets	1,669	1,614
– Other gains/(losses) - net	55	1,438
– Increase in receivables	(2,024)	(2,333)
– (Decrease)/increase in payables	(3,194)	3,765
– Decrease in provisions	(1,113)	(269)
– Increase in other non-current liabilities	22	218
– Share-based payments charge	2,779	2,991
Net cash inflow from operating activities	32,826	36,907

28. 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 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
Shares issued:					
– on exercise of options	6,886	2,127.0 - 2,730.0	-	120	120
– to Sharesave Scheme	17,518	1,172.0 - 1,988.0	1	318	319
At 30 June 2022	**16,205,542**		**162**	**79,141**	**79,303**

The total number of ordinary shares issued and fully paid at 30 June 2022 was 16,205,542 (FY21: 16,181,138) with a par value of 1p per share.

There was £439,000 share capital issued on exercise of options and to Sharesave Scheme members in the year ended 30 June 2022 (FY21: £721,000).

Employee Benefit Trust

The Group established an Employee Benefit Trust ("EBT") on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the Group's Long-Term Incentive Scheme, see Note 30(c). At 30 June 2022, the EBT held 580,806 (FY21: 608,683) 1p ordinary shares in the Company, acquired for a total consideration of £14,100,000 (FY21: £11,000,000) with a market value of £12,923,000 (FY21: £13,908,000). They are classified as treasury shares in the Consolidated statement of financial position, their cost being deducted from retained earnings within shareholders' equity.

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29. Retained earnings and other reserves

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

	2022 £'000	2021 £'000
At beginning of the year	46,672	39,000
Profit for the financial year	23,411	19,642
Transfer from share option reserve	2,494	1,812
Purchase of own shares by Employee Benefit Trust	(3,100)	(5,210)
Dividends paid	(10,317)	(8,572)
At end of the year	59,160	46,672

The movements in other reserves during the year were as follows. All movements relate to movement on the share option reserve:

	2022 £'000	2021 £'000
At beginning of the year	8,275	6,206
Share-based payments	2,779	2,991
Transfer to retained earnings	(2,494)	(1,812)
Tax credit on share-based payments	1,210	890
At end of the year	9,770	8,275

Other reserves comprise the following balances:

	2022 £'000	2021 £'000
Share option reserve	9,770	8,275
Merger reserve	192	192
Total other reserves	9,962	8,467

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 30.

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.

30. 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 2022 (FY21: 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 £7.11 to £24.67 per share. The charge to the Consolidated statement of comprehensive income for the year in respect of these was £2,779,000 (FY21: £2,991,000). The weighted average remaining contractual life of all equity-settled share-based payment schemes at 30 June 2022 was 1.04 years (FY21: 1.52 years). The weighted average share price of all options exercised during the year was £14.97 (FY21: £16.59).

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	24/05/2022
Share price at grant £	£25.30	£23.90
Vesting period	9 – 48 months	36 months
Volatility %	35.84 – 40.72%	39.36%
Annual dividend %	2.49%	2.64%
Risk-free rate %	0.18 – 0.44%	1.47%
Option value £	£21.05 – £23.39	£7.11

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

	Exercise price £	Fair value £	Number of options
Long-Term Incentive Plan	–	21.05-23.39	153,726
Employee Sharesave Scheme	19.88	7.11	44,109

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 (FY21: none).

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

30. Equity-settled share-based payments continued

	2022		2021	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	806,057	–	658,468	–
Awarded in the year	153,726	–	240,965	–
Exercised in the year	(112,501)	–	(46,713)	–
Forfeited in the year	(135,519)	–	(46,663)	–
At 30 June	711,763	–	806,057	–

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	2022 Number of options	2021 Number of options
2018	–	2019 - 2021	18,114	49,579
2019	–	2020 - 2022	30,882	55,823
2020	–	2021 - 2023	49,120	70,365
2021	–	2022 - 2024	64,804	–
All years			162,920	175,767

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	2022 Number of options	2021 Number of options
2018	–	2021	–	29,300
2019	–	2022	16,292	26,352
2020	–	2023	23,955	33,974
2021	–	2024	81,890	–
All years			122,137	89,626

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	2022 Number of options	2021 Number of options
2019	–	2019 - 2024	185,361	246,802
2020	–	2020 - 2024	102,524	160,283
2021	–	2021 - 2024	131,789	133,579
2022	–	2022 - 2025	7,032	–
All years			426,706	540,664

30. Equity-settled share-based payments continued

b. Long-Term Incentive Scheme ("LTIS")

The Group made no new awards under the LTIS during the year. 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. No awards expired during the year (FY21: none). Off-cycle awards were made in 2017 and 2018 to senior executives to replace awards forfeited from previous employers.

	2022 Number of options	2021 Number of options
At 1 July	43,340	123,846
Exercised in the year	(37,898)	(41,915)
Forfeited in the year	–	(38,591)
At 30 June	**5,442**	43,340

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

Scheme year (grant date)	Exercise price £	Vesting period	2022 Number of options	2021 Number of options
2012	–	2015	–	552
2013	–	2016	–	1,230
2014	–	2017	–	4,037
2015	–	2018	1,077	6,737
2016	–	2019	1,416	8,680
2017 (off-cycle)	–	2020	2,949	6,001
2018 (off-cycle)	–	2019 – 2020	–	16,103
All years			**5,442**	43,340

At 30 June 2022, options for schemes up to and including the 2018 scheme have vested and are able to be exercised.

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.

	2022 Number of shares	2021 Number of shares
At 1 July	608,683	409,163
Acquired in the year	124,297	288,148
Exercised in the year	(152,174)	(88,628)
At 30 June	**580,806**	608,683

Notes to the consolidated financial statements continued
For the year ended 30 June 2022

30. Equity-settled share-based payments continued

d. Company Share Option Plan ("CSOP")

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

	2022		2021	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	28,431	16.67	42,570	16.92
Exercised in the year	(6,886)	17.40	(9,115)	16.00
Forfeited in the year	(2,724)	17.23	(5,024)	18.99
At 30 June	**18,821**	**16.32**	28,431	16.67

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

Scheme year (grant date)	Exercise price £	Vesting period	2022 Number of options	2021 Number of options
2013	14.52	2016	2,067	2,067
2014	13.81	2017	3,262	4,349
2015	17.19	2018	9,596	13,377
2016	17.25	2019	3,896	6,868
2017 (off-cycle)	20.11	2020	–	279
2017	19.66	2020	–	1,491
All years			**18,821**	28,431

At 30 June 2022, all options for the CSOP schemes have vested and are able to be exercised. 873 awards expired during the year under the CSOP 2015 scheme and 1,851 awards expired during the year under the CSOP 2016 scheme (FY21: none).

30. 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.

	2022		2021	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	248,390	13.15	289,849	12.73
Granted in the year	44,109	19.88	55,346	17.04
Exercised in the year	(17,518)	14.02	(44,921)	14.60
Forfeited in the year	(20,870)	13.30	(51,884)	13.71
At 30 June	254,111	14.25	248,390	13.15

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

Scheme year (grant date)	Exercise price £	Vesting period	2022 Number of options	2021 Number of options
2018	14.94	2021	–	2,189
2019	14.00	2022	7,207	24,006
2020	11.72	2023	152,650	167,060
2021	17.04	2024	50,597	55,135
2022	19.88	2025	43,657	–
All years			254,111	248,390

At 30 June 2022, options for the 2019 scheme have vested and are able to be exercised. 761 awards under the 2018 schemes expired during the year (FY21: none).

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

31. Financial risk management

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

a. Liquidity risk

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

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

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

	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 2022						
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	–	–	–	–	784	784
Cash and balances at bank	61,328	–	–	–	–	61,328
Trade receivables	–	3,690	–	–	–	3,690
Other receivables	–	26,783	–	–	–	26,783
	61,328	30,473	–	–	1,284	93,085
Cash flows from financial liabilities						
Trade payables	–	(4,668)	–	–	–	(4,668)
Other financial liabilities	–	(19,809)	(2,482)	(4,971)	–	(27,262)
	–	(24,477)	(2,482)	(4,971)	–	(31,930)
Net liquidity gap	61,328	5,996	(2,482)	(4,971)	1,284	61,155
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

31. Financial risk management continued

b. Market risk

Interest rate risk

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

A 1% fall in the average monthly interest rate receivable on the Group's cash and cash equivalents would have the impact of reducing interest receivable and therefore profit before taxation by £613,000 (FY21: £549,000). 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 17 and 18). A 1% fall in the value of these financial instruments would have the impact of reducing total comprehensive income by £13,000 (FY21: £23,000). 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 2022, there was no significant concentration of credit risk in any particular counterparty (FY21: none).

Assets exposed to credit risk recognised on the Consolidated statement of financial position total £61,328,000 (FY21: £54,899,000), being the Group's total cash and cash equivalents.

Trade receivables with a carrying amount of £3,690,000 (FY21: £1,820,000) 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 (FY21: one year).

32. Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves of the Company. Total capital at 30 June 2022 was £148,425,000 (FY21: £134,003,000). Regulatory capital is derived from the Group's Internal Capital Adequacy and Risk Assessment ("ICARA"), previously referred to as Internal Capital Adequacy Assessment ("ICAAP"), which is a requirement of the Investment Firm Prudential Regime ('IFPR'). The ICARA 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 2022 ICARA will be approved in December 2022. There have been no capital requirement breaches during the year. Brooks Macdonald Group plc's IFPR public disclosure is presented on our website at www.brooksmacdonald.com.

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

33. Contingent liabilities and guarantees

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.

During the 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. While some of these clients have since accepted their offers, it is possible that one or more of these remaining clients might issue claims against Brooks Macdonald Asset Management (International) Limited. At 30 June 2022, one claim has been issued to Brooks Macdonald Asset Management (International) Limited; however, it is not possible to estimate with any certainty whether or not any outflow might result, nor the quantum or timing of any potential outflow. As a result, it is not possible to estimate the quantum of any potential liability with any certainty 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.

34. 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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Brooks Macdonald Asset Management Limited	238	–	–	–
Brooks Macdonald Asset Management (International) Limited	–	246	89	–
Brooks Macdonald Financial Consulting Limited	–	–	34	2,753

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

35. Interest in unconsolidated structured entities

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

The only consolidated structured entity is the Brooks Macdonald Group Employee Benefit Trust, details of which are given in Note 28.

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 within both the UK Investment Management and International segments total £2.544 billion (FY21: £2.076 billion). Included in revenue on the Consolidated statement of comprehensive income is management fee income of £17,628,000 (FY21: £15,353,000) from unconsolidated structured entities managed by the Group.

36. Events since the end of the year

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

Company financial statements

Company statement of financial position

As at 30 June 2022

	Note	2022 £'000	2021 *restated* £'000
Assets			
Non-current assets			
Intangible assets	41	–	441
Investment in subsidiaries	42	102,011	99,249
Financial assets at fair value through other comprehensive income	43	500	500
Total non-current assets		102,511	100,190
Current assets			
Trade and other receivables	44	259	270
Cash and cash equivalents		11,540	7,996
Total current assets		11,799	8,266
Total assets		114,310	108,456
Liabilities			
Current liabilities			
Trade and other payables	46	(1,598)	(3,830)
Deferred consideration	45	–	(5,922)
Corporation tax payable		(113)	–
Total current liabilities		(1,711)	(9,752)
Net assets		112,599	98,704
Equity			
Share capital	48	162	161
Share premium account	48	79,141	78,703
Share option reserve		7,947	7,679
Retained earnings		25,349	12,161
Total equity		112,599	98,704

The prior year Company statement of financial position has been restated to correct the investment in subsidiaries, share option reserve and retained earnings. Share options in the Company shares are awarded to employees of the Company's subsidiaries. Although the cost of these options (and a corresponding equity reserve) is reflected in the subsidiaries' financial statements, the shares themselves are to be delivered by the Company, and therefore, the Company recognises an investment in subsidiary and share option reserve for these share options. The prior year charge and associated exercises has been corrected to present a correct opening position at 1 July 2021. At 1 July 2021, the reported investment in subsidiaries, share option reserve and retained earnings were previously £96,258,000, £6,501,000 and £10,348,000 respectively. These balances have changed by £2,991,000, £1,178,000 and £1,813,000 to restated balances of £99,249,000, £7,679,000 and £12,161,000 respectively.

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 2022. Brooks Macdonald Group plc reported profit after tax for the year ended 30 June 2022 of £24,111,000 (FY21: £8,786,000).

The Company financial statements were approved by the Board of Directors and authorised for issue on 14 September 2022, and signed on their behalf by:

Andrew Shepherd
CEO

Ben Thorpe
Chief Financial Officer

Company registration number: 4402058

The accompanying notes on pages 173 to 180 form an integral part of the Company financial statements.

Company statement of changes in equity

For the year ended 30 June 2022

	Note	Share capital £'000	Share premium account £'000	Share option reserve £'000	Retained earnings £'000	Total *restated* £'000
Balance at 1 July 2020		161	77,982	6,501	15,344	99,988
Comprehensive income						
Profit for the year	39	–	–	–	8,786	8,786
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	8,786	8,786
Transactions with owners						
Issue of ordinary shares		–	721	–	–	721
Share-based payments		–	–	2,991	–	2,991
Share options exercised		–	–	(1,813)	1,813	–
Purchase of own shares by Employee Benefit Trust		–	–	–	(5,210)	(5,210)
Dividends paid	40	–	–	–	(8,572)	(8,572)
Total transactions with owners		–	721	1,178	(11,969)	(10,070)
Balance at 30 June 2021 *(restated)*		161	78,703	7,679	12,161	98,704
Comprehensive income						
Profit for the year	39	–	–	–	24,111	24,111
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	24,111	24,111
Transactions with owners						
Issue of ordinary shares		1	438	–	–	439
Share-based payments		–	–	2,762	–	2,762
Share options exercised		–	–	(2,494)	2,494	–
Purchase of own shares by Employee Benefit Trust		–	–	–	(3,100)	(3,100)
Dividends paid	40	–	–	–	(10,317)	(10,317)
Total transactions with owners		1	438	268	(10,923)	(10,216)
Balance at 30 June 2022		**162**	**79,141**	**7,947**	**25,349**	**112,599**

The prior year share-based payment charge and share options exercised transfer have been restated. Refer to the Company statement of financial position for further details.

The accompanying notes on pages 173 to 180 form an integral part of the Company financial statements.

Company statement of cash flows

For the year ended 30 June 2022

	Note	2022 £'000	2021 £'000
Cash flow from operating activities			
Cash generated from operations	47	22,502	9,820
Net cash generated from operating activities		22,502	9,820
Cash flows from investing activities			
Finance income		20	30
Deferred consideration paid	45	(6,000)	(2,421)
Net cash used in investing activities		(5,980)	(2,391)
Cash flows from financing activities			
Proceeds of issue of shares	48	439	721
Purchase of own shares by Employee Benefit Trust		(3,100)	(5,210)
Dividends paid to shareholders	40	(10,317)	(8,572)
Net cash used in financing activities		(12,978)	(13,061)
Net increase/(decrease) in cash and cash equivalents		3,544	(5,632)
Cash and cash equivalents at beginning of year		7,996	13,628
Cash and cash equivalents at end of year		11,540	7,996

The accompanying notes on pages 173 to 180 form an integral part of the Company financial statements.

Notes to the Company financial statements

For the year ended 30 June 2022

37. Principal accounting policies

General information

Brooks Macdonald Group plc ("the Company") is the Parent Company of a group of companies. The Company is a public limited company, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and listed on AIM. The address of its registered office is 21 Lombard Street, London, EC3V 9AH.

Statement of compliance

The individual Financial statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 200 as applicable to companies reporting under those standards. These Financial statements have been prepared on a historical cost basis, except for the revaluation of financial assets at fair value through other comprehensive income and deferred consideration such that they are measured at their fair value.

Developments in reporting standards and interpretations

The Company'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 2021, other than where new policies have been adopted. Developments in reporting standards and interpretations are set out in Note 2(c) 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 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 2022

38. 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.

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 is 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 42.

39. Profit for the year

Brooks Macdonald Group plc reported profit after tax for the year ended 30 June 2022 of £24,111,000 (FY21: £8,786,000). Auditors' remuneration is disclosed in Note 7 of the Consolidated financial statements. The average monthly number of employees during the year was seven (FY21: eight). Directors' emoluments are set out in Note 5(d) of the Consolidated financial statements.

40. Dividends

Details of the Company's dividends paid and proposed, subject to approval at the Annual General Meeting, are set out in Note 13 of the Consolidated financial statements.

41. Intangible assets

	Software £'000
Cost	
At 1 July 2020	1,985
Additions	–
At 30 June 2021	1,985
Additions	–
Disposals	(1,985)
At 30 June 2022	**–**
Accumulated amortisation	
At 1 July 2020	1,034
Amortisation charge	510
At 30 June 2021	1,544
Amortisation charge	441
Amortisation charge on disposals	(1,985)
At 30 June 2022	**–**
Net book value	
At 1 July 2020	951
At 30 June 2021	441
At 30 June 2022	**–**

During the year ended 30 June 2022, the Company 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 £1,985,000.

42. Investment in subsidiaries

	Group undertakings *restated* £'000
Net book value	
At 1 July 2020	119,047
Capital contribution relating to share-based payments	2,991
Impairment of subsidiary	(22,789)
At 30 June 2021 *(restated)*	99,249
Net capital contribution relating to share-based payments	2,762
At 30 June 2022	**102,011**

The Company's investment in subsidiaries has been restated in relation to the capital contribution relating to share-based payments. Refer to the Company statement of financial position for further details.

Notes to the Company financial statements continued
For the year ended 30 June 2022

42. Investment in subsidiaries continued

Details of the Company's subsidiary undertakings at 30 June 2022, 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 wealth management
Brooks Macdonald Asset Management (International) Limited	Ordinary £1	Channel Islands	Investment management and wealth management
Brooks Macdonald Financial Consulting Limited	Ordinary 5p	UK	Financial consulting
Brooks Macdonald Funds Limited	Ordinary £1	UK	Fund management
Brooks Macdonald International Fund 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
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

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	5 Anley Street, St. Helier, Jersey, JE2 3QE
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
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 2022:

- 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 2022 were £61,000.

43. Financial assets at fair value through other comprehensive income

	2022 £'000	2021 £'000
At beginning of year	500	500
Net changes in fair value	–	-
At end of year	**500**	500

At 30 June 2022, the Company held an investment of 500,000 redeemable £1 preference shares in an unlisted company incorporated in the UK. The preference shares carry an entitlement to a fixed preferential dividend at a rate of 4% per annum. Unlisted preference shares are classified as financial assets at fair value through other comprehensive income.

44. Trade and other receivables

	2022 £'000	2021 £'000
Amounts owed by subsidiary undertakings	238	246
Prepayments and accrued income	21	24
Total trade and other receivables	**259**	270

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

45. 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 year were as follows:

	2022 £'000	2021 £'000
At beginning of year	5,922	7,991
Finance cost of deferred consideration	78	292
Fair value adjustments	–	60
Payments made during the year	(6,000)	(2,421)
At end of year	–	5,922
Analysed as:		
Amounts falling due within one year	–	5,922
Amounts falling due after more than one year	–	-
Total deferred consideration	–	5,922

During the year ended 30 June 2022, the final payment was made in relation to the acquisition of Cornelian Asset Managers Group totalling £6,000,000 (FY21: £2,000,000). Full details of the Cornelian acquisition are disclosed in Note 11 of the 2020 Annual Report and Accounts.

Notes to the Company financial statements continued

For the year ended 30 June 2022

46. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	53	20
Amounts owed to subsidiary undertakings	123	2,754
Accruals and deferred income	1,422	1,056
Total trade and other payables	**1,598**	3,830

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

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

	2022 £'000	2021 £'000
Operating profit	24,282	9,108
Adjustments for:		
– Decrease in payables	(2,002)	(22,053)
– Share-based payments	211	111
– Decrease/(increase) in receivables	11	(195)
– Changes in fair value of deferred consideration	–	60
– Impairment of subsidiary	–	22,789
Net cash inflow from operating activities	**22,502**	9,820

48. 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 2020	16,127,102	161	77,982	78,143
Shares issued:				
– on exercise of options	7,976	–	657	657
– to Sharesave Scheme	46,060	–	64	64
At 30 June 2021	16,181,138	161	78,703	78,864
Shares issued:				
– on exercise of options	6,325	–	120	120
– to Sharesave Scheme	18,079	1	318	319
At 30 June 2022	**16,205,542**	**162**	**79,141**	**79,303**

The total number of ordinary shares, issued and fully paid at 30 June 2022, was 16,205,542 (FY21: 16,181,138) with a par value of 1p per share. Excluding 580,806 (FY21: 608,683) treasury shares held by the Employee Benefit Trust (see below), the Company had 15,624,736 (FY21: 15,572,622) ordinary 1p shares in issue as at 30 June 2022. Details of the shares issued are given in Note 28 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 30(c) 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 152,174 (FY21: 85,439) options. The cost of the shares released on exercise of these options amounted to £2,687,000 (FY21: £1,617,000). At 30 June 2022, the number of shares held by the EBT was 580,806 (FY21: 608,683) with a market value of £12,923,000 (FY21: £13,908,000) acquired for a total consideration of £14,100,000 (FY21: £11,000,000). 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.

Notes to the Company financial statements continued

For the year ended 30 June 2022

49. Related party transactions

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

	2022 £'000	2021 £'000
Short-term employee benefits	2,895	1,590
Post-employment benefits	73	50
Share-based payments	1,045	159
Total compensation	4,012	1,799

Dividends totalling £46,000 (FY21: £14,000) 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:

	2022 £'000	2021 £'000
Dividends received:		
Brooks Macdonald Asset Management Limited	22,000	17,500
Brooks Macdonald Asset Management (International) Limited	3,500	-
Cornelian Asset Managers Group Limited	2,500	16,289
Levitas Investment Management Services Limited	-	800
Braemar Group Limited	-	190
Total transactions with subsidiaries	28,000	34,779

The Company's balances with fellow Group companies at 30 June 2022 are set out in Note 34 to the Consolidated financial statements. All transactions with fellow Group companies are carried out at arm's length and all outstanding balances are to be settled in cash. None of the balances are secured and no provisions have been made for doubtful debts in respect of any of the amounts due from fellow Group companies.

50. Financial risk management objectives and policies

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

Non-IFRS financial information

Non-IFRS financial information or alternative performance measures ("APMs") are used as supplemental measures in monitoring the performance of the Group. The adjustments applied to IFRS measures to compute the Group's APMs exclude income and expense categories which are deemed of a non-recurring nature or a non-cash operating item. The Board considers the disclosed APMs to be an appropriate reflection of the Group's performance.

The Group follows a rigorous process in determining whether an adjustment should be made to present an alternative performance measure compared to IFRS measures. For an adjustment to be excluded from underlying profit as an alternative performance measure compared to statutory profit, it must initially meet at least one of the following criteria:

- It is unusual in nature, e.g. outside the normal course of business and operations.
- It is a significant item, which may be recognised in more than one accounting period.
- It has been incurred as a result of either an acquisition, disposal or a company restructure process.

The Group uses the below APMs:

APM	Equivalent IFRS measure	Definition and purpose
Underlying profit before tax	Statutory profit before tax	Calculated as profit before tax excluding income and expense categories which are deemed of a non-recurring nature or a non-cash operating item. It is considered by the Board to be an appropriate reflection of the Group's performance and considered appropriate for external analyst coverage and peer group benchmarking. See page 35 and 36 for a reconciliation of underlying profit before tax and statutory profit before tax and an explanation for each item excluded in underlying profit before tax.
Underlying tax charge	Statutory tax charge	Calculated as the statutory tax charge, excluding the tax impact of the adjustments excluded from underlying profit. See Note 9 Taxation.
Underlying earnings / Underlying profit after tax	Total comprehensive income	Calculated as underlying profit before tax less the underlying tax charge. See Note 12 for a reconciliation of underlying profit after tax and statutory profit after tax.
Underlying profit margin before tax	Statutory profit margin before tax	Calculated as underlying profit before tax over revenue for the year. This is another key metric assessed by the Board and appropriate for external analyst coverage and peer group benchmarking.
EBITDA/Underlying EBITDA	N/A	Earnings before interest, tax, depreciation and amortisation ("EBITDA"). Underlying EBITDA is EBITDA excluding income and expense categories which are deemed of a non-recurring nature or a non-cash operating item. See page 36 for reconciliation between EBITDA and underlying EBITDA and profit measures.
Underlying basic earnings per share	Statutory basic earnings per share	Calculated as underlying profit after tax divided by the weighted average number of shares in issue during the year. This is a key management incentive metric and is a measure used within the Group's remuneration schemes. See Note 12 Earnings per share.
Underlying diluted earnings per share	Statutory diluted earnings per share	Calculated as underlying profit after tax divided by the weighted average number of shares in issue during the year, including the dilutive impact of future share awards. This is a key management incentive metric and is a measure used within the Group's remuneration schemes. See Note 12 Earnings per share.
Underlying costs	Statutory costs	Calculated as total administrative expenses, other net gains/(losses), finance income and finance costs and excluding income and expense categories which are deemed of a non-recurring nature or a non-cash operating item, which are listed on page 35. This is a key measure used in calculating underlying profit before tax. See page 32 for details on underlying costs.
Segmental underlying profit before tax	Segmental statutory profit before tax	Calculated as profit before tax excluding income and expense categories which are deemed of a non-recurring nature or a non-cash operating item for each segment. See Note 3 Segmental information.
Segmental underlying profit before tax margin	Segmental statutory profit before tax margin	Calculated as segmental underlying profit before tax over segmental revenue.
Total capital ratio	N/A	Calculated as the Group's total regulatory resources relative to its Fixed Overhead requirement.

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	15 September 2022
Ex-dividend date for final dividend	22 September 2022
Record date for final dividend	23 September 2022
Annual General Meeting	27 October 2022
Final dividend payment date	4 November 2022

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Glossary

Abbreviation	Definition
AGM	Annual General Meeting
AIM	Alternative Investment Market
ANLA	Adjusted Net Liquid Asset
APM	Alternative performance measure
APS	AIM Portfolio Service
ARC	Asset Risk Consultants
BMG, Company, Parent Company	Brooks Macdonald Group plc
BMIS	BM Investment Solutions
BPR	Business Property Relief
BPS	Bespoke Portfolio Service
BR	Business Relief
CAPM	Capital asset pricing model
CASS	Client Assets Sourcebook
CEO	Chief Executive Officer
CFA	Chartered Financial Analyst
CGU	Cash-generating unit
CIP	Centralised Investment Process
CISI	Chartered Institute for Securities & Investment
COO	Chief Operating Officer
Cornelian	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
DBP	Deferred Bonus Plan
DCF	Defensive Capital Fund
DEI	Diversity, equity and inclusion
DFM	Discretionary Fund Managers
EBITDA	Earnings before interest, tax, depreciation and amortisation
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
FRC	UK Financial Reporting Council
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
GHG	Greenhouse gas
GIA	Gross Internal Area
Group	Brooks Macdonald Group plc and its controlled entities
HMRC	HM Revenue and Customs
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment process
ICARA	Internal Capital and Risk Assessment
IFA	Independent Financial Advisor
IFPRU	The FCA's Prudential Sourcebook for Investment Firms
IFRS IC	International Financial Reporting Standards Interpretations Committee
IFRS	International Financial Reporting Standard
IHT	Inheritance Tax
IoD	Institute of Directors
IWS, Integrity	Integrity Wealth Solutions Limited
LRMF	Liquidity Risk Management Framework
LTIP	Long-term incentive plan
LTIS	Long-term incentive scheme
M&A	Mergers and acquisitions
MAF	Multi-Asset Fund
MiFID II	Markets in Financial Instruments Directive II, which is legislation for the regulation of investment services within the European Economic Area
MPS	Managed Portfolio Service
MRT	Material Risk Takers
MTP	Medium-Term Plan
NOMAD	Nominated advisor
OEIC	Open-Ended Investment Company
ORAS	Overarching risk appetite statement
PBT	Profit before tax
PIMFA	Personal Investment Management and Financial Advice Association
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
SAYE	Employee Sharesave Scheme
SECR	Streamlined Energy and Carbon Reporting
SMCR	Senior Managers and Certification Regime
SPA	Sale and Purchase Agreement
T&E	Travel and entertaining
TCFD	Task Force on Climate-related Financial Disclosures
The Code	UK Corporate Governance Code
UKIM	UK Investment Management
ULEVs	Ultra Low Emission Vehicles
UNPRI	United Nations Principles for Responsible Investment
WACC	Weighted average cost of capital
WDP	Wind Down Plan

Our offices

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