BROOKS MACDONALD

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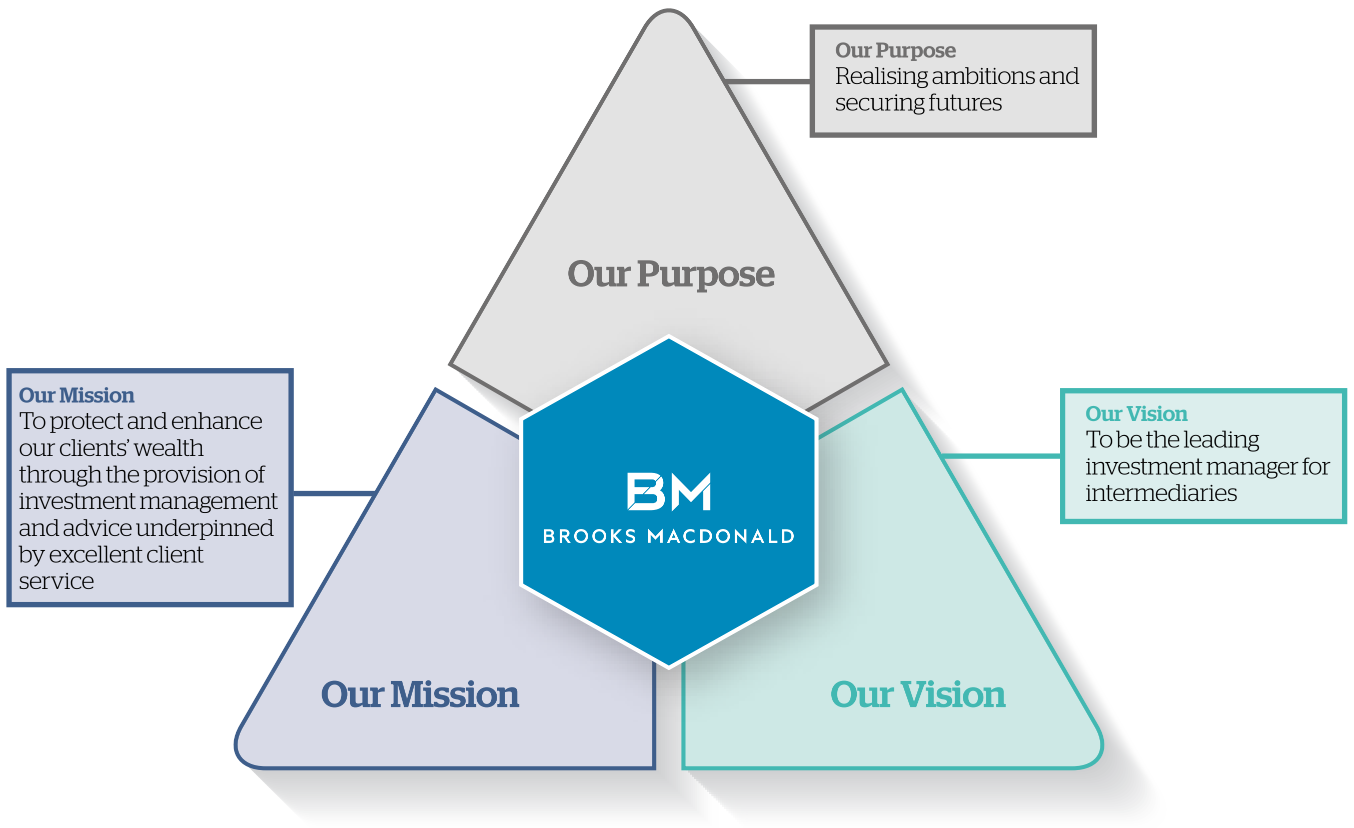
BROOKS MACDONALD

Interim Report and Accounts for the six months ended 31 December 2021

30 YEAR ANNIVERSARY

Our Vision

To be the leading investment manager for intermediaries



Our strategy

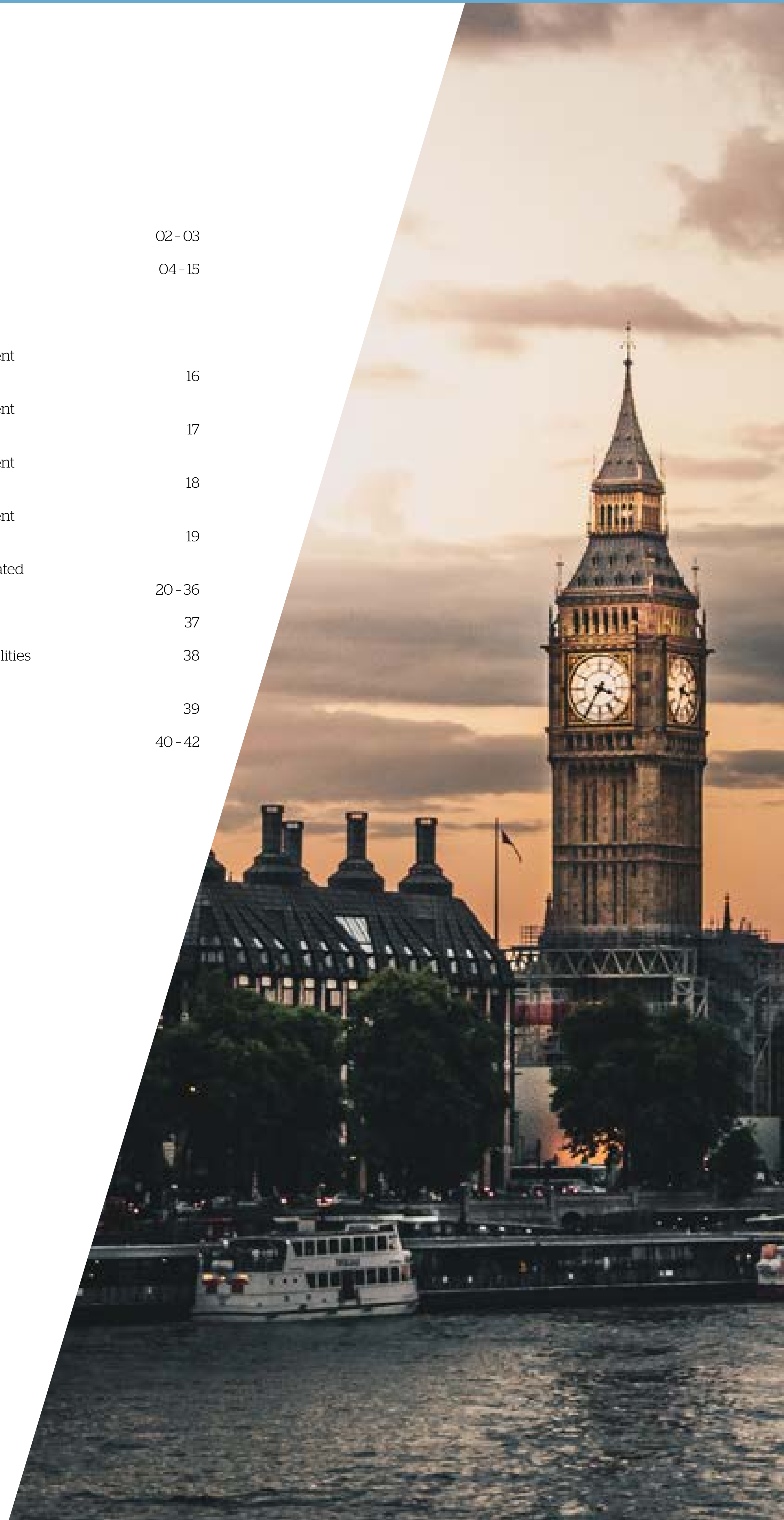
1. Market-leading organic growth
2. Service and operational excellence
3. Agile, high-quality M&A

Our Guiding Principles

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

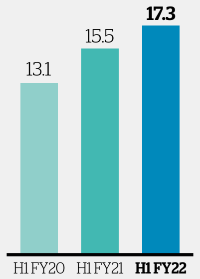
Contents

Half year highlights	02 - 03
Interim management report	04 - 15
Condensed consolidated financial statements	
Condensed consolidated statement of comprehensive income	16
Condensed consolidated statement of financial position	17
Condensed consolidated statement of changes in equity	18
Condensed consolidated statement of cash flows	19
Notes to the condensed consolidated financial statements	20 - 36
Non-IFRS financial information	37
Statement of Directors' responsibilities	38
Independent review report to Brooks Macdonald Group plc	39
Further information	40 - 42

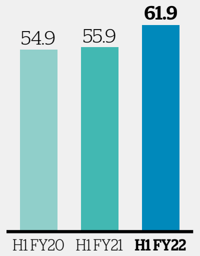


Half year highlights

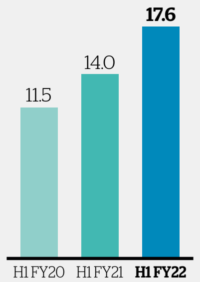
Funds under management ("FUM") (£bn)



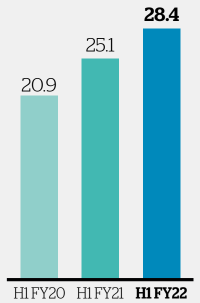
Revenue (£m)



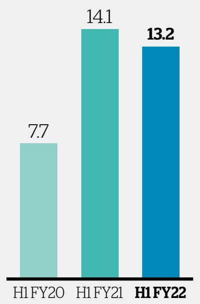
Underlying profit before tax (£m)



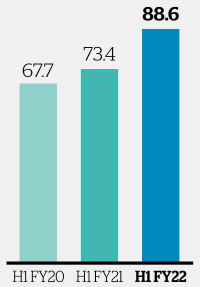
Underlying profit margin before tax (%)



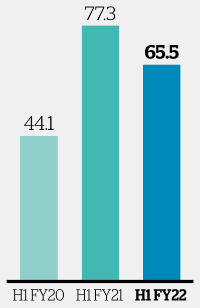
Statutory profit before tax (£m)



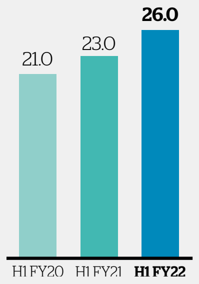
Underlying basic earnings per share (p)



Statutory basic earnings per share (p)



Total dividend per share (p)



The underlying figures represent the results for the Group's activities excluding underlying adjustments as listed on page 12. These represent an alternative performance measure ("APM") for the Group, refer to the Non-IFRS financial information section on page 37 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 12.

Continued strategic progress

Acquisitions delivering, further M&A planned

- The Group continued to see strong delivery from its acquisitions of Cornelian Asset Management and Lloyds' Channel Islands wealth management and funds business, achieving higher than planned EPS accretion
- As part of its ambitious growth strategy, the Group continues to seek inorganic opportunities that meet its stated acquisition criteria of high quality businesses with a good strategic and cultural fit that will deliver strong economics

Continued investment to deliver best-in-class adviser experience and client service

- The Group continued its focus on making Brooks Macdonald easy to do business with through digital transformation
- Progress continued on the Group's migration of its adviser- and client-facing processes to the SS&C/ Hubwise platform

Delivering our Corporate Social Responsibility agenda

- As part of its developing CSR agenda, the Group launched its "Inclusive Futures" programme, working to widen access to sector by providing career opportunities to young people through its partnerships with Investment 2020 and #10000blackinterns
- The firm is marking its 30th anniversary by partnering with the Dame Kelly Holmes Trust to support the Trust's work in tackling youth inequality and disadvantage

“I am delighted to report that our strategic progress is driving strong financial performance, allowing us to increase our interim dividend once again.”

Andrew Shepherd
CEO

Interim management report

Strong performance in H1

Brooks Macdonald has had an excellent six months, with FUM growing to £17.3 billion, strong financial results, improving organic growth and clear evidence of our strategy delivering for advisers, clients and shareholders alike.

The Group increased revenues by 10.7% to £61.9 million (H1 FY21: £55.9 million) driven by improving positive net flows and a complete half year contribution from our Lloyds Channel Islands acquisition, partly offset by lower transaction-related revenues. Underlying costs increased by 5.7% to £44.3 million (H1 FY21: £41.9 million), driven by the Lloyds Channel Islands acquisition and investment for growth, moderated by continued strong cost discipline. This resulted in an underlying profit before tax of £17.6 million, a 25.7% increase on the prior period (H1 FY21: £14.0 million).

Our underlying profit margin rose 3.3 percentage points to a record 28.4% (H1 FY21: 25.1%), reflecting our commitment to top quartile underlying profit margin over the medium term, and underlying basic EPS increased by 20.7% to 88.6p (H1 FY21: 73.4p).

Statutory profits declined from £14.1 million to £13.2 million with the prior period figure inflated by an exceptional gain arising on the Lloyds Channel Islands acquisition.

In keeping with our stated progressive dividend policy, the excellent results for the period, and the Board's continuing confidence in the firm's prospects, the Group is declaring an interim dividend of 26.0 pence per share, a 13.0% uplift on the interim dividend paid last year.

Our investment performance remains positive. Comparing against the relevant PIMFA and ARC benchmarks over investment time horizons shows that our Centralised Investment Process ("CIP") continues to achieve robust risk adjusted returns for clients. For example, our Bespoke Portfolio Service ("BPS") delivered performance ahead of ARC benchmarks for all risk profiles over five and ten years.

We maintained our focus on advisers and clients, working in partnership with SS&C to deliver best-in-class adviser experience and client service.

The highlight of our people agenda in the period was the launch of the Group's "Inclusive Futures" programme, offering three training schemes with entry-level career opportunities. The focus in the programme on diversity and inclusion, with a recruitment process as free as possible from unconscious bias, meant that it was fully aligned to the Group's Guiding Principles and its developing Corporate Social Responsibility agenda.

Strategy delivering

As we have worked through our strategy, we have at all times been conscious of building on the long-standing strengths of the organisation - our client and adviser relationships, our culture and our Centralised Investment Process. These critical strengths continue to position us well for the future, and we see clear evidence of the strategy delivering. Our strategy is based on three key value drivers:

- Market-leading organic growth
- Service and operational excellence
- Selective high-quality acquisitions.

Market-leading organic growth

The first half of our financial year saw continuing positive net flows, running at an annualised rate of 4.0% for the period, picking up from 3.1% in Q1 to 4.7% in Q2. This strengthening growth was underpinned by our continued focus on clients and intermediaries, supported by our teams' welcome return to more face-to-face meetings as pandemic-related restrictions fell away.

Our UK Investment Management ("UKIM") business, under the leadership of Robin Eggar, had a strong half. We saw particularly good growth in BM Investment Solutions, our B2B offering for advisers, with FUM up 60% over the half year, and in Platform Managed Portfolio Service ("PMPS") which saw a rise of 20%. We also continued to see progress in the specialised variants of our Bespoke Portfolio Service, including the Responsible Investment Service ("RIS") and the Decumulation Service, with both seeing FUM up close to 20% over the period. Overall, our core UK Investment Management discretionary business had annualised net flows of 6.3% for the half year.

The UKIM Funds business saw solid investment performance largely offset by net outflows, although the Defensive Capital Fund returned to positive net flows in Q2.

A highlight of the period was the return to positive net flows of our International business in Q2, with outflows down sharply compared to the previous half and inflows increasing each month in the period. The underlying profit margin for International was also up on the prior period by 2.1 percentage points to 21.8%, and we see potential to close the gap further to UKIM levels of profitability.

With markets continuing to be volatile, our Centralised Investment Process emphasised the need for portfolios at all risk levels to maintain balance across multiple dimensions. This has proved a sound approach as we continued to deliver robust risk-adjusted returns for clients, with performance ahead of ARC benchmarks across all risk profiles over five and ten years.

Interim management report

Our vision for Brooks Macdonald is as the leading investment manager for intermediaries – we are an investment manager focused on working with intermediaries to support their clients and to help them build successful businesses. In parallel, we have a material Private Clients business with c.£2.5 billion funds under management in the UK, covering both Wealth Management and Specialist Financial Advice propositions. Over the period, we have continued integrating Private Clients with UK Investment Management. Our intention is to ensure that we deliver the same high level of service and experience for those private clients as we do for our intermediated clients.

Service and operational excellence

SS&C Technologies ("SS&C"), a global provider of software and technology services to the financial services industry, is our technology partner. In H1, we completed the transition of full support of our Funds business to SS&C and commenced the phased rollout of our new digital onboarding tool to advisers. In the period, SS&C acquired Hubwise, the innovative financial services technology provider, (subject to regulatory approval) allowing SS&C to redesign some elements of the new platform being implemented for Brooks Macdonald to incorporate some features of the Hubwise functionality. We continue to work with SS&C to complete the transition of all client- and adviser-facing processes on to their platform, which is the next milestone in our journey to deliver best-in-class adviser experience and client service through technology and innovation. As we continue the journey, our digital transformation will provide a market-leading digital experience for the Group's intermediaries and clients.

In parallel, we maintain a strong focus on delivering continuous improvement in our internal practices to ensure that we make Brooks Macdonald as easy as possible to do business with.

Selective high-quality acquisitions

We have been transparent that acquisitions form part of our medium-term strategy and we reviewed a number of potential targets in H1. As previously disclosed, we have four strict criteria for acquisitions: (i) the target must be a good business in its own right; (ii) there must be clear strategic logic to the combination; (iii) it must be a good cultural fit with Brooks Macdonald; and (iv) the economics of the transaction must be compelling. In the period at hand, we did not find a target that fully met those criteria. We will continue to seek inorganic opportunities that meet our criteria.

Corporate Social Responsibility

The Group strengthened its focus on our Corporate Social Responsibility ("CSR") agenda in H1. We published our CSR brochure in September 2021, showcasing the range of initiatives we have under way and explaining how well they complement the Group's Guiding Principles. Initiatives included covered a wide range – for example, our Responsible Investment Service, our approach to new offices, our commitment to diversity and inclusion, and how we are using our continuing 30th anniversary celebrations to support our CSR agenda.

The Group's Responsible Investment Service, continued to show rapid growth. In November 2021, we launched our Responsible Investment Hub with a range of materials dedicated to facilitating conversations about responsible investment and streamlining the way advisers access the resources they need.

We opened three new offices in the period and continue to relocate existing premises as leases end. In all cases, we focus on ensuring the workspace supports the wellbeing of everyone who enters, with contemplation rooms, biophilic design and collaboration and relaxation spaces. We moved our Manchester office to the city's most cycle-friendly building (according to CycleScore), certified outstanding by BREEAM, the leading sustainability assessment method for buildings.

The Group's "Inclusive Futures" recruitment programme has three strands – our graduate intake and our partnerships with Investment 2020 and #10000blackinterns. We have redesigned our recruitment process with talent experts Zircon BeTalent to eliminate unconscious bias, giving us a robust approach to talent assessment. The strands all offer great opportunities to young people who might not have otherwise considered a career in investment management.

In H1, the Group reached the 30th anniversary of its founding. To mark the anniversary, we have partnered with the Dame Kelly Holmes Trust to put together a series of events and fundraising activities to support the Trust's work in tackling youth inequality and disadvantage. The Trust runs programmes designed to improve young people's wellbeing, help them build healthy relationships and unlock the confidence, self-esteem and resilience needed to achieve in education, work and life. Their mission resonates strongly with the Group's commitment to diversity and inclusion, and we are delighted to be working with them.

We are also working with a respected independent organisation with the intention of achieving certified status on their standards programme, measuring a company's entire social and environmental impact, and we expect to make an announcement in the first half of our next financial year.

Positive medium-term outlook, short-term uncertainty

We are announcing these results against the backdrop of the human tragedy unfolding in Ukraine. During these troubled times, our thoughts are with those who are directly and indirectly affected, and we have made a donation towards humanitarian aid efforts in the region on behalf of the Group and BM Foundation.

Although the short-term geopolitical and macroeconomic outlook is highly uncertain, looking ahead the fundamental opportunity for the Group remains as strong as it has ever been. We are confident in our long-term prospects building on our ambitious organic and inorganic growth strategy, grounded in our purpose of realising ambitions and securing futures.

Interim management report

Review of the results for the period

	Six months to 31 Dec 2021 £m	Six months to 31 Dec 2020 £m	12 months to 30 Jun 2021 £m
Revenue	**61.9**	55.9	118.2
Fixed staff costs	**(20.0)**	(20.0)	(40.0)
Variable staff costs	**(8.3)**	(7.4)	(13.2)
Total staff costs	**(28.3)**	(27.4)	(53.2)
FSCS levy	**–**	–	(2.2)
Non-staff costs	**(16.0)**	(14.5)	(32.2)
Total non-staff costs	**(16.0)**	(14.5)	(34.4)
Total underlying costs	**(44.3)**	(41.9)	(87.6)
Underlying profit before tax	**17.6**	14.0	30.6
Underlying adjustments	**(4.4)**	0.1	(5.5)
Statutory profit before tax	**13.2**	14.1	25.1
Taxation	**(3.0)**	(2.0)	(5.5)
Statutory profit after tax	**10.2**	12.1	19.6
Underlying profit margin before tax	**28.4%**	25.1%	25.9%
Underlying basic earnings per share	**88.6p**	73.4p	155.6p
Statutory profit margin before tax	**21.3%**	25.2%	21.2%
Statutory basic earnings per share	**65.5p**	77.3p	125.3p
Dividends per share	**26.0p**	23.0p	63.0p

Revenue

Total revenue for the Group grew by 10.7% to £61.9 million in the first half of the financial year. This increase was due to higher average FUM levels driven by strong positive net flows and investment performance, along with the full period impact of the Lloyds Channel Islands business which contributed £4.6 million to the Group's H1 FY22 headline figure. The rise in fee income was offset by a reduction in transactional income of £1.9 million as a result of the Group's relatively stable asset allocation during the period and a reduction in interest turn of £0.6 million off the back of lower base rates.

As noted in the following table, the yield on BPS fees for UKIM decreased by 1.0 bp to 66.3 bps during the first half. This was principally driven by the impact of timing of inflows and outflows during the period. The BPS non-fee income declined by 7.3 bps to 10.9 bps largely due to a reduction in transactional income and interest turn as noted above.

MPS saw a decline in fee yield by 4.4 bps compared to FY21 with the reduction driven by strong levels of net new business within Platform MPS and the BM Investment Solutions offering.

Funds fee yields have increased marginally by 0.4 bps during the six-month period due to a change in mix and a slowdown in outflows seen in the Defensive Capital Fund.

International fee income yields are up by 1.6 bps on FY21 due to higher performance and custody fees in the period. The Lloyds Channel Islands fee yields are up slightly by 0.7 bps on FY21 as a result of the full six-month impact on the average FUM. Non-fee income yields declined by 2.2 bps driven by a decrease in interest and FX income during the period.

Revenue, yields and average FUM

	Revenue			Average FUM			Yields			
	H1 FY22 £m	H1 FY21 £m	Change %	**H1 FY22 £m**	H1 FY21 £m	Change %	**H1 FY22 bps**	FY21 bps	H1 FY21 bps	Change[1] bps
BPS fees	**31.6**	28.8	9.7	**9,475**	8,398	12.8	**66.3**	67.3	68.0	(1.0)
BPS non-fees (transactional)	**4.9**	6.9	(29.0)	**–**	–	–	**10.3**	16.6	16.3	(6.3)
BPS non-fees (interest turn)	**0.3**	0.6	(50.0)	**–**	–	–	**0.6**	1.6	1.4	(1.0)
Total BPS	**36.8**	36.3	1.4	**9,475**	8,398	12.8	**77.2**	85.5	85.7	(8.3)
MPS	**4.9**	4.0	22.5	**2,726**	1,867	46.0	**35.7**	40.1	42.5	(4.4)
UKIM discretionary	**41.7**	40.3	3.5	**12,201**	10,265	18.9	**67.9**	76.8	77.9	(8.9)
Funds	**6.4**	6.1	4.9	**2,281**	2,188	4.3	**55.7**	55.3	55.3	0.4
Total UKIM	**48.1**	46.4	3.7	**14,482**	12,453	16.3	**65.9**	73.2	73.9	(7.3)
International fees	**4.7**	4.5	4.4	**1,665**	1,659	0.4	**56.0**	54.4	53.8	1.6
International non-fees	**1.3**	1.3	–	**–**	–	–	**15.5**	17.7	15.5	(2.2)
Lloyds CI[2]	**4.6**	0.8	475.0	**889**	153	481.0	**102.6**	101.9	103.7	0.7
Total International	**10.6**	6.6	60.6	**2,554**	1,812	40.9	**82.3**	79.3	72.3	3.0
Total FUM related revenue	**58.7**	53.0	10.8	**17,036**	14,265	19.4	**68.4**	73.9	73.7	(5.5)
Financial Planning - UK	**2.2**	1.9	15.8							
Financial Planning - International	**0.5**	0.5	–							
Other income	**0.5**	0.5	–							
Total non-FUM related revenue	**3.2**	2.9	10.3							
Total Group revenue	**61.9**	55.9	10.7							

1 Yield variance change is between H1 FY22 and FY21 yields as this represents a more appropriate comparison of the composition and mix of the portfolios.

2 The Lloyds CI yields for H1 FY21 and FY21 were calculated on a pro rata basis reflecting the relative period the business was owned by the Group.

Underlying costs

Total underlying costs for the Group increased by 5.7% from £41.9 million to £44.3 million. Excluding the full period impact of the Lloyds Channel Islands acquisition amounting to £2.4 million, total underlying costs were flat with the prior period.

Staff costs

Total staff costs increased by 3.3% from £27.4 million to £28.3 million. Fixed staff costs were in line with H1 FY21 at £20.0 million. The incremental costs of the Lloyds Channel Islands acquisition of £1.1 million and the net impact of pay rises and new hires were offset by savings of £1.3 million arising from the transfer of a number of roles from the Investment Services and Technology Services departments to SS&C during December 2020 and reductions in temporary staff costs and recruitment fees of £0.2 million.

Variable staff costs increased by 12.2% to £8.3 million in H1 FY22, including the incremental cost in respect of the acquired Lloyds Channel Islands business of £0.3 million. The share-based payments charge for the year is up £0.9 million on the prior period due to lapses recognised in H1 FY21 and a rise in the Group's share price during the period impacting the associated employer national insurance contributions. The bonus pool accrual is relatively in line with H1 FY21.

Non-staff costs

Non-staff costs amounted to £16.0 million representing an increase of £1.5 million (10.3%) on H1 FY21. The increase was primarily driven by the full period impact of the Lloyds Channel Islands acquisition contributing additional costs of £1.3 million, and other net incremental costs of £0.2 million as the Group maintained its cost discipline.

Combined, the above gave rise to an underlying profit before tax for the half year of £17.6 million, an increase of 25.7% on the prior period (H1 FY21: £14.0 million) resulting in a profit margin of 28.4%, up by 3.3 points on last year (H1 FY21: 25.1%).

The Group's statutory profit before tax fell by £0.9 million to £13.2 million (H1 FY21: £14.1 million). The prior period statutory profit included a £5.0 million gain recognised on the Lloyds Channel Islands acquisition. A breakdown of the underling adjustments together with an explanation of each is included on page 12.

Interim management report

Funds under management

	Six months to 31 Dec 2021 £m	Six months to 31 Dec 2020 £m	12 months to 30 Jun 2021 £m
Opening FUM	16,459	13,685	13,685
Organic net new business	326	(367)	(275)
FUM acquired in the period[1]	–	882	882
Investment performance	544	1,303	2,167
Total FUM growth	870	1,818	2,774
Closing FUM	**17,329**	15,503	16,459
Organic net new business	**2.0%**	(2.7%)	(2.0%)
Total FUM movement	**5.3%**	13.3%	20.3%
Investment performance in the period	3.3%	9.5%	15.8%
MSCI PIMFA Private Investor Balanced Index[2]	4.0%	6.5%	12.9%

1 Closing value of the acquired Lloyds Channel Islands FUM at the completion date, 30 November 2020.
2 Capital-only index.

FUM increased to £17.3 billion at 31 December 2021 (H1 FY21: £15.5 billion; FY21: £16.5 billion), representing an increase of 11.8% and 5.3% on the FUM levels at H1 FY21 and FY21 respectively. The increase in FUM reflected the Group's return to positive net flows of £0.3 billion and positive investment performance of £0.5 billion.

Investment performance remained positive at 3.3%, although marginally behind the benchmark index of 4.0% for the six months ended 31 December 2021, investment performance is ahead of ARC benchmarks across all risk profiles over five and ten years.

Closing FUM by service and segment

The table below shows the closing FUM broken down by segment and by our key services within UKIM at 31 December 2021 and comparative periods.

	31 Dec 2021 £m	31 Dec 2020 £m	H1 FY22 vs. H1 FY21 %	30 Jun 2021 £m
BPS	9,814	8,910	10.1%	9,460
MPS	2,834	1,962	44.4%	2,411
Funds	2,099	2,045	2.6%	2,076
UKIM total	14,747	12,917	14.2%	13,947
International	2,582	2,586	(0.2%)	2,512
Total FUM	**17,329**	15,503	11.8%	16,459

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.

H1 FY22 (£m)	**UK Investment Management**	**International**	**Group and consolidation**	**Total**
Revenue	50.9	11.0	–	61.9
Direct costs	(20.1)	(6.8)	(17.4)	(44.3)
Operating contribution	30.8	4.2	(17.4)	17.6
Internal cost recharges	(14.0)	(1.8)	15.8	–
Underlying profit/(loss) before tax	**16.8**	**2.4**	**(1.6)**	**17.6**
Underlying adjustments	(2.2)	(0.7)	(1.5)	(4.4)
Statutory profit/(loss) before tax	**14.6**	**1.7**	**(3.1)**	**13.2**
Underlying profit margin before tax	**33.0%**	**21.8%**	**n/a**	**28.4%**
Statutory profit margin before tax	**28.7%**	**15.5%**	**n/a**	**21.3%**

H1 FY21[1] (£m)	**UK Investment Management**	**International**	**Group and consolidation**	**Total**
Revenue	48.8	7.1	–	55.9
Direct costs	(21.7)	(4.3)	(15.9)	(41.9)
Operating contribution	27.1	2.8	(15.9)	14.0
Internal cost recharges	(12.8)	(1.4)	14.2	–
Underlying profit/(loss) before tax	14.3	1.4	(1.7)	14.0
Underlying adjustments	(0.7)	(2.3)	3.1	0.1
Statutory profit/(loss) before tax	13.6	(0.9)	1.4	14.1
Underlying profit margin before tax	29.3%	19.7%	n/a	25.1%
Statutory profit/(loss) margin before tax	27.9%	(12.7%)	n/a	25.2%

1 Comparative figures have been restated to reflect the integration of the Financial Planning division into UK Investment Management on 1 January 2021.

Both operating segments reported improved performance across all metrics. UKIM saw revenue grow by 4.3% contributed by the strong positive net flows and an increase of the Private Clients revenue (formerly Financial Planning). Underlying profit grew by 17.5% to £16.8 million and the underlying profit margin rose by 3.7 points to 33.0%.

Revenue grew by £3.9 million in the International segment largely as a result of the full period impact of the Lloyds Channel Islands acquisition. Total underlying costs increased by £2.9 million, also primarily as a result of the acquired business. This resulted in underlying profit growing from £1.4 million to £2.4 million, and underlying profit margin rising by 2.1 points to 21.8%.

Interim management report

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 when compared to the statutory results as this excludes income and expense categories, which are deemed of a non-recurring nature or a non-cash operating item. Reporting at an underlying basis is also considered appropriate for external analyst coverage and peer group benchmarking, allowing a like-for-like comparison. Underlying profit is deemed to be an alternative performance measure ("APM"), refer to the Non-IFRS financial information section on page 37 for a glossary of the Group's APMs, their definition, and the criteria for how underlying adjustments are considered.

A reconciliation between underlying and statutory profit before tax for the six months ended 31 December 2021, with comparatives is shown in the following table:

	Six months to 31 Dec 2021 £m	Six months to 31 Dec 2020 £m	12 months to 30 Jun 2021 £m
Underlying profit before tax	**17.6**	14.0	30.6
Amortisation of client relationships	(2.7)	(2.3)	(4.9)
Dual running operating platform costs	(1.6)	-	(1.0)
Changes in fair value and finance cost of deferred consideration	(0.1)	(0.2)	(0.4)
Acquisition-related costs:			
– Gain arising on acquisition	–	5.0	5.0
– Integration and staff retention costs	–	(2.4)	(2.7)
Client relationship contracts impairment	–	–	(1.5)
Total underlying adjustments	**(4.4)**	0.1	(5.5)
Statutory profit before tax	**13.2**	14.1	25.1

Amortisation of client relationships (£2.7 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 from H1 FY21 to H1 FY22 is due to the Lloyds Channel Islands acquisition, which completed on 30 November 2020. This amortisation charge has been excluded from the underlying profit since it is a significant non-cash item. Refer to Note 9 of the Condensed consolidated financial statements for more details.

Dual running operating platform costs (£1.6 million charge)

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

Changes in fair value and finance cost of deferred consideration (£0.1 million charge)

This comprises the fair value measurement arising on deferred consideration payments from acquisitions carried out by the Group, together with their associated net finance costs where applicable. Refer to Note 14 of the Condensed consolidated financial statements for more details.

FY21 Acquisition-related costs

i. Gain arising on acquisition
A gain on purchase was recognised in respect of the previous Lloyds Channel Islands acquisition as the net identifiable assets acquired were greater than the total purchase consideration paid.

ii. Integration and staff retention costs
These comprised the costs incurred in integrating the Cornelian acquisition, which completed on 28 February 2020, and the Lloyds Channel Islands acquisition, which completed on 30 November 2020. It also includes 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.

FY21 Client relationship contracts impairment

In FY21, the Group experienced accelerated withdrawals from a previously acquired business, DPZ Limited, resulting in the estimated useful economic life of the intangible assets associated with the business to reduce. Accordingly, an impairment charge of £1.5 million was recognised in the prior year.

Taxation

The Group's Corporation Tax charge on underlying profits for the period was £3.7 million (H1 FY21: £2.5 million) representing an effective tax rate of 21.1% (H1 FY21: 17.7%). The statutory Corporation Tax charge was £3.0 million (H1 FY21: £2.0 million). The increase in the effective tax rate on the previous year is principally as a result of the impact of remeasuring deferred tax assets and liabilities for the substantively enacted Corporation Tax rate to 25.0% from 1 April 2023. Refer to Note 6 of the Condensed consolidated financial statements for more details.

Earnings per share

The Group's basic statutory earnings per share for the six months ended 31 December 2021 was 65.5p, which reduced by 11.8p from H1 FY21 as a result of the one-off gain recognised on the Lloyds Channel Islands acquisition in the prior period. On an underlying basis, basic earnings per share increased by 20.7% to 88.6p (H1 FY21: 73.4p). Details on the basic and diluted earnings per share are provided in Note 7 of the Condensed consolidated financial statements.

Interim management report

Financial position and regulatory capital

The Group's financial position remains strong with net assets of £140.3 million at 31 December 2021 (H1 FY21: £129.0 million; FY21: £134.0 million). As at 31 December 2021, the Group had a total capital ratio of 22.9% (H1 FY21: 17.2%). Total capital ratio is defined as the Group's own funds as a proportion of the total fixed overhead exposure amount (being 12.5 times the Pillar I requirement). The total net assets and the total capital ratio calculation take into account the respective period's interim profits (net of the declared interim dividends) as these are deemed to be verified at the date of publication of the half year results.

Brooks Macdonald Asset Management Limited, the Group's main operating subsidiary, is an IFPRU 125k Limited Licence Firm regulated by the Financial Conduct Authority ("FCA"). In view of this, the Group is classified as a regulated group and subject to the same regime. As required under FCA rules, and those of both the Jersey and Guernsey Financial Services Commission, the Group assesses its regulatory capital and liquidity on an ongoing basis through the Internal Capital Adequacy Assessment Process ("ICAAP") and Adjusted Net Liquid Asset ("ANLA") assessments, which include performing a range of stress tests and scenario analysis to determine the appropriate level of regulatory capital and liquidity that the Group needs to hold. Surplus levels of capital and liquidity are forecast, taking into account known outflows and proposed dividends to ensure that the Group maintains sufficient capital and liquidity at all times.

The FY21 ICAAP review was conducted for the period 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 where applicable, as well as budgeted and forecast trading results.

The Group's Pillar III disclosures are published annually on the Group's website (www.brooksmacdonald.com) and provide further details about the Group's regulatory capital resources and requirements. The Group monitors a range of capital and liquidity statistics on a daily and monthly basis.

Dividend

The Group has a progressive dividend policy, growing dividends year-on-year. 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 declared an interim dividend of 26.0p (H1 FY21: 23.0p). This represents an increase of 13.0% compared to the previous period. The interim dividend will be paid on 14 April 2022 to shareholders on the register as at 18 March 2022. Refer to Note 8 of the Condensed consolidated financial statements for more details.

Cash flow and capital expenditure

The Group continues to have strong levels of cash generation from operations. Total cash resources at the end of December 2021 grew by £7.1 million to £45.7 million (H1 FY21: £38.6 million). The Group continued to have no borrowings at 31 December 2021.

During the six months ended 31 December 2021, the Group incurred capital expenditure of £2.4 million. This comprised technology-related development of £2.2 million, property-related costs of £0.1 million and IT and office equipment of £0.1 million. The technology-related spend was primarily incurred in connection with our partnership with SS&C where the collaboration will provide a market-leading digital experience for the Group's intermediaries and clients. These will be amortised over a ten-year period from the point at which the new platform goes live.

"The Group delivered strong performance for the first half driven by strong net flows and continued cost discipline leading to an underlying profit margin of 28.4%"

Ben Thorpe
Chief Financial Officer

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2021

	Note	**Six months ended 31 Dec 2021 (unaudited) £'000**	Six months ended 31 Dec 2020[1] (unaudited) £'000	Year ended 30 Jun 2021[1] (audited) £'000
Revenue	4	**61,941**	55,855	118,206
Administrative costs		**(48,517)**	(46,371)	(96,012)
Gross profit		**13,424**	9,484	22,194
Other gains/(losses) - net	5	**28**	(18)	(1,438)
Operating profit		**13,452**	9,466	20,756
Gain on bargain purchase		**–**	4,966	4,966
Finance income		**16**	31	47
Finance costs		**(229)**	(317)	(678)
Profit before tax		**13,239**	14,146	25,091
Taxation	6	**(2,955)**	(2,003)	(5,449)
Profit for the period attributable to equity holders of the Company		**10,284**	12,143	19,642
Other comprehensive income		**–**	–	–
Total comprehensive income for the period		**10,284**	12,143	19,642
Earnings per share				
Basic	7	**65.5p**	77.3p	125.3p
Diluted	7	**63.1p**	75.5p	121.3p

[1] See Note 7 for details regarding the restatement of diluted earnings per share.

The accompanying notes on pages 20 to 36 form an integral part of these Condensed consolidated financial statements.

Condensed consolidated statement of financial position

as at 31 December 2021

	Note	**31 Dec 2021 (unaudited) £'000**	31 Dec 2020 (unaudited) £'000	30 Jun 2021 (audited) £'000
Assets				
Non-current assets				
Intangible assets	9	**88,241**	94,371	89,897
Property, plant and equipment	10	**2,527**	3,295	2,756
Right of use assets	11	**5,229**	6,646	5,979
Financial assets at fair value through other comprehensive income	12	**500**	500	500
Deferred tax assets		**3,240**	1,784	2,736
Total non-current assets		**99,737**	106,596	101,868
Current assets				
Trade and other receivables	12	**29,769**	27,525	28,449
Financial assets at fair value through profit or loss	12	**867**	608	624
Current tax receivables		**–**	–	32
Cash and cash equivalents	12	**45,715**	38,600	54,899
Total current assets		**76,351**	66,733	84,004
Total assets		**176,088**	173,329	185,872
Liabilities				
Non-current liabilities				
Other non-current liabilities	12	**(785)**	(560)	(548)
Lease liabilities	13	**(4,545)**	(6,162)	(5,422)
Deferred consideration	14	**–**	(298)	(303)
Provisions	15	**(265)**	(237)	(279)
Deferred tax liabilities		**(8,398)**	(7,987)	(8,902)
Total non-current liabilities		**(13,993)**	(15,244)	(15,454)
Current liabilities				
Trade and other payables	12	**(18,031)**	(19,041)	(27,055)
Current tax liabilities	12	**(118)**	(118)	–
Lease liabilities	13	**(1,437)**	(1,355)	(1,447)
Deferred consideration	14	**(321)**	(7,799)	(5,934)
Provisions	15	**(1,933)**	(739)	(1,979)
Total current liabilities		**(21,840)**	(29,052)	(36,415)
Net assets		**140,255**	129,033	134,003
Equity				
Share capital	17	**162**	161	161
Share premium	17	**78,931**	78,071	78,703
Other reserves		**9,801**	7,042	8,467
Retained earnings		**51,361**	43,759	46,672
Total equity		**140,255**	129,033	134,003

The Condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 9 March 2022, signed on their behalf by:

Andrew Shepherd
CEO

Ben Thorpe
Chief Financial Officer

Company registration number: 4402058

The accompanying notes on pages 20 to 36 form an integral part of these Condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

for the six months ended 31 December 2021

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2020		**161**	**77,982**	**6,398**	**39,000**	**123,541**
Comprehensive income						
Profit for the period		–	–	–	12,143	12,143
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	12,143	12,143
Transactions with owners						
Issue of ordinary shares	17	–	89	–	–	89
Share-based payments		–	–	1,560	–	1,560
Share-based payments exercised		–	–	(1,065)	1,065	–
Purchase of own shares by employee benefit trust		–	–	–	(3,450)	(3,450)
Tax on share options		–	–	149	–	149
Dividends paid	8	–	–	–	(4,999)	(4,999)
Total transactions with owners		–	89	644	(7,384)	(6,651)
Balance at 31 December 2020		**161**	**78,071**	**7,042**	**43,759**	**129,033**
Comprehensive income						
Profit for the period		–	–	–	7,499	7,499
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	7,499	7,499
Transactions with owners						
Issue of ordinary shares	17	–	632	–	–	632
Share-based payments		–	–	1,431	–	1,431
Share-based payments exercised		–	–	(747)	747	–
Purchase of own shares by employee benefit trust		–	–	–	(1,760)	(1,760)
Tax on share options		–	–	741	–	741
Dividends paid	8	–	–	–	(3,573)	(3,573)
Total transactions with owners		–	632	1,425	(4,586)	(2,529)
Balance at 30 June 2021		**161**	**78,703**	**8,467**	**46,672**	**134,003**
Comprehensive income						
Profit for the period		–	–	–	10,284	10,284
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	10,284	10,284
Transactions with owners						
Issue of ordinary shares	17	1	228	–	–	229
Share-based payments		–	–	2,161	–	2,161
Share-based payments exercised		–	–	(1,957)	1,957	–
Purchase of own shares by employee benefit trust		–	–	–	(1,300)	(1,300)
Tax on share options		–	–	1,130	–	1,130
Dividends paid	8	–	–	–	(6,252)	(6,252)
Total transactions with owners		1	228	1,334	(5,595)	(4,032)
Balance at 31 December 2021		**162**	**78,931**	**9,801**	**51,361**	**140,255**

The accompanying notes on pages 20 to 36 form an integral part of these Condensed consolidated financial statements.

Condensed consolidated statement of cash flows

for the six months ended 31 December 2021

	Note	Six months ended 31 Dec 2021 (unaudited) £'000	Six months ended 31 Dec 2020 (unaudited) £'000	Year ended 30 Jun 2021 (audited) £'000
Cash flow from operating activities				
Cash generated from operations	16	**10,485**	8,994	36,907
Taxation paid		**(2,843)**	(2,963)	(5,804)
Net cash generated from operating activities		**7,642**	6,031	31,103
Cash flows from investing activities				
Purchase of computer software	9	**(2,240)**	(1,999)	(3,061)
Purchase of property, plant and equipment	10	**(200)**	(577)	(620)
Deferred consideration paid	14	**(6,000)**	(421)	(2,421)
Interest received		**16**	31	47
Consideration paid		**–**	(5,287)	(5,287)
Net cash used in investing activities		**(8,424)**	(8,253)	(11,342)
Cash flows from financing activities				
Dividends paid to shareholders	8	**(6,252)**	(4,999)	(8,572)
Payment of lease liabilities	13	**(1,079)**	(986)	(1,969)
Proceeds of issue of shares	17	**229**	89	721
Purchase of own shares by employee benefit trust		**(1,300)**	(3,450)	(5,210)
Net cash used in financing activities		**(8,402)**	(9,346)	(15,030)
Net (decrease)/increase in cash and cash equivalents		**(9,184)**	(11,568)	4,731
Cash and cash equivalents at beginning of period		**54,899**	50,168	50,168
Cash and cash equivalents at end of period		**45,715**	38,600	54,899

The accompanying notes on pages 20 to 36 form an integral part of these Condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2021

1. General information

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

The Company is a public limited company, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and listed on AIM. The address of its registered office is 21 Lombard Street, London, EC3V 9AH.

The Interim Report and Accounts were approved for issue on 9 March 2022. The Condensed consolidated financial statements have been independently reviewed but are not audited.

2. Accounting policies

a) Basis of preparation

The Group's Condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the Companies Act 2006 applicable to companies reporting under IFRS. The Financial statements have been prepared on the historical cost basis, except for the revaluation of financial assets at fair value through other comprehensive income, financial assets 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.

Developments in reporting standards and interpretations

Standards and interpretations adopted during the current reporting period

In the six months ended 31 December 2021, the Group did not adopt any new standards or amendments issued by the IASB or interpretations by the IFRS Interpretations Committee ("IFRS IC") that have had a material impact on the Condensed consolidated financial statements.

Future new standards and interpretations

A number of new standards are effective for annual periods beginning after 1 July 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Condensed consolidated financial statements. None of the standards not yet effective are expected to have a material impact on the Group's financial statements.

b) Changes in accounting policies

The accounting policies applied in these Condensed consolidated financial statements are the same as those applied in the Group's Consolidated financial statements as at and for the year ended 30 June 2021.

In the six months ended 31 December 2021, the Group did not adopt any new standards or amendments issued by the IASB or interpretations issued by the IFRS IC that have had a material impact on the Condensed consolidated financial statements.

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

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- COVID-19-related Rent Concessions (Amendment to IFRS 16).

3. Segmental information

For management purposes the Group's activities are organised into two operating divisions: UK Investment Management and International. The Group's other activity, offering nominee and custody services to clients, is included within UK Investment Management. These divisions are the basis on which the Group reports its primary segmental information to the Executive Committee, which is the Group's chief operating decision-maker. In accordance with IFRS 8 'Operating Segments', disclosures are required to reflect the information that 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, and also provides 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 Isle of Man, offering a similar range of investment management and financial planning services as the UK Investment Management segment.

The Group segment principally comprises the Group Board's management and associated costs, along with the consolidation adjustments. Revenues and expenses are allocated to the business segment that originated the transaction. Transactions between segments are carried out at arm's length. Centrally incurred expenses are allocated to business segments on an appropriate pro rata basis.

Six months ended 31 Dec 2021 (unaudited)	UK Investment Management £'000	International £'000	Group and consolidation adjustments £'000	Total £'000
Total revenue	53,700	11,057	–	64,757
Inter segment revenue	(2,816)	–	–	(2,816)
External revenue	50,884	11,057	–	61,941
Underlying other gains/(losses) – net, finance income and finance costs	(20,055)	(6,852)	(17,301)	(44,208)
Operating contribution	30,829	4,205	(17,301)	17,733
Allocated costs	(13,862)	(1,790)	15,652	–
Net finance (cost)/income	(96)	(18)	14	(100)
Underlying profit/(loss) before tax	16,871	2,397	(1,635)	17,633
Amortisation of client relationship contracts	(792)	(513)	(1,416)	(2,721)
Dual running costs of operating platform	(1,589)	–	–	(1,589)
Finance cost of deferred consideration	–	(6)	(78)	(84)
Profit/(loss) mark-up on Group allocated costs	134	(134)	–	–
Profit/(loss) before tax	14,624	1,744	(3,129)	13,239
Taxation				(2,955)
Profit for the period attributable to equity holders of the Company				10,284

From 1 January 2021, the Group integrated its previous Financial Planning segment into its UK Investment Management segment. As a result, the information for the six months ended 31 December 2020 has been restated to reflect the new segments of UK Investment Management, International and Group and other consolidation adjustments, consistent with the current year.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2021

3. Segmental information (continued)

Six months ended 31 Dec 2020 (unaudited)	UK Investment Management £'000	International £'000	Group and consolidation adjustments £'000	Total £'000
Total segment revenue	51,679	7,058	–	58,737
Inter segment revenue	(2,882)	–	–	(2,882)
External revenues	48,797	7,058	–	55,855
Underlying administrative costs	(21,114)	(4,289)	(16,360)	(41,763)
Operating contribution	27,683	2,769	(16,360)	14,092
Allocated costs	(13,160)	(1,468)	14,628	–
Underlying other gains/(losses) – net, finance income and finance costs	(108)	2	20	(86)
Underlying profit/(loss) before tax	14,415	1,303	(1,712)	14,006
Gain on bargain purchase	–	–	4,966	4,966
Acquisition-related costs	(435)	(1,961)	40	(2,356)
Amortisation of client relationship contracts	(343)	(260)	(1,648)	(2,251)
Finance cost of deferred consideration	–	(1)	(158)	(159)
Changes in fair value of deferred consideration	–	–	(60)	(60)
Profit/(loss) mark-up on Group allocated costs	40	(43)	3	–
Profit/(loss) before tax	13,677	(962)	1,431	14,146
Taxation				(2,003)
Profit for the period attributable to equity holders of the Company				12,143

Year ended 30 June 2021 (audited)	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	–
Underlying other gains/(losses) – net, finance income and finance costs	(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 relationship contracts	(1,770)	(992)	(2,166)	(4,928)
Acquisition-related costs	(467)	(2,244)	39	(2,672)
Impairment of client relationship contracts	–	(1,210)	(303)	(1,513)
Dual running costs of operating platform	(1,000)	–	–	(1,000)
Finance cost of deferred consideration	–	(7)	(292)	(299)
Changes in fair value of deferred consideration	–	–	(60)	(60)
Profit/(loss) mark-up on Group allocated costs	143	(147)	4	–
Profit/(loss) before tax	25,811	(78)	(642)	25,091
Taxation				(5,449)
Profit for the period attributable to equity holders of the Company				19,642

4. Revenue

	Six months ended 31 Dec 2021 (unaudited) £'000	Six months ended 31 Dec 2020 (unaudited) £'000	Year ended 30 Jun 2021 (audited) £'000
Portfolio management fees	50,554	46,893	98,006
Fund management fees	8,738	6,629	15,353
Advisory fees	2,469	2,167	4,526
Financial services commission	180	166	321
Total revenue	61,941	55,855	118,206

Portfolio management fees and financial services commission

Portfolio management and other advisory and custody services are billed in arrears but are recognised over the period the service is provided. Fees are calculated on the basis of a percentage of the value of the portfolio over the period. Dealing charges are levied at the time a deal is placed for a client. Fees are only recognised when the fee amount can be estimated reliably and it is probable that the fee will be received. Amounts are shown net of rebates paid to significant investors. Performance fees are earned from some clients when contractually agreed performance levels are exceeded within specified performance measurement periods. They are only recognised, at the end of these performance periods, when a reliable estimate of the fee can be made and is virtually certain that it will be received.

Fund management fees

Amounts due on an annual basis for the management of third-party investment vehicles are recognised on a time apportioned basis. Fees are calculated on the basis of a percentage of the value of the portfolio over the period. Where amounts due are conditional on the successful completion of fundraising for investment vehicles, revenue is recognised where, in the opinion of the Directors, there is reasonable certainty that sufficient funds have been raised to enable the successful operation of that investment vehicle.

Advisory fees

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

a) Geographic analysis

The Group's operations are located in the United Kingdom, Channel Islands and Isle of Man. The Group has recently established operations in the Isle of Man, which has yet to generate revenue for the six months ended 31 December 2021. The following table presents external revenue analysed by the geographical location of the Group entity providing the service.

	Six months ended 31 Dec 2021 (unaudited) £'000	Six months ended 31 Dec 2020 (unaudited) £'000	Year ended 30 Jun 2021 (audited) £'000
United Kingdom	50,884	48,797	99,995
Channel Islands	11,057	7,058	18,211
Total revenue	61,941	55,855	118,206

b) Major clients

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

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2021

5. Other gains/(losses) - net

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

	Six months ended 31 Dec 2021 (unaudited) £'000	Six months ended 31 Dec 2020 (unaudited) £'000	Year ended 30 Jun 2021 (audited) £'000
Gain from changes in fair value of financial assets at fair value through profit or loss (Note 12)	28	42	75
Client relationship contracts impairment (Note 9)	–	–	(1,513)
Loss from changes in fair value of deferred consideration payable (Note 14)	–	(60)	–
Total other gains/(losses) - net	**28**	(18)	(1,438)

6. Taxation

The current tax expense for the six months ended 31 December 2021 was calculated based on the Corporation Tax rate of 19%, applied to the taxable profit for the six months ended 31 December 2021 (six months ended 31 December 2020: 19%; year ended 30 June 2021: 19%).

	Six months ended 31 Dec 2021 (unaudited) £'000	Six months ended 31 Dec 2020 (unaudited) £'000	Year ended 30 Jun 2021 (audited) £'000
UK Corporation Tax	2,816	2,582	5,466
Over provision in prior years	–	–	(127)
Total current taxation	**2,816**	2,582	5,339
Deferred tax credits	(73)	(510)	(6)
Under/(over) provision of deferred tax in prior years	212	(69)	116
Total income tax expense	**2,955**	2,003	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:

Six months ended 31 Dec 2021 (unaudited)	Underlying profit £'000	Underlying profit adjustments £'000	Statutory profit £'000
Profit before taxation	**17,633**	**(4,394)**	**13,239**
Profit multiplied by the standard rate of tax in the UK of 19%	3,350	(835)	2,515
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:			
– Depreciation and amortisation	107	77	184
– Disallowable expenses	171	(15)	156
– Share-based payments	97	–	97
– Overseas tax losses not available for UK tax purposes	(206)	–	(206)
– Under provision of deferred tax in prior years	212	–	212
– Non-taxable income	(3)	–	(3)
Income tax expense	**3,728**	**(773)**	**2,955**
Effective tax rate	**21.1%**	**n/a**	**22.3%**

6. Taxation (continued)

Six months ended 31 Dec 2020 (unaudited)	Underlying profit £'000	Underlying profit adjustments £'000	Statutory profit £'000
Profit before taxation	14,006	140	14,146
Profit multiplied by the standard rate of tax in the UK of 19%	2,661	27	2,688
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:			
– Non-taxable income	(5)	(943)	(948)
– Disallowable expenses	(144)	402	258
– Over provision of deferred tax in prior years	(69)	–	(69)
– Depreciation and amortisation	2	35	37
– Share-based payments	33	–	33
– Overseas tax losses not available for UK tax purposes	4	–	4
Income tax expense	2,482	(479)	2,003
Effective tax rate	17.7%	n/a	14.2%

Year ended 30 Jun 2021 (audited)	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%

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 six months ended 31 December 2021 is 19% (six months ended 31 December 2020: 19%; year ended 30 June 2021: 19%).

On 11 March 2021 it was outlined in the Finance Bill 2021, and substantively enacted having received royal ascent on 24 May 2021 that the UK Corporation Tax rate would increase to 25% from 1 April 2023 and remain at 19% until that date. Deferred tax assets and liabilities are calculated at the rate that is expected to be in force when the temporary differences unwind.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2021

7. Earnings per share

The Board of Directors considers that underlying earnings per share provides an appropriate reflection of the Group's performance in the period. Underlying earnings per share are calculated based on 'underlying earnings', which is defined as earnings before underlying adjustments listed below. The tax effect of these adjustments has also been considered. Underlying earnings is an alternative performance measure ("APM") used by the Group. Refer to page 37 for a glossary of the Group's APMs, their definition and criteria for how underlying adjustments are considered.

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

	Six months ended 31 Dec 2021 (unaudited) £'000	Six months ended 31 Dec 2020 (unaudited) £'000	Year ended 30 Jun 2021 (audited) £'000
Earnings attributable to ordinary shareholders	**10,284**	12,143	19,642
Underlying adjustments			
Amortisation of acquired client relationship contracts (Note 9)	**2,721**	2,251	4,928
Dual running costs of operating platform	**1,589**	–	1,000
Finance cost of deferred consideration (Note 14)	**84**	159	299
Gain on bargain purchase	**–**	(4,966)	(4,966)
Acquisition-related costs	**–**	2,356	2,672
Changes in fair value of deferred consideration (Note 14)	**–**	60	60
Impairment of acquired client relationship contracts (Note 9)	**–**	–	1,513
Tax impact of adjustments (Note 6)	**(773)**	(479)	(760)
Underlying earnings attributable to ordinary shareholders	**13,905**	11,524	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 period. Diluted earnings per share represents the basic earnings per share adjusted for the effect of dilutive potential shares issuable on exercise of employee share options under the Group's share-based payment schemes, weighted for the relevant period. The weighted average number of shares in issue during the six months ended 31 December 2021 were as follows:

	Six months ended 31 Dec 2021 (unaudited) Number of shares	Six months ended 31 Dec 2020[1] (unaudited) Number of shares	Year ended 30 Jun 2021[1] (audited) Number of shares
Weighted average number of shares in issue	**15,691,468**	15,710,199	15,671,672
Effect of dilutive potential shares issuable on exercise of employee share options	**595,775**	374,687	521,547
Diluted weighted average number of shares in issue	**16,287,243**	16,084,886	16,193,219

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 periods have been restated to be consistent with the current period calculation.

For the year ended 31 December 2020, the reported effect of dilutive potential shares was 26,391 and the reported diluted weighted average number of shares in issue was 15,736,590. For the six months ended 31 December 2020, the reported diluted earnings per share on statutory and underlying earnings was 77.2p and 73.2p respectively. 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.

7. Earnings per share (continued)

	Six months ended 31 Dec 2021 (unaudited) p	Six months ended 31 Dec 2020[1] (unaudited) p	Year ended 30 Jun 2021[1] (audited) p
Based on reported earnings:			
Basic earnings per share	**65.5**	77.3	125.3
Diluted earnings per share	**63.1**	75.5	121.3
Based on underlying earnings:			
Basic earnings per share	**88.6**	73.4	155.6
Diluted earnings per share	**85.4**	71.6	150.6

8. Dividends

	Six months ended 31 Dec 2021 (unaudited) £'000	Six months ended 31 Dec 2020 (unaudited) £'000	Year ended 30 Jun 2021 (audited) £'000
Final dividend paid on ordinary shares	**6,252**	4,999	4,999
Interim dividend paid on ordinary shares	**–**	–	3,573
Total dividends	**6,252**	4,999	8,572

An interim dividend of 26.0p (six months ended 31 December 2020: 23.0p) per share was declared by the Board of Directors on 9 March 2022. It will be paid on 14 April 2022 to shareholders who are on the register at the close of business on 18 March 2022. In accordance with IAS 10, this dividend has not been included as a liability in the Condensed consolidated financial statements at 31 December 2021.

A final dividend for the year ended 30 June 2021 of 40.0p (year ended 30 June 2020: 32.0p) per share was paid to shareholders on 5 November 2021.

9. 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	–	1,999	12,227	–	14,226
At 31 December 2020	51,887	12,502	70,011	3,521	137,921
Additions	–	1,062	–	–	1,062
Disposals	–	(2,166)	–	–	(2,166)
At 30 June 2021	51,887	11,398	70,011	3,521	136,817
Additions	–	2,240	–	–	2,240
At 31 December 2021	**51,887**	**13,638**	**70,011**	**3,521**	**139,057**
Accumulated amortisation and impairment					
At 1 July 2020	11,213	5,564	19,593	3,521	39,891
Amortisation charge	–	1,408	2,251	–	3,659
At 31 December 2020	11,213	6,972	21,844	3,521	43,550
Amortisation charge	–	1,346	2,677	–	4,023
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	–	1,175	2,721	–	3,896
At 31 December 2021	**11,213**	**7,327**	**28,755**	**3,521**	**50,816**
Net book value					
At 1 July 2020	40,674	4,939	38,191	–	83,804
At 31 December 2020	40,674	5,530	48,167	–	94,371
At 30 June 2021	40,674	5,246	43,977	–	89,897
At 31 December 2021	**40,674**	**6,311**	**41,256**	**–**	**88,241**

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2021

9. Intangible assets (continued)

a) Goodwill

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

	31 Dec 2021 (unaudited) £'000	31 Dec 2020 (unaudited) £'000	30 Jun 2021 (audited) £'000
Funds			
Braemar Group Limited ("Braemar")	3,320	3,320	3,320
International			
Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited (collectively "International")	21,243	21,243	21,243
Cornelian			
Cornelian Asset Managers Group Limited ("Cornelian")	16,111	16,111	16,111
Total goodwill	40,674	40,674	40,674

At the reporting date there were no indicators that the carrying amount of goodwill in relation to any of the CGUs should be impaired therefore the recoverable amount calculations have not been performed.

b) Computer software

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

c) Acquired client relationship contracts

This asset represents the fair value of future benefits accruing to the Group from acquired client relationship contracts. The amortisation of client relationships is charged to the Condensed consolidated statement of comprehensive income on a straight-line basis over their estimated useful lives (6 to 20 years).

d) Contracts acquired with fund managers

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

10. 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	414	21	142	577
At 31 December 2020	4,358	1,038	2,624	8,020
Additions	20	8	15	43
Disposals	(1,748)	(322)	(697)	(2,767)
At 30 June 2021	2,630	724	1,942	5,296
Additions	95	16	89	200
At 31 December 2021	**2,725**	**740**	**2,031**	**5,496**
Accumulated depreciation				
At 1 July 2020	2,045	641	1,576	4,262
Depreciation charge	180	46	237	463
At 31 December 2020	2,225	687	1,813	4,725
Depreciation charge	296	58	228	582
Depreciation on disposals	(1,748)	(322)	(697)	(2,767)
At 30 June 2021	773	423	1,344	2,540
Depreciation charge	206	50	173	429
At 31 December 2021	**979**	**473**	**1,517**	**2,969**
Net book value				
At 1 July 2020	1,899	376	906	3,181
At 31 December 2020	2,133	351	811	3,295
At 30 June 2021	1,857	301	598	2,756
At 31 December 2021	**1,746**	**267**	**514**	**2,527**

11. Right of use assets

	Cars £'000	Property £'000	Total £'000
Cost			
At 1 July 2020	–	8,491	8,491
Additions	–	414	414
At 31 December 2020	–	8,905	8,905
Additions	–	187	187
At 30 June 2021	–	9,092	9,092
Additions	47	–	47
At 31 December 2021	**47**	**9,092**	**9,139**
Accumulated depreciation			
At 1 July 2020	–	1,500	1,500
Depreciation charge	–	759	759
At 31 December 2020	–	2,259	2,259
Depreciation charge	–	854	854
At 30 June 2021	–	3,113	3,113
Depreciation charge	2	795	797
At 31 December 2021	**2**	**3,908**	**3,910**
Net book value			
At 1 July 2020	–	6,991	6,991
At 30 December 2020	–	6,646	6,646
At 30 June 2021	–	5,979	5,979
At 31 December 2021	**45**	**5,184**	**5,229**

In the six months ended 31 December 2021, 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 13). No new property leases were added.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2021

12. Financial instruments

The analysis of financial assets and liabilities into their categories as defined in IFRS 9 Financial Instruments is set out in the following table.

	31 Dec 2021 (unaudited) £'000	31 Dec 2020 (unaudited) £'000	30 Jun 2021 (audited) £'000
Financial assets			
Financial assets at fair value through profit or loss:			
Investment in regulated OEIC	867	591	624
Investment in recognised funds	–	17	–
Financial assets at fair value through other comprehensive income:			
Unlisted redeemable preference shares	500	500	500
Financial assets at amortised cost:			
Trade and other receivables	29,769	27,525	28,449
Current tax receivables	–	–	32
Cash and cash equivalents	45,715	38,600	54,899
Total financial assets	76,851	67,233	84,504
Financial liabilities			
Financial liabilities at fair value through profit or loss:			
Deferred consideration (Note 14)	321	8,097	6,237
Financial liabilities at amortised cost:			
Trade and other payables	18,031	19,041	27,055
Current tax liabilities	118	118	–
Provisions (Note 15)	2,198	976	2,258
Lease liabilities (Note 13)	5,982	7,517	6,869
Other non-current liabilities	785	560	548
Total financial liabilities	27,435	36,309	42,967

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

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

12. Financial instruments (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
At 1 July 2020	549	–	500	1,049
Additions	4	–	–	4
Net changes in fair value charged to the Condensed consolidated statement of comprehensive income	42	–	–	42
Net changes in fair value charged to the Condensed consolidated statement of financial position	13	–	–	13
At 31 December 2020	608	–	500	1,108
Net gain from changes in fair value	33	–	–	33
Disposal	(17)	–	–	(17)
At 30 June 2021	624	–	500	1,124
Additions	215	–	–	215
Net gain from changes in fair value	28	–	–	28
At 31 December 2021	**867**	**–**	**500**	**1,367**
Comprising:				
Financial assets at fair value through other comprehensive income	–	–	500	500
Financial assets at fair value through profit and loss	867	–	–	867
Total financial assets	**867**	**–**	**500**	**1,367**

At 31 December 2021, the Group held an investment of 500,000 redeemable £1 preference shares in an unlisted company incorporated in the UK. The preference shares carry an entitlement to a fixed preferential dividend at a rate of 4% per annum. Unlisted preference shares are classified as financial assets at fair value through other comprehensive income. They have been valued using a perpetuity income model which is based upon the preference dividend cash flows.

The Group holds 500,000 shares in five of the SVS Cornelian Risk Managed Passive Funds. During the six months ended 31 December 2021, the Group recognised a gain on these investments of £24,000. The Group's holding in the SVS Cornelian Risk Managed Passive Funds at 31 December 2021 was £648,000.

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 six months ended 31 December 2021, the Group recognised a gain on these investments of £4,000. The Group's holding in the Blueprint Multi Asset Fund range at 31 December 2021 was £219,000.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities				
At 1 July 2020	–	–	7,991	7,991
Additions	–	–	308	308
Change in fair value	–	–	60	60
Finance cost of deferred consideration	–	–	159	159
Payments made during the period	–	–	(421)	(421)
At 31 December 2020	–	–	8,097	8,097
Payments made	–	–	(2,000)	(2,000)
Finance cost of deferred consideration	–	–	140	140
At 30 June 2021	–	–	6,237	6,237
Finance cost of deferred consideration	–	–	84	84
Payments made	–	–	(6,000)	(6,000)
At 31 December 2021	**–**	**–**	**321**	**321**
Comprising:				
Deferred consideration (Note 14)	–	–	321	321
Total financial liabilities	**–**	**–**	**321**	**321**

Deferred consideration is recognised at fair value through profit or loss and is valued using the net present value of the expected amounts payable based on management's forecasts and expectations. For more details see Note 14.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2021

13. Lease liabilities

	Cars £'000	Property £'000	Total £'000
At 1 July 2020	–	7,934	7,934
Additions	–	396	396
Payments made against lease liabilities	–	(986)	(986)
Finance cost of lease liabilities	–	173	173
At 31 December 2020	–	7,517	7,517
Additions	–	189	189
Payments made against lease liabilities	–	(999)	(999)
Finance cost of lease liabilities	–	162	162
At 30 June 2021	–	6,869	6,869
Additions	47	–	47
Payments made against lease liabilities	(2)	(1,077)	(1,079)
Finance cost of lease liabilities	–	145	145
At 31 December 2021	**45**	**5,937**	**5,982**
Analysed as:			
Amounts falling due within one year	18	1,419	1,437
Amounts falling due after more than one year	27	4,518	4,545
Total lease liabilities	**45**	**5,937**	**5,982**

In the six months ended 31 December 2021, 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 11) and lease liability measured at present value of the remaining lease payments, discounted using the lessee's estimated incremental borrowing rate.

14. Deferred consideration

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

	Six months ended 31 Dec 2021 (unaudited) £'000	Six months ended 31 Dec 2020 (unaudited) £'000	Year ended 30 Jun 2021 (audited) £'000
At beginning of period	6,237	7,991	7,991
Addition	–	308	308
Finance cost of deferred consideration	84	159	299
Change in fair value	–	60	60
Payments made during the period	(6,000)	(421)	(2,421)
At end of period	**321**	8,097	6,237
Analysed as:			
Amounts falling due within one year	321	7,799	5,934
Amounts falling due after more than one year	–	298	303
At end of period	**321**	8,097	6,237

During the year ended 30 June 2020, the Group acquired Cornelian Asset Managers Group Limited and part of the consideration was deferred over a period of up to two years. Full details of the Cornelian acquisition are disclosed in Note 10 of the 2020 Annual Report and Accounts. The total cash deferred consideration of £8,000,000 was recognised at its fair value of £7,466,000 on acquisition. During the six months ended 31 December 2021, the Group paid the final deferred consideration amount of £6,000,000. Prior to the payment, the Group recognised a finance cost of £78,000.

During the year ended 30 June 2021, the Group acquired Lloyds Channel Islands and part of the consideration was 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 six months ended 31 December 2021, the Group recognised a finance cost of £6,000 on the Lloyds Channel Islands deferred consideration. The fair value of the Lloyds Channel Islands deferred consideration at 31 December 2021 was £321,000, recognised in current liabilities.

Deferred consideration is classified as Level 3 within the fair value hierarchy, as defined in Note 12.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2021

15. Provisions

	Client compensation £'000	Exceptional costs of resolving legacy matters £'000	Regulatory levies £'000	Leasehold dilapidations £'000	Tax-related £'000	Total £'000
At 1 July 2020	38	608	1,501	380	–	2,527
Charged to the Condensed consolidated statement of comprehensive income	208	–	16	23	–	247
Utilised during the period	(169)	(8)	(1,517)	(104)	–	(1,798)
At 31 December 2020	77	600	–	299	–	976
Charged to the Condensed consolidated statement of comprehensive income	139	–	2,202	113	–	2,454
Utilised during the period	(216)	–	(957)	1	–	(1,172)
At 30 June 2021	–	600	1,245	413	–	2,258
Charged to the Condensed consolidated statement of comprehensive income	160	–	–	65	162	387
Reclassified from trade and other payables	–	–	–	–	1,217	1,217
Utilised during the period	(126)	–	(1,145)	(113)	(280)	(1,664)
At 31 December 2021	**34**	**600**	**100**	**365**	**1,099**	**2,198**
Analysed as:						
Amounts falling due within one year	34	600	100	100	1,099	1,933
Amounts falling due after more than one year	–	–	–	265	–	265
Total provisions	**34**	**600**	**100**	**365**	**1,099**	**2,198**

a) Client compensation

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

b) Exceptional costs of resolving legacy matters

Following a review into legacy matters arising from the former Spearpoint business, which was acquired by the Group in 2012, a provision was recognised for costs of resolving these including associated expenses in the years ended 30 June 2017 and 30 June 2018. These matters relate to a number of discretionary portfolios formerly managed by Spearpoint, now managed by Brooks Macdonald Asset Management (International) Limited, and a Dublin-based fund, for which Spearpoint acted as investment manager. During the six months ended 31 December 2021 no further provisions were made (six months ended 31 December 2020: £nil; year ended 30 June 2021: £nil). During the year ended 30 June 2020, a contingent liability was recognised in relation to potential claims related to the legacy matters (Note 20).

c) Regulatory levies

At 31 December 2021 provisions include an amount of £100,000 (at 31 December 2020: £nil; at 30 June 2021: £1,245,000) in respect of expected levies by the Financial Services Compensation Scheme ("FSCS").

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. During the six months ended 31 December 2021, the Group settled dilapidations on the cessation of two leases for £113,000. The non-current leasehold dilapidations provision relate to expected economic outflow at the end of lease terms, with the longest lease term ending in four years from the Condensed consolidated statement of financial position date.

e) Tax-related

During the six months ended 31 December 2021, the Group recognised a new provision in relation to an input VAT review, making a voluntary disclosure to HM Revenue and Customs ("HMRC"), totalling £162,000.

The Group also reclassified other tax-related provisions from trade and other payables, totalling £1,217,000. These amounts were previously voluntarily disclosed to HMRC, however HMRC have yet to respond on the disclosures and it was therefore deemed more appropriate to reclassify the balance as a provision. Additionally, as a result of the HMRC four-year time limitation rules, the Group has reduced the provision by £280,000.

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

	Six months ended 31 Dec 2021 (unaudited) £'000	Six months ended 31 Dec 2020 (unaudited) £'000	Year ended 30 Jun 2021 (audited) £'000
Operating profit before tax	13,452	9,466	20,756
Depreciation of property, plant and equipment	429	463	1,045
Depreciation of right of use assets	797	759	1,614
Amortisation of intangible assets	3,896	3,659	7,682
Other gains/(losses) - net	(28)	18	1,438
Decrease in receivables	(1,320)	(1,408)	(2,333)
(Decrease)/increase in payables	(9,079)	(4,203)	3,765
Decrease in provisions	(60)	(1,550)	(269)
Increase in other non-current liabilities	237	230	218
Share-based payments charge	2,161	1,560	2,991
Net cash inflow from operating activities	**10,485**	8,994	36,907

17. Share capital and share premium

The movements in share capital and share premium during the six months ended 31 December 2021 were as follows:

	Number of shares	Exercise price p	Share capital £'000	Share premium £'000	Total £'000
At 1 July 2020	16,127,102		161	77,982	78,143
Shares issued:					
– on exercise of options	4,134	1,452.0	–	60	60
– to Sharesave scheme	1,700	1,400.0 - 1,738.0	–	29	29
At 31 December 2020	16,132,936		161	78,071	78,232
Shares issued:					
– on exercise of options	3,842	1,629.8 - 2,260.0	–	5	5
– to Sharesave Scheme	44,360	1,400.0 - 2,300.0	–	627	627
At 30 June 2021	16,181,138		161	78,703	78,864
Shares issued:					
– on exercise of options	6,886	2,360.0 - 2,640.0	1	194	195
– to Sharesave scheme	2,517	2,310.0 - 2,740.0	–	34	34
At 31 December 2021	**16,190,541**		**162**	**78,931**	**79,093**

The total number of ordinary shares issued and fully paid at 31 December 2021 was 16,190,541 (at 31 December 2020: 16,132,936: at 30 June 2021: 16,181,138).

There was £1,000 of share capital issued on exercise of options for Sharesave and CSOP Scheme members in the six months ended 31 December 2021 (six months ended 31 December 2020: £nil; year ended 30 June 2021: £nil).

Employee Benefit Trust

The Group established an Employee Benefit Trust ("EBT") on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the Group's Long-Term Incentive Scheme and Long-Term Incentive Plan. At 31 December 2021, the EBT held 534,461 (at 31 December 2020: 548,548; at 30 June 2021: 608,516) 1p ordinary shares in the Company, acquired for a total consideration of £12,300,000 (at 31 December 2020: £9,809,000; at 30 June 2021: £11,000,000) with a market value of £14,270,108 (at 31 December 2020: £9,013,000; at 30 June 2021: £13,908,000). They are classified as treasury shares in the Condensed consolidated statement of financial position, their cost being deducted from retained earnings within shareholders' equity.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2021

18. Equity-settled share-based payments

Share options granted during the six months ended 31 December 2021 under the Group's equity-settled share-based payment schemes were as follows:

	Exercise price p	Fair value p	Number of options
Long Term Incentive Plan	nil	1,795 - 1,922	153,726

No options were granted in respect of the Company's other equity-settled share-based payment schemes during the six months ended 31 December 2021. The charge to the Condensed consolidated statement of comprehensive income for the six months ended 31 December 2021 in respect of all equity settled share-based payment schemes was £2,161,000 (six months ended 31 December 2020: £1,560,000; year ended 30 June 2021: £2,991,000).

19. Related party transactions

There were no related party transactions during the six months ended 31 December 2021 and no balances outstanding at 31 December 2021 owed to or from related parties.

20. Guarantees and contingent liabilities

In the normal course of business, the Group is exposed to certain legal issues which, in the event of a dispute, could develop into litigious proceedings and, in some cases, may result in contingent liabilities. Similarly, a contingent liability may arise in the event of a finding in respect of the Group's tax affairs, including the accounting for VAT, which could result in a financial outflow and/or inflow from the relevant tax authorities.

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

Brooks Macdonald Asset Management Limited, a subsidiary company of the Group, has an agreement with the Royal Bank of Scotland plc to guarantee settlement for trading with CREST stock on behalf of clients. The Group holds client assets to fund such trading activity. Additional levies by the Financial Services Compensation Scheme may give rise to further obligations based on the Group's income in the current or previous years. Nevertheless, the ultimate cost to the Group of these levies remains uncertain and is dependent upon future claims resulting from institutional failures.

During the 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, which were released from the provision. It is possible that one or more of these clients might issue claims against Brooks Macdonald Asset Management (International) Limited, and at 31 December 2021, 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 what might be the quantum or timing of any outflow. As a result, it is not possible to estimate the potential outcome of claims or to assess the quantum of any liability with any certainty at this stage.

21. Principal risks and uncertainties

The principal risks and uncertainties facing the Group are in line with those disclosed and included within the Group's Annual Report and Accounts for the year ended 30 June 2021.

22. Events since the end of the period

No material events have occurred between the reporting date and the date of signing the Condensed 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 excludes 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 and considered appropriate for external analyst coverage and peer group benchmarking.

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 12 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 6 Taxation
Underlying earnings / Underlying profit after tax	Total comprehensive income	Calculated as underlying profit before tax less the underlying tax charge. See Note 7 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 period. This is another key metric assessed by the Board and appropriate for external analyst coverage and peer group benchmarking.
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 period. This is a key management incentive metric and is a measure used within the Group's remuneration schemes. See Note 7 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 period, 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 7 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. This is a key measure used in calculating underlying profit before tax. See page 9 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.

Statement of Directors' responsibilities

The Directors confirm that the Interim Report and Accounts have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the Condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report and Accounts.

The Directors of Brooks Macdonald Group plc are listed on page 40.

By order of the Board of Directors

Ben Thorpe
Chief Financial Officer
9 March 2022

Independent review report to Brooks Macdonald Group plc

for the six months ended 31 December 2021

Report on the Condensed consolidated financial statements

Our conclusion

We have reviewed Brooks Macdonald Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim report and Accounts of Brooks Macdonald Group plc for the 6 month period ended 31 December 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 31 December 2021;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim report and Accounts of Brooks Macdonald Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the AIM Rules for Companies.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim report and Accounts, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim report and Accounts in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

Our responsibility is to express a conclusion on the interim financial statements in the Interim report and Accounts based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim report and Accounts and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
9 March 2022

Further information

Directors

Alan Carruthers	Chairman
Andrew Shepherd	CEO
Ben Thorpe	Chief Financial Officer
Lynsey Cross	Chief Operations Officer
Robert Burgess	Non-Executive Director
Dagmar Kershaw	Non-Executive Director
John Linwood	Non-Executive Director
Richard Price	Non-Executive Director

Financial calendar

Interim results announced	10 March 2022
Ex-dividend date for interim dividend	17 March 2022
Record date for interim dividend	18 March 2022
Payment date of interim dividend	14 April 2022

Company information

Secretary	Phil Naylor
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Glossary

Abbreviation	Definition
AIM	Alternative Investment Market
ANLA	Adjusted Net Liquid Asset
APM	Alternative Performance Measure
ARC	Asset Risk Consultants
B2B	Business-to-Business
BMG, Company	Brooks Macdonald Group plc
BMI	Brooks Macdonald Asset Management (International) Limited
BPS	Bespoke Portfolio Service
Braemar	Braemar Group Limited
CGU	Cash Generating Unit
CIP	Centralised Investment Process
Cornelian	Cornelian Asset Managers Group Limited
CREST	The settlement system used by the London Stock Exchange for settling all its transactions
CSR	Corporate Social Responsibility
DCF	Defensive Capital Fund
EBT	Employee Benefit Trust
EU	European Union
FCA	UK Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
FY21	Year ended 30 June 2021
Group	Brooks Macdonald Group plc and its controlled entities
H1 FY20	Six months ended 31 December 2019
H1 FY21	Six months ended 31 December 2020
H1 FY22	Six months ended 31 December 2021
HMRC	HM Revenue and Customs
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFPRU	The FCA's Prudential Sourcebook for Investment Firms
IFRS	International Financial Reporting Standard
IFRS IC	IFRS Interpretations Committee
International	The Group's trading activities in the Channel Islands
IT	Information Technology
Lloyds Channel Islands	Lloyds Banking Group's Channel Islands wealth management and funds business
M&A	Mergers and acquisitions
MPS	Managed Portfolio Service
OEIC	Open-Ended Investment Company
PMPS	Platform Managed Portfolio Service
RIS	Responsible Investment Service
ROU	Right of use asset
SS&C	SS&C Technologies
UK	United Kingdom
UKIM	UK Investment Management

Cautionary statement

The Interim Report and Accounts for the six months ended 31 December 2021 has been prepared to provide information to shareholders to assess the current position and future potential of the Group. The Interim Report and Accounts contains certain forward-looking statements concerning the Group's financial condition, operations and business opportunities. These forward-looking statements involve risks and uncertainties that could impact the actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which the Group operates and differ materially from the impression created by the forward-looking statements. Any forward-looking statement is made using the best information available to the Directors at the time of their approval of this report. Past performance cannot be relied on as a guide to future performance.

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