BROOKS MACDONALD

Realising **ambitions** Securing **futures**

Annual Report and Accounts
for the year ended 30 June 2020

Our Purpose

"Realising ambitions and securing futures"

We have multiple stakeholders – clients, intermediaries, employees, and shareholders. For all of them, the reason Brooks Macdonald is here – our purpose – is to help them realise their ambitions and secure their futures.

Our Vision

"To be 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. We also have complementary private client and financial planning businesses.

Our Mission

"To protect and enhance our clients' wealth through the provision of investment management and advice underpinned by excellent client service."

Strategy

Our vision for Brooks Macdonald is as the leading investment manager for intermediaries realised through three value drivers:

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

→ Read more on the next stage of our **Strategy** on pages 26 and 27

In this Report

1 Read more on our **full year results** on pages 30 to 39

2 Read more about our response to **COVID-19** on page 16

3 Read more about our **engagement with our stakeholders** on pages 48 to 50

Contents

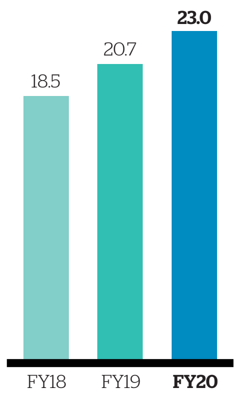
Highlights of the year

Financial highlights[1]

1. Funds under management ("FUM") (£bn)

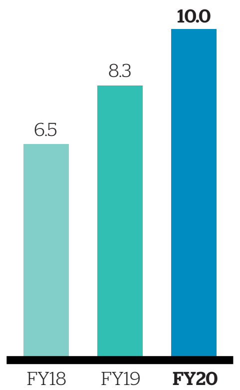
2. Total revenue (£m)

3. Underlying[2] profit before tax (£m)



4. Underlying[2] profit margin before tax (%)

5. Statutory profit before tax from continuing operations (£m)



6. Underlying[2] diluted earnings per share (p)

7. Statutory diluted earnings per share from continuing operations (p)

8. Total dividend per share (p)

1. Comparative figures have been restated to reflect the correct recognition of the Authorised Corporate Director fees and associated costs in respect of one of the Group's managed OEICs and the correct VAT treatment on the fees recognised on the Managed Portfolio Service offered through third party platforms as detailed on page 32 of the Strategic report.
2. The underlying figures represent the results for the Group's continuing activities excluding certain adjusting items as listed on pages 36 and 37 of the Strategic report. These represent an alternative performance measure for the Group. A reconciliation between the Group's statutory and underlying profit before tax is included on page 36.

- Record closing FUM of £13.7bn and record revenue of £108.6m
- Overall investment performance for the financial year to June of 1.0%, well ahead of the MSCI PIMFA Private Investor Balanced Index which declined by 3.5% over the same period
- Underlying profit margin up from 19.6% to 21.2%, reflecting the Group's commitment to increase profit margins in the medium term
- Improved underlying performance in all three segments
- Statutory profit margin before tax from continuing operations up 1.3 points to 9.2% (FY19: 7.9%)
- Total dividend increased by 3.9% to 53.0p (FY19: 51.0p) reflecting the Board's continued confidence in the strength of the underlying business and commitment to a progressive dividend policy, and continuing the Group's record of increasing dividend every year since beginning trading on AIM in 2015

Strategic progress

- Nearing completion of the strategy announced in 2017, to deliver improved returns from a sustainable and scalable business, achieving year-on-year improvements in profit margin:
  - Reinforced the foundations of the business, exiting non-core activities
  - Improved our proposition, launching Responsible Investment and Decumulation services, and invested in our people and infrastructure
  - Increased efficiency and effectiveness, through cost discipline, process improvement and centralisation of client operations
  - Complemented our organic growth strategy by announcing two high-quality acquisitions, both meeting the Group's strict acquisition criteria - strong businesses, good strategic and cultural fit, high levels of EPS accretion
- Been through a period of change, emerging a more robust business ready to capitalise on the significant growth opportunities we see ahead
- Moving to a new stage of our strategy, based on our vision for Brooks Macdonald as the leading investment manager for intermediaries, with best-in-class adviser experience and client service levels, complemented by our robust Centralised Investment Process and compelling investment proposition
- Committed to driving value creation through organic growth, service and operational excellence and further selective high-quality acquisitions
- Strategy enabled by our people and culture, focused on attracting, engaging and retaining the best talent in the industry
- In advanced discussions on a partnership agreement with a leading wealth management technology and services provider to support the transformation of the adviser experience and client service levels

Our investment case

01	Strong fundamental market opportunity, driven by demographic, regulatory and technological changes
02	Strong brand and relationships in adviser channel, positioned to take advantage of increasing demand for outsourcing investment management
03	Clear vision for Brooks Macdonald as the leading investment manager for intermediaries, with complementary businesses of financial planning and private clients
04	Going forward, three value drivers: strong organic growth, service and operational excellence, and selective high-quality acquisitions
05	Robust Centralised Investment Process, driving consistently strong investment returns for clients
06	Compelling investment proposition, differentiated set of specialised BPS products, funds and unitised solutions, and business-to-business investment solutions tailored to adviser
07	Building market-leading adviser experience and client service levels, through partnership with world-class wealth management technology and services provider
08	Strong leadership team with depth of investment management, adviser-facing and client-facing experience, complemented by functional expertise

Our history

In the 29 years since the Group's inception in 1991, funds under management have grown to £13.7 billion and revenues exceed £100m. Following the consolidation of the Group's London offices into a single site at 21 Lombard Street, it now occupies 12 offices across 12 locations in the UK and the Channel Islands.

"We are proud of our history and heritage and now have in place a strong team to drive the business forward."

Alan Carruthers
Chairman

Calendar year

1991 – Brooks Macdonald Gayer & Co Ltd founded

1993 – £250m funds under management

2002 – Name changed to Brooks Macdonald Group ("BMG")

2005 – Lists on the Alternative Investment Market and funds under management reach £500m. Opens an office in Hampshire - first regional office

2006 – Launch of first fund: Brooks Macdonald Structured Growth Fund

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

2009 – BM makes its first acquisition: Lawrence House fund house. BM Mortgage Finance launched

2010 – Named in "The Sunday Times 100 Best (Small) Companies" to work for. Acquisition of Braemar Group

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

2012 – Funds under management exceed £3bn

2013 – Funds under management reach £5bn

2016 – 25 YEAR ANNIVERSARY

2017 – New CEO appointed. Funds under management reach £10bn. Opens Wales office in Cardiff. Launch of new strategy

2018 – Revenues exceed £100m. Launch of Guiding Principles. Opens East Anglia office in Bury St. Edmunds. Launch of Responsible Investment Service. Appointment of new Group Finance Director

2019 – Funds under management exceed £13bn. Appointment of new Chairman. Launch of Decumulation Service. Acquisition of Edinburgh-based Cornelian Asset Managers

2020 – New Group London headquarters at 21 Lombard Street. Moved to remote working swiftly and seamlessly in response to the COVID-19 pandemic outbreak. Announced acquisition of Lloyds Bank International's Channel Islands wealth management and funds business

Strategic report

A comprehensive review of our business and strategy

Contents

"Brooks Macdonald's response to COVID-19 in terms of client communications and education has been outstanding. Pitched perfectly in terms of being digestible and to right level of detail."

Client comment to
Senior Financial Planner based in International

Chairman's statement

Alan Carruthers
Chairman

"Brooks Macdonald has had another strong year enabling the board to increase the dividend year on year."

123.7p

Underlying diluted EPS of 123.7p reflecting an increase on FY19 at 123.5p despite the impact of the additional shares issued in relation to the Cornelian acquisition.

53p

Recommending a total dividend for the year of 53p, an increase of 3.9% on FY19 reaffirming the Board's confidence in the strength of the business.

Introduction

I am pleased to report that, despite the challenging backdrop of continued Brexit uncertainty in the first half of our financial year, and then the COVID-19 pandemic in the second half, Brooks Macdonald has had another strong year. The Group has delivered further improvement in underlying profit and underlying profit margin in line with our medium-term commitments. Strong investment performance in extremely volatile markets and our acquisition of Cornelian Asset Managers resulted in us finishing the year with a new record closing FUM figure of £13.7 billion. This was despite the impact on client sentiment of ongoing macroeconomic uncertainty and outflows of mainly lower margin business as a result of the Group's focus on business quality.

Caroline Connellan and her team have continued their disciplined execution of the Group's strategy with a highlight being the announcement of two acquisitions meeting our strict criteria – first Cornelian in November and then Lloyds Banking Group's Channel Islands wealth management and funds business in June, complementing our organic growth strategy.

Our Centralised Investment Process continues to deliver robust performance particularly through the more recent volatile markets, underpinning our mission to protect and enhance our clients' wealth. Overall investment performance of 1.0% for the financial year to June was well ahead of the MSCI PIMFA Private Investor Balanced Index which declined by 3.5% over the same period.

The Group and our people responded well to the pandemic and the lockdown, moving quickly and smoothly to working remotely, leveraging our flexible working policies and the strong infrastructure we already had in place. Caroline prioritised the wellbeing and safety of our people while ensuring that the Group was able to support advisers and clients in volatile markets, for example increasing the frequency of contact with regular webinars and investment bulletins.

While the pandemic raised challenges, it also creates opportunities for firms willing to be positive in their actions, as with our Lloyds Channel Islands acquisition. Brooks Macdonald emerged from the lockdown a stronger organisation, well placed to take advantage of opportunities as they arise.

Delivering our strategy

We are now nearing completion of the strategy announced in 2017, having done what we said we w ould do and delivered the promised outcomes. We reinforced the foundations of the business, upgrading our risk management and operational framework and strengthening senior management. We increased the value of the business by enhancing what we do and how we do it, delivering the improvement in margin we had committed to. We maintained focus on our clients and advisers, including revamping and launching a series of new offerings, including Court of Protection, Responsible Investment Service and Decumulation.

We drove greater efficiency and effectiveness, particularly with the changes in processes, centralisation of our client operations and headcount reduction announced in January 2019. We used the savings to invest in our talent and capabilities, with a number of key hires and development programmes at leadership and management levels, and in improvements in our digital infrastructure.

We are now moving into a new stage of our strategy, where we look to deliver further improvements in returns, building on the sustainable and scalable business model we are putting in place. Our vision for Brooks Macdonald is as the leading investment manager for intermediaries and we will work with our adviser network – present and future – to ensure we understand what they need from us.

Chairman's statement continued

A core element of our strategy will be to transform our adviser experience and client service levels. We are working with a leading wealth management technology and service company to deliver this transformation and we are close to agreement on a partnership, which will include material upgrade of our investment administration and operations activities.

We will look to create further value for shareholders through continued organic growth, service and operational excellence, and selective high-quality acquisitions. This will be underpinned by actions to further improve our successful Centralised Investment Process, to add to our investment proposition, and to deliver market-leading adviser experience and levels of client service. This will be complemented by a continuing focus on our people and on the culture of the firm, underpinned by our Guiding Principles.

Performance overview

The Group continues to make strong progress – our funds under management increased during the financial year from £13.1 billion to £13.7 billion, an increase of 4.1%. Our revenue growth was 2.7%, bringing the full year total to £108.6 million, a new high for the Group, despite the impact of lower markets at the end of our third quarter driven by the pandemic. We maintained our cost discipline, putting us in a strong position to deal with the uncertain environment. The increase in underlying profit before tax, of 11.1%, is ahead of both FUM and revenue growth, resulting in a figure of £23.0 million (FY19: £20.7 million).

Statutory profit before tax rose 26.6% to £10.0 million (FY19: £7.9 million). Statutory diluted EPS from continuing operations rose 1.2% to 43.1p (FY19: 42.6p), with growth constrained by the issue of 2.1 million ordinary shares in relation to the Cornelian acquisition.

Dividend

The Board has recommended a final dividend of 32.0p (FY19: 32.0p) which, subject to approval by shareholders at the AGM, will result in total dividends for the year of 53.0p (FY19: 51.0p). This represents an increase of 3.9% on the previous year and reaffirms the Board's confidence in the strength of the business even in the context of the COVID-19 pandemic, and our commitment to a progressive dividend policy. The final dividend will be paid on 6 November 2020 to shareholders on the register at the close of business on 25 September 2020.

Board changes

There have been several changes to the Board during the financial year and in the post-close period. Colin Harris had completed 9 years' service and therefore, in line with the UK Corporate Governance Code, did not seek re-election at last year's Annual General Meeting. He left the Board with effect from 31 October 2019. On 1 May 2020, we announced that David Stewart was taking up the role of CEO of LSL Property Services plc and would accordingly leave the Group Board on 31 July 2020. I thank Colin and David for their contributions to the Group.

On 9 June 2020 we announced that Dagmar Kershaw would join the Board with effect from 1 July 2020. On 16 July 2020 we announced the appointment of Robert Burgess effective 1 August 2020. We welcome Dagmar and Robert to the Board.

Governance and regulatory

The Group follows the UK Corporate Governance Code and this is our first full year of reporting against the 2018 Code. We have continued to keep abreast of regulatory change, where the major activity this year was the implementation of the Senior Managers and Certification Regime ("SM&CR") which went live on 9 December 2019. We also continued to embed the changes related to MiFID II and GDPR. The Group maintained high standards of compliance throughout the lockdown period.

Looking ahead

The macroeconomic outlook is highly uncertain in the short term, given the pandemic and the continuing negotiations on our post-Brexit relations with the EU, which will both have an impact on the economy, markets and client sentiment. We are positive that the fundamental opportunity for Brooks Macdonald remains strong, driven by demographic and policy trends as well as increasing adviser demand for outsourced investment management, where we will continue to work to be the partner of choice. The Group continues to have a strong balance sheet and supportive shareholders. I am confident that we will continue to create value for both shareholders and other stakeholders through organic growth, service and operational excellence, alongside selective high quality acquisitions.

Alan Carruthers
Chairman

16 September 2020

CEO's review

Caroline Connellan
CEO

"FY20 was another year of strong performance for Brooks Macdonald delivering increased underlying profit and underlying profit margin despite the unprecedented external conditions."

£13.7bn

FUM reached a new high at £13.7bn driven by robust investment performance and the acquisition of Cornelian.

21.2%

Delivered an increase in underlying profit margin of 1.6 points on prior year in line with our stated commitment.

Introduction

I am delighted with what we have achieved this year ("FY20") in both financial performance and strategy delivery particularly given the backdrop. We have continued to execute our strategy with discipline and rigour, not only taking the actions we said we would, but also achieving the outcomes we promised, including the continuing improvement in our underlying profit margin. In parallel, we delivered robust investment performance, despite volatile markets, protecting our clients' wealth.

These have been unprecedented times with the impact of Brexit and then the COVID-19 pandemic causing widespread disruption and anxiety. Many have been affected by the recent uncertainty and, throughout, our priority has been to support our people and deliver for advisers and clients. When the COVID-19 pandemic led to lockdown, our flexible working approach and adaptable technology setup meant we were able to move to a remote working model seamlessly. We significantly increased our focus on the health and wellbeing of our people, providing reassurance and stability, allowing us to continue to operate successfully for those we serve in this uncertain and ever-changing world.

Given the challenges we have all faced, I would like to thank the advisers we work with and our clients for their continuing support, which we do not take for granted. I also want to thank all the people who work for Brooks Macdonald. What we have achieved over the past year has only been possible because of their continued passion, commitment and hard work - regardless of whether that work was in one of our offices or at home during lockdown. I am hugely grateful for all that they have done and continue to do.

As we move into a new stage of our strategy, I am confident that the actions we have taken over recent times have resulted in a more robust business, and I am excited by the potential for Brooks Macdonald going forward. We have a bold vision for Brooks Macdonald as the leading investment manager for intermediaries, leveraging our strengths and unique position in the market.

Delivering our strategy

Our current strategy was agreed by the Board in November 2017 to deliver improved returns from a sustainable and scalable business. Since then, through each phase, we have done what we said we would do - reinforcing the foundations of the business, improving our proposition for advisers and clients, increasing efficiency and effectiveness, and investing in our people and our infrastructure. We have delivered improving underlying profit and profit margins year-on-year and, in the last 9 months, we have complemented our organic growth strategy with two high-quality, value-enhancing acquisitions.

As we near completion of the strategy we laid out in 2017, what we have delivered has made Brooks Macdonald a more robust business. We have been through a period of change to set the business up for the future and in parallel have delivered strong financial performance. Despite the near-term external headwinds, we are ready to capitalise on the significant growth opportunities we see ahead.

We are now pivoting from a focus on preserving value towards value creation, moving into a new ambitious stage of our strategy. We look forward with confidence, building on what we have delivered over the past three years and leveraging our strengths, with our vision of Brooks Macdonald as the leading investment manager for intermediaries. To enable this, a core element of our strategy, alongside our robust Centralised Investment Process and our compelling investment proposition, is to transform our adviser experience and client service levels to be best in class. Our digital experience for advisers and clients - complementing our face-to-face relationships - will be market-leading, including automated onboarding, full adviser and client portal functionality, and bespoke reporting. We are working with a leading wealth management technology and services company to deliver this transformation and we are close to agreement on a partnership to materially upgrade our operations activities.

CEO's review continued

Continuing the trajectory of the improving financial results we have delivered over the last three years, we will aim for top quartile underlying profit margin in the medium term. We are committed to driving value creation through a return to organic growth, market-leading service and operational excellence, and further selective high-quality acquisitions.

Financial performance

FY20 was another year of strong financial performance for Brooks Macdonald. We increased our underlying profit margin, up 1.6 points to 21.2% (FY19: 19.6%), in line with our commitment. We also delivered record revenue and underlying profit levels of £108.6 million and £23.0 million respectively (FY19: £105.7 million and £20.7 million respectively).

Our year-end closing FUM reached a new high, up 4.1% to £13.7 billion (FY19: £13.1 billion), driven by £1.2 billion from the acquisition of Cornelian Asset Managers and £0.1 billion in investment performance which was partially offset by £0.8 billion of net outflows, related to the Group's focus on business quality and the proactive actions we took to position the business for future success.

Revenue grew by 2.7% to £108.6 million (FY19: £105.7 million), and underlying profit before tax by 11.1% to £23.0 million (FY19: £20.7 million). Statutory profit before tax was also up strongly, increasing 26.6% from £7.9 million to £10.0 million. A full reconciliation of underlying and statutory profit is given on page 36.

We also announced two high-quality and value-enhancing acquisitions – Cornelian, announced in November and completed in February, and the Channel Islands wealth management and funds business of Lloyds Banking Group, which we announced in June and expect to complete before the end of the calendar year.

Despite the challenging headwinds and reflecting the strength of the Group today, we took a "protect to thrive" approach through COVID-19 making the health and wellbeing of our people our first priority, while providing reassurance to our advisers and clients (see Our response to COVID-19 on page 16) and continuing to deliver against our strategic priorities. Our approach has allowed us to operate successfully and we are emerging as a stronger organisation, excited and optimistic about what the future holds.

Investment performance and market conditions

Our investment performance through FY20 was strong, at 1.0% compared to a decline of 3.5% in the MSCI PIMFA Private Investor Balanced Index. This maintained our position of being ahead of ARC benchmarks for almost all risk profiles over 1, 3, 5 and 10 years.

Investment performance in FY20 was all the more creditable given the exceptionally difficult markets, with Brexit uncertainty in the first half being replaced by the COVID-19 pandemic in the second.

This has further demonstrated the value of active investment management in protecting our clients' wealth in difficult times.

During the first half of the financial year markets were broadly constructive but with bouts of instability around Brexit deadlines, Sino-US relations and a German manufacturing slump.

This environment was disrupted by the rise of COVID-19 which led to widespread volatility in financial markets and the economy. After the March lows, the rebound in equities has been driven by three factors: the relative attraction of equities versus the low yields of safe haven assets, investors looking ahead to greener economic pastures and ultra-accommodative global monetary and fiscal policy which is expected to supercharge the recovery.

Both anecdotally via investor surveys, and looking at money market fund AUM, there is significant investor cash still on the sidelines and we believe the desire to achieve a positive real yield will drive reallocations into equities helping to support valuations.

Review of business performance

Robin Eggar took over as sole Head of UK Investment Management ("UKIM"), our largest and most profitable business, in January 2020. He and his team have continued to deliver for advisers and clients across the UK, supporting an increase in underlying profit. The enhancements we have made in our offering have delivered positive organic flows in our specialised Bespoke Portfolio Service ("BPS") variants – Court of Protection, Responsible Investment Service, and Decumulation – and in our Managed Portfolio Service ("MPS"), particularly our relaunched Platform MPS, as well as initial traction in our business-to-business BM Investment Solutions offering. Overall, we saw good momentum in inflows, growing through the last three quarters of the year, with full year inflows holding up well, at over 90% of FY19 levels.

This achievement was despite a weakening in net flows in BPS and Funds which were affected by the impact on client sentiment of ongoing macroeconomic uncertainty and outflows of mainly lower margin business as a result of the Group's focus on business quality and actions taken to position the business for future success. As examples, during the year we moved our office from York to Leeds, to access a larger group of advisers and greater pools of wealth, and the Group's investment management agreement for the Grosvenor Consulting funds was terminated.

The mandate came to an end when we were unable to reach a satisfactory commercial arrangement with Grosvenor for the purchase of the sponsorship company attached to the funds. This accounted for £244 million of FUM corresponding to annualised revenues of circa £0.6 million.

Andrew Shepherd continued to lead the reinvigoration of our International business, evidenced by improving commercial performance, and reinforced by the announcement in June of the acquisition of Lloyds Banking Group's Channel Islands wealth management and funds business. In FY20, robust investment performance did not fully offset improving albeit slightly negative net flows, resulting in an overall FUM decline of 1.6%. International improved its underlying profit margin to 18.7% and the team has a clear plan to bring margins to UKIM levels in the medium term, with progress toward that target accelerated by the Lloyds transaction.

Financial Planning, our in-house Independent Financial Adviser, made good progress in its restructuring under the leadership of Adrian Keane-Munday. In FY20, he and his team succeeded in materially reducing its underlying loss margin and they continue to see a positive client response to the changes they are making.

Client need and demand for financial advice and high-quality investment management remains strong, driven by underlying demographics and increasing policy onus on the individual to save for retirement. We continue to see a strong opportunity both to build relationships with more advisers and to extend our relationships with our current advisers, thereby returning over time to strong organic net flows. Our confidence in the opportunity is based both on feedback from the advisers in our network and from broader survey data which show more advisers planning to outsource and those who already do, planning to outsource more.

People

We have continued to invest in our people throughout the year, supporting the talent we have in the business and bringing in new high-quality hires. We aim to attract and retain the best talent in the industry and, over the year, we have taken on key hires across our adviser and client facing teams and built further functional capability. We have continued to hire through lockdown with over 30 hires joining us since March. Notably, Lynsey Cross, formerly COO of Amtrust International and CEO of specialist insurer ANV Group before that, was fully onboarded to the Group remotely as Chief Operating Officer, effective 1 May 2020.

CEO's review continued

While we are always looking for individuals who complement our current skills, today we have a full and talented team in place to deliver our strategy. The teams across our business represent a powerful mix of those with long-standing Brooks Macdonald experience and those who have joined us more recently, with fresh ideas and different expertise.

We communicate frequently with our people and also gather their feedback through town halls, more informal sessions and Group-wide employee engagement surveys. It is pleasing to see that the focus we have put on our people agenda has led to a significant increase in engagement metrics over the year. As a result, we are emerging from lockdown with stronger engagement, creating a stronger organisation, better able to capture the opportunities ahead.

Outlook

We have executed our strategy with discipline over the past three years, and Brooks Macdonald is now a more robust business for it, ambitious for the future. I am excited by our bold vision for the company as the leading investment manager for intermediaries. We are uniquely positioned with our focus on advisers and trustees, and we will leverage our strengths in this area. We will build on our success to date - driving organic growth, ensuring service and operational excellence, particularly through our planned partnership to transform the adviser experience and client service levels, and seeking selective high-quality acquisitions. We will also continue to deliver strong financial performance with improving margins.

The fundamental potential for Brooks Macdonald remains strong, despite the short-term headwinds and impact on client sentiment from both the pandemic and renewed Brexit uncertainty. The disruption caused by COVID-19 has reinforced the importance of high-quality financial advice and investment management and we are well positioned to help clients, and advisers, realise their ambitions and secure their futures. The disruption has created a window of opportunity for bold strategic moves, we have a strong team and are well positioned for the future.

I would like to finish by reiterating my thanks to the advisers we work with and our clients for their continuing support, as well as to our people. It has been a year of many challenges, but also many positives, and we are emerging stronger from lockdown. I look forward with confidence to what we can achieve together.

Caroline Connellan
CEO

16 September 2020

Our response to COVID-19

Since mid-March, the COVID-19 pandemic has caused widespread disruption. Our response was to adopt a "protect to thrive" approach, making the health and wellbeing of our people our first priority, while reassuring advisers and clients. This enabled us to move seamlessly to remote working and to continue to deliver for our advisers and clients in volatile markets. We stepped up our support with more frequent contact, particularly aimed at advisers, including daily investment bulletins and regular webinars on thematic topics relevant to investing in such an unprecedented economic environment. We continued active management of client portfolios and again delivered robust investment performance, protecting our clients' wealth.

Our "protect to thrive" approach included a commitment during lockdown of no redundancies and no furlough. We had frequent communication with our people including regular wellbeing "pulse" surveys to track how they were feeling, which allowed us to understand what was important to them, and respond to their needs and concerns, getting positive feedback. Our pre-existing flexible working approach and robust technology support for working outside the office meant we had comprehensive homeworking capabilities from day one of lockdown. Throughout the pandemic we have worked as close to normal as possible.

Alongside the challenges, the pandemic has also created opportunities. We have been able to move to a different approach to engage with advisers and clients - more virtual and more frequent - which has worked well. We have fast-tracked a number of process improvements and reduced our reliance on paper with increasing use of digital. Looking forward, we believe the disruption caused by the pandemic is creating opportunities for players willing to do things differently.

Since the financial year end, we have started reopening our offices reflecting our desire, as a relationship business, to start bringing our people together again and, in time, to meet face to face with advisers and clients. We have worked hard to ensure our workplaces are safe and are encouraging our teams, where appropriate, to start returning to the office while still benefiting from the flexibility of home working. Enabling a balance of office and home working allows us to move forward in a way that is right for our people, to perform as a business, and to play our part in helping the economy to recover.

"Our vision for Brooks Macdonald is as the leading investment manager for intermediaries, driving organic growth, achieving service and operational excellence and conducting selective high-quality acquisitions."

Caroline Connellan
CEO

Our business model

Over the nearly 30 years of Brooks Macdonald's existence, our business model has successfully supported our mission to protect and enhance our clients' wealth through the provision of investment management and advice alongside exceptional client service.

We have delivered consistent robust investment performance through our Centralised Investment Process and exceptional client service through the client-centric, "can-do" attitude of the people we recruit.

Our key resources

Expertise
We have deep expertise in investment management and financial planning, built up over nearly 30 years. We apply that expertise through our investment processes, in how we work with advisers, and in our interactions with clients to ensure that each portfolio is managed correctly to meet the client's risk profile and requirements.

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

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

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

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

We work with financial advisers...

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

We also work directly with private clients...

- Some clients approach us directly, or they are introduced by a professional other than a financial adviser - e.g. a solicitor or an accountant
- In that case we determine whether any of the firm's services are suitable for the client and, if so, we will provide investment advice
- Then we make a proposal to the client and, if they agree, manage their portfolio with the same investment rigour

And we provide financial advice...

- Our Financial Planning business provides independent financial advice
- In some instances, this is a one-off piece of advice for a specific issue that the client has
- On other occasions, the client has longer-term needs, in which case we will continue providing financial advice, and we may help them choose a discretionary fund manager on a "whole of market" basis

What we offer

We provide services to support our professional adviser partners in the delivery of service to their clients.

We provide a range of services to:

- Private clients - i.e. individuals and families
- Trustees
- Pension funds

We offer bespoke services to those clients who will benefit, delivering outcomes customised to the client's specific circumstances and requirements, and more modular offerings to those clients with more standard requirements, thereby ensuring that our charges to clients are in line with the benefit they receive.

How we do it

We have a Centralised Investment Process and governance of product development, with our services delivered through a network of 12 offices across the UK and the Channel Islands.

- Our Centralised Investment Process helps ensure both consistency of outcome for clients with similar requirements and economies of scale for the business
- We use our knowledge of our clients to drive innovation, delivering products and services that meet their evolving needs
- Our investment management businesses work closely with professional advisers both internally and externally
- Our network of offices puts us close to our clients, with the geographic reach to build strong relationships with clients and advisers alike

What this means for our stakeholders

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

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

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

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

"I would like to thank the advisers we work with and our clients for their continuing support."

Caroline Connellan
CEO

Our services

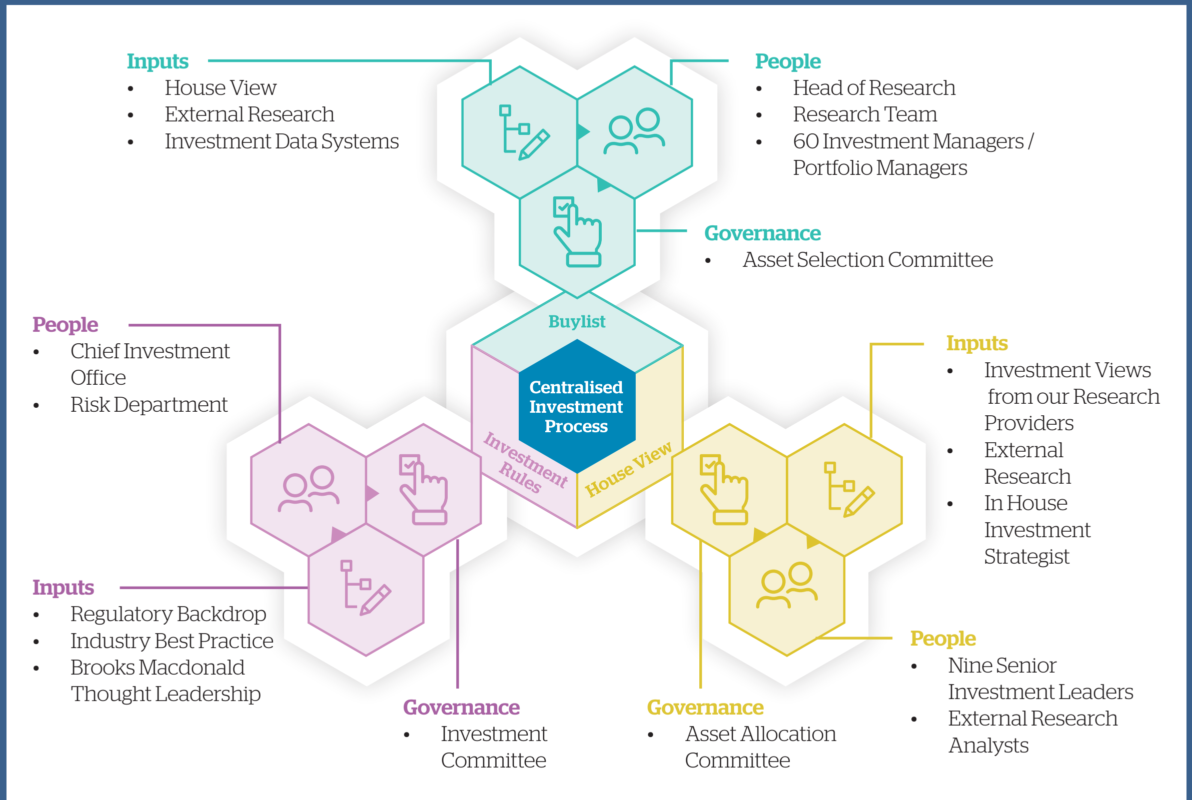
Centralised Investment Process

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

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

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

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



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

Asset Allocation

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

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

Asset Selection

Once the Asset Allocation Committee has set the house view, it is passed to our sector research teams. All our investment managers and research analysts have the opportunity to involve themselves in sector research and they form the core of the sector research teams. With oversight and peer review from our Asset Selection Committee, the ideas generated by the sector teams drive the buylist. The end result is a substantial buylist of researched assets for investment managers to use when constructing portfolios.

Investment Rules

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

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

Our services continued

We provide our services through three core businesses:

UK Investment Management (including Funds)

Providing discretionary fund management services and open-ended investment company products to clients and their introducers as well as other discretionary managers across the UK.

International

Providing discretionary fund management and wealth management advice services to clients and their introducers across Europe, South Africa and the UAE from offices in Jersey and Guernsey.

Financial Planning

Providing wealth management advice services to UK clients from the London office.

1 UK Investment Management (FUM at 30 June 2020: £12.1bn)

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

Bespoke Portfolio Service

The Bespoke Portfolio Service ("BPS") is the Group's flagship offering, designed for clients who want an individual investment portfolio constructed to meet their specific requirements. The investment manager maintains a detailed knowledge of the client's investment requirements, allowing the manager to construct focused portfolios supporting the delivery of risk-adjusted investment returns appropriate to the client's investment objectives. The range of investments includes unit trusts, open-ended investment companies, exchange-traded funds, investment trusts and cash, as well as individual equity and bond securities. Investment managers for BPS follow the core asset allocation and asset selection recommendations of the Group-wide Centralised Investment Process ("CIP").

Within BPS, in addition to our core BPS, we offer three specialised services aimed at clients with distinct sets of needs:

- **Responsible Investment Service**, designed for clients with the dual objective of responsible investment and return generation in line with defined risk profiles. The service is available both through BPS and our Managed Portfolio Service ("MPS"). We offer two distinct Responsible Investment strategies: Avoid and Advance. The values based objective of the Avoid strategy is to prevent exposure to companies involved in the production of armaments, tobacco, alcohol, gambling and pornography, while for the Advance strategy the objective is to invest in, and advance, businesses that either specifically seek to provide solutions to sustainability issues, or businesses that have strong corporate policies and outputs relating to environmental, social and governance ("ESG") criteria.
- **Decumulation service**, a bespoke approach, designed to help meet clients' income requirements over their retirement by aiming to shield the portfolio from downturns in the early years of withdrawals. Its structure is specifically adapted to address short-term sequencing risk, while retaining the ability for longer-term assets to contend with inflation risk.
- **Court of Protection service**, aimed at clients in that particular sub-segment and vulnerable clients more broadly.

AIM Portfolio Service

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

Managed Portfolio Service

The Managed Portfolio Service provides a choice of investment into a range of risk-managed model portfolios, each investing across a different mix of asset classes. Each model portfolio is designed to achieve specific investment objectives within a specific risk profile. MPS portfolios are managed by a dedicated team of investment managers in accordance with the CIP.

Fund Portfolio Service

The Fund Portfolio Service ("FPS") is used where the adviser decides it is suitable to invest the client's portfolio in one of our multi-asset funds, typically where the needs and risk profiling are not complex and/or the portfolio is small.

Multi-Asset Funds

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

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

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

BM Investment Solutions

The Group designs investment propositions for advisers and intermediaries who are looking for investment solutions meeting specific investment objectives for their clients. These are delivered via an open-ended fund solution or an investment platform, in fund or model portfolio form.

Defensive Capital Fund

The Group also provides investment management services to the Defensive Capital Fund ("DCF"), a long-only multi-asset fund sitting in the IA Absolute Return sector, which had FUM of £617 million at 30 June 2020.

2 International (FUM at 30 June 2020: £1.6bn)

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

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

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

3 Financial Planning

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

Marketplace

Short-term trends

Impact of COVID-19

Market conditions
The pandemic led to a sharp decline in the UK stock market in March. It also caused the sharpest GDP fall since records began although there are now some signs of recovery. The eventual impact on the economy remains uncertain and highly dependent on the success of the fight against the virus.

Our response
The firm was able to move seamlessly into remote working in lockdown with a strong focus on the wellbeing of our staff who were then able to respond to support advisers and clients in the volatile markets caused by the pandemic. Alongside the challenges, the pandemic has created opportunities to trial different – more virtual and more frequent – approaches to contact with advisers and clients. At a strategic level, we believe that the disruption caused by the pandemic will create opportunities for players willing to be bold in their actions.

UK economy

Market conditions
Excluding COVID-19, the biggest short-term threat to the UK economy remains Brexit-related uncertainty with the arrangements for trading with the EU from January 2021 still unclear. Conversely, the economy and the market look likely to benefit from the promised infrastructure spending.

Our response
The Group's clients are almost without exception based outside the EU27 so the impact of Brexit will be felt through its potentially material impact on the broader economy rather a direct effect on how we do business.

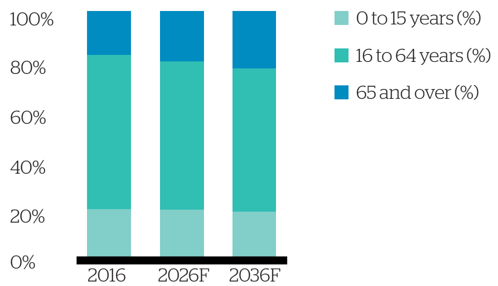
Long-term trends

Demographic changes

Market conditions
The UK population continues to age with the proportion of people over 65 growing steadily. In parallel, the policy framework around retirement is increasingly favourable for the wealth management industry with people increasingly encouraged to make their own provision for retirement and pension freedoms adding to the need for advice.

Our response
BM continues to work with advisers to support people in their retirement planning and preparation, reflecting the fact that retirement is the biggest trigger point for people to seek financial advice. Our decumulation service is aimed at people in the early years of retirement balancing the need for income with the need to stay invested to protect their future wealth.

Age distribution of the UK population



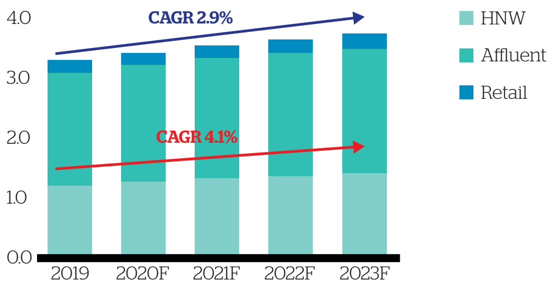
Source: Office of National Statistics

Growth in wealth

Market conditions
The total wealth of the UK population is projected to continue to grow, and within that the affluent and HNW (High Net Worth) sector which we target are seeing their wealth grow more quickly. COVID-19 is likely to disrupt this in the short term but we do not expect the trend to change in the medium term. Over 70% of the wealth of the population is held by those aged 55 and over.

Our response
We work with advisers to serve the wealth management needs of these sectors. We are also looking to improve our support to advisers around intergenerational wealth transfer.

UK investible assets by wealth band



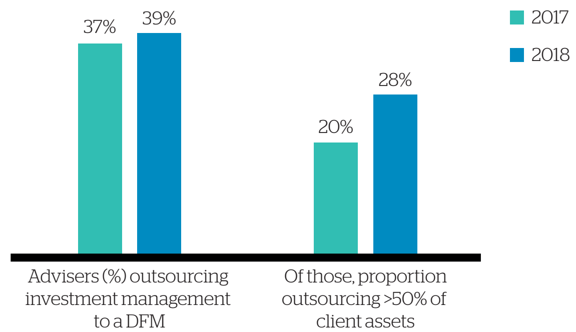
Source: GlobalData

Advisers increasingly outsourcing

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

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

Adviser use of outsourced DFMs



Source: GlobalData

Regulatory

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

Our response
We welcome the general direction of regulation. We are committed to ensure we are serving advisers and clients appropriately and professionally.

Digital technology

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

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

What this means for Brooks Macdonald

- The fundamental opportunity for Brooks Macdonald remains strong.
- Our core investment management and financial planning offering is well positioned to capture the opportunity.
- We are adapting our offering both to meet short-term challenges in the marketplace and to cater to advisers' and clients' changing needs, with a strong set of specialised BPS products, further development of funds and unitised solutions tailored to the adviser, and consistent business-to-business investment solutions delivery.
- Technological change will continue to raise clients' expectations of how we interact with them and our planned technology and services partnership is designed to ensure that Brooks Macdonald is easy to do business with, and that we provide market-leading adviser experience and client services levels.

Competitive landscape

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

The industry is highly fragmented and we have seen considerable consolidation in recent years, among both IFAs and investment managers, where the most notable deal is the merger of Tilney with Smith & Williamson. We expect to see consolidation continue and potentially accelerate as we move beyond the initial disruption of the pandemic.

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

Our strategy

We are nearing completion of the strategy we announced in 2017. We have done what we said we would do, and delivered the promised outcomes. Now we are moving into a new stage of our strategy, pivoting from value preservation to value creation.

We have done what we said we would do

We reinforced the foundations of the business and took immediate actions to improve profit margins. We exited non-core businesses and upgraded our risk and operational management framework. We strengthened the senior management, both by developing and promoting internal talent and by bringing in key hires, particularly in the functional and back office areas to complement the existing adviser- and client-facing expertise. We tightened cost discipline and launched a comprehensive people strategy aimed at attracting and retaining the best people in industry.

We maintained and strengthened the business's focus on our clients and advisers, with propositions like our new Decumulation and Responsible Investment Service and our revamped Court of Protection offering.

We also started considering selective, high-quality acquisitions to complement our organic growth. We established strict criteria for acquisitions – quality businesses, good strategic and cultural fit, and compelling economics – and announced two excellent deals meeting these criteria. We announced the acquisition of Cornelian Asset Managers, the Edinburgh-based investment manager, in November and completed the acquisition in February. Integration is now largely complete. Then in June we announced the acquisition of Lloyds Banking Group's Channel Islands wealth management and funds business, supporting the reinvigoration of our International business.

Objectives of Phase 2 of 2017 strategy	Progress in FY20
Maintaining focus on clients and advisers	• Through the pandemic and the lockdown, continued to deliver for our advisers and clients. Stepped up the frequency of support contact, from daily investment briefings to regular webinars covering important investment topics • Increased focus on providing Investment Solutions for advisers who are looking for solutions tailored to their needs and preferences. Appointed an Investment Solutions Director to lead the effort
Efficiency and effectiveness, easier to do business with	• Continued improving client and investment administration and operations processes, new centralised Client Operations team • Implemented new client portal, myBM
Targeted investment	• Invested in technology upgrades, e.g. cyber security • Rolled out infrastructure and staff support, which enabled remote working to work smoothly • Funded two acquisitions in the year with support of shareholders • Invested in people, both through development of our existing talent and bringing in selective high-quality hires

Looking forward

Our vision for Brooks Macdonald is as the leading investment manager for intermediaries. A core element of that will be to transform our adviser experience and client service levels. As part of this, the digital experience delivered for advisers and clients – complementing our face-to-face relationships – will be market-leading with, for example, automated onboarding, full adviser and client portal functionality, and bespoke reporting. We are working with a leading wealth management technology and service company to deliver this transformation and we are close to agreement on a partnership to materially upgrade our operations activities.

In parallel, we will maintain and enhance our robust Centralised Investment Process, delivering consistent strong investment returns for clients. We will continue to seek new opportunities for growth, looking to grow FUM organically with new segments and partnerships, further adding to our compelling overall investment proposition. We have added specialised products to our Bespoke Portfolio Service and we are broadening and deepening our offering in model portfolios, funds and unitised solutions, and in our business-to-business Investment Solutions offering, where we tailor our products and services to the needs and requirements of advisers.

Our go-forward value creation strategy has been approved by the Board, and is based on the three value drivers of strong organic growth, driving towards service and operational excellence, and selective high-quality acquisitions. We will deliver further improvements in returns, building on the sustainable and scalable business model we are putting in place.

Organic growth

- Maintain and enhance our Centralised Investment Process, delivering consistent investment returns for clients
- Continue to add to our compelling investment proposition in specialised bespoke portfolios, model portfolios and fund/unitised solutions, and in business-to-business solutions for advisers, all supported by a high-impact Take To Market strategy
- Deliver market-leading adviser experience and client service levels, through our planned partnership with a world-class wealth management technology and service company, and related improvements

Service and operational excellence

- Continue high levels of cost discipline, freeing up investment into service differentiators
- Complete roll-out of new client administration processes
- Benefit from efficiencies of new technology and services partnership

Selective high-quality acquisitions

- Criteria are high-quality businesses, good strategic and cultural fit, compelling economics
- Leverage the scalability of the platform we are putting in place

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

Key performance indicators

The following financial and strategic measures have been identified as the key performance indicators ("KPIs") of the Group's overall performance for the financial year. Comparative figures have been restated in respect of the adjustments noted on page 32 in order to provide a more appropriate year-on-year comparison.

1) FUM and revenue

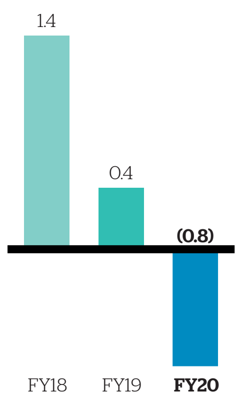
Funds under management (£bn)

↑ 4.1%

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

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

Organic net fund flows (£bn)



↓ (£1.2bn)

Definition
Value of net organic discretionary flows.

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

Revenue (£m)

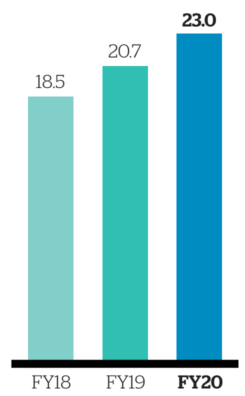
↑ 2.7%

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

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

2) Underlying performance

Underlying profit before tax (£m)



↑ 11.1%

Definition
Revenue less underlying costs before tax.

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

Underlying profit margin before tax (%)

↑ 1.6pts

Definition
Underlying profit before tax as a percentage of revenue.

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

Underlying diluted earnings per share (p)

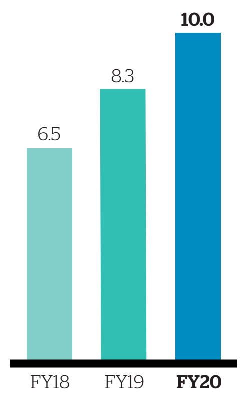
↑ 0.2%

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

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

3) Shareholder return and financial position strength

Statutory profit from continuing operations before tax (£m)



↑ 20.5%

Definition
Revenue less total costs from continuing operations before tax.

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

Statutory diluted earnings per share from continuing operations (p)

↑ 1.2%

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

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

Total dividend per share (p)

↑ 3.9%

Definition
Total dividend per share paid out to shareholders.

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

Total capital ratio (%)

↑ 2.6pts

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

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

Financial review

Ben Thorpe
Group Finance
Director

> "The Group had a strong year, delivering both record revenue and underlying profit due to strong cost discipline and the successful acquisition and integration of Cornelian."

£108.6m

Total revenue reached a new record for the Group of £108.6m, up 2.7% on FY19 including the contribution from the acquired Cornelian business.

£23.0m

An increase of 11.1% in underlying profit before tax on the prior year driven by growth in FUM, revenue and continued cost discipline.

Review of results for the year

The Group had a strong year, delivering record income and underlying profit against the backdrop of political and macroeconomic uncertainty pre-Christmas, which was then further exacerbated by the market disruption caused by the outbreak of the COVID-19 pandemic. Our disciplined approach to the management of the firm's financial resources means we entered the crisis well placed and the payment of the interim dividend in April 2020, reaffirmed the resilience of our business model and our confidence in the future opportunity. This disciplined management, combined with the successful acquisition and integration of Cornelian have led to the delivery of both record profits and an improved underlying profit margin, which increased from 19.6% to 21.2%.

The table below shows the Group's financial performance for the year ended 30 June 2020 with comparative periods and provides a reconciliation between the underlying results, which the Board considers to be a more appropriate reflection of the Group's performance, and the statutory results. A breakdown of the underlying adjustments is shown on page 36.

Group financial results summary

	FY20 £m	FY19 restated £m	Change %
Revenue	108.6	105.7	2.7
Fixed staff costs	(39.8)	(37.1)	7.3
Variable staff costs	(10.8)	(15.5)	(30.3)
Total staff costs	(50.6)	(52.6)	(3.8)
FSCS levy	(2.2)	(1.2)	83.3
Non-staff costs	(32.8)	(31.2)	5.1
Total non-staff costs	(35.0)	(32.4)	8.0
Total underlying costs	(85.6)	(85.0)	0.7
Underlying profit before tax	23.0	20.7	11.1
Underlying adjustments	(13.0)	(12.4)	4.8
Statutory profit before tax from continuing operations	10.0	8.3	20.5
Loss from discontinued operations	–	(0.4)	(100.0)
Statutory profit before tax	10.0	7.9	26.6
Taxation	(3.6)	(2.4)	50.0
Statutory profit after tax	6.4	5.5	16.4
Underlying profit margin before tax	21.2%	19.6%	1.6ppt
Underlying diluted earnings per share	123.7p	123.5p	0.2
Statutory profit margin before tax from continuing operations	9.2%	7.9%	1.3ppt
Statutory profit margin before tax	9.2%	7.5%	1.7ppt
Statutory diluted earnings per share from continuing operations	43.1p	42.6p	1.2
Dividends per share	53.0p	51.0p	3.9

Financial review continued

Restatement of comparative figures

The Group's results for FY19 have been restated in respect of the following two matters which have come to light during the finalisation of the Group's results for the year ended 30 June 2020 which have been reflected in the Consolidated financial statements. These are explained in brief below and further details provided in Note 4 to the Consolidated financial statements.

ACD fees and associated costs

FY19 figures have been restated in respect of the recognition of the Authorised Corporate Director ("ACD") fees and associated costs for one of the regulated OEICs managed by the Group. In prior years these were recognised on a grossed-up basis in revenue and non-staff costs respectively. During FY20, the accounting was corrected to only recognise the investment management fees due to the Group from the ACD under the Investment Management Agreements. This adjustment has no impact on the underlying and statutory profits before tax.

VAT on Platform MPS

The Group has been undergoing a review of its Managed Portfolio Service ("MPS"), with a view to seeking a ruling from HMRC that MPS is not subject to VAT. When conducting this review, it was noted that the fees received on MPS offered through third party platforms (Platform MPS) were in part not being correctly accounted for and historically treated as exempt from VAT. As a result, income derived from this service was overstated, the VAT liability arising on the fees collected was understated and consequently the Group has under-recovered its entitlement to input VAT credit. Since previously reported revenue from Platform MPS was overstated, it was concluded that the error required correction in the Consolidated financial statements. Accordingly, the Group recognised a prior year adjustment of £0.4 million in respect of FY17 and FY18 and restated the results for FY19 by £0.3 million.

Revenue

The Group's total revenue for FY20 increased by 2.7% to £108.6 million (Restated FY19: £105.7 million). This was driven by higher average FUM levels, particularly in H1 and the contribution from the Cornelian activities during the latter four months of the year (£3.1 million). FUM related revenue increased by 2.4% in line with the increase in average FUM on the quarterly billing dates. The overall yield remained stable at 79.2bps. Non-FUM related revenue increased by 8.1% to £6.7 million (FY19 £6.2 million) due to higher levels of third-party administration fees.

Revenue, yields and average FUM

	Revenue			Yield			Average FUM		
	FY20 £m	FY19 £m	Change %	FY20 bps	FY19 bps	Change %	FY20 £m	FY19 £m	Change %
BPS fees	53.2	53.0	0.4	67.9	67.5	0.6			
BPS non-fees	18.8	18.3	2.7	24.1	23.4	3.0			
Total BPS	72.0	71.3	1.0	92.0	90.9	1.2	7,830	7,847	(0.2)
MPS	8.0	7.8	2.6	46.8	48.9	(4.3)	1,709	1,596	7.1
UKIM discretionary	80.0	79.1	1.1	83.9	83.8	0.1	9,539	9,443	1.0
Funds	6.4	6.9	(7.2)	47.7	45.0	6.0	1,341	1,534	(12.6)
Total UKIM excluding Cornelian	86.4	86.0	0.5	79.4	78.3	1.4	10,880	10,977	(0.9)
Cornelian[1]	3.1	–	–	73.8	–	–	420	–	–
Total UKIM including Cornelian	89.5	86.0	4.1	79.2	78.3	1.1	11,300	10,977	2.9
International	12.4	13.5	(8.1)	79.0	85.0	(7.1)	1,569	1,589	(1.3)
Total FUM related revenue	101.9	99.5	2.4	79.2	79.2	–	12,869	12,566	2.4
Financial Planning – UK	3.8	3.6	5.6						
Financial Planning – International	1.0	1.1	(9.1)						
Other income	1.9	1.5	26.7						
Total non-FUM related revenue	6.7	6.2	8.1						
Total Group revenue	108.6	105.7	2.7						

1. Average FUM for Cornelian time weighted to four months for the purposes of the yield calculation.

BPS fee yield increased marginally to 67.9bps (FY19: 67.5bps) given the continued shift to "all in" fees. BPS non-fee income increased to 24.0bps (FY19 23.3bps) primarily due to higher interest income in H1, however this was somewhat offset by the lowering of the Bank of England base rate in H2. MPS saw a slight increase in income to £8.0 million (Restated FY19 £7.8 million) due to growth in platform MPS and this was after the restatement of FY19 for the VAT related error detailed above. Overall MPS yield dropped slightly due to the mix of business in MPS in custody. Funds income was down £0.5million primarily due to the exit of the Grosvenor Funds business in H1, as we failed to agree terms to buy the fund given our focus on value and strict acquisition criteria.

International income dropped by 8.1% (£1.1 million) to £12.4 million (FY19: 13.5 million) due to average FUM being down by 1.3% and lower FX related transaction income. The drop in average FUM was primarily due to the prior year's exits and the business put in a much-improved net flows performance, although it remained marginally negative in the year.

The successful acquisition and integration of Cornelian meant income increased by £3.1 million over the final 4 months of the year.

Financial planning UK income increased by 5.6% year on year to £3.8 million as the impact of new business and the recent repricing initiative started coming through. Third-party administration fees and other income were up 26.7% to £1.9 million largely driven by the repricing of this business to better reflect the actual costs of servicing. The third-party administration business is currently in wind down as we simplify the business and focus on our core offering.

Underlying costs

Total underlying costs have gone up marginally by 0.7% to £85.6 million (Restated FY19: £85.0 million). The underlying costs of Cornelian in the period were £1.7 million, therefore excluding Cornelian underlying costs fell to £83.9 million or by 1.3%. The Group continues to focus on cost discipline and had adopted a "save to spend" approach to costs, with efficiency targets being set each year as part of the annual planning cycle. These benefits are then reinvested into the client and adviser experience or to offset inflationary increases elsewhere. The Group did not utilise any of the Government COVID-19 related schemes in the year. Being a relationship led business, our staff are our key resource and we took the decision early on to adopt a "protect to thrive" approach to our staff and we have not used the Government furlough scheme or made anyone redundant since the beginning of the COVID-19 pandemic.

Staff costs

Total staff costs fell by £2.0 million or 3.8% during the year due to full year benefit of last year's efficiency and effectiveness programme coming through and this was after the inclusion of additional £0.7 million of staff costs from Cornelian. The fixed staff increase of 7.3% to £39.8 million was driven by last year's changes to investment manager compensation, where we removed variable commission payments and replaced them with higher base salaries and higher discretionary bonus opportunities, inflationary pay increases to the rest of staff and the addition of Cornelian. The Group also continued to invest in talent, strengthening the highly skilled and experienced teams across the business and laying down strong foundations to deliver on our growth agenda whilst enabling us to better serve our clients and advisers. Variable staff costs fell by 30.3% to £10.8 million due to the changes in compensation for investment managers, however the cash bonus pool and share based payment charge for the year were broadly flat given the challenging macroeconomic background and our focus on protecting the jobs.

Non-staff costs

Non-staff costs amounted to £35.0 million, an increase of 8.0% on the prior year including the addition of £1.0 million for Cornelian non-staff costs. Therefore, excluding Cornelian non-staff costs increased by £1.6 million or 4.9%. The bulk of this increase, £1.1 million was driven by the FSCS levy which increased by 83.3% on the prior year, now reaching £2.0 million for FY20 (FY19: £1.2 million) with a further £0.2 million related to a prior year levy true up. The FSCS levy is becoming an ever more prominent cost driver across the sector and at such levels is not considered directly commensurate to the Group's regulated activities. Brooks Macdonald is a member of the FSCS working group established by the Investment Association and we continue to engage in discussing alternative ways of structuring and charging the levy in future years. The other contributors to this increase include higher IT spend as we invest in cyber security risk mitigation, and higher insurance and audit costs although these were in part offset by lower travel and entertainment spend in the second half due to the COVID-19 related lockdown.

Financial review continued

Combined, the above gave rise to an underlying profit before tax of £23.0 million, representing an increase of 11.1% on the previous year and resulting in a profit margin of 21.2% (Restated FY19: 19.6%) delivering on our strategic objective of incremental progression in margin and the delivery of operational gearing.

The statutory profit before tax from continuing operations is also higher compared to the prior year at £10.0 million (Restated FY19: £8.3 million) giving rise to a statutory profit margin of 9.2% compared to 7.9% reported in FY19 (as restated). The underlying adjustments for the year of £13.0 million, comprising one-off costs, are broadly in line with the quantum of adjustments recognised in the prior year (FY19: £12.4 million) although the mix has changed, with a significant portion of the items now being related to acquisitions and the growth agenda, rather than last year's restructuring costs. A breakdown of the underlying adjustments together with an explanation of each item is included on pages 36 and 37.

FUM movement in the year

	FY20 £m	FY19 £m
Opening FUM	13,147	12,312
Organic net new business	(774)	409
FUM acquired in the year[1]	1,181	–
Investment performance	131	426
Total FUM growth	538	835
Closing FUM	13,685	13,147
Organic net new business	(5.9%)	3.3%
Total FUM growth	4.1%	6.8%
Investment performance in the year	1.0%	3.5%
MSCI PIMFA Private Investor Balanced Index[2]	(3.5%)	2.2%

1. Closing value of Cornelian Asset Managers Limited's FUM as at 31 March 2020.
2. Capital-only index.

Over the course of the year, FUM increased by £0.5 billion or 4.1%. This includes the assets acquired from Cornelian in February 2020 of £1.2 billion and positive investment performance of £0.1 billion, partly offset by organic net outflows of £0.8 billion. The net outflows were partly driven by softer client sentiment in the light of the macroeconomic uncertainty during the first half and market volatility arising from the outbreak of the COVID-19 pandemic in the latter part of the year, and the effect of outflows of mainly lower margin business as a result of the Group's focus on efficiency and business quality and the actions taken to support medium-term value creation. Overall investment performance for the year to June of 1.0% was well ahead of the MSCI PIMFA Private Investor Balanced Index which declined by 3.5% over the same period.

As noted below, within UKIM, and including the impact of the acquired Cornelian assets, the BPS core offering remained stable over the year closing at £8.2 billion and we have seen decent growth in our MPS (6.1%) and Funds (29.5%) business. Within our International business, we have seen much reduced outflows, with a slight net inflow position during the last quarter as the business regains momentum.

Closing FUM by service and segment

The table below shows the closing FUM broken down by segment and by our key services within UKIM at 30 June 2020 and comparative periods.

	FY20 £m	FY19 £m	Change %
BPS	8,247	8,254	(0.1)
MPS	1,809	1,705	6.1
Funds	2,051	1,584	29.5
UKIM total	12,107	11,543	4.9
International	1,578	1,604	(1.6)
Total FUM	13,685	13,147	4.1

Segmental analysis

The Group reports its results across three key operating segments, UK Investment Management ("UKIM"), International and Financial Planning. The tables below provide a breakdown of the annual performance broken down by these segments, with comparatives. The results of Cornelian since acquisition have been included in the UKIM segment.

FY20 (£m)	UK Investment Management	International	Financial Planning	Group and consolidation adjustments	Total
Revenue	91.4	13.4	3.8	–	108.6
Direct costs	(42.0)	(8.0)	(3.2)	(32.4)	(85.6)
Operating contribution	49.4	5.4	0.6	(32.4)	23.0
Indirect cost recharges	(24.2)	(2.9)	(1.9)	29.0	–
Underlying profit/(loss) before tax	25.2	2.5	(1.3)	(3.4)	23.0
Underlying profit/(loss) before tax margin	27.6%	18.7%	(34.2%)	N/A	21.2%

FY19 restated[1] (£m)	UK Investment Management	International	Financial Planning	Group and consolidation adjustments	Total
Revenue	87.5	14.6	3.6	–	105.7
Direct costs	(43.9)	(9.2)	(2.9)	(29.0)	(85.0)
Operating contribution	43.6	5.4	0.7	(29.0)	20.7
Indirect cost recharges	(19.2)	(3.2)	(2.5)	24.9	–
Underlying profit/(loss) before tax	24.4	2.2	(1.8)	(4.1)	20.7
Underlying profit/(loss) before tax margin	27.9%	15.1%	(50.0%)	N/A	19.6%

1. Comparative segmental results have been restated to reflect the correct recognition of the Authorised Corporate Director fees and associated costs in respect of one of the Group's managed OEICs and the correct VAT treatment on the revenues recognised on the Managed Portfolio Service offered through third party platforms as detailed on page 32 of this report.

All three business segments reported an improvement in performance during the year compared to FY19. UKIM and Financial Planning recognised an increase in revenues during the period, up by 4.5% and 5.6% respectively.

Financial Planning made decent progress against its three-year plan to return to profitability with further improvements expected in FY21.

International reported a decline in revenues of 8.2% driven by the marginal decrease in average FUM noted above and lower foreign exchange related transactional income. The business reinvigoration under Andrew Shepherd's leadership continues to progress well and the recent acquisition of the Lloyds Banking Group's Channel Islands wealth management and fund business will provide further positive momentum over the year ahead.

Financial review continued

Reconciliation between underlying and statutory profits

Underlying profit before tax is considered by the Board to be a more accurate reflection of the Group's performance when compared to the statutory results as this excludes income and expense categories which are deemed of a non-recurring nature or a non-cash operating item. Reporting at an underlying basis is also considered more appropriate for external analyst coverage and peer group benchmarking allowing a more accurate like-for-like comparison. A reconciliation between underlying and statutory profit before tax for the year ended 30 June 2020 with comparatives is shown in the table below:

	FY20 £m	FY19 restated £m
Underlying profit before tax	23.0	20.7
Goodwill impairment	(4.5)	(4.8)
Acquisitions related costs:		
– Deal structuring and legal costs	(2.8)	-
– Integration and staff retention costs	(1.4)	-
Amortisation of client relationships and contracts acquired with fund managers	(2.9)	(2.2)
Head office relocation costs	(1.2)	-
Changes in fair value of consideration and related disposals	(0.2)	0.2
Restructuring charge	-	(3.3)
Client relationship contracts impairment	-	(2.3)
Total underlying adjustments	13.0	12.4
Statutory profit before tax from continuing operations	10.0	8.3
Loss from discontinued operations	-	(0.4)
Statutory profit before tax	10.0	7.9

Goodwill impairment (£4.5 million charge)

Goodwill is reviewed annually for impairment based on the carrying value of the asset compared to its expected recoverable amount. The impairment charge recognised in the year relates to the Levitas transaction. Last year, the Group entered into a new five-year partnership with the distributor of the Levitas fund that carried a lower fund sponsorship fee, the aim of this reduction was to enhance FUM flows and deepen the relationship. Unfortunately for reasons beyond our control, the anticipated inflows have not been forthcoming and in fact the fund has recorded net outflows in the period therefore impacting its rate of growth and future cash flows. This partnership is still active and FUM flows could improve in due course, however, given current market conditions and the situation at our partner firm, we have reassessed the carrying value of this intangible asset. As a result, the associated goodwill carrying value is no longer supported and triggered an impairment charge in the year. Refer to Note 14 to the Consolidated financial statements for more details.

Acquisitions related costs (£4.2 million charge)

i. Deal structuring and legal costs (£2.8 million charge)
These represent costs incurred in relation to the acquisition of Cornelian Asset Managers Group Limited announced on 22 November 2019 and the acquisition of the Lloyds Banking Group's International Channel Islands wealth management and funds business announced on 24 June 2020. The costs incurred include corporate finance services, legal fees and due diligence fees.

ii. Integration and staff retention costs (£1.4 million charge)
These comprise the costs incurred in integrating the Cornelian acquisition which completed on 28 February 2020 into the Brooks Macdonald business including migration of client accounts, IT, systems and processes. It also includes payments made to key Cornelian employees who are being retained by the Group for a short period of time to assist with the integration of the businesses.

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

Amortisation of client relationship contracts and contracts acquired with fund managers (£2.9 million charge)

These intangible assets are created in the course of acquiring funds under management and are amortised over their useful life, which has been assessed to range between 5 and 20 years. The charge for the year includes the newly acquired investment management contracts arising on the Cornelian transaction. This amortisation charge has been excluded from the underlying profit since it is a significant non-cash item. Refer to Note 14 to the Consolidated financial statements for more details.

Head office relocation costs (£1.2 million charge)

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

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

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

FY19 – Restructuring charge

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

FY19 – Client relationship contracts impairment

This impairment charge relates to the value of Spearpoint client relationships following the previously disclosed loss of a client-facing team. Refer to Note 14 to the Consolidated financial statements for more details.

Taxation

The Group's corporation tax charge on underlying profits for the period was £4.6 million (Restated FY19: £3.6 million) representing an effective tax rate of 20.0% (Restated FY19: 17.8%). The increase in the effective tax rate is largely due to an intangible asset impairment recognised in the prior period which is not allowable for tax purposes. The effective tax charge for the current year also includes the recognition of deferred tax on the acquired client-relationship intangible assets as part of the Cornelian transaction. Details on taxation are provided in Note 9 of the Consolidated financial statements.

Earnings per share

The Group's basic statutory earnings per share for the year ended 30 June 2020 was 43.2p (Restated FY19: 39.7p). On an underlying basis, diluted earnings per share of 123.7p is broadly flat on the prior year (Restated FY19: 123.5p) largely due to a higher weighted average number of shares in issue during FY20 following the share placing carried out by the Group in November 2019 and the shares issued as part of the Cornelian acquisition at the completion date on 28 February 2020. Details on the basic and diluted earnings per share are provided in Note 12 of the Consolidated financial statements.

Dividend

The Group has a progressive dividend policy growing dividends in line with underlying earnings. The Board recognises the importance of dividends to shareholders and the benefit of providing sustainable shareholder returns. In determining the level of dividend in any year the Board considers a number of factors such as the level of retained earnings, future cash commitments, statutory profit cover, capital and liquidity requirements and the level of profit retention required to sustain the growth of the Group.

Considering the Group's strong balance sheet and the current macroeconomic uncertainty, the Board has proposed a final dividend of 32.0p per share (FY19: 32.0p). Taking into account the interim dividend of 21.0p per share (H1 FY19: 19.0p), this results in a total dividend for the year of 53.0p per share (FY19: 51.0p), an overall increase of 3.9%. Refer to Note 13 to the Consolidated financial statements for more details. The recommended dividend is subject to shareholders' approval, which will be sought at the Company's Annual General Meeting on 27 October 2020.

Financial review continued

Financial position and regulatory capital

The Group's financial position remains strong with net assets of £123.5 million at 30 June 2020 (Restated FY19: £86.9 million) and tangible net assets (net assets excluding intangibles) up to £39.7 million (Restated FY19: £36.7 million). As at 30 June 2020, the Group had regulatory capital resources of £46.6 million (Restated FY19: £39.0 million). The own funds calculation takes into account the respective years' profit after tax as these are deemed to be verified at the date of publication of the annual results. The Group continues to be well capitalised with a total capital ratio of 20.7% over our Pillar I risk exposure requirement.

	FY20 £m	FY19 restated £m
Share capital	0.1	0.1
Share premium	78.0	39.1
Other reserves	6.4	4.6
Retained earnings	39.0	43.1
Total equity	123.5	86.9
Intangible assets (net book value)	(83.8)	(50.2)
Deferred tax liabilities associated with intangible assets	6.9	2.3
Tier 1 Capital	46.6	39.0
Own funds	46.6	39.0

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 analyses to determine the appropriate level of regulatory capital and liquidity that the Group needs to hold. Surplus levels of capital and liquidity are forecast, taking into account known outflows and proposed dividends to ensure that the Group maintains sufficient capital and liquidity at all times.

The FY19 ICAAP review was conducted for the period ended 30 June 2019 and signed off by the Board in December 2019. Regulatory capital forecasts are performed monthly and take into account expected dividends and intangible asset acquisitions and disposals as well as budgeted and forecast trading results.

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

Cash flow and capital expenditure

The Group continues to have strong levels of cash generation from continuing operations. Total cash resources at the end of the year were £50.2 million (FY19: £34.6 million). The Group had no borrowings at 30 June 2020 (FY19: £nil).

During the year ended 30 June 2020, £1.7 million was capitalised on leasehold fit out works, office furniture and equipment as part of the fit out of the Group's new head office at 21 Lombard Street, London. Moreover, £1.6 million was spent during the year on the further development of the Group's adviser and client portal, risk systems and the core operational platform.

Financial outlook

The current outlook is highly uncertain given the ongoing impact of the COVID-19 pandemic, however the Group is well placed to continue its success. We have proven the resilience of the Group's business model and operating platform and this gives us a high degree of confidence in our ability to deliver for shareholders, advisers and clients in the months and years ahead. The continued growth in our core business profitability, combined with the successful integration of Cornelian and the acquisition of Lloyd's Channel Islands wealth management and funds business will allow us to continue to grow earnings, whilst investing in further enhancements to the adviser and client experience. The Group remains focused on the delivery of improved growth in organic net flows whilst actively looking for further high quality, accretive acquisitions.

Ben Thorpe
Group Finance Director

16 September 2020

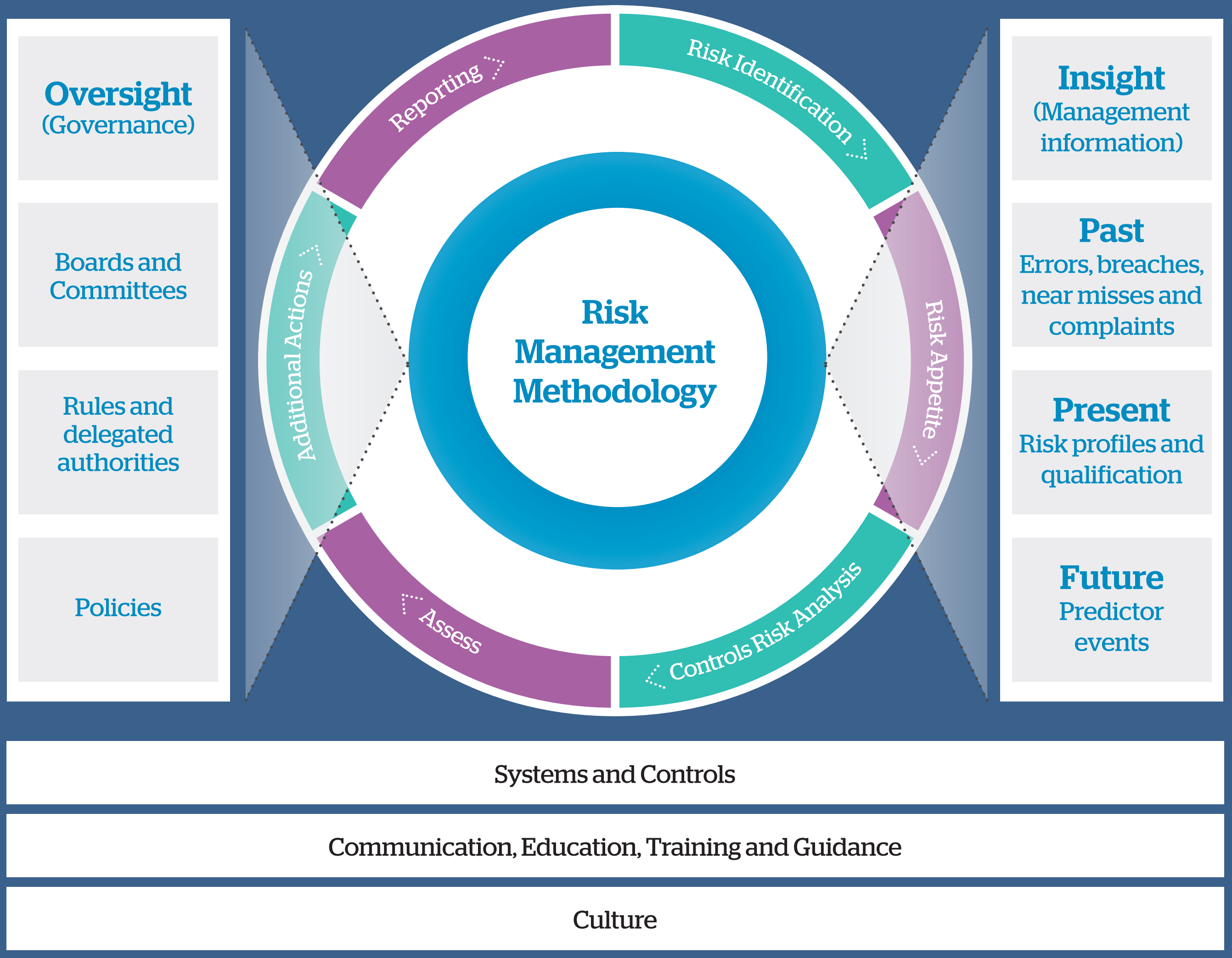
"The continued growth in our core business profitability, combined with the successful integration of Cornelian and the Lloyd's Channel Islands acquisition will allow us to continue to grow earnings, whilst investing in further enhancements to the adviser and client experience."

Ben Thorpe
Group Finance Director

Risks

Taking a dynamic approach to risk management

Over the past year, the Group has continued in its commitment to invest in compliance and risk management capabilities. Furthermore, the Group has sustained its focus on embedding the risk management framework, through greater business collaboration, streamlined analytics and enhanced governance reporting. This has led to efficient, data driven and evidenced based risk management, whilst facilitating the transition to an agile and dynamic approach to identifying, assessing, managing and monitoring risks. Not only has this proven valuable to the Group's acquisition of Cornelian Asset Managers and the Lloyd's offshore wealth and funds business, but also during the COVID-19 pandemic. Overall, the Group remains well capitalised and liquid with significant buffers above all regulatory requirements.



How we manage risk

The Group Risk Management Framework ("RMF")

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

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

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

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

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

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

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

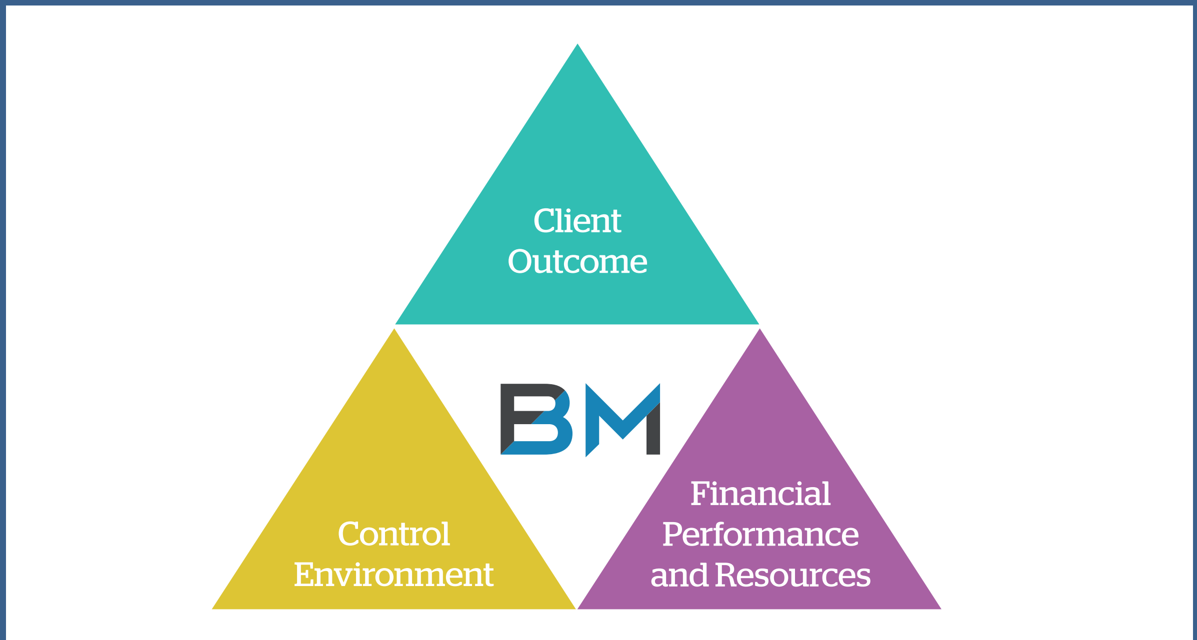
Additional actions. Where differences exist between our risk appetite and the current residual risk profile, we take action either: to accept, avoid or transfer part or all of those risks which are outside our risk appetite; or to reconsider the risk appetite.

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

Risks continued

Overarching Risk Appetite Statement

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



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

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

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

Key risks

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

Group level risks

Definition	Key risks identified by risk management framework	Change since last year	Rationale for change
1. Credit risk The risk of loss arising from a client or counterparty failing to meet their financial obligations to a Brooks Macdonald entity as and when they fall due.	• Cash deposits with external banks • Client credit risk • Counterparty credit risk • Custodian-related credit risk • Indirect counterparty risk in respect of referrals	**Unchanged** →	None
2. Liquidity risk The risk that assets are insufficiently liquid and/or Brooks Macdonald does not have sufficient financial resources available to meet liabilities as they fall due, or can secure such resources only at excessive cost. Liquidity risk also includes the risk that the Group is unable to meet regulatory prudential liquidity ratios.	• Corporate cash deposited with external banks • Client cash deposited with external banks (CASS rules) • Failed trades • Indirect liquidity risk associated with client portfolios • Indirect liquidity risks associated with dealing • Indirect risk in respect of the liquidity of individual holdings in a fund • Indirect risk in respect of the overall liquidity of our funds	**Decreasing** ↓	The Group has sufficient liquidity resources significantly above its Minimum Liquidity Requirement. Since the last Annual Report, the Group has developed a robust Liquidity Risk Management Framework, including adequate contingency funding arrangements
3. Market risk The risk that arises from fluctuations in the value of, or income arising from, movements in equity, bonds, or other traded markets, interest rates or foreign exchange rates that has a financial impact.	• Failed trades • Indirect market risk associated with advising on client portfolios • Indirect market risks associated with dealing • Indirect market risk associated with managing client portfolios	**Increasing** ↑	Given the COVID-19 pandemic, markets and most asset classes have exhibited significant volatility. This could continue as long as there is a risk of a second wave of the virus

Risks continued

Business level risks

Definition	Key risks identified by risk management framework	Change since last year	Rationale for change
4. Business and strategic risk The risk of having an inadequate business model or making strategic decisions that may result in lower than anticipated profit or losses or exposes the Group to unforeseen risks.	• Adviser concentration • Business growth • Extreme market events • Investment performance • Product governance • UK political risk	**Unchanged** →	None
5. Conduct risk The risk of causing detriment to clients, stakeholders or the integrity of the wider market because of inappropriate execution of Brooks Macdonald's business activities.	• Client service • Investment performance • Suitability and conduct risk	**Decreasing** ↓	Over the past year the Group has been working on several initiatives to promote good risk culture and awareness. Furthermore, the Group has developed enhanced Management Information to measure conduct risk.
6. Operational risk The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. It includes legal and fraud risk but not strategic, reputational and business risks.	• Data quality • Cyber • IT infrastructure and capability • Key suppliers and outsourcing • Operational maturity • People • Resilience and BCP	**Decreasing** ↓	The Group has enhanced its processes, including improved documentation of all key processes. Incident management has been enhanced throughout the year.
7. Prudential risk The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. It includes legal and fraud risk but not strategic, reputational and business risks.	• Prudential requirements	**Decreasing** ↓	The Group has capital resources significantly above its Minimum Capital Requirement.
8. Legal and regulatory risk Legal and regulatory risk is defined as the risk of exposure to legal or regulatory penalties, financial forfeiture and material loss due to failure to act in accordance with industry laws and regulations.	• Extreme reputational risk • Financial crime • Governance • Legacy issues • Regulatory, tax and legal compliance	**Unchanged** →	None

New and emerging risks

Definition	Context
9. Acquisition risk (New) The potential financial, reputational, operational and client-related risks arising from the failure to realise value from acquisitions within a reasonable timeframe and the failure to properly integrate the acquired company in a timely manner and within the target budget.	There has been an increase in the M&A activity in the wider financial planning and wealth management sectors. As this continues, it has the potential to materially impact the Brooks Macdonald operating model but it also provides an opportunity for inorganic growth for BM. Furthermore, given the recent acquisitions made by the Group, there is a heightened integration risk, including the failure to realise synergies.
10. Change Management risk (Emerging) The potential financial, reputational, operational and client-related risks arising from the poor implementation of material projects or change initiatives.	In line with our growth agenda, the Group is undertaking a strategic review of the end to end operating model and client journey, to cater for shifting client demand and sectoral changes.
11. Pandemic risk (Emerging) The potential financial, reputational, operational and client-related risks arising from the continued global impact of COVID-19 and any potential subsequent waves.	Given our agile operating model, strong capital and liquidity position, the Group has continued to provide a high level of service to our clients and advisers, whilst ensuring the wellbeing and safety of our staff.

Viability statement

In accordance with the UK Corporate Governance Code, the Board has assessed the Group's viability over a five-year period from FY21 through to FY25. The decision to do so over this period is aligned with the Group's strategy, its budgeting and forecasting process and the scenarios set out in the Internal Capital Adequacy Assessment Process ("ICAAP").

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

In assessing the future viability of the overall business, the Board has considered the current and future strategy as well as any significant business restructuring and legacy issues. The Board has also considered the business environment of the Group and the potential threats to its business model arising from regulatory, demographic, political and technological changes. Moreover, the Board's assessment took into account the impact arising from the outbreak of the COVID-19 pandemic on the Group's profitability, regulatory capital and liquidity forecasts.

The five-year MTP forms part of the Group's annual business planning and strategy refresh process. The model translates the Group's current and future strategy into a detailed year-one budget, followed by higher level forecasts for years two through to five. The combination of this detailed budgeting, longer-term forecasting and various stress tests provides a holistic and transparent view of the forward-looking financial prospects of the Group. The Board reviews and challenges the Group's MTP annually. The MTP covering the five-year period from FY21 to FY25 was reviewed, challenged and approved by the Board in June 2020.

In addition to the annual MTP preparation process, a re-forecast is carried out by Management and reviewed by the Board as part the half year reporting process in January where modelled projections are updated to reflect prevailing trading conditions and known changes to assumptions set at the start of the year. Following the sharp decline in markets in March 2020 arising from the outbreak of the COVID-19 pandemic, a revised forecast was prepared of the Group's expected FY20 profitability, capital and liquidity position including a review of the stress scenarios modelling the impact on revenue of a market decline over a range of 10% to 60%. It was also noted that the Group's investment correlation was around 60% to the market decline. The Board reviewed and approved the updated forecast for FY20 in April 2020. The Board's assessment of the Group's capital and liquidity position also considered the implications of maintaining the Group's proposed interim and final dividend pay-out.

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

These scenarios are designed to assess the Group's ability to withstand a market-wide stress, a Group-specific stress and a combination of both. The tests documented within the ICAAP are scenarios designed by Management to assess the Group's exposure to a range of extreme, but plausible, situations, as well as an assessment of the cost to the Group of a wind-down in the event of a non-recoverable shock to the operating model. These scenarios are refreshed on a regular basis to ensure they remain relevant and continue to be a suitable tool for developing our controls and mitigating actions. For instance, the scenarios were reviewed in March 2020 as noted above as part of a re-forecasting exercise to reflect the impact arising from the outbreak of the COVID-19 pandemic.

The Group's business continuity planning enabled it to react effectively to the crisis, promptly moving to home-working and continuing to operate as normal. The outbreak continues to cause increased market volatility and with the scale and duration of the current disruption unknown, it is difficult to predict the full, future impact on the Group. However, the consideration and assessment of the above factors, including the results of the latest ICAAP, the Group's risk management framework and the mitigating actions that can be put in place, the Board has reasonable expectations the Group will be able to continue in operation and meet its liabilities as they fall due over the period under assessment.

How we engage with our stakeholders

This section serves as our statement regarding section 172 of the Companies Act 2006. When considering their decisions and in setting the policies and strategy for Brooks Macdonald, the Directors are aware there are a number of other stakeholders, in addition to shareholders, who will be affected by the actions of the Group. These include, for example, our clients and advisers along with our employees. The below table outlines how we consider these stakeholders and how we engage with them to continue driving our growth.

How we engage with our stakeholders and make informed decisions

	Why we engage	How we engage	Outcomes
Clients	Our clients are the main focus of the business. By engaging with them, we are able to gain a better understanding of their needs, develop our relationships with them and ensure that we can provide them with the products and services that best suit their individual circumstances.	We engage with our clients in a variety of ways, driven by their requirements and preferences. With all our clients, across investment management and financial planning, we hold face-to-face meetings, provide investment updates and quarterly statements, and provide market commentary. During the COVID-19 pandemic, online interaction has replaced face-to-face meetings and we have increased the content available to clients on our website, including providing daily COVID-19 commentary. We also provide a client portal, where investment management clients can view details of their investments and, during the financial year, we launched "myBM", a new improved version of the portal.	Our clients' desire to have better access to information about their investments resulted in the Board supporting the development and launch of myBM. ESG has become an important topic for our clients and the launch of our Responsible Investment Service reflects this.
Advisers	Our focus is on working with intermediaries to support their clients and our vision for Brooks Macdonald is as the leading investment management firm for intermediaries. By deepening our focus on advisers, we can both achieve our aim and also help advisers make their businesses successful.	We work closely with our advisers, offering them a range of services to make Brooks Macdonald easy to do business with and to help them serve their, and our, clients' needs. Again, our engagement is driven by the individual adviser's requirements and preferences, from high-touch ongoing strategic relationships with a small number of larger firms, through to more arm's length provision of our consistent high-quality investment management to others. During the COVID-19 pandemic we stepped up the frequency of adviser engagement in the form of investment bulletins, webinars and online academies.	We have built long standing relationships with mutual benefits with many advisers. The services we provide them have grown to include business-to-business Investment Solutions offerings, explicitly tailored to the adviser's requirements and preferences.

How we engage with our stakeholders and make informed decisions continued

	Why we engage	How we engage	Outcomes
Shareholders	We value our shareholders' support and want to give them a better understanding of our business. In addition, we have obligations as an AIM-listed company to provide information to our shareholders.	We do this through face-to-face or virtual meetings and provision of detailed financial reports and presentations on the business at the half-year and full-year points. We engage with shareholders frequently to discuss delivery of our strategy, current performance and our plans for the business through our Executive Directors, Chairman and Committee Chairs.	We have a number of large, long-term, committed shareholders in the business. The highly successful share placing we made to fund the acquisition of Cornelian Asset Managers evidenced the strength of the relationships we have built with our shareholders.
Employees	Our employees are central to the delivery of our offering for advisers and clients and we strive to attract and retain the best people. Developing an engaged and motivated workforce is key to our desire to be a great employer and to the success of the business.	We have a comprehensive internal communication programme to keep employees fully aware of developments in the business's strategy and performance. The CEO and other members of senior management frequently engage with staff in forums ranging from formal communications, including all staff "town hall" video conferences, to more informal small group discussions. In accordance with the 2018 Corporate Governance Code, John Linwood was appointed as the designated Non-Executive Director with responsibility for engagement with the workforce and has made office visits and held meetings with groups of staff. In addition, we undertake regular employee engagement surveys, the results of which are closely monitored with the Executive Committee considering what actions need to be taken in response.	Our focus on the wellbeing of our staff enabled the successful transition to remote working during the COVID-19 pandemic. The employee engagement survey conducted during lockdown showed a material improvement in engagement scores.

How we engage with our stakeholders continued

How we engage with our stakeholders and make informed decisions continued

	Why we engage	How we engage	Outcomes
Community and Environment	We are a responsible Group and seek both to support our community and to reduce our impact on the environment as much as possible.	The BM Foundation was set up in 2010 with the aim of supporting charities that staff are enthusiastic about. It acts as a conduit for donations to be made to charity, and staff members are able to request donations to a registered charity of their choice. Staff are also encouraged to do voluntary work and are able to use a paid volunteering day each year. We seek to reduce our carbon footprint through the better use of technology and an associated reduction in energy use. We also look to partner with suppliers who promote sustainability.	The Foundation made donations of £37,252 during the year, including a donation to Age UK which was supporting the nation through the lockdown period bought on by COVID-19. Even prior to the COVID-19 pandemic we encouraged the use of flexible working and video-conferencing to reduce energy use and emissions by our employees. On our move to our new London office we recycled or reused as much of the existing fitout and furniture and fittings as possible.

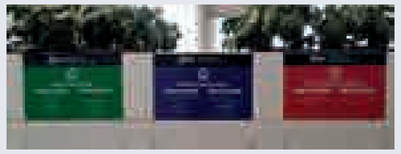
“Thank you for the care and thought you’re putting in to looking after our affairs at this incredibly testing time.”

Client comment to Senior Investment Director based in UKIM

Corporate responsibility report

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

Our Sustainability Strategy

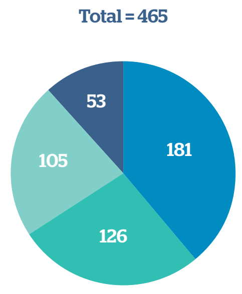
Pillars	Our objectives	Our progress in the year
Our people  Our people are our greatest strength and we are focused on developing an engaged, motivated and healthy workforce.	• Nurture an inclusive culture that offers fulfilling careers and great reward • Develop strong leaders who value wellbeing, high performance and diversity • Take care of the physical and mental wellbeing of our people • Increase employee engagement	• Transition to remote working due to COVID-19 pandemic achieved seamlessly with the wellbeing of our people as our highest priority • Roll-out of our two flagship leadership development programmes, Elevate and Evolve • Increase in employee engagement of 12 points through the year
Our community  We support the communities we operate in through the Brooks Macdonald Foundation and encourage staff volunteering and fundraising.	• Develop the Brooks Macdonald Foundation (see page 56) • Support community causes and events • Encourage staff voluntary work	• The Brooks Macdonald Foundation made donations of £37,252 during the year • We ran fundraising events in aid of Mind and the Mental Health Foundation • All staff are able to use a paid volunteering day
Our environment  We are a responsible Group and seek to reduce our impact on the environment as far as possible.	• Reduce carbon footprint through investing in technology and reducing travel • Develop partnerships with suppliers that drive sustainable improvements through the value chain	• Through the move to our new London headquarters we have taken great steps forward in reducing energy usage and our carbon footprint • We have invested heavily in technology to enable increased remote working and reduced travel

May 2020 'Speak Up' employee engagement survey score

67

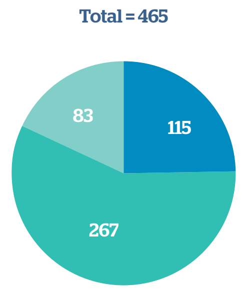
(12 points up from 12 months prior)

Number of employees by length of service



<2 year
2-4 years
5-9 years
10+ years

Number of employees by age (years)



18-29
30-49
50+

Foundation charitable donations

£37,252

> "Our focus on the health and wellbeing of our people has supported an improvement in our employee engagement over the year"

Caroline Connellan
CEO

Corporate responsibility report continued

Our people

A motivated and engaged workforce is central to our aim to be a great employer and a successful business. Our people agenda is built around three priority areas: an inclusive culture, fulfilling careers, and great reward. Last year, we launched our employee engagement survey – 'Speak Up'. We have run the Speak Up survey twice over the year and following actions taken on the back of the first survey results, we saw a significant increase in our engagement score.

Engagement with our people

We believe that engagement in a two-way dialogue with our people is critical to our success. We have a number of channels through which we communicate across the Group:

- Regular all staff town halls
- Regular team meetings
- A daily investment update to key groups of staff
- Twice yearly leadership conferences for senior managers
- A Board engagement with the workforce programme
- The Speak Up survey

Speak Up highlights

78% of our people completed our most recent Speak Up survey in May 2020. The survey is entirely confidential and asks 30 questions encompassing a range of areas of employee experience. There is also the opportunity to give more detail around any aspect of working life at Brooks Macdonald. There is some variance between individual business and functional scores but no pronounced differences when analysed by gender, age or employment status.

Each Executive Committee member receives an individual report that enables them to put in place individual action plans to tackle the areas that matter most to their teams.

The survey has shown that the majority of our people are strong advocates of our business, and are motivated to go above and beyond what is required of them in their roles. The survey has given us insight into where we can make improvements to our employee experience.

Board engagement with the workforce

Our Board recognises the importance of active engagement with the workforce, and in line with the 2018 Corporate Governance Code, John Linwood was appointed as the designated Non-Executive Director with responsibility for eliciting employee feedback. The engagement approach includes:

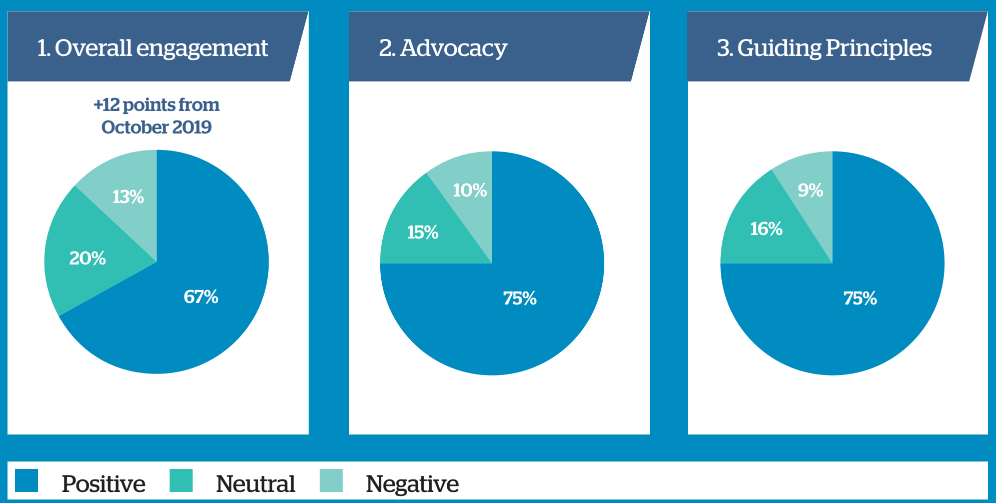
- Non-Executive Director engagement groups with a range of staff
- Office visits
- Review of Speak Up survey results

Themes from this engagement are regularly discussed at the Board and appropriate action taken.

Talent and development

Our people are our greatest asset, and only through investing in their development, rewarding them competitively and therefore motivating and engaging them to be at their best, can we deliver a highly professional and superior service to our clients. All employees have access to development opportunities and CPD.

Speak Up highlights, May 2020



1. Overall score based on answers to all questions
2. I am happy to recommend Brooks Macdonald to others as a great place to work
3. The behaviour of my colleagues is aligned to the Group's Guiding Principles

We focus heavily on leadership capability and in 2019 launched our two flagship leadership development programmes – Elevate for senior managers and Evolve for high potential people managers. We have seen great engagement with these programmes and positive feedback from participants.

Nurturing our most talented employees to reach their full potential is central to our success as a business. On an annual basis, we assess the potential of our senior employees and ensure development plans are in place for all. We invest in our talent in various ways, including our flagship programmes, external open programmes, individual coaching, and supporting attendance at seminars and industry events.

We invest in our more junior talent via our partnership with Investment 2020, through which we took on five trainees during FY20. Our trainees are initially with us on a 12-month fixed term contract and work across the full breadth of our business. We have a good success rate in converting them to permanent employees, whilst we stay in touch with those that decide to take up places at universities following their time with us with the aim of them re-joining us once they have concluded their degrees.

These initiatives, in conjunction with line management support, ensures everyone has the opportunity to reach their full potential with the Group.

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

Diversity

We are an inclusive firm that values and supports our people regardless of their background. We serve a diverse group of clients and being diverse ourselves helps us to anticipate their needs and provide superior service. Through our people agenda, building an inclusive culture that values diversity is a key priority sponsored at the highest level within the firm. Through our partnership with LGBT Great we are supporting the LGBT+ community and are proud to have two executives named in their Global Top 100 Executive Allies list in 2020.

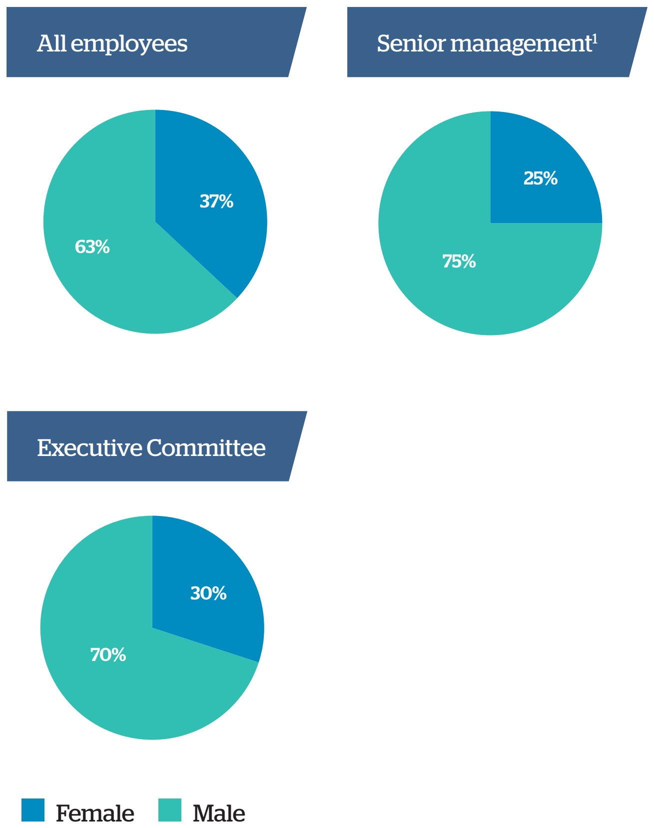
Throughout FY20 we had two female Directors out of seven on the Board and our Executive Committee has three female members out of ten. Women have been underrepresented in our industry and we are taking a number of actions to tackle this issue. We are signatories of the Women in Finance Charter and also partner with City Hive, which encourages better female representation in the Investment Management industry. 25% of our senior managers are female; we believe this is not high enough and aim to increase this number in future years.

We mandate diverse interview panels and recruitment shortlists for all vacancies and are focused on developing female talent across the Group.

We continue to review our family leave policies to support parents and in 2020 increased our enhanced paternity leave to allow all new fathers to take six weeks' leave at full pay.

All employees bring different cultures, backgrounds and personalities to their roles. By encouraging inclusion in the workplace, we can stimulate creativity, spur insight, and learn from each other.

Gender diversity as at 30 June 2020



1. Senior management and their direct reports as required under the 2018 Corporate Governance Code.

Gender pay gap reporting

Despite there being no requirement to publish our gender pay gap in 2020 due to the COVID-19 pandemic, for full transparency we chose to do so. The report is available on our website and we have been pleased to see a steady but gradual reduction since the previous year. We regularly review fixed and variable pay to ensure there is no inequality between men and women in the same or similar roles.

Corporate responsibility report continued

Wellbeing
We actively encourage our people to have a positive work-home balance and prioritise their wellbeing. We have run three snapshot surveys focused on wellbeing during the lockdown period. During this year we have run sessions on mindfulness, nutrition, and mental health, and have developed a partnership with F45 gym, which runs group workouts for our staff both in person and online. We also encourage our staff to take part in team sports events such as the Bloomberg Square Mile relay and have also run informal events such as a rounders tournament in Hyde Park. In late 2019 we ran a campaign called #strongnotsilent, which showcased men from across the Group talking about their experiences of mental health. We have an anonymous platform that staff members can use to raise issues around stress, anxiety and mental health, and we offer a free, independent employee assistance programme offering confidential advice and support to all. We offer at least 27 days' annual leave to all employees (pro-rated for part time) and mandate 10 consecutive days' leave each year to ensure our people benefit from a proper break from work.

Flexible working
We promote flexible working across the Group. All advertised roles welcome applications from people wishing to work flexibly, helping to attract candidates from a diverse range of backgrounds and with broad experiences. The Group has invested significantly in infrastructure that enables employees to work from locations outside the office, at times that suit their personal commitments and working styles. Encouraging remote working also reduces the Group's carbon footprint by taking away the need to commute to office locations every day.

Compensation and benefits
We offer a comprehensive and competitive remuneration package which we review each year. We have a wide range of core benefits, including:

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

Our community

Brooks Macdonald Foundation
BM foundation
You make a difference

The BM Foundation was set up in 2010 with the aim of supporting charities that staff are enthusiastic about. It is funded via an annual donation from the Group and regular contributions from staff made via payroll. The Foundation acts as a conduit for donations to be made to charity, and staff members are able to request donations to a registered charity of their choice. This year the Foundation has made donations to All Oar Nothing, a mission to row across the Atlantic in support of four charities. In May 2020, the Foundation made a substantial donation to Age UK, which was supporting the mental health of the nation through the lockdown period bought on by COVID-19.

The BM Foundation is an employee-centred charity initiative for giving back. Through fundraising and gifting, the Foundation advances the causes that our people feel the most strongly about. Since its inception in 2011, the BM Foundation has made 218 donations on behalf of employees, donating a total of £240,314.

Alongside smaller charities, the Foundation also donates to key charity partners to support the work of a significant project. One of our key charities for 2020 is the Lotus Children's Trust. The Trust is dedicated to providing care, accommodation, support and education to abused, abandoned and orphaned children in Mongolia. They raise awareness of the plight of the street children and help to fund The Lotus Children's Centre which looks after more than 70 children. We are proud to have gifted £6,600 to support their vital work.

The BM Foundation encourages our values of doing the right thing and making a difference. By supporting non-profit organisations, regardless of geography, all the donations we award address social and material needs to support the vital work of charities at home or abroad.

Environment
The momentum for a strong corporate sustainability strategy is present and growing. We have been formalising our approach, in particular to reducing the energy consumption of our buildings, through planned refurbishment activity and switching to renewable energy where possible. Our objective is to reduce our impact on the environment across the following key areas.

Waste recycling
A 2019 employee survey led to the implementation of solutions to waste management and improving the environment in the workplace. We continue to proactively look to reduce the level of waste generated and maximise the proportion of waste that is recycled. We educate internally on how to recycle to reduce the associated carbon footprint of waste collection and movement. All our offices use recycled papers and recycling containers.

Our largest green initiative to date is the refurbishment to our new London office. We examined the standard fit out materials with a view to how they could be salvaged or recycled. The space was created utilising 70% of the existing fit out, reusing existing furniture and fittings.

Energy
Electricity is the main form of energy we consume, and we analyse consumption across our all offices. Where possible, we look for opportunities to reduce our consumption and reduce waste by making use of available technology, e.g. LED lighting, IT equipment upgrades, and introducing applications such as Microsoft Teams to improve a digital communication experience and reduce travel. Operationally, we will continue to monitor energy usage to support our ongoing efforts to reduce overall energy waste and consumption.

We have also seen a reduction in mileage (taking out the COVID-19 factor) of 15% in the last year by driving a focus on doing things differently through video conferencing use, flexible working and the roll-out of laptops allowing our teams to work anywhere.

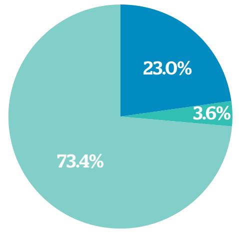
Procurement and supplier selection
We collaborate closely with our suppliers to drive sustainable improvements throughout the value chain. All new services and suppliers are respected in their fields for providing sustainable solutions. Wates FM, Principle cleaning and Orange Box furniture are some of our new key partners.

Energy consumption and greenhouse gas emissions for the year to 30 June 2020

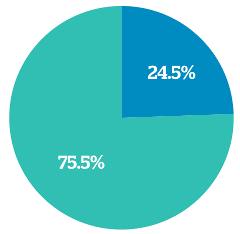
Energy consumption (kWh)	
Electricity	754,604
Gas	36,894
Transport fuels	236,045
Total	**1,027,543**

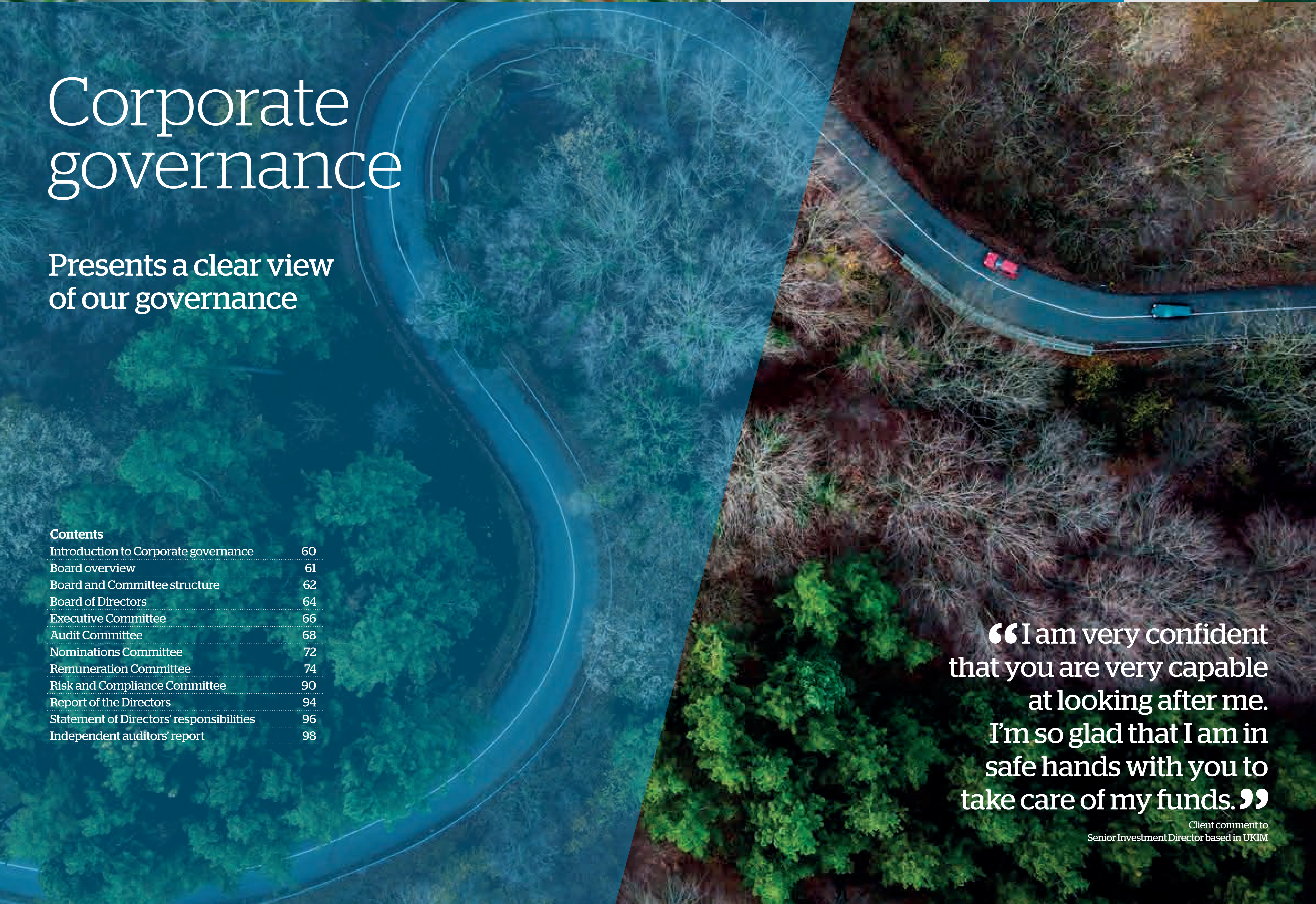
Greenhouse gas emissions (tCO_2e)	
From combustion of fuel	
Gas	7.5
Transport fuel for rental and staff vehicles	58.5
From purchased electricity	175.9
Renewable electricity saving	(3.5)
Total net emissions	**238.4**

Distribution of annual energy consumption by fuel



Distribution of annual emissions by usage





Corporate governance

Presents a clear view of our governance

Contents

"I am very confident that you are very capable at looking after me. I'm so glad that I am in safe hands with you to take care of my funds."

Client comment to
Senior Investment Director based in UKIM

Introduction to Corporate governance

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

As such, the Board has responsibility for promoting the long-term strategy and success of the Group by providing leadership, shaping the Group's culture, and agreeing the risk appetite and the appropriate systems of control for risk management. The Board is also focused on ensuring that the risk and compliance framework is appropriately embedded within the Group's day-to-day activities. The Board delegates the day-to-day management of the Group to the CEO, who is supported by an Executive Committee. Refer to page 62 for the composition of the Executive Committee.

As well as having operational oversight of the Group's day-to-day activities, the Executive Committee focuses on the formation and implementation of the Group's strategy and makes decisions that are not otherwise reserved for the Board. The Executive Committee meets regularly, with a mixture of formal and informal scheduled meetings, together with ad hoc meetings as required, such as in response to the COVID-19 pandemic.

The Group's Board and Committee structure is detailed on page 62 together with the biographies of Board and Committee members on pages 64 and 65.

The roles and responsibilities of each of the Committees, and the activities carried out during the year, are set out in the reports of the respective Committee Chairs. The Company Secretary also plays a role in ensuring that board procedures are complied with and applicable rules are followed.

The Board, on the recommendation of the Nominations Committee, considers that all of the Non-Executive Directors are independent. All Board members are required to disclose any external positions or interests which might conflict with their directorship of Brooks Macdonald prior to their appointment and thereafter on a continuous basis so that any potential conflict can be properly assessed. Conflicts of interest can generally be managed by due process.

UK Corporate Governance Code Compliance Statement

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

Implementation of the 2018 UK Corporate Governance Code

Section of the Code	How Brooks Macdonald have applied the Code	Further information
Board leadership and company purpose	The Board seeks to promote the long-term sustainable success of the Company, setting out the Company's purpose, values and strategy and ensuring that these and the Company's culture are aligned.	→ Read more in our Strategic and Corporate responsibility report on pages 52 to 57.
Division of responsibilities	The Group Board, led by the Chairman, sits at the top of the Company's governance framework. The Board and its Committees have clearly defined roles, with the list of matters reserved for the Board and the Committees' terms of reference being available on the Company's website. A majority of the Board are independent Non-Executive Directors.	→ Read more in our Board overview on page 61 and Committee structure on page 62, plus reports of the Committees on pages 68 to 93.
Composition, succession and evaluation	The Nominations Committee oversees formal procedures both to evaluate the Board and to ensure its composition provides an appropriate balance of skills and experience. The Company seeks to promote diversity at both Board and senior management level.	→ Read more about our Board composition on pages 61 to 63, Nominations Committee on pages 72 to 73 and succession on page 55.
Audit, risk and internal control	The Board and its Committees oversee procedures and processes by which the Company manages the risks it is willing to take in order to achieve its long term objectives. This includes ensuring the independence and effectiveness of the internal and external audit functions and monitoring the integrity of the Company's financial statements and formal announcements.	→ Read more about our Audit Committee on pages 68 to 71 and our Risk and Compliance on pages 90 to 93.
Remuneration	The Board and the Remuneration Committee develop and oversee policies and practices which are designed to promote the Company's strategy and its long-term success and to align the interests of senior management with those of the Company's shareholders.	→ Read more about our Remuneration Committee on pages 74 to 88.

Board overview

The Brooks Macdonald Board is responsible for the Group's Corporate governance system and is committed to maintaining a strong governance framework to support our mission to protect and enhance our clients' wealth. In order to achieve this, the Board meets on a regular basis. During the year to 30 June 2020 there were seven scheduled Board meetings and details of attendance at these is shown on page 63. In addition, a further eight unscheduled meetings were convened. These meetings are called where necessary to consider matters which are time-sensitive in nature and cannot wait until the next scheduled meeting. Typically, these related to the acquisitions made by the Group in the year and the Group's response to the COVID-19 pandemic.

Matters discussed by the Board in the year

Regular updates

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

Projects

- Acquisition of Cornelian Asset Managers Group
- Acquisition of Lloyds Bank International's Channel Islands wealth management and funds business
- Review of a new operating system
- London office move
- COVID-19 response

Governance & regulatory

- Reviews of Committee terms of reference
- Reviews of Group policies
- Implementation of SM&CR regime
- Board effectiveness review

Strategy

- Group strategy refresh
- Marketing and communications strategy

Assessing and monitoring culture

The Board monitors the Group's culture through regular reports from the CEO and the HR Director to ensure this is aligned with the Group's purpose and strategy. In addition, we have a designated Non-Executive Director who has responsibility for engaging with the work force and who regularly holds meetings with different members of staff.

Director training and induction

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

Training is provided for Directors on an ongoing basis. During the year the Board received training on the 2018 Corporate Governance Code, the SM&CR regime and AIM rules and regulations amongst other matters.

External appointments

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

Annual Board evaluation

The Board undergoes an annual evaluation of its performance. Further details of this are set out in the Nominations Committee report on page 72.

Board and Committee structure

BM Group Board

Current
Alan Carruthers (Chairman)
Caroline Connellan
Ben Thorpe
Robert Burgess[1]
Dagmar Kershaw[2]
John Linwood
Richard Price
Diane Seymour-Williams

Non-current
Colin Harris[3]
David Stewart[4]

Audit Committee

Current
- Richard Price (Chair)
- Robert Burgess[1]
- Dagmar Kershaw[2]
- John Linwood
- Diane Seymour-Williams

Non-current
- Colin Harris[3]
- David Stewart[4]

Disclosure Committee

Current
- Alan Carruthers (Chair)
- Caroline Connellan
- Richard Price
- Ben Thorpe

Nominations Committee

Current
- Alan Carruthers (Chair)
- Robert Burgess[1]
- Dagmar Kershaw[2]
- John Linwood
- Richard Price
- Diane Seymour-Williams

Non-current
- Colin Harris[3]
- David Stewart[4]

Remuneration Committee

Current
- John Linwood (Chair)[5]
- Robert Burgess[1]
- Dagmar Kershaw[2]
- Richard Price
- Diane Seymour-Williams[6]

Non-current
- Colin Harris[3]
- David Stewart[4]

Risk and Compliance Committee

Current
- Robert Burgess (Chair)[7]
- Dagmar Kershaw[2]
- John Linwood
- Richard Price
- Diane Seymour-Williams

Non-current
- Colin Harris[3]
- David Stewart[4,8]

Executive Committee

Caroline Connellan (Chair)
Lynsey Cross
Robin Eggar
Tom Emery
Adrian Keane-Munday
Alick Mackay
Andrew Shepherd
Richard Spencer
Ben Thorpe
Priti Verma

1. Appointed 1 August 2020
2. Appointed 1 July 2020
3. Resigned 31 October 2019
4. Resigned 31 July 2020
5. Appointed as Chair 1 August 2019
6. Resigned as Chair 1 August 2019
7. Appointed as Chair 1 August 2020 (subject to FCA approval)
8. Resigned as Chair 31 July 2020

List of Board meetings and attendance

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

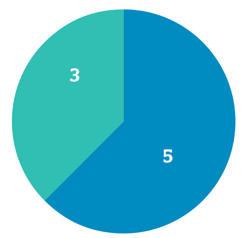
Attended Meetings

1. Resigned 31 October 2019
2. Resigned 31 July 2020
3. Conflicted for one meeting

Colin Harris, John Linwood, Richard Price, Diane Seymour-Williams and David Stewart were independent Non-Executive Directors during the year.

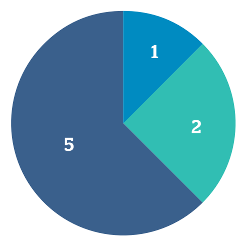
Board composition statistics as at 16 September 2020

Gender diversity



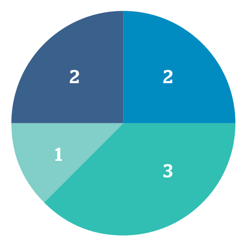
Male
Female

Independence



Chairman
Executive Directors
Non-Executive Directors

Board tenure



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

Board of Directors

Chairman

Alan Carruthers
Non-Executive Chairman

Key skills & experience

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

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

Executive Directors

Caroline Connellan
CEO

Key skills & experience

- Strong and effective commercial and people leadership, executing strategic change to drive business efficiencies and growth
- Broad wealth management and retail financial services background, with significant experience in delivering for clients and advisers

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

Ben Thorpe
Group Finance Director

Key skills & experience

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

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

Non-Executive Directors

Richard Price
Independent Non-Executive Director

Key skills & experience

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

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

Robert Burgess
Independent Non-Executive Director

Key skills & experience

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

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

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

Dagmar Kershaw
Independent Non-Executive Director

Key skills & experience

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

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

John Linwood
Independent Non-Executive Director

Key skills & experience

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

John joined Brooks Macdonald as a Non-Executive Director in 2018. He is Chairman of the Remuneration Committee and is a member of the Audit, Nominations and Risk and Compliance Committees. Prior to joining Brooks Macdonald, John was the Executive Vice President and Chief Technology Officer of Wood Mackenzie, Chief Technology Officer for the BBC, and a Senior Vice President of International Engineering at Yahoo Inc. He has also held a number of senior positions at Microsoft Corp. (1993 - 2004). John is a Non-Executive Director of National Grid ESO.

Diane Seymour-Williams
Independent Non-Executive Director

Key skills & experience

- Breadth of experience across the financial services sector
- Tenure gives deep knowledge of the Company's evolution and operations

Diane joined Brooks Macdonald in 2011 as a Non-Executive Director. She is a member of the Nominations, Remuneration, Audit and Risk and Compliance Committees. She was Chair of the Remuneration Committee until stepping down on 31 July 2019 and replaced by John Linwood. Prior to joining Brooks Macdonald, Diane spent 23 years at Morgan Grenfell and, following its takeover, with Deutsche Bank in a variety of roles, including Head of Asian Equities, CEO and CIO Asia and Head of Global Equities. She has over 30 years' industry experience and is currently a non-executive director of Praxis IFM Group, Witan Pacific Investment Trust and Standard Life Private Equity Trust. She is also a member of the investment committee at Newnham College, Cambridge. Diane will be stepping down from the Board of Brooks Macdonald at the 2020 AGM having completed her nine year tenure.

→ Read more on Audit Committee Report on pages 68 to 71

→ Read more on Nominations Committee on pages 72 to 73

→ Read more on Remuneration Committee on pages 74 to 88

Executive Committee

Caroline Connellan

CEO

→ See Caroline's biography on page 64

Ben Thorpe

Group Finance Director

→ See Ben's biography on page 64

Robin Eggar

Managing Director and Head of UK Investment Management

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

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

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

Tom Emery

Human Resources Director

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

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

Tom was one of LGBT Great's #50For50 Executives, an initiative to commemorate Pride and the fifty years since the Stonewall movement began in 1969. Tom has a degree in Linguistics from the University of Manchester and is a member of the Chartered Institute of Personnel and Development.

Adrian Keane-Munday

Managing Director, Financial Planning and Group Marketing Director

Adrian serves as Managing Director, Financial Planning, Group Marketing Director for the Brooks Macdonald Group, and is a member of the Executive Committee.

Adrian joined Brooks Macdonald in July 2018 to lead the Group's Financial Planning and marketing functions. In 2019, the Financial Planning team was awarded Chartered Financial Planner status and achieved a position on the FTAdviser Top 100 Financial Advisers.

Adrian has over 30 years' experience in financial services. Prior to joining Brooks Macdonald, Adrian was Head of UK Premier and Wealth Distribution at HSBC, leading the national IFA business through its RDR transition, establishing the national "Wealth Centre of Excellence", and gaining extensive retail banking experience as one of four National Regional Directors.

Adrian is a member of LGBT Great's Global Top 100 Executive Allies and Executive Sponsor for Brooks Macdonald's Global Diversity & Inclusion agenda.

Andrew Shepherd

CEO International & Group Deputy CEO

Andrew is the CEO of Brooks Macdonald International, Group Deputy CEO of the Brooks Macdonald Group and a member of the Executive Committee. He is also Chairman of the Boards of the two legal entities within International with responsibility for their direction and strategy.

Joining Brooks Macdonald in 2002, Andrew owns the day-to-day management of the International business.

Andrew has spent over 25 years working in financial services. He held numerous roles in Brooks Macdonald before becoming CEO of the Group's international operation, including Investment Manager and Managing Director. Prior to joining Brooks Macdonald, Andrew worked at Shepherd Associates Financial Management, qualifying as a Financial Planner before holding the position of Investment Director.

Andrew is a member of CISI, IOD and the Personal Finance Society.

Richard Spencer

Chief Investment Officer

Richard is a co-founder of Brooks Macdonald and holds the position of Chief Investment Officer. As well as chairing the Investment Committee, Asset Selection Committee and Asset Allocation Committee, he is also a member of the Executive Committee. Richard oversees all investment services, and also retains private client relationships to ensure he is involved throughout the firm's investment process.

Richard has over 30 years' experience in financial services. Prior to founding Brooks Macdonald in 1991 Richard worked at Pall Mall Money Management Limited, as an Investment Director.

Richard has a degree in Economics and Business Economics and is a member of the Chartered Institute for Securities & Investments.

Priti Verma

Chief Risk Officer

Priti is Chief Risk Officer ("CRO") of Brooks Macdonald Group and a member of the Executive Committee. In her role, Priti has responsibility and oversight of risk (including investment risk), compliance and outsourced internal audit activities. One of the key achievements of her team has been delivering a risk management transformational project and enhancing both the risk management framework and ongoing compliance oversight.

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

Priti has a Master's in Chemical Engineering where she studied the principles of risk management and process optimisation and currently sits on the Investment Association Strategic Business and Risk Committee.

Alick Mackay

Strategy & Corporate Development Director

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

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

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

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

Lynsey Cross

Chief Operating Officer

Lynsey is the Chief Operating Officer ("COO") of the Brooks Macdonald Group and a member of the Executive Committee.

Lynsey joined Brooks Macdonald in May 2020 and is responsible for advancing how the Group serves their advisors and clients and leads the Group's investment in technology, systems and processes.

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

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

Audit Committee report

“The Committee evaluated a number of financial and audit matters during the year including the acquisition of Cornelian Asset Managers Group.”

Richard Price
Chair of the Audit Committee

Role and responsibilities

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

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

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

Composition and meetings

During the year, the Audit Committee comprised Richard Price (Chair), David Stewart, John Linwood and Diane Seymour-Williams, who joined the Committee on 1 August 2019. Colin Harris was also a member of the Committee until he stepped down as a Director at the Company’s AGM on 31 October 2019. David Stewart also stepped down from the Committee on 31 July 2020. In addition, Dagmar Kershaw and Robert Burgess joined the Committee following their appointment as Non-Executive Directors on 1 July 2020 and 1 August 2020 respectively.

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

The Committee’s attendance during the year ended 30 June 2020 is set out in the summary table on page 63.

The Committee’s areas of focus

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

Internal audit

The Group has outsourced its internal audit function to KPMG since September 2018. KPMG formally report to Richard Price, Chair of the Audit Committee, with Priti Verma, Chief Risk Officer, being the principal point of day-to-day contact.

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

External audit

The Group’s external auditors are PricewaterhouseCoopers (“PwC”). PwC are coming up to their tenth year as the Group’s external auditors. However, the audit partner in charge of the audit, Natasha McMillan, is rotating off with a new partner, Jeremy Jenson, taking oversight of the Group’s audit engagement following the publication of the FY20 results. As the ten year audit rotation is not applicable to Brooks Macdonald, being an AIM listed company and given the challenges posed by COVID-19 and following the guidance given by the Financial Conduct Authority, Financial Reporting Council and Prudential Regulation Authority, the Group is not intending to carry out a tender process for new auditors at this time.

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

The Committee is satisfied that PwC has conducted an effective audit for the year ended 30 June 2020.

Independence and non-audit services

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

Audit Committee report continued

Financial reporting

The Committee reviewed the significant issues set out below in relation to the Group's Annual Report and Accounts for the year ended 30 June 2020. Discussions were held with management throughout the year and the Committee is comfortable the Consolidated financial statements included within the Annual Report and Accounts address the judgements and estimates applied, as well as the disclosures agreed. These significant issues were also reviewed with the external auditors with the Committee's conclusions being in line with the auditors'.

Issue	Key considerations and conclusions
Goodwill (see Note 14)	The Committee reviewed the value-in-use calculations presented by management supporting the value of goodwill held on the Group's balance sheet in respect of previously acquired businesses. The Committee concluded that the remaining goodwill in respect of Levitas is no longer adequately supported and accordingly approved an impairment charge of £4.5 million. The Committee is satisfied that the remaining goodwill value is adequately supported by the respective value-in-use calculations.
Amortisation of client relationships (see Note 14)	In determining the useful economic life of the Group's client relationships, the Committee reviewed relevant analysis presented by management. The Committee concluded that the assumptions and judgements used were reasonable and appropriate and were also in agreement with the useful economic life of the client relationships arising from the acquisition of Cornelian during the year.
Acquisition accounting (see Note 10)	The Committee reviewed management's accounting of the Cornelian acquisition, including the methodology for valuing the intangible assets in arriving at the goodwill arising on acquisition and concluded that it was appropriate. The Committee also assessed the reasonableness of the amount recognised on the balance sheet at 30 June 2020 in respect of the discounted deferred contingent consideration for Cornelian of up to £8.0 million arising on the achievement of set FUM levels and cost synergies by September 2021 and February 2022 respectively, and concluded this was appropriate.

Whistleblowing

The Group's whistleblowing policy was reviewed and agreed by the Committee during the year. Responsibility for whistleblowing rests with Richard Price, Chair of the Audit Committee, who has the role of the Group's overall "Whistleblowing champion". There are also dedicated "Whistleblowing champions" for the UK and Channel Island businesses. The Group also provides an independent external reporting portal provider, Safecall, which staff can contact anonymously. Ultimate responsibility for whistleblowing rests with the Board. No incidents of whistleblowing were reported during the year.

Approval

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

Richard Price
Audit Committee Chair

16 September 2020

Nominations Committee report

> "The Committee welcomed two new members, expanding the Board's skillset and experience in the financial services sector and providing strengthened counsel and supervision to the Group in executing its strategy."
>
> Alan Carruthers
> Chair of the Nominations Committee

Role and responsibilities

The Nominations Committee is responsible for reviewing the composition of the Board and the Board Committees to ensure they are suitably constituted, with an appropriate balance of skills, experience, knowledge and diversity. This includes conducting the annual Board effectiveness review. The Committee also recommends Board and Board Committee appointments, and monitors succession planning at the Group's leadership levels to ensure the Group's continued ability to implement its strategy and operate effectively. The Committee is also responsible for reviewing and recommending to the Board any material changes to the structure, size and composition of the Group's regulated subsidiary company boards.

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

Composition and meetings

The Committee comprises Alan Carruthers (Chair), Diane Seymour-Williams, John Linwood and Richard Price, together with Dagmar Kershaw and Robert Burgess who joined the Committee with effect from 1 July and 1 August 2020 respectively. Only members of the Committee may vote on Committee business but other members of the Board and the HR Director may attend all or part of a meeting by invitation. The attendance of each Committee member during the year is shown on page 63 of the Annual Report.

Main activities during the year

The Nominations Committee has overseen a number of Board changes during the financial year. Colin Harris stepped down from the Board at the Company's AGM last October having completed nine years as an independent Non-Executive Director.

Similarly, the Committee identified that Diane Seymour-Williams is approaching her nine-year anniversary as an independent Non-Executive Director and so will be stepping down at this year's AGM. As a result of this, the Company commenced a formal process to appoint a new Non-Executive Director. A role description was drawn up and, after conducting a selection process, Korn Ferry were chosen to lead the search, focusing on individuals with the appropriate skills for the Board, while ensuring a diverse selection of applicants. A long list of candidates was reviewed and reduced to a short list who were then assessed by the Committee. Following a series of interviews, it was announced on 9 June 2020 that Dagmar Kershaw would be joining the Board with effect from 1 July 2020. Korn Ferry have also assisted the Company with recruitment for senior management roles.

In addition, David Stewart tendered his resignation at the end of April 2020, to take effect from 31 July 2020, in order to take up a full-time position as Chief Executive of LSL Property Services plc. As well as being a Non-Executive Director, David was also Chair of the Risk and Compliance Committee and the Committee agreed that its recruitment of a replacement for David should focus on someone who could effectively chair that Committee. The Company approached a number of recruitment consultants and finally selected Nurole to undertake the search. Again, an initial long list of candidates was whittled down to a shortlist who were then interviewed by members of the Committee and the Executive Directors. It was announced on 16 July 2020 that Robert Burgess had been appointed to the Board with effect from 1 August 2020. The recruitment of Robert Burgess was the first time the Company had worked with Nurole.

David Stewart also held the role of Senior Independent Director. Following discussions amongst the Committee, it was agreed that Richard Price should take on this role upon David's departure, subject to FCA approval.

Talent development and succession planning

The Committee is committed to maintaining an effective policy for the orderly succession of Executive Directors, Executive Committee members and other senior management roles across the business. It is also committed to maintaining an appropriate balance of skills, experience, independence and diversity within those roles and across the Group. Further information on the Group's approach to succession planning can be found in the Corporate Responsibility report on page 54.

Diversity

The Committee takes an active role in setting and monitoring diversity objectives and strategies undertaken by the Group and embraces the benefits of having a diverse Board drawing on the knowledge, skills, experience and expertise of directors from a range of backgrounds and will take the opportunity to improve the Board's diversity where required. As mentioned previously, external search consultancies used in the recruitment of Board and senior members of management are encouraged to provide diverse lists of candidates. Further details on the Group's approach to diversity are included in the Corporate responsibility report on page 52 with details of the gender balance of the Company's senior management shown on page 55.

Board effectiveness

The Committee is responsible for overseeing an annual evaluation of the Board, its Committees, the Chair and individual Directors. This includes a review of the composition, diversity and effectiveness of the Board and its Committees and the contribution of each Director. Given the ongoing COVID-19 pandemic, it was agreed that the evaluation should be conducted internally. This was carried out in June 2020 and a secure, online questionnaire was employed which ensured the anonymity of responses received. This provided an opportunity for each of the Directors to review the processes and procedures of the Board and to scrutinise the performance of themselves and their colleagues. The feedback received was generally positive in nature, both concerning the Board as a whole and its Committees. A small number of issues were raised for further consideration:

- The Board requested more benchmarking and to receive additional information on the wider market
- More dedicated time in meetings for broader debate on the implementation of the Group's strategy and future priorities
- While the quality of board papers was generally good, the Board would prefer papers to be shorter and more focused, as well as delivered earlier

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

Corporate governance

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

Approval

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

Alan Carruthers
Nominations Committee Chair

16 September 2020

Remuneration Committee report

"The Committee continued to ensure its overall approach to remuneration was competitive, market aligned, and drove the right commercial outcomes aligned to shareholder interests."

John Linwood
Chair of the Remuneration Committee

Introduction

The Directors' Remuneration Report includes the Annual report on remuneration for the financial year ended 30 June 2020 and the Directors' remuneration policy. The Annual report on remuneration illustrates how variable pay relates to the Group's performance outcomes for the year and over the longer term. It also provides a detailed view of each Director's individual total remuneration.

As reported in last year's report, Diane Seymour-Williams retired as Chair of the Remuneration Committee on 31 July 2019 and John Linwood was appointed Chair from 1 August 2019. From 1 August 2019, the Remuneration Committee comprised John Linwood (Chair), Diane Seymour-Williams, Richard Price and David Stewart. Dagmar Kershaw and Robert Burgess have also joined the Committee following their appointment as Non-Executive Directors. The Committee's attendance during the year ended 30 June 2020 is set out in the summary table on page 63.

The Committee exercises independent judgement in the determination, implementation and operation of the overall remuneration policy for the Group. The Committee also:

- provides oversight of the design and application of the remuneration policy and makes recommendation to the Board of the overarching principles for all Group employees;
- ensures the policy is consistent with the risk appetite of the Group and its strategic goals; and
- reviews and approves the remuneration policies and remuneration for the Executive Directors, members of the Executive Committee, Material Risk Takers ("MRTs") and any other employees for whom enhanced oversight is either appropriate or a regulatory requirement.

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

The Committee values feedback from all of its shareholders; following the 39% advisory vote against the Remuneration Report at last year's AGM, the Company engaged with its largest shareholders to find out why. The concern arose from the Company allowing Nicholas Holmes', a previous Director of Brooks Macdonald, outstanding share awards to vest in full on his departure from the Company rather than pro-rating them up to the time of his departure. This decision reflected Nicholas Holmes' exceptionally long service to the business; the Committee can provide reassurance that due consideration was taken, this does not set a future precedent and therefore this should not be an ongoing concern for shareholders.

Board changes

Colin Harris stepped down from the Board with effect from 31 October 2019. As announced on 1 May 2020, David Stewart stepped down from the Board effective from 31 July 2020. Dagmar Kershaw was appointed to the Board with effect from 1 July 2020 and Robert Burgess was appointed to the Board with effect from 1 August 2020.

Activities of the Committee

The Committee continued to ensure its overall approach to remuneration was competitive, market aligned, and drove the right commercial outcomes aligned to shareholder interests. This has been particularly important and challenging given the COVID-19 pandemic and its impact on our business results and our people.

There have been two significant acquisitions for the Group during the year: Cornelian Asset Managers Group Limited which completed in February 2020 and the Lloyds Bank International's Channel Islands wealth management and funds business which was announced in June 2020. The Committee focused particularly on the integration of the business from a people perspective to ensure Cornelian employees have been successfully embedded into Brooks Macdonald.

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

The Committee also oversaw the details and publication of the Group's third annual gender pay gap report and was pleased to report a continued steady reduction in both median and mean gender pay gaps. It also published its progress against gender diversity targets for senior management, which has also seen a small improvement.

Throughout the year the Committee also received regular updates around developments in the governance and regulation of remuneration structures from both internal and external sources, and took action to ensure the Group's remuneration approach reflects best practice in this regard as well as rewarding high performance and conduct aligned to our risk management framework and guiding principles. At the invitation of the Committee chairman, the CEO and HR Director attend some or all of each meeting. The CRO also advises the Committee on matters relating to remuneration as required. If requested, there is an opportunity for private discussion between Committee members without the presence of management at meetings. No Committee member or attendee is present when matters relating to their own remuneration are discussed.

Incentive outcomes for the year

The financial year has been characterised by weak market sentiment resulting from Brexit uncertainties and geo-political tensions. This was then exacerbated by the COVID-19 pandemic during the second half of the year. Despite this, the Group has maintained good performance with funds under management increasing during the financial year from £13.1 billion to £13.7 billion, an increase of 4.6%. This reflects the assets acquired from Cornelian in February 2020 of £1.2 billion and positive investment performance of £0.1 billion, partly offset by organic net outflows of £0.8 billion arising mainly in lower margin business as a result of the Group's focus on efficiency and business quality over volume and actions taken to support the medium-term value creation. Underlying profit before tax increased by 11.1% to £23.0 million, ahead of the £20.7 million reported in FY19. Underlying profit before tax margin rose from 19.5% to 21.2% in line with our ongoing commitment to increase profit margins in the medium term.

In line with previous years, the Executive Directors' annual bonus is awarded against three financial measures: net organic growth in funds under management, underlying profit before tax, and underlying profit before tax margin, and one non-financial measure for strategic and personal objectives. For FY20, small adjustments to the weightings of the metrics were made to more align with the Group's business strategy and plan which is currently in phase two of driving growth. To reflect this level of transformation, it was felt that giving equal weighting to the financial metrics (20% each) and increasing the weighting on strategic and personal objectives to 40% was appropriate to reflect the short-term priorities and risk profile of the Group. A higher non-financial weighting is also in line with market practice amongst financial services firms.

Despite the challenging business context brought on by Brexit uncertainty and the COVID-19 pandemic, the business has made good progress this year and has increased both underlying profit before tax and underlying profit margin. Both Executive Directors have made excellent progress against their non-financial targets and this has resulted in bonus outcomes of 96.0% of base salary for both the CEO and Group Finance Director. The Remuneration Committee is satisfied that the bonus outcome reflects the overall performance of the Group over the year.

Awards of restricted shares were made to the Executive Directors and other members of the Executive Committee under the 2018 Long Term Incentive Plan ("LTIP") in October 2019. The LTIP awards are subject to continued service and underpins relating to dividends, funds under management and risk and compliance. These awards will not vest until October 2022.

There were no LTIP awards capable of vesting based on performance for the period ended 30 June 2020.

Workforce engagement

During FY20, John Linwood agreed to be the designated Non-Executive Director to lead the Board's engagement with our people. Various engagement activities, such as staff discussion groups, were undertaken to provide the opportunity for feedback, themes and viewpoints to be brought to the attention of the Board and to encourage dialogue at all levels. The Group also runs a regular staff survey through which it elicits feedback from staff around a number of areas, including compensation and benefits. Executive Directors regularly meet with employees through other mechanisms such as all-staff town halls, focus groups, visiting regional offices and joining team meetings which has been continued remotely through lockdown.

Remuneration Committee report continued

Approach to remuneration in FY21

The Committee undertook a review of the remuneration arrangements of the CEO and Group Finance Director and consulted with the Company's largest investors.

Following an overhaul of the executive team, the Board regards Caroline Connellan and Ben Thorpe as central to the successful delivery of our strategy – delivering growth – the ongoing transformation and the Group's expansion both organically and inorganically. Brooks Macdonald operates in an extremely competitive market and the Board is cognisant of the scarcity of high quality talent in the wealth management sector.

In light of this and to take into account both Executive's increased experience and performance since joining Brooks Macdonald, the Remuneration Committee, having taken soundings from major shareholders, has made adjustments to their base salaries. Caroline's salary will be increased to £410,000 from £358,000 and Ben's salary will be increased to £331,000 from £281,000 from 1 September 2020. The Remuneration Committee is aware that these increases are significant but believes they are essential in retaining and motivating a strong team at a time of significant change in the industry. While benchmarking has not been the main driver behind these increases, the Remuneration Committee takes comfort that the revised salaries are more aligned with mid-market levels and are not excessive.

The Committee supports the idea that pension alignment promotes fairness across the workforce. The Executive Directors' pensions were reduced from 15% to 10% in 2018 and a further reduction to 8% will be made from 1 September 2020, as part of our objective of aligning this with the wider workforce rate.

Similar to this year, the Executive Directors' annual bonus will be based on performance against three financial measures: net organic growth in funds under management, underlying profit before tax, and underlying profit before tax margin; and strategic and personal objectives. There is no change to the weighting of the financial and non-financial elements in 2021.

LTIP awards will continue to be granted under the current Plan with a three-year vesting period and two-year post-vesting holding period up to a maximum of 50% of base salary. As set out above for the 2019 award, previous restricted share awards have been subject to underpins relating to dividends, funds under management and risk and compliance.

Given the impact of COVID-19 on the financial year ended 30 June 2020, and reflecting the nature of a restricted share award, the Committee believes that retaining the dividend and FUM underpins for the forthcoming award would be inappropriate and may incentivise actions which are not in the long-term interests of shareholders and not in line with the Board's risk appetite. Therefore, the FY21 restricted share award will vest subject to the following underpins:

i. the maintenance of a satisfactory risk, compliance, governance and internal control environment, and

ii. a Remuneration Committee assessment that the value being delivered on vesting is commensurate with the underlying financial performance of the Company over the three-year vesting period.

If either or both of these underpins are not met, the Remuneration Committee has the power to scale back vesting as it feels is appropriate, including to nil.

The Committee will retain the ability to apply discretion in circumstances where it considers the award outcomes do not reflect the true performance of the business or individual over that period.

The Committee believes the proposed approach to remuneration is appropriate to retain and incentivise a very talented management team and we hope you will be supportive of the advisory remuneration resolution which will be tabled at the Annual General Meeting on 27 October 2020.

Annual report on remuneration

Total remuneration for the financial year to 30 June 2020 (audited)

£'000		Salary and fees	Pension-related benefits	Taxable benefits	Annual bonus[1]	Long-term incentives[2]	Sharesave[3]	Other payment[4]	Total fixed remuneration	Total variable remuneration	Total
Executives											
Caroline Connellan	2020	358	32	3	343	63	–	110	393	516	909
	2019	346	33	3	363	37	–	–	382	400	782
Ben Thorpe[5]	2020	281	25	2	270	27	4	198	308	499	807
	2019	242	21	2	285	–	4	186	265	475	740
Nicholas Holmes[6]	2020	–	–	–	–	–	–	–	–	–	–
	2019	106	5	1	30	211	–	259	112	500	612
Andrew Shepherd[7]	2020	–	–	–	–	–	–	–	–	–	–
	2019	165	–	2	151	–	–	–	167	151	318
	2020	639	57	5	613	90	4	308	701	1,015	1,716
	2019	859	59	8	829	248	4	445	926	1,526	2,452
Non-Executives											
Alan Carruthers[8]	2020	187	–	–	–	–	–	–	187	–	187
(Chairman)	2019	53	–	–	–	–	–	–	53	–	53
Colin Harris[9]	2020	22	–	–	–	–	–	–	22	–	22
	2019	65	–	–	–	–	–	–	65	–	65
Richard Price	2020	67	–	–	–	–	–	–	67	–	67
	2019	63	–	–	–	–	–	–	63	–	63
Diane Seymour-Williams	2020	59	–	–	–	–	–	–	59	–	59
	2019	63	–	–	–	–	–	–	63	–	63
David Stewart	2020	74	–	–	–	–	–	–	74	–	74
	2019	61	–	–	–	–	–	–	61	–	61
John Linwood[10]	2020	66	–	–	–	–	–	–	66	–	66
	2019	42	–	–	–	–	–	–	42	–	42
Christopher Knight[11]	2020	–	–	–	–	–	–	–	–	–	–
	2019	106	–	–	–	–	–	–	106	–	106
	2020	475	–	–	–	–	–	–	475	–	475
	2019	453	–	–	–	–	–	–	453	–	453
Total remuneration	2020	1,114	57	5	613	90	4	308	1,176	1,015	2,191
	2019	1,312	59	8	829	248	4	445	1,379	1,526	2,905

Notes to the total remuneration table

1. The amounts represent the total annual bonus value awarded in respect of the relevant financial year, comprising both cash and share awards. For FY20 the cash payment comprised 66.7% of total annual bonus value and the deferred share award 33.3%.
2. Represents the market value on vest date of any long-term incentive awards and bonus deferrals which vested during the relevant financial year. The amounts for Caroline Connellan and Ben Thorpe comprise 3,287 DBP awards and 1,452 DBP awards, respectively, at a market value of £19.10 on vest date of 31 August 2019. These were in respect of bonuses deferred from FY18.
3. Value of benefit associated with discount of the 2020 scheme.
4. The amount for Caroline Connellan comprises 7,458 awards at a market value of £14.75 on vest date of 10 April 2020 and the amount for Ben Thorpe comprises 10,688 awards at a market value of £18.50 on vest date of 30 November 2019. Both LTIS awards were made upon employment in line with awards forgone from prior employers. The amount for Ben Thorpe in the year ended 30 June 2019 represents delivery of non-recurring cash payments agreed at hire which were broadly in line with awards forgone from his prior employer.
5. Appointed 6 August 2018.
6. Resigned 30 November 2018.
7. Resigned 1 April 2019.
8. Appointed 14 March 2019.
9. Resigned 31 October 2019.
10. Appointed 19 September 2018.
11. Resigned 14 March 2019.

Remuneration Committee report continued

Annual variable pay outcomes for financial year ended 30 June 2020

The 2020 bonus was based on a balanced scorecard of metrics and targets designed to achieve a direct link between performance against the Group's strategic and commercial goals and the overall bonuses awarded. Under the 2020 structure, a maximum bonus opportunity of 150% of base salary applied to the two Executive Directors. While the Committee has the discretion to adjust the final outcome to take account of overall performance and exceptional events, no discretion will be applied this year despite the COVID-19 backdrop; the Committee considers that the Remuneration Policy has operated as intended both in terms of Company performance and quantum.

Annual bonus performance targets

For the financial year ended 30 June 2020, bonus was based on the following four metrics (percentage weighting within total bonus opportunity indicated), all of which are aligned to the Group's strategic targets.

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

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

Overall outcome of annual bonus

The overall bonus outcome, including strong performance across all key strategic and personal non-financial measures, resulted in an annual bonus award of 96.0% of base salary paid to the CEO and an annual bonus award of 96.0% of base salary paid to the Group Finance Director. A third of the bonus payable is deferred into shares which vest in equal tranches over three years to encourage further alignment with our shareholders' priorities. Both cash and share portions are subject to malus and clawback provisions.

Performance against financial criteria

	Weighting	% of salary at maximum	Threshold[1]	Target[1]	Maximum[1]	Actual for FY20	% of base salary awarded for these criteria
Underlying PBT	20.0%	30.0%	£21.0m	£24.1m	£26.1m	£23.0m	16.5%
Net flows	20.0%	30.0%	2.5%	5.0%	7.5%	(5.9%)	0.0%
Underlying PBT margin (%)	20.0%	30.0%	19.6%	21.3%	22.3%	21.2%	19.5%
Total	60.0%	90.0%					36.0%

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

Performance against non-financial criteria

Strategic objective	Objective	Performance in FY20	Extent to which objective has been met
Strategy	Continued delivery of organic growth strategy, successful integration of acquired business	• Significant progress made in delivering the second phase of the Group strategy including two high-quality acquisitions, complementing organic growth actions • A good full year result, ahead of last year's in terms of both underlying profit and underlying profit margin, despite the market volatility and economic uncertainty caused by Brexit and the COVID-19 pandemic • Acquisition of Cornelian completing in February, with the business now successfully integrated and target FY21 cost synergies of £3.75 million expected to be met in full • Acquisition of Lloyds Bank International's Channel Islands wealth management and funds business announced (subject to regulatory approval) in June 2020 • Delivered fast paced change to enable a safe and resilient remote operating model and cultural shift to allow the business to continue delivering through COVID-19	Achieved
People	Ongoing executive development, successful roll-out of Group leadership capability framework and tiered leadership development programme. Ensure improving engagement and diversity levels across the Group.	• Ongoing development of leaders through delivery of specific executive and leadership (mid and senior levels) programmes • Achieved reduction in gender pay gap, increased gender diversity on Executive Committee (from 20% to 30%), and led a broader diversity and inclusion agenda • Ongoing focus on employee engagement, positively reflected in significantly increased employee engagement score over the course of the year • Effective people-focused response to COVID-19 with employee health and wellbeing at core, providing reassurance and support (informed by regular pulse surveys) and effectively implementing a seamless transition to a remote working environment	Achieved

Remuneration Committee report continued

Strategic objective	Objective	Performance in FY20	Extent to which objective has been met
Client	Focus on consistent delivery of high-quality client and IFA experience, leveraging process improvement and digital.	• Ongoing enhancements of core offering and embedded specialist Court of Protection, Responsible Investment Service ("RIS") and Decumulation services • Delivered increased level of client and adviser support and information, including webinars, educational tools and regular communications to provide better macroeconomic oversight, particularly through the challenging markets brought by Brexit and COVID-19 • Delivered ongoing enhancements in client operations through centralisation and process improvements, and made progress in digital capabilities including roll-out of enhanced portal	Achieved
Risk	Maintain a positive and proactive relationship with regulators, ensuring effective risk management. Maintain high standards in managing regulatory matters including delivery of SM&CR.	• Made significant steps in the ongoing enhancement and embedding of Group-wide risk management framework • Maintained active regulatory engagement in both the UK and Channel Islands to support regulatory requirements and business objectives • Successful implementation and embedding of SM&CR	Achieved

	Weighting	% of salary at maximum	% of base salary awarded for these criteria
Strategic and personal objectives	40.0%	60.0%	60.0%
Financial objectives (as above)	60.0%	90.0%	36.0%
Total	**100.0%**	**150.0%**	**96.0%**

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

Name	Role	Cash	Deferred shares	Total	% of base salary[1]
Caroline Connellan	CEO	£229,000	£114,000	£343,000	96.0%
Ben Thorpe	Group Finance Director	£180,000	£90,000	£270,000	96.0%

1. As disclosed in the total remuneration table.

Monetary value of awards made under LTIP and deferred element of annual bonus during FY20 (audited)

Name	FY19 Deferred bonus	FY19 LTIPs	Total
Caroline Connellan	£121,000	£175,000	£296,000
Ben Thorpe	£95,000	£138,000	£233,000
Total	**£216,000**	**£313,000**	**£529,000**

Deferred bonus share awards granted during the year (audited)

One third of the FY19 bonus was awarded to Executive Directors in the form of deferred nil cost share options. These awards will vest over three years in three equal tranches after 12, 24 and 36 months.

Name	Basis of award	Date of award	No. of awards	Face value of awards[1]	Vesting date
Caroline Connellan	1/3 of annual bonus	29 Oct 2019	6,067	£121,000	30 Sept 2020/ 2021/ 2022
Ben Thorpe	1/3 of annual bonus	29 Oct 2019	4,767	£95,000	30 Sept 2020/ 2021/ 2022

1. Based on a share price of £19.925 being the mid-market closing share price on 30 September 2019.

LTIP awards granted during the year (audited)

A restricted share award under the LTIP was granted to Executive Directors in October 2019 with a face value of 50% of base salary. These awards will vest after three years and a further two-year post-vesting holding period will apply.

Name	Basis of award	Date of award	No. of awards	Face value of awards[2]	Vesting date	End of holding period
Caroline Connellan	50% of salary	29 Oct 2019	8,910	£175,000	30 Sept 2022	30 Sept 2024
Ben Thorpe	50% of salary	29 Oct 2019	7,001	£137,500	30 Sept 2022	30 Sept 2024

2. Based on a share price of £19.642 being the three-day average post announcement of results.

The LTIP awards are subject to continued service and:

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

The LTIP awards are subject to malus and clawback provisions in the event of circumstances including, but not limited to, material misstatement of financial results, material adverse event (e.g. regulatory censure, regulator sanction, reputational damage) or error in the calculation of the awards. The Committee is able to exercise discretion in circumstances where it considers the award outcomes do not reflect the true performance of the business or individual over that period.

To the extent that they vest, these awards will be shown in the total remuneration table for the financial year ending 30 June 2023.

Dilution

All share awards are made in accordance with the Board's dilution policy so that in any rolling period of ten years, not more than 10% of the issued ordinary share capital of the Company (adjusted for bonus and rights issues) will be issued for all share incentive schemes operated by the Company. In addition, a further limit within this has been set of a 5% ten-year dilution level with respect to Executive Long-Term Incentive Plan awards. The Company satisfies the various equity-based schemes it operates using a combination of market purchased and newly issued shares. The dilutive effect of LTIP awards issued to date is nil.

Remuneration Committee report continued

Directors' share interests

At 30 June 2020, active Directors' shareholdings were as set out below:

Number of shares	Beneficially owned shares	Value at 30 June 2020	Shareholding as % of base salary
Executives			
Caroline Connellan	10,448	£173,000	48%
Ben Thorpe	8,908	£148,000	52%
Non-Executives			
Alan Carruthers (Chairman)	1,450	N/A	N/A
Richard Price (Senior Independent Director)	1,450	N/A	N/A
Robert Burgess (appointed 1 August 2020)	-	N/A	N/A
Dagmar Kershaw (appointed 1 July 2020)	-	N/A	N/A
John Linwood	300	N/A	N/A
Diane Seymour-Williams	4,000	N/A	N/A
David Stewart (resigned 31 July 2020)	-	N/A	N/A
Total	26,556		

Vesting profile of all share awards (audited)

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

Long Term Incentive Scheme ("LTIS")

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

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

C Connellan

Grant Date	Exercise Price (p)	Options at 1 July 2019	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2020	Vesting Date	Expiry Date
21/08/2017	-	7,458	-	(7,458)	-	-	10/04/2020	21/08/2027
03/11/2017	-	1,525	-	-	-	1,525	03/11/2020	03/11/2027
Total		8,983	-	(7,458)	-	1,525		

B Thorpe

Grant Date	Exercise Price (p)	Options at 1 July 2019	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2020	Vesting Date	Expiry Date
21/12/2018	-	10,688	-	(4,190)	-	6,498	30/11/2019	21/12/2028
21/12/2018	-	7,079	-	-	-	7,079	30/11/2020	21/12/2028
21/12/2018	-	2,526	-	-	-	2,526	31/10/2021	21/12/2028
Total		20,293	-	(4,190)	-	16,103		

Deferred Bonus Plan ("DBP")

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

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

C Connellan

Grant Date	Exercise Price (p)	Options at 1 July 2019	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2020	Vesting Date	Expiry Date
27/11/2018	-	3,287	-	(3,287)	-	-	31/08/2019	27/11/2028
27/11/2018	-	3,287	-	-	-	3,287	31/08/2020	27/11/2028
31/10/2019	-	-	2,022	-	-	2,022	30/09/2020	31/10/2029
31/10/2019	-	-	2,022	-	-	2,022	30/09/2021	31/10/2029
31/10/2019	-	-	2,023	-	-	2,023	30/09/2022	31/10/2029
Total		6,574	6,067	(3,287)	-	9,354		

B Thorpe

Grant Date	Exercise Price (p)	Options at 1 July 2019	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2020	Vesting Date	Expiry Date
27/11/2018	-	1,452	-	-	-	1,452	31/08/2019	27/11/2028
27/11/2018	-	1,453	-	-	-	1,453	31/08/2020	27/11/2028
31/10/2019	-	-	1,589	-	-	1,589	30/09/2020	31/10/2029
31/10/2019	-	-	1,589	-	-	1,589	30/09/2021	31/10/2029
31/10/2019	-	-	1,589	-	-	1,589	30/09/2022	31/10/2029
Total		2,905	4,767	-	-	7,672		

Long Term Incentive Plan ("LTIP") Conditional Awards

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

C Connellan

Grant Date	Exercise Price (p)	Options at 1 July 2019	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2020	Vesting Date	Holding Period
04/04/2019	-	9,682	-	-	-	9,682	01/11/2021	24 months
31/10/2019	-	-	8,910	-	-	8,910	30/09/2022	24 months
Total		9,682	8,910	-	-	18,592		

B Thorpe

Grant Date	Exercise Price (p)	Options at 1 July 2019	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2020	Vesting Date	Holding Period
31/10/2019	-	-	7,001	-	-	7,001	30/09/2022	24 months
Total		-	7,001	-	-	7,001		

Remuneration Committee report continued

Company Share Option Plan ("CSOP")

The CSOP was approved by shareholders at the Annual General Meeting on 17 October 2013 and by HMRC on 21 November 2013.

The scheme is a discretionary scheme whereby employees or Directors are granted an option to purchase the Company's shares in the future at a price set on the date of the grant. The maximum award under the terms of the scheme for an individual at any one time is a total market value of £30,000. There are performance conditions attaching to the scheme whereby there must be an increase in the underlying diluted earnings per share of the Company of 2% more than the increase in RPI over the three years starting with the financial year in which the option is granted. No awards were made under the scheme during FY20.

C Connellan

Grant Date	Exercise Price (p)	Options at 1 July 2019	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2020	Vesting Date	Expiry Date
18/08/2017	2,011.0	1,491	–	–	–	1,491	18/08/2020	18/08/2027
Total		1,491	–	–	–	1,491		

Save As You Earn ("Sharesave")

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

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

B Thorpe

Grant Date	Exercise Price (p)	Options at 1 July 2019	Granted during year	Exercised during year	Lapsed during year	Options at 30 June 2020	Vesting Date	Expiry Date
10/05/2019	1,400.0	1,285	–	–	(1,285)	–	01/06/2022	01/12/2022
13/05/2020	1,172.0	–	1,535	–	–	1,535	01/06/2023	01/12/2023
Total		1,285	1,535	–	(1,285)	1,535		

Service contracts for Executive Directors

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

Advice to the Committee

During the year, the Committee received independent advice from FIT Remuneration Consultants LLP ("FIT") who were appointed by the Remuneration Committee Chair during the year. Fees were charged on a time and materials basis; the total fees paid to FIT in respect of its services to the Committee were £24,000. No other services were provided by FIT during the year, and the Committee is satisfied that the advice received is objective and independent.

Non-Executive Directors

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

Non-Executive Directors' fees

The Non-Executive Directors' fees were reviewed and increased in March 2020 to reflect their responsibilities, competitiveness against the market, and the time commitment required during a period of significant change for the Group.

	30 June 2020	30 June 2019	Change in fees
Chairman	£200,000	£180,000	11%
Base fee	£60,000	£55,000	9%
Senior Independent Director	£10,000	£10,000	0%
Committee Chair	£10,000	£10,000	0%

How the policy will be applied to Executive Director remuneration for the financial year ending 30 June 2021

Base salary review

Following an overhaul of the Executive team, the Board regards Caroline Connellan and Ben Thorpe as central to the successful delivery of tour strategy – delivering growth - the ongoing transformation and the Group's expansion both organically and inorganically. Brooks Macdonald operates in an extremely competitive market and the Board is cognisant of the scarcity of high-quality talent in the wealth management sector.

In the light of this and to take account of both Executives' increased experience and performance since joining Brooks Macdonald, the Remuneration Committee is proposing adjustments to their base salaries. Caroline's salary will be increased to £410,000 from £358,000 and Ben's will be increased to £331,000 from £281,000 from 1 September 2020. While benchmarking has not been the main driver behind these increases, the Remuneration Committee takes comfort that the revised salaries are more aligned with mid-market levels and are not excessive.

Performance targets for the FY21 annual bonus

For FY21, the annual bonus will be based on performance against a balanced scorecard comprising the following key performance areas:

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

The Committee will set challenging non-financial performance targets for the Executive Directors aligned to the priorities of the Group, including areas of strategy delivery, client, risk management, people and leadership. The performance targets will be disclosed in the FY21 annual report for reasons of commercial sensitivity.

LTIP

Before the onset of the COVID-19 crisis, the Remuneration Committee had been considering moving to performance shares as (i) Phase 1 of the Group's strategy[1] had been completed, (ii) performance shares provided better alignment with the Board's growth aspirations, and (iii) the outlook meant it had become easier to set robust three year goals (compared with the uncertainty that coincided with Caroline's appointment and the completion of the first phase of her strategic overhaul).

However, COVID-19 has created significant uncertainty in the short and medium-term outlook and, therefore, it is proposed that restricted shares will continue to be granted to Executive Directors up to a maximum of 50% of base salary. The Remuneration Committee will consider the appropriate long-term incentive mechanism in the second half of FY21.

Previous restricted share awards have been subject to a minimum of a maintained dividend and positive net organic growth in FUM. Given the impact of COVID-19 on the financial year ended 30 June 2020 (upon which both underpins are based), the Committee believes that retaining these underpins for the forthcoming award would be inappropriate and may incentivise actions which are not in the long-term interests of the shareholders and not in line with the Board's risk appetite. Therefore, the FY21 award will vest subject to the following underpins:

i. the maintenance of a satisfactory risk, compliance, governance and internal control environment; and

ii. a Remuneration Committee assessment that the value being delivered on vesting is commensurate with the underlying financial performance of the Group over the three-year vesting period.

If either or both of these underpins are not met, the Remuneration Committee has the power to scale back vesting as it feels is appropriate, including to nil.

1. This included strengthening of the leadership team, building functional capability and exiting non-core activities

Remuneration Committee report continued

Pension

Pension allowances to the Executive Directors will decrease from 10% down to 8% with effect from 1 September 2020 to bring them more in line with other Group employees.

Compliance with the FCA Remuneration Code

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

Directors' Remuneration Policy

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

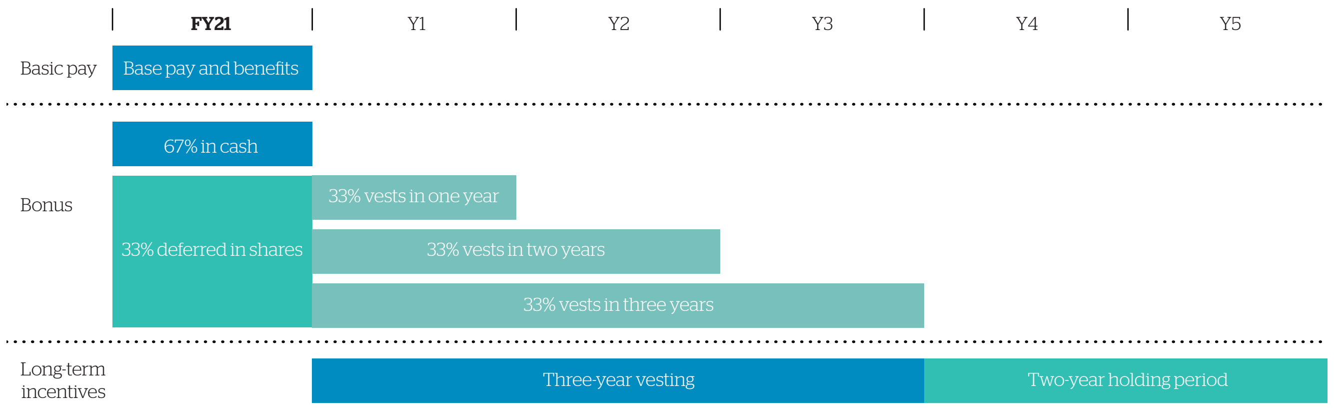
Remuneration policy principles

The Policy is designed to:

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

Summary of remuneration elements for Executive Directors for FY21

Element	Purpose	Detail	Maximum opportunity
Base salary	Provides fixed remuneration at an appropriate level to attract and retain talent.	Individual levels of base salary are reviewed annually with any increases effective from 1 September, unless there are any exceptional reasons for increases at another time of the year.	Benchmarked against relevant market levels.
Pension	To aid retention of key talent.	Executive Directors receive a pension contribution from the Company equal to 8% of salary, which can either be sacrificed into the Group's defined contribution pension scheme, paid into an alternative pension scheme, or taken in cash (in part or in full).	8% of base salary.
Benefits	To provide valued benefits to the individual.	Executive Directors receive benefits including private medical insurance, private health insurance, life assurance, critical illness cover, as well as an annual health assessment.	In line with Group Policy.
Annual bonus	Rewards annual Group and personal performance and aligns reward with longer-term performance through deferral into shares.	Based on financial and non-financial performance metrics. One-third of annual bonus is deferred into shares over three years with tranche vesting in three equal portions after 12, 24 and 36 months. Malus and clawback principles apply to annual bonus awards under the Group's malus and clawback policy.	150% of base salary.
LTIP	Rewards performance over the long term.	Executive Directors may be considered for a conditional award of shares of up to 50% of base salary. The award vests after three years subject to continued service, the general good health of the business and prudent risk management. Post-vesting, recipients are required to hold the shares, net of sales to settle income tax and National Insurance contributions due on vesting, for a further two years. This will create further long-term alignment with shareholders' interests by creating a combined vesting and holding period of five years. Malus and clawback principles apply under the Group's malus and clawback policy.	Up to 50% of base salary (in face value of shares at grant).



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

Shareholding requirements

Executive Directors are required to build and maintain a holding in Brooks Macdonald shares or rights to shares equal to 200% of base salary within five years of commencing in role, or the date of adoption of the Policy. The Group does not currently have a formal policy for post-employment shareholding. The Committee is mindful that full compliance with the 2018 Corporate Governance Code requires such a policy to be in place and the Committee therefore plans to review this during FY21.

Statement of consideration of shareholder views

The Committee regularly compares the Policy with shareholder guidelines and takes account of the results of shareholder votes on remuneration. The Remuneration Committee Chair consults with major investors ahead of any material changes to the Policy, and is available to meet with institutional shareholders to discuss any of the policy-related disclosures or outcomes contained in this Directors' Remuneration Report. During FY20, consultations with major investors have taken place to seek feedback on proposed changes to elements of Executive Director compensation, including base salaries and LTIPs.

Statement of consideration of employment conditions elsewhere in the Company

A consistent remuneration philosophy is applied to all employees across the Group. For the financial year ending 30 June 2021, all employees continue to be eligible for discretionary performance-related annual bonus based on a balanced scorecard of financial and non-financial metrics. The principle of bonus deferral applies to annual bonuses for all employees whose bonuses exceed certain monetary thresholds.

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

External appointments

Executive Directors are normally permitted to take on one external appointment as a Non-Executive Director. Prior Board approval is required for any new appointment. Fees in excess of £15,000 per annum are paid to the Group.

Remuneration Committee report continued

Approach to remuneration for new Executive Director appointments

The remuneration package for a new Executive Director is set in line with the terms and maximum levels of the Group's approved remuneration policy in force at the time of appointment. Currently, for annual bonus and LTIPs, the maximum opportunity is 150% and 50% of base salary respectively. The Committee may also offer additional cash and/or share-based elements to replace awards or potential earnings forgone on becoming an Executive Director (if in the interests of the Group and shareholders and in accordance with regulatory requirements). In considering any such payments the Committee could take account of the amount forgone and its nature, vesting dates and any performance requirements attached.

Service contracts and loss of office payments

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

Approval

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

John Linwood
Remuneration Committee Chair

16 September 2020

Risk and Compliance Committee

"During the year the Committee sustained focus on embedding the risk management framework."

David Stewart
Chair of the Risk and Compliance Committee up to 31 July 2020

Role and responsibilities

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

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

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

Composition and meetings

David Stewart was the Chairman of the Committee until 31 July 2020, following which Robert Burgess was appointed as his replacement (subject to FCA approval). All of the Group's Non-Executive Directors are members of the Committee.

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

The Committee's attendance during the year ended 30 June 2020 is set out in the summary table on page 63.

The Committee's areas of focus

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

Risk and Compliance Committee continued

Oversight of the effectiveness of the Risk and Compliance functions	• Safeguarding the independence of the Risk and Compliance teams, and reviewing the adequacy of resources, reporting any concerns to the Board; • Receiving reports from assurance teams, and in particular the CRO, and promoting an open and transparent risk culture; • Maintaining effective oversight of the Risk and Compliance functions, monitoring performance against plan; and • Reviewing key communication with regulators and fostering a culture of co-operation and compliance.

Main activities during the year

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

Progression of legacy matters	Ensured progress of resolution of previously reported Channel Islands legacy matters related to a number of discretionary portfolios formerly managed by Spearpoint (acquired by the Group in 2012). Continuing to oversee ongoing discussions with all stakeholders, including relevant regulators, as the Group seeks to bring these matters to conclusion.
Development of enhanced Risk Appetite Statement with accompanying framework and development of an Overarching Risk Appetite Statement	Work was initiated to enhance Risk Appetite Statements, develop further metrics for reporting the Group's position across each of the key risks it faces and identifying effective means to regularly validate the overall risk position, incorporate this into business planning and make recommendations for mitigating action as appropriate. An Overarching Risk Appetite Statement was developed to support the Group in decision making by considering the dimensions of Client Outcome, Control Environment and Financial Performance & Resources and thus balancing risk versus reward.
Further evolution of risk reporting	Structured review of Top Down and Emerging Risks and developing management reporting, including new dashboards, for review by Senior Management.
Internal Capital Adequacy Assessment Process and Liquidity Risk Management Framework ("LRMF")	Supervised the ICAAP undertaken in the year, including development of risk scenarios, the design of stress tests and reporting to the Board on the level of capital and liquidity resources required.
Money Laundering Reporting Officer's Report	Considered in detail the Annual Money Laundering Reporting Officer's Report, including the need for any enhancements or other recommendations made.
Cyber Crime and Resilience	Given the heightening of cyber-related crimes and regulatory focus on both business and operational resilience, especially during the COVID-19 pandemic, steps were taken to strengthen the Group's Cyber Security team and the implementation of a Cyber Security Improvement Plan. The Committee will continue to review this area as a priority.
Regulatory developments	Undertook regular horizon scanning of the regulatory landscape, considering the impact of planned and possible regulatory developments in all jurisdictions in which the Group operates.
UK withdrawal from the European Union ("Brexit")	The Committee has considered the potential impact on the Group's operations and strategy arising from unfavourable terms beyond the transition period, as well as implications of increased political and economic uncertainty arising from Brexit related events.

Looking forward

The Committee recognises that the current political and macroeconomic environment will remain uncertain for the foreseeable future, especially given the COVID-19 pandemic induced volatility in the financial markets. The RCC will monitor the implications of this carefully. The further embedding of the Group's risk management framework will continue to be an area of focus, as will the review in detail of significant risks such as cybercrime and outsourcing, to ensure that the Group's defences and controls are maintained at an appropriate level. The Committee believes that the pace of regulatory change will continue, and it will consider management plans to meet new requirements. Among other matters, the Committee will review the embeddedness of SM&CR.

Approval

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

David Stewart
Risk and Compliance Committee Chair

(up to 31 July 2020)

Report of the Directors

The Directors present herewith their Annual report, together with the audited Financial statements of the Group for the year ended 30 June 2020.

Principal activities and business review

Brooks Macdonald specialises in providing investment management services in the UK and internationally. The Company is a public limited company whose shares are traded on the Alternative Investment Market of the London Stock Exchange. A review of the business together with its strategic outlook and future developments is set out in the Strategic report on pages 8 to 57, which is incorporated by reference in this Report.

Section 172 and stakeholder engagement

When making decisions and setting the Company's strategy, the Directors of Brooks Macdonald consider the long-term interests of the Group. In doing so, they weigh the competing interests of the Company's stakeholders and the effect their decision may have on the Company's reputation. Further information on how the Company considers the interests of its stakeholders can be found on pages 48 to 50 and more details of how the Company seeks to limit its impact on the environment are provided in the Corporate responsibility report starting on page 52.

Results and dividends

The Group's statutory profit from continuing operations before taxation for the year ended 30 June 2020 was £10,052,000 (FY19: £8,309,000) and the statutory profit from all operations after taxation was £6,426,000 (FY19: £5,460,000).

The Directors recommend a final dividend of 32.0p (FY19: 32.0p) per share subject to approval by the shareholders at the AGM on 27 October 2020. Once approved, this will be paid on 6 November 2020 to shareholders on the Company's register at close of business on 25 September 2020. An interim dividend of 21.0p (FY19: 19.0p) per share was paid on 24 April 2020. This results in total dividends for the year ended 30 June 2020 of 53.0p (FY19: 51.0p) per share, representing a total distribution to shareholders of £7,680,000 (FY19: £6,714,000).

Share capital

Details of the Company's authorised and issued share capital, and movements thereof, are set out in Note 28 of the Consolidated financial statements. The Company has no preference shares in issue and has one class of ordinary shares which carry no right to fixed income. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Directors and their interests

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

	At 30 June 2020 Number of shares	At 30 June 2019 Number of shares
Chair		
Alan Carruthers	1,450	1,450
Executives		
Caroline Connellan	10,448	4,756
Ben Thorpe (appointed on 6 August 2018)	8,908	8,908
Non-Executives[1]		
Colin Harris (resigned on 31 October 2019)	N/A	6,086
John Linwood	300	300
Richard Price	1,450	1,450
Diane Seymour-Williams	4,000	4,000
David Stewart	-	-

1. Robert Burgess and Dagmar Kershaw were appointed after 30 June 2020 and did not have any beneficial interests in the share capital of the Company on this date.

Details of share options held by the Directors at the beginning and end of the year can be found in the Remuneration Committee report on pages 74 to 88.

Employee share plans

Details of employee share plans are outlined in Note 30 to the Consolidated financial statements. The shares are held in trust for participants. The scheme is operated by Barclays and voting rights are exercised by the employer-nominated trustee on receipt of participants' instructions.

Employee Benefit Trust

In 2010 the Group established an Employee Benefit Trust ("EBT") to acquire shares in the Company to satisfy awards made under the Group's share-based incentive schemes. RBC cees Limited act as the trustee of the EBT. During the year, the EBT purchased 244,714 shares.

Retirement and reappointment of Directors

All of the Directors of the Group Board will retire at the AGM and are eligible to nominate themselves for election or re-election, other than Diane Seymour-Williams who will be stepping down after completing nine years' service.

Employees

Details of the Group's employment practices, and its policies on diversity and inclusion, are set out in the Corporate Responsibility report on page 52.

Political donations

The Group did not make any political donations during the year (FY19: £nil).

Insurance and Directors' indemnities

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

Internal controls and risk management

The Directors confirm that they have carried out a robust assessment of the principal risks facing Brooks Macdonald, including those that could threaten the Group's business model, future performance, solvency or liquidity. The Board considers that the information it receives enables it to review the effectiveness of the Group's internal controls in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Details on how the Board monitors the Group's risk management and internal controls are contained in the Risk management and principal risks section of the Strategic report on page 40.

Substantial shareholdings

As at 30 June 2020, the Company's largest shareholders were as follows:

	Number of shares	% of total voting rights
Liontrust Asset Management	2,973,231	18.44
Octopus Investments	1,861,599	11.54
Fidelity International	1,611,097	9.99
Brooks Macdonald Asset Management	1,134,193	7.03
Artemis Investment Management	1,128,784	7.00
Invesco Perpetual Asset Management	864,142	5.36
Aberdeen Standard Investments	721,627	4.47
Canaccord Genuity Wealth Management	589,699	3.66
Chelverton Asset Management	500,000	3.10
Rathbones Investment Management	488,191	3.03

Events since the end of the year

Details of events after the reporting date are set out in Note 38 to the Consolidated financial statements.

Independent auditors

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

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

Going concern

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

In view of the sharp decline in markets seen in March 2020 resulting from the outbreak of the COVID-19 pandemic, the Directors reviewed updated Group forecasts prepared by Management. These covered the Group's expected future profitability, dividend policy and capital and liquidity projections including stressed scenarios such as a prolonged market downturn. Management's mitigating actions, should these scenarios unveil, were also assessed by the Directors. The Board also received regular reports from management on the Group's seamless transition to a remote working environment in compliance with the Government advice.

As noted in the Viability statement on page 46, the Directors have considered the Group's prospects for a period exceeding 12 months from the date the Financial statements are approved and have concluded that the Group has adequate financial resources over that period and, accordingly, are satisfied that the going concern basis for the preparation of these Financial statements is appropriate.

Annual General Meeting

The 2020 AGM will be held on 27 October 2020 at 21 Lombard Street, London, EC3V 9AH. The notice of the meeting together with details of the resolutions proposed and explanatory notes are enclosed with this Report and can also be found on the Group's website.

In the light of Government measures in place restricting public gatherings as a result of the COVID-19 pandemic, this year's AGM will be run as a closed meeting with shareholders unable to attend. Full details of the arrangements are given in the AGM Notice of Meeting.

By order of the Board of Directors

Phil Naylor
Company Secretary

16 September 2020

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the Financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing the Financial statements, the Directors are required to:

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

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

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

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

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

Directors' responsibility statement

We confirm that to our knowledge:

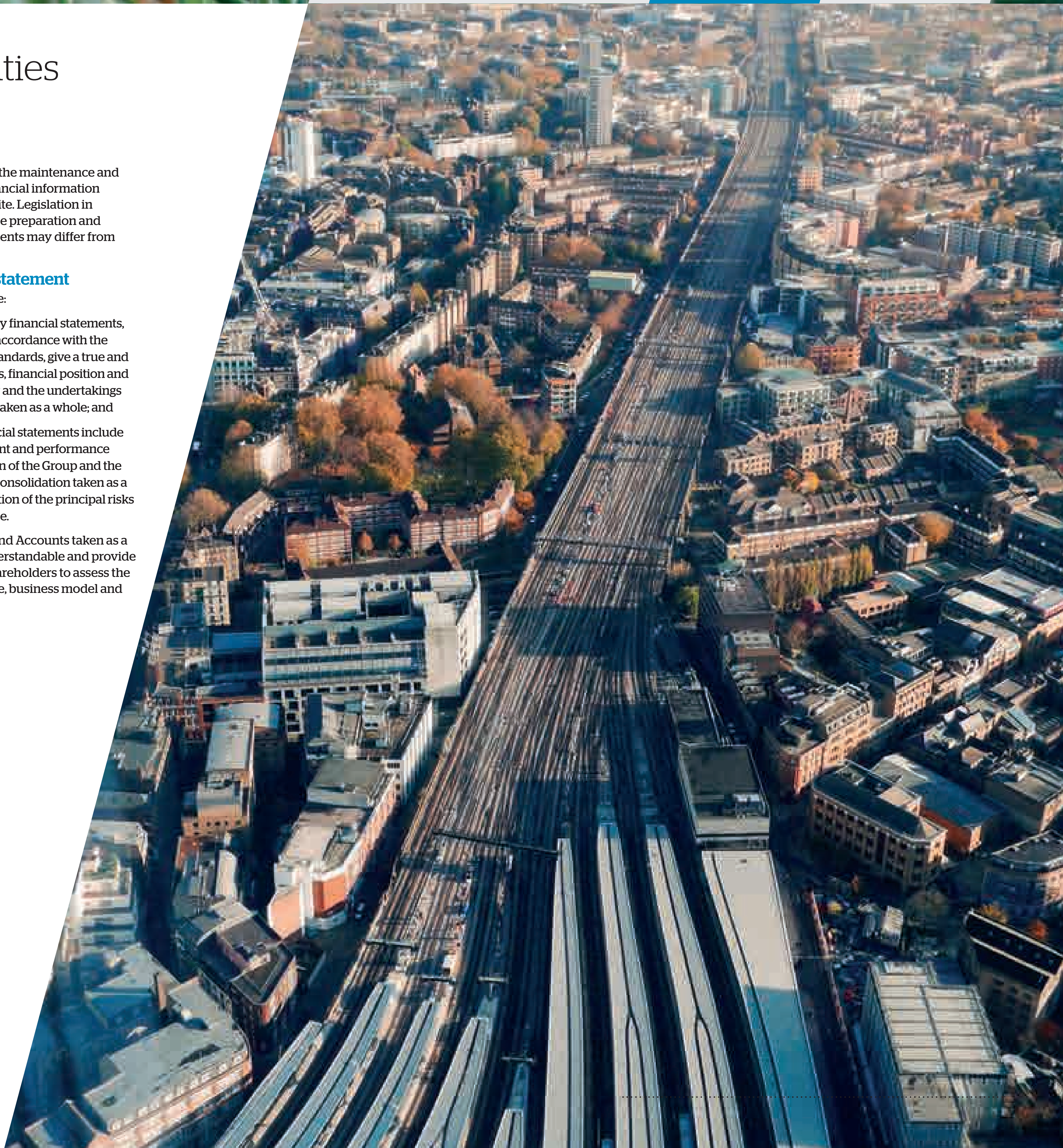
- the Group and Parent Company financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken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

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

By order of the Board of Directors

Caroline Connellan
CEO

16 September 2020



Independent auditors' report

to the members of Brooks Macdonald Group plc

Report on the audit of the Financial statements

Opinion

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

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2020 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Company's Financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 30 June 2020, the Consolidated statement of comprehensive income for the year ended 30 June 2020, the Consolidated and Company statements of cash flows for the year ended 30 June 2020, and the Consolidated and Company statements of changes in equity for the year ended 30 June 2020; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

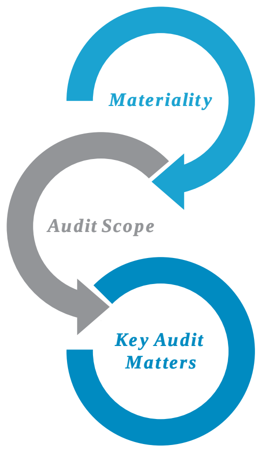
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

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

Our audit approach

Overview



- Overall Group materiality: £989,400 (FY19: £766,400), based on 5% of profit before tax adjusted for goodwill impairment, acquisition and integration costs and head office relocation costs.
- Overall Company materiality: £679,098 (FY19: £402,800), based on 1% of net assets.

- The Group has three business segments, UK Investment Management and International Financial Planning, consisting of 12 legal entities that operated in the UK and Channel Islands during the reporting period. We audited the complete financial information of six legal entities, due to their size and specific procedures on a further four legal entities. Taken together, our audit work accounted for more than 99% of Group revenues and 92% of Group profit before tax.

- Acquisition of Cornelian Asset Managers Group Limited
- Consideration of the impact of COVID-19
- Recognition of investment management fee revenue

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Acquisition of Cornelian Asset Managers Group Limited ("CAM") Refer to pages 126 and 131 (Notes 10 and 14: Business combinations and Goodwill) and page 114 (Note 2 (e): Principal accounting policies). On 28 February 2020, the Group acquired the entire share capital of Cornelian Asset Managers Group Limited ("the acquisition"). Consideration for the acquisition consisted of four elements – initial cash, cash for surplus capital of the value of net assets acquired, shares issued to the previous shareholders and contingent consideration over three instalments if certain criteria are met as at February 2021, September 2021 and February 2022. Management have assessed whether the conditions of the contingent consideration will be satisfied in line with the terms of the acquisition agreement and have concluded they will be met. Assets and liabilities existing on the date of acquisition were recorded on the Consolidated statement of financial position, with intangible assets in relation to client contracts identified and valued. The difference between the fair value of assets and liabilities acquired and the fair value of consideration paid was recorded as goodwill. The business combination is considered a key audit matter due to the complexity and high level of judgement around identification and valuation of intangible assets.	We assessed whether the classification as a business combination and treatment of the various aspects of the transaction were in accordance with IFRS 3 'Business Combinations'. With respect to the acquisition, we inspected the purchase agreement and assessed at the acquisition date the fair value of consideration and of the assets and liabilities acquired. In respect of the fair value of consideration paid, we reviewed the purchase agreement and management's basis of valuation for the contingent consideration. The assumptions used in determining that the conditions of contingent consideration were probable to be met and were verified to supporting documentation. In respect of assets and liabilities that existed on the acquisition balance sheet, we performed procedures on a sample basis. We reviewed management's assessment of the identification of intangible assets in relation to discretionary and fund management contracts. We assessed the appropriateness of the methodology used and the reasonableness of the key assumptions within the model by: • Corroborating key inputs to the discounted cash flow model to relevant supporting documentation, including funds under management ("FUM") data, revenues and costs; • Assessing key assumptions used, including the FUM growth rates, revenue yield and attrition rates; • Engaging our valuation experts in assessing the discount rate and • Testing the mechanics and mathematical accuracy of the model. We ensured the deferred tax liability was calculated accurately in relation to the recognised intangible assets. We recalculated the goodwill as the difference between fair value of assets and liabilities acquired and the fair value of the consideration paid. We are satisfied that based on the work performed, the acquisition has been accounted for appropriately with adequate disclosures made in the Annual Report.

Independent auditors' report continued

to the members of Brooks Macdonald Group plc

Key audit matter	How our audit addressed the key audit matter
Consideration of the impact of COVID-19 Refer to the CEO's review (page 16), Key risks (page 42), the Viability statement (page 46) and the going concern paragraph (page 95), which disclose the impact of the COVID-19 coronavirus pandemic. The COVID-19 viral infection has become a global pandemic in 2020. It has caused disruption to supply chains and travel, slowed global growth and caused volatility in global markets during the first half of 2020 and to date. The Directors have prepared the Financial statements of the Group on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and that the Group and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the coronavirus pandemic.	We evaluated the Directors' assessment of the impact of the COVID-19 pandemic on the Group up to the point of approval of the Annual Report by: • Evaluating the Group's updated risk assessment and considering whether it addresses the relevant threats presented by COVID-19; • Evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the Financial statements; and • Obtaining evidence to support the key assumptions and forecasts driving the Directors' going concern assessment. This included reviewing the Directors' assessment of the Group's financial position and forecasts as well as their assessment of liquidity. We assessed the disclosures presented in the Annual Report in relation to COVID-19 by: • Reading the other information, including the Key risks and Viability statement set out in the Strategic report, and assessing its consistency with the Financial statements and the evidence we obtained in our audit. Our conclusions relating to going concern and other information are set out in the 'Going concern' and 'Reporting on other information' sections of our report.
Recognition of investment management fee revenue Refer to Note 2 Principal accounting policies and Note 4 Revenue. Investment management fee income is generated by the Brooks Macdonald Asset Management Limited ("BMAM"), Brooks Macdonald Asset Management (International) Limited ("BMI") and CAM entities and is included within portfolio management fee income in the Notes to the financial statements. The investment management fee income component represents 63% of the Group's £108.6m total revenue. This is a key audit matter due to its size and the significant audit effort involved in testing this revenue stream. The fees are calculated by applying each client's fee rate to their funds under management ("FUM"). The calculation is largely automated, however there are a number of inherent risks including the manual input of key contractual terms and the existence and valuation of funds under management, which could result in errors.	We performed the following procedures in relation to investment management fee income: • We understood and evaluated the design and implementation of key controls, including relevant Information Technology ("IT") controls, in place around the investment management fee process; • As we did not rely on controls over the investment management system; • For quarter ends, we reperformed the reconciliations of client cash and stockholding positions to external custody and bank confirmations; and obtained evidence for any differences on a sample basis; • We further tested management's review controls over the performance of these reconciliations and agreed the FUM used for investment management fee calculations to these client cash and stock reconciliations; • We agreed, on a sample basis, fee rates to client contracts; • We tested the valuation for a sample of investment positions by agreeing the prices used to calculate FUM to independent market prices; • We tested the accuracy of fees, by reperforming the calculation of the investment management fees using data techniques for a sample; and • We reconciled the fees calculated by the investment management system to the general ledger postings. Our testing did not identify any evidence of material misstatement.

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

How we tailored the audit scope

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

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£989,400 (FY19: £766,400).	£679,098 (FY19: £402,800).
How we determined it	5% of profit before tax adjusted for goodwill impairment, acquisition and integration costs and head office relocation costs.	1% of net assets (FY19: 1% of net assets).
Rationale for benchmark applied	As with prior years, the most appropriate metric to apply to Group materiality is profit before tax on the basis that the Group is primarily measured on its financial performance via its Consolidated statement of comprehensive income. We have adjusted profit before tax for the one-off costs of goodwill impairment, acquisition and integration costs and head office relocation costs.	1% of net assets which is the benchmark used in prior year.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £5,187 and £989,400. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £49,470 (Group audit) (FY19: £38,300) and £33,955 (Company audit) (FY19: £20,100) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the Financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

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

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

In connection with our audit of the Financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 ("CA06") and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic report and Report of the Directors
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 30 June 2020 is consistent with the Financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group
As a result of the Directors' reporting on how they have applied the UK Corporate Governance Code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The Directors' confirmation on page 46 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 46 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report in respect of this responsibility.

Other Code Provisions
As a result of the Directors' reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the directors, on page 46, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 68 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in respect of this responsibility.

Responsibilities for the Financial Statements and the audit
Responsibilities of the Directors for the Financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 96, the Directors are responsible for the preparation of the Financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the Financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

We have no exceptions to report arising from this responsibility.

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

16 September 2020

Financial statements

Consolidated financial statements

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“I must say that you guys have been fantastic in your response and support during these difficult times. Communication is essential and you have been stars at this.”

Client communication to Business Development Director

Consolidated statement of comprehensive income

For the year ended 30 June 2020

	Note	2020 £'000	2019 restated[1] £'000
Revenue	4	108,558	105,650
Administrative costs	5	(93,794)	(90,546)
Other gains/(losses) - net	6	(4,519)	(6,928)
Operating profit	7	10,245	8,176
Finance income	8	261	227
Finance costs	8	(454)	(94)
Profit before tax from continuing operations		10,052	8,309
Taxation on continuing operations	9	(3,626)	(2,454)
Profit for the period from continuing operations		6,426	5,855
Loss from discontinued operations	11	-	(395)
Profit for the period attributable to equity holders of the Company		6,426	5,460
Other comprehensive income		-	-
Total comprehensive income for the year		6,426	5,460
Earnings per share[2]			
Basic	12	43.2p	39.7p
Diluted	12	43.1p	39.6p

1. See Note 4 for details regarding the restatement as a result of the Authorised Corporate Director ("ACD") fees and associated costs and also the output VAT on Platform MPS.
2. The comparative weighted average number of shares and therefore basic and diluted earnings per share have been restated for the effect of the share placing issued in November 2019 (Note 28).

The accompanying notes on pages 110 to 154 form an integral part of the Consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2020

	Note	30 June 2020 £'000	30 June 2019 restated[1] £'000	1 July 2018 restated[1] £'000
Assets				
Non-current assets				
Intangible assets	14	83,804	50,167	60,556
Property, plant and equipment	15	3,181	3,177	3,996
Right of use assets	16	6,991	-	-
Financial assets at fair value through other comprehensive income	17	500	500	-
Available for sale financial assets		-	-	1,578
Other non-current assets		-	94	-
Deferred tax assets	19	1,524	1,223	1,176
Total non-current assets		96,000	55,161	67,306
Current assets				
Financial assets at fair value through profit or loss	18	549	613	1,267
Trade and other receivables	20	26,081	26,732	26,019
Cash and cash equivalents	21	50,168	34,590	30,939
Total current assets		76,798	61,935	58,225
Total assets		172,798	117,096	125,531
Liabilities				
Non-current liabilities				
Deferred consideration	22	(6,300)	(380)	(1,479)
Lease liabilities	23	(6,659)	-	-
Provisions	24	(219)	(278)	-
Other non-current liabilities	26	(330)	(714)	(157)
Deferred tax liabilities	19	(7,230)	(2,278)	(2,990)
Total non-current liabilities		(20,738)	(3,650)	(4,626)
Current liabilities				
Trade and other payables	25	(22,765)	(21,550)	(23,722)
Current tax liabilities		(480)	(2,287)	(1,325)
Lease liabilities	23	(1,275)	-	-
Provisions	24	(3,999)	(2,736)	(8,332)
Total current liabilities		(28,519)	(26,573)	(33,379)
Net assets		123,541	86,873	87,526
Equity				
Share capital	28	161	139	138
Share premium account	28	77,982	39,068	38,404
Other reserves	29	6,398	4,575	3,114
Retained earnings	29	39,000	43,091	45,870
Total equity		123,541	86,873	87,526

1. See Note 4 for details regarding the restatement as a result of the output VAT on Platform MPS.

The Consolidated financial statements on pages 106 to 154 were approved by the Board of Directors and authorised for issue on 16 September 2020, and signed on their behalf by:

Caroline Connellan
CEO

Ben Thorpe
Group Finance Director

Company registration number: 4402058

The accompanying notes on pages 110 to 154 form an integral part of the Consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2020

	Note	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 30 June 2018		**138**	**38,404**	**3,114**	**46,301**	**87,957**
Adjustment on initial application of IFRS 9	17	–	–	(1)	–	(1)
Adjustment on restatement[1]	4	–	–	–	(431)	(431)
Adjusted balance at 1 July 2018		**138**	**38,404**	**3,113**	**45,870**	**87,525**
Comprehensive income						
Profit for the year from continuing operations		–	–	–	6,123	6,123
Adjustment on restatement[1]	4	–	–	–	(268)	(268)
Loss for the year from discontinued operations	11	–	–	–	(395)	(395)
Other comprehensive income		–	–	–	–	–
Total comprehensive income		**–**	**–**	**–**	**5,460**	**5,460**
Transactions with owners						
Issue of ordinary shares		1	664	–	–	665
Share-based payments		–	–	2,634	–	2,634
Share-based payments exercised		–	–	(1,123)	1,123	–
Purchase of own shares by Employee Benefit Trust		–	–	–	(2,648)	(2,648)
Tax on share options		–	–	(49)	–	(49)
Dividends paid	13	–	–	–	(6,714)	(6,714)
Total transactions with owners		**1**	**664**	**1,462**	**(8,239)**	**(6,112)**
Restated balance at 30 June 2019[1]		**139**	**39,068**	**4,575**	**43,091**	**86,873**
Comprehensive income						
Profit for the year		–	–	–	6,426	6,426
Other comprehensive income		–	–	–	–	–
Total comprehensive income		**–**	**–**	**–**	**6,426**	**6,426**
Transactions with owners						
Issue of ordinary shares		22	38,914	–	–	38,936
Share-based payments		–	–	3,571	–	3,571
Share-based payments exercised		–	–	(1,770)	1,770	–
Purchase of own shares by Employee Benefit Trust		–	–	–	(4,607)	(4,607)
Tax on share options		–	–	22	–	22
Dividends paid	13	–	–	–	(7,680)	(7,680)
Total transactions with owners		**22**	**38,914**	**1,823**	**(10,517)**	**30,242**
Balance at 30 June 2020		**161**	**77,982**	**6,398**	**39,000**	**123,541**

1. See Note 4 for details regarding the restatement as a result of the output VAT on Platform MPS.

The accompanying notes on pages 110 to 154 form an integral part of the Consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	27	36,088	15,553
Taxation paid		(5,865)	(2,301)
Net cash generated from operating activities		**30,223**	13,252
Cash flows from investing activities			
Purchase of intangible assets	14	(1,614)	(1,106)
Purchase of property, plant and equipment	15	(1,958)	(572)
Consideration paid	10	(27,757)	–
Deferred consideration paid	22	(919)	(1,251)
Proceeds from sale of discontinued operations	11	568	593
Interest received	8	252	198
Finance costs paid	8	(5)	–
Proceeds of sale of financial assets at fair value through profit or loss	18	–	1,234
Net cash used in investing activities		**(31,433)**	(904)
Cash flows from financing activities			
Proceeds of issue of shares	28	38,936	665
Shares issued as consideration	10	(9,000)	–
Payment of lease liabilities and initial direct costs	23	(2,111)	–
Proceeds of lease reverse premium	23	1,250	–
Purchase of own shares by Employee Benefit Trust	28	(4,607)	(2,648)
Dividends paid to shareholders	13	(7,680)	(6,714)
Net cash generated/(used) in financing activities		**16,788**	(8,697)
Net increase in cash and cash equivalents		**15,578**	3,651
Cash and cash equivalents at beginning of year		34,590	30,939
Cash and cash equivalents at end of year	21	**50,168**	34,590

The accompanying notes on pages 110 to 154 form an integral part of the Consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2020

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 offshore investment management and acts as fund manager to two regulated Open-Ended Investment Companies ("OEICs") (the IFSL Brooks Macdonald Fund and the SVS Cornelian Investment Funds) providing a range of risk-managed multi-asset funds and a specialised absolute return fund.

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

2. Principal accounting policies

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

a. Basis of preparation

The Group's Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations, as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The Financial statements have been prepared on the historical cost basis, except for the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss and deferred consideration such that they are measured at their fair value.

At the time of approving the Financial statements, after making enquiries and the work performed and actions already taken by the Group in response to the COVID-19 pandemic, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial statements.

b. Basis of consolidation

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

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

The Group has interests in structures entities, with one consolidated structured entity, being the Brooks Macdonald Group Employee Benefit Trust (Note 28). The Group has interests in other structured entities as a result of contractual arrangements arising from the management of assets on behalf of its clients, but are not consolidated as the Group does not commit to financially support its funds, nor guarantee for the repayment of any borrowings (Note 37). The Group has disclosed all of its subsidiary undertakings in Note 44 of the Company's Financial statements.

c. Changes in accounting policies

The Group's accounting policies that have been applied in preparing these Financial statements are consistent with those disclosed in the Annual Report and Accounts for the year ended 30 June 2019, except as explained below.

New accounting standards, amendments and interpretations adopted in the year

In the year ended 30 June 2020, the Group adopted one new standard being IFRS 16 'Leases'. The Group did not adopt any other new standards and amendments issued by the International Accounting Standards Board ("IASB") or interpretations issued by the IFRS IC in the year ended 30 June 2020.

IFRS 16 'Leases'

IFRS 16 removes the classification of leases as either operating leases or finance leases for lessees. The standard introduces a single, on-balance sheet accounting model, which requires:

- recognition of a right of use asset and corresponding lease liability with respect to all lease arrangements in which the Group is the lessee, except for short-term leases and leases of low value assets;
- recognition of a depreciation charge on the right of use asset on a straight-line basis over the shorter of the expected life of the asset and the lease term; and
- recognition of an interest charge arising from the unwinding of the discounted lease liability over the lease term.

2. Principal accounting policies continued

Transition

The Group holds property leases in relation to offices which have previously been considered operating leases under IAS 17. On transition to IFRS 16, the Group was permitted to choose from the following transition approaches:

- full retrospective transition method, whereby IFRS 16 is applied to all its contracts as if it had always applied; or
- a modified retrospective approach with optional practical expedients.

The Group has chosen to apply IFRS 16 using the modified retrospective approach resulting in no restatement of the comparative information which continues to be reported under IAS 17 and IFRIC 4.

On adoption, lease agreements have given rise to both a right of use ("ROU") asset and a lease liability. For leases previously classified as operating leases at 30 June 2019 under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. ROU assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments on the Group's Consolidated statement of financial position at the date of transition. On 30 June 2019, the Group had prepaid expenses and lease incentive balances in line with IAS 17 on the Consolidated statement of financial position, to be unwound over the life of remaining leases. The prepaid and lease incentive balances at 30 June 2019 have been recognised as a depreciation charge to the ROU asset on day one of the transition to IFRS 16.

The lease liability is subsequently measured by reducing for lease payments made, adjusting the carrying amount to reflect the interest charge and any reassessment or lease modifications.

The ROU assets are subsequently measured at cost, less accumulated depreciation on a straight-line basis over the shorter of the expected life of the asset and the lease term, adjusted for any remeasurements of the lease liability, for example a change in lease term, or payments based on an index. In accordance with IAS 36, ROU assets are assessed for indicators of impairment at the end of each reporting period.

The Group has used the following practical expedients when applying IFRS 16 to leases that were previously classified as operating leases under IAS 17 at 30 June 2019:

- applied the practical expedient to grandfather the assessment of which contracts are leases and applied IFRS 16 only to those that were previously identified as leases. Contracts not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. The identification of a lease under IFRS 16 was therefore only applied to contracts entered into (or modified) on or after 1 July 2019;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases. The Group recognises the lease payments associated with these leases as an administrative expense in the Consolidated statement of comprehensive income on a straight-line basis over the lease term;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- reliance on previous assessments on whether leases are onerous.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

2. Principal accounting policies continued

Impact on the relevant extracts from the Consolidated statement of financial position as at 1 July 2019

	As reported 30 June 2019 £'000	Adjustments £'000	Restated 1 July 2019 £'000
Assets			
Right of use assets	–	1,555	1,555
Trade and other receivables	26,732	(50)	26,682
Total assets	117,096	1,505	118,601
Liabilities			
Trade and other payables	(20,788)	294	(20,494)
Lease liabilities	–	(1,799)	(1,799)
Total liabilities	(29,524)	(1,505)	(31,029)
Net assets	87,572	–	87,572
Equity			
Retained earnings	43,790	–	43,790
Total equity	87,572	–	87,572

The adjustments to the Consolidated statement of financial position reflect the initial application of IFRS 16.

The table below presents operating lease commitments disclosed at 30 June 2019 and lease liabilities recognised at 1 July 2019.

	£'000
Total operating lease commitments disclosed at 30 June 2019	2,930
Exemptions applied:	
– Leases with remaining lease term of less than 12 months	(1,308)
Operating lease liabilities before discounting	1,622
Adjustments:	
– Rental payments on date of initial application	314
Total lease liabilities before discounting	1,936
Discounted using incremental borrowing rate	(137)
Total lease liabilities recognised under IFRS 16 at 1 July 2019	1,799

On transition to IFRS 16 on 1 July 2019, the current lease liability was £530,000 and the non-current lease liability was £1,269,000.

Impact on financial statements for the year ended 30 June 2020

During the year ended 30 June 2020, the Group recognised an interest charge arising on lease liabilities of £304,000 and a depreciation charge on the ROU assets of £1,256,000. Included within the interest charge and depreciation charge was £236,000 and £763,000 respectively for new leases that commenced during the year ended 30 June 2020.

An analysis of ROU assets is presented in Note 16 and lease liabilities presented in Note 23.

The Group applied judgement in calculating the discount rate to be used in computing lease liabilities. The Group performed research into issued corporate debt in the comparable industry given the Group does not have any debt of its own, resulting in estimating its incremental borrowing rate of 4.5% to measure lease liabilities.

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

Standard, Amendment or Interpretation	Effective date
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	1 January 2018
Disclosure initiative (amendments to IAS 7)	1 January 2018
Annual improvements to IFRS standards 2014-2016 cycle (IFRS 12)	1 January 2018

2. Principal accounting policies continued

New accounting standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations, which have not been applied in preparing these Financial statements, have been issued and are effective for annual years beginning after 1 July 2019:

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

1. Not yet endorsed by the EU.

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

d. Critical accounting estimates and judgements

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

There have been no critical judgements required in applying the Group's accounting policies in this period, but there have been the use of important estimations detailed separately below.

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

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

Intangible assets

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

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

Deferred consideration

As described in Note 22, the Group has a deferred consideration balance in respect of the acquisition of Levitas Investment Management Services Limited in July 2014 and Cornelian Asset Managers Group Limited in February 2020. Deferred consideration is recognised at its fair value, being an estimate of the amount that will ultimately be payable in future periods. For Levitas, as at 30 June 2020, there is one fixed payment remaining. For Cornelian, the deferred consideration has been calculated allowing for estimated growth in the acquired funds and estimated cost savings, discounted by the estimated interest rate.

Share-based payments

The Group operates various share-based payment schemes in respect of services received from certain employees. Estimating the fair value of these share-based payments requires the Group to apply an appropriate valuation model and determine the inputs to that model (Note 30). The charge to the Consolidated statement of comprehensive income in respect of share-based payments is calculated using assumptions about the number of eligible employees that will leave the Group and the number of employees that will satisfy the relevant performance conditions. These estimates are reviewed regularly.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

2. Principal accounting policies continued

Provisions

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

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

Insurance recoveries relating to legal fees are recognised when, and only when, it is virtually certain that reimbursement will be received if the corresponding obligation is settled. Reimbursements received are disclosed net in the Consolidated statement of comprehensive income and gross in the Consolidated statement of financial position.

The Group may receive complaints from clients in relation to the services provided. Complaints are assessed on a case-by-case basis and provisions are made where it is judged to be likely that compensation will be paid.

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

e. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the aggregate amount of the consideration transferred at the acquisition date, irrespective of the extent of any minority interest. Acquisition costs are charged to the Consolidated statement of comprehensive income when incurred.

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

Any deferred consideration to be paid by the Group to the vendor is recognised at its fair value at the acquisition date, in accordance with IAS 39. Subsequent changes to the fair value of deferred consideration are recognised in accordance with IFRS 9 in the Consolidated statement of comprehensive income.

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

2. Principal accounting policies continued

Impairment

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

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

f. Revenue

Portfolio management fees and financial services commission

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

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

Advisory fees

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

Fund management fees

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

Interest

Interest receivable is recognised on an accruals basis.

g. Cash and cash equivalents

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

h. Share-based payments

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

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

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

2. Principal accounting policies continued

i. Segmental reporting

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

j. Fiduciary activities

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

The Group holds money on behalf of some clients in accordance with the client money rules of the Financial Conduct Authority ("FCA"). Such monies and the corresponding liability to clients are not included within the Consolidated statement of financial position as the Group is not beneficially entitled thereto.

k. Property, plant and equipment

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

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

Leasehold improvements	–	over the lease term
Fixtures, fittings and office equipment	–	5 years
IT equipment	–	4 or 5 years

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

l. Intangible assets

Amortisation of intangible assets is charged to administrative expenses in the Consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the assets (4 to 20 years).

Acquired client relationship contracts and contracts acquired with fund managers

Intangible assets are recognised where client relationship contracts are either separately acquired or acquired with investment managers who are employed by the Group. These are initially recognised at cost and are subsequently amortised on a straight-line basis over their estimated useful economic life. Separately acquired client relationship contracts are amortised over 6 to 20 years and those acquired with fund managers over 5 years. Both types of intangible asset are reviewed annually to determine whether there exists an indicator of impairment or an indicator that the assumed useful economic life has changed.

Previously, all client relationship contracts were amortised over 15 to 20 years; however, on acquisition of Cornelian, the acquired client relationship contracts consisted of discretionary-related business and fund-management related business. The acquired client relationship contracts for the discretionary business are to be amortised over 20 years and the acquired client relationship contracts for the fund-management business are to be amortised over 6 years.

Computer software

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

2. Principal accounting policies continued

Goodwill

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

m. Financial investments

The Group classifies financial assets in the following categories: fair value through profit or loss; fair value through other comprehensive income; and amortised cost. The classification is determined by management on initial recognition of the financial asset, which depends on the purpose for which it was acquired.

Fair value through profit or loss (Note 18)

Financial investments are classified as fair value through profit or loss if they are either held for trading or specifically designated in this category on initial recognition. Assets in this category are initially recognised at fair value and subsequently remeasured, with gains or losses arising from changes in fair value being recognised in the Consolidated statement of comprehensive income.

Financial assets at fair value through profit or loss include investments in a regulated OEIC, which are managed and evaluated on a fair value basis in line with the market value. Other financial assets at fair value through profit of loss include amounts outstanding as contingent consideration, classified as this upon initial recognition, which are managed and evaluated on a fair value basis in line with the estimated receivable.

Fair value through other comprehensive income (Note 17)

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

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

Amortised cost

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

n. Foreign currency translation

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

o. Retirement benefit costs

Contributions in respect of the Group's defined contribution pension scheme are charged to the Consolidated statement of comprehensive income as they fall due.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

2. Principal accounting policies continued

p. Taxation

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

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

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

q. Trade receivables

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

r. Trade payables

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

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

s. Employee Benefit Trust ("EBT")

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

The EBT is considered to be a structured entity, as defined in Note 37. In substance, the activities of the trust are being conducted on behalf of the Group according to its specific business needs, in order to obtain benefits from its operation. On this basis, the assets held by the trust are consolidated into the Group's Financial statements.

t. Share capital

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

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

u. Dividend distribution

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

3. Segmental information

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

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

Following the acquisition of Cornelian (Note 10), the activities since acquisition have been included in the UK Investment Management segment.

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

Year ended 30 June 2020	UK Investment Management £'000	International £'000	Financial Planning £'000	Group & consolidation adjustments £'000	Total £'000
Total revenue	95,950	13,335	3,831	(6)	113,110
Inter segment revenue	(4,552)	–	–	–	(4,552)
External revenue	91,398	13,335	3,831	(6)	108,558
Underlying administrative costs	(42,004)	(8,026)	(3,161)	(32,424)	(85,615)
Operating contribution	49,394	5,309	670	(32,430)	22,943
Allocated costs	(24,143)	(2,890)	(1,926)	28,959	–
Net finance income	1	50	–	29	80
Underlying profit/(loss) before tax	25,252	2,469	(1,256)	(3,442)	23,023
Goodwill impairment	–	–	–	(4,471)	(4,471)
Acquisition related costs	(1,085)	(606)	–	(2,570)	(4,261)
Amortisation of client relationships and contracts acquired with fund managers	(701)	(420)	–	(1,762)	(2,883)
Head office relocation costs	(1,166)	–	–	–	(1,166)
Finance cost of deferred consideration	–	–	–	(145)	(145)
Changes in fair value of contingent consideration	–	–	(54)	–	(54)
Finance income from contingent consideration	–	–	7	2	9
Profit mark-up on Group allocated costs	221	(136)	(85)	–	–
Profit/(loss) before tax	22,521	1,307	(1,388)	(12,388)	10,052
Taxation					(3,626)
Profit for the period attributable to equity holders of the Company					6,426

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

3. Segmental information continued

Year ended 30 June 2020	UK Investment Management £'000	International £'000	Financial Planning £'000	Group & consolidation adjustments £'000	Total £'000
Statutory operating (costs)/income included the following:					
Amortisation	(3,134)	(429)	–	(1,764)	(5,327)
Depreciation	(2,937)	(324)	(3)	(120)	(3,284)
Interest income	107	87	–	58	252

Year ended 30 June 2019 restated[1]	UK Investment Management £'000	International £'000	Financial planning £'000	Group & consolidation adjustments £'000	Total £'000
Total revenue	87,749	14,609	3,556	28	105,942
Inter segment revenue	(292)	–	–	–	(292)
External revenue	87,457	14,609	3,556	28	105,650
Underlying administrative costs	(43,832)	(9,247)	(2,926)	(28,996)	(85,001)
Operating contribution	43,625	5,362	630	(28,968)	20,649
Allocated costs	(19,171)	(3,180)	(2,469)	24,820	–
Net finance income/(costs)	18	(37)	–	28	9
Underlying profit/(loss) before tax	24,472	2,145	(1,839)	(4,120)	20,658
Goodwill impairment	–	–	–	(4,756)	(4,756)
Restructuring charge	(1,764)	(739)	–	(762)	(3,265)
Client relationship contracts impairment	–	–	–	(2,328)	(2,328)
Amortisation of client relationships and contracts acquired with fund managers	(787)	(420)	–	(1,039)	(2,246)
Changes in fair value of deferred consideration	–	–	–	419	419
Finance cost of deferred consideration	–	–	–	(94)	(94)
Changes in fair value of contingent consideration	–	–	–	(75)	(75)
Disposal costs	–	–	(21)	(12)	(33)
Finance income from contingent consideration	–	–	5	24	29
Profit/(loss) before tax	21,921	986	(1,855)	(12,743)	8,309
Taxation					(2,454)
Loss from discontinued operations					(395)
Profit for the year attributable to equity holders of the Company					5,460

1. See Note 4 for details regarding the restatement to the UK Investment Management segment as a result of the Authorised Corporate Director ("ACD") fees and associated costs and also the output VAT on Platform MPS.

Year ended 30 June 2019	UK Investment Management £'000	International £'000	Financial Planning £'000	Group & consolidation adjustments £'000	Total £'000
Statutory operating (costs)/income included the following:					
Amortisation	(2,304)	(433)	(135)	(1,539)	(4,411)
Depreciation	(293)	(108)	(990)	–	(1,391)
Interest income	19	118	–	61	198

4. Revenue

	2020 £'000	2019 restated £'000
Portfolio management fee income	95,108	93,789
Financial services commission	481	479
Advisory fees	4,325	4,509
Fund management fees	8,644	6,873
Total revenue	108,558	105,650

For information on the nature, timing and recognition of revenue see note 2(f).

Portfolio management fee income comprises revenue earnt in the UK Investment Management and International segments (Note 3). The financial services commission and advisory fees are generated by the Financial Planning Segment, and some of this revenue is also generated in the International segment. Fund management fees revenue is earnt in the UK Investment Management segment.

Restatement – ACD fees and associated costs

During the year ended 30 June 2020, the Group noted that the recognition of the Authorised Corporate Director ("ACD") fees and associated costs in respect of the IFSL Brooks Macdonald Funds, one of the regulated OEICs managed by the Group, were not in line with the investment management agreement between the Group and the ACD. The revenue recognised in the Group was grossed up whereby the Annual Management Charge and other associated fees levied by the ACD to the OEICs were recognised as revenue, and the fees that are subsequently paid out from this fee recognised as expenses. The Group has no legal obligation to pay the ACD fees and other fund associated costs; therefore, only the investment management fee paid to the Group for acting as the OEIC's Investment Manager should have been recognised in the Group's books as a revenue item. As a result, for the year ended 30 June 2019, reported revenue and costs were overstated by £1,212,000. Accordingly, the Consolidated statement of comprehensive income has been restated by this amount to reflect the correct accounting treatment. There was no impact to total comprehensive income and retained earnings. The restatement has impacted the UK Investment Management segment in Note 3, the Portfolio management fee income in the revenue table above and the revenue generated in the United Kingdom per Note 4(a).

Restatement – VAT on Platform MPS

In the light of recent case law, the Group has been undergoing a review of its Managed Portfolio Service ("MPS"), with a view to seeking a ruling from HMRC that MPS is not subject to VAT. When conducting this review, it was noted that the fees received on MPS offered through third party platforms ("Platform MPS") were not being correctly accounted for and historically treated as exempt from VAT. As a result, income derived from this service was overstated, the VAT liability arising on the fees collected was understated and consequently the Group has under-recovered its entitlement to input VAT credit. Upon identification of this error, the Group notified HMRC of the situation and is currently awaiting a response on the resolution of the matter. Since previously reported revenue from Platform MPS was overstated, the Directors concluded it prudent to rectify the error in these Consolidated financial statements.

Accordingly, the Group recognised a prior year adjustment to reduce revenue by £408,000 for the output VAT on platform MPS and reduce administrative costs by £77,000 for the entitlement to input VAT credit. The decrease to profit before tax as a result of this restatement for the year ended 30 June 2019 was £331,000. This reduction in profit before tax has resulted in the income tax expense to be reduced by £63,000. The total reduction to total comprehensive income for the year ended 30 June 2019 was £268,000. The restatement has impacted the UK Investment Management segment in Note 3, the Portfolio management fee income in the revenue table above and the revenue generated in the United Kingdom per Note 4(a). The Consolidated statement of financial position at 30 June 2019 was restated to reflect this increase in trade and other payables to recognise the additional VAT liability due to HMRC of £331,000 and reduce current tax liabilities by the reduced income tax expense of £63,000. The opening balances to the comparative information at 1 July 2018 were also restated to reflect the reduction in retained earnings of £431,000 and an increase in trade and other payables of £431,000.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

4. Revenue continued

a. Geographic analysis

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

	2020 £'000	2019 restated £'000
United Kingdom	95,223	91,041
Channel Islands	13,335	14,609
Total revenue	**108,558**	105,650

b. Major clients

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

5. Employee information

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

a. Staff costs

	2020 £'000	2019 £'000
Wages and salaries	38,502	38,843
Social security costs	4,335	4,551
Other pension costs	1,676	1,331
Share-based payments	3,080	2,029
Redundancy costs	818	3,265
Total staff costs	**48,411**	50,019

Pension costs relate entirely to a defined contribution scheme.

b. Number of employees

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

	2020 Number of employees	2019 Number of employees
Business staff	243	252
Functional staff	192	190
Total staff from continuing operations	**435**	442
Total staff from discontinued operations	–	10
Total staff	**435**	452

c. Key management compensation

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

	2020 £'000	2019 £'000
Short-term employee benefits	2,040	2,638
Post-employment benefits	57	15
Share-based payments	94	248
Total compensation	**2,191**	2,901

5. Employee information continued

d. Directors' emoluments

Further details of Directors' emoluments are included within the Remuneration Committee report on pages 74 to 88.

	2020 £'000	2019 £'000
Salaries and bonuses	1,560	2,177
Non-Executive Directors' fees	475	453
Benefits in kind	5	8
	2,040	2,638
Pension contributions	57	15
Amounts receivable under long-term incentive schemes	94	248
Total Directors' remuneration	**2,191**	2,901

The aggregate amount of gains made by Directors on the exercise of share options during the year was £167,000 (FY19: £251,000). Retirement benefits are accruing to one Director (FY19: two) under a defined contribution pension scheme.

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

	2020 £'000	2019 £'000
Remuneration and benefits in kind	814	735
Amounts received under long-term incentive schemes	63	37
Total remuneration	**877**	772

The amount of gains made by the highest paid Director on the exercise of share options during the year was £63,000 (FY19: £37,000).

6. Other gains/(losses) – net

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

	2020 £'000	2019 £'000
Goodwill impairment (Note 14)	(4,471)	(4,756)
Loss from changes in fair value of contingent consideration receivable (Note 18)	(54)	(75)
Gain/(loss) from changes in fair value of financial assets at fair value through profit or loss (Note 18)	6	(38)
Client relationship contracts impairment (Note 14)	–	(2,328)
Gain from changes in fair value of deferred consideration payable (Note 22)	–	419
Impairment of financial assets at fair value through other comprehensive income (Note 17)	–	(150)
Other gains/(losses) – net	**(4,519)**	(6,928)

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

7. Operating profit

Operating profit is stated after charging:

	2020 £'000	2019 £'000
Staff costs (Note 5)	48,411	50,019
Impairment of goodwill (Note 14)	4,471	4,756
Acquisition related costs (Note 10 and 38)	4,261	-
Amortisation of computer software (Note 14)	3,363	2,165
Amortisation of client relationships and contracts acquired with fund managers (Note 14)	2,883	2,246
Depreciation of property, plant and equipment (Note 15)	2,269	1,391
Financial Services Compensation Scheme levy (see below)	2,160	1,167
Head office relocation costs	1,166	-
Auditors' remuneration (see below)	640	550
Impairment of client relationship contracts (Note 14)	-	2,328

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

	2020 £'000	2019 £'000
Fees payable to the Company's auditors for the audit of the consolidated Group and Parent Company financial statements	195	136
Fees payable to the Company's auditors and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	193	160
– Audit-related assurance services	252	174
– Other non-audit services	-	80
Total remuneration	640	550

Financial Services Compensation Scheme levies

Administrative costs for the year ended 30 June 2020 include a charge of £2,160,000 (FY19: £1,167,000) in respect of the Financial Services Compensation Scheme ("FSCS") levy, comprising £2,017,000 in respect of the estimated levy for the 2020/21 scheme year and £143,000 in respect of the final and supplementary levies for the 2019/20 scheme year.

8. Finance income and finance costs

	2020 £'000	2019 £'000
Finance income		
Dividends on preference shares	42	82
Bank interest on deposits	210	116
Finance income from contingent consideration (Note 18)	9	29
Total finance income	261	227
Finance costs		
Interest on lease liabilities (Note 23)	304	-
Interest expense	5	-
Finance cost of deferred consideration (Note 22)	145	94
Total finance costs	454	94

9. Taxation

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

	2020 £'000	2019 restated[1] £'000
UK Corporation Tax at 19% (FY19: 19%)	3,991	4,006
Over provision in prior years	(66)	(419)
Total current tax	3,925	3,587
Deferred tax credits	(674)	(808)
Under provision of deferred tax in prior years	462	-
Research and development tax credit	(87)	(325)
Income tax expense	3,626	2,454

1. See Note 4 for details regarding the restatement as a result of the output VAT on Platform MPS.

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:

	2020 £'000	2019 restated[1] £'000
Profit before taxation from continued operations	10,052	8,309
Loss before taxation from discontinued operations	-	(395)
Profit before taxation	10,052	7,914
Profit multiplied by the standard rate of tax in the UK of 19% (FY19: 19%)	1,910	1,504
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
– Overseas tax losses not available for UK tax purposes	(24)	(56)
– Disallowable expenses	394	178
– Share-based payments	(139)	327
– Depreciation and amortisation	336	(25)
– Impairment charges	850	1,346
– Non-taxable income	(10)	(76)
– Research and development tax credit	(87)	(325)
– Under/(over) provision in prior years	396	(419)
Income tax expense	3,626	2,454

1. See Note 4 for details regarding the restatement as a result of the output VAT on Platform MPS.

During the year, the Group made a claim for research and development tax relief in relation to qualifying expenditure on software development incurred in the year ended 30 June 2019. This resulted in a reduction in the Corporation Tax liabilities in the respective years, and a repayment of £87,000 (FY19: £325,000) is due from HM Revenue and Customs. The Group will consider whether claims can also be made for qualifying expenditure incurred in the year ended 30 June 2020 and thereafter in due course.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

9. Taxation continued

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

	2020 £'000	2019 £'000
Share option reserve	(247)	(6)
Accelerated capital allowances	(91)	(96)
Accelerated capital allowances on research and development	(154)	-
Amortisation of acquired client relationship contracts	(224)	(712)
Unused overseas trading losses	42	6
Deferred tax credits	(674)	(808)

On 1 April 2017, the standard rate of Corporation Tax in the UK was reduced to 19%. As a result the effective rate of Corporation Tax applied to the taxable profit for the year ended 30 June 2020 is 19% (FY19: 19%).

It was announced on 11 March 2020 (and substantively enacted on 17 March 2020) that the UK Corporation Tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. As a result, the relevant deferred tax balances have been remeasured. Deferred tax assets and liabilities are calculated at the rate that is expected to be in force when the temporary differences unwind, but limited to the extent that such rates have been substantively enacted. The tax rate used to determine the deferred tax assets and liabilities is therefore 19% (FY19: 17%) and will be reviewed in future years subject to new legislation.

10. Business combinations

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

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

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

ii. The Group issued 1,690,141 ordinary shares in November 2019 to fund the cash consideration (Note 28), based on the share price on 21 November 2020 of £18.25 discounted by £0.50 to £17.75 per share.

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

iv. The total cash deferred contingent consideration is £8,000,000, payable in up to three instalments in March 2021, October 2021 and March 2022, based on the future value of the funds under management acquired, and cost savings and synergies achieved on integrating the business (Note 22).

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

10. Business combinations continued

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

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

a. Net assets acquired through business combination

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

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

b. Impact on reported results from date of acquisition

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

c. Net cash outflow resulting from business combinations

	£'000
Total purchase consideration (Note 10a)	44,223
Less:	
– Shares issued as consideration	(9,000)
– Deferred cash consideration at fair value	(7,466)
Cash paid to acquire Cornelian	27,757
Less cash held by Cornelian	(6,655)
Net cash outflow - investing activities	21,102

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

11. Discontinued operations

No operations have been classed as discontinued operations for the year ended 30 June 2020.

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

On 31 December 2018, the Group disposed of its Employee Benefits business within the Financial Planning segment. Profit from discontinued operations is disclosed separately in the Consolidated statement of comprehensive income, being the results of the disposal to 31 December 2018 and the gain on disposal. Initial cash consideration of £50,000 was received on completion. Deferred contingent consideration was based on a multiple of revenue earned by the disposed business for the year ended 31 December 2019. On disposal the contingent consideration receivable was estimated at £232,000, which was recognised at its fair value of £219,000 based on the discounted forecast cash flows. The gain on disposal was presented within profit from discontinued operations in the Consolidated statement of comprehensive income for the year ended 30 June 2019. Disposal costs of £21,000 were incurred by the Group in relation to the sale. The contingent consideration was received during the year ended 30 June 2020 (Note 18).

	2020 £'000	2019 £'000
Loss for the year from discontinued operations	-	(724)
Gain on disposal of discontinued operations	-	329
Loss before tax from discontinued operations	-	(395)
Taxation	-	-
Loss from discontinued operations	-	(395)

a. Loss of discontinued operations

	2020 £'000	2019 £'000
Revenue	-	920
Administrative costs	-	(1,644)
Operating loss	-	(724)
Finance income	-	-
Loss before tax	-	(724)

b. Gain on disposal of discontinued operations

	2020 £'000	2019 £'000
Initial consideration received	-	50
Additional consideration received	-	60
Fair value of contingent consideration (Note 18)	-	219
Total disposal consideration	-	329
Net assets on disposal	-	-
Gain on disposal of discontinued operations	-	329

12. Earnings per share

The Directors believe that underlying earnings per share provide a truer reflection of the Group's performance in the year. Underlying earnings per share, which is an alternative performance measure, are calculated based on 'underlying earnings', which is also an alternative performance measure and is defined as earnings before finance costs of deferred consideration, finance income of contingent consideration, changes in the fair value of deferred and contingent consideration, goodwill impairment, client relationship contracts impairment, amortisation of client relationships and contracts acquired with fund managers, acquisition related costs, head office relocation costs, restructuring charge, business disposal costs and profit or loss from discontinued operations. The tax effect of these adjustments has also been considered.

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

	2020 £'000	2019 restated[1] £'000
Profit from continued operations	6,426	5,855
Loss from discontinued operations	-	(395)
Earnings attributable to ordinary shareholders	6,426	5,460
Goodwill impairment (Note 14)	4,471	4,756
Acquisition related costs (Note 10 and 38)	4,261	-
Amortisation of acquired client relationship contracts (Note 14)	2,867	2,144
Head office relocation costs	1,166	-
Finance cost of deferred consideration (Note 22)	145	94
Changes in fair value of contingent consideration (Note 18)	54	75
Amortisation of contracts acquired with fund managers (Note 14)	16	102
Finance income of contingent consideration (Note 18)	(9)	(29)
Restructuring charge	-	3,265
Client relationship contracts impairment (Note 14)	-	2,328
Changes in fair value of deferred consideration (Note 22)	-	(419)
Loss from discontinued operations (Note 11)	-	395
Disposal costs (Note 11)	-	33
Tax impact of adjustments	(939)	(1,185)
Underlying earnings attributable to ordinary shareholders	18,458	17,019

1. See Note 4 for details regarding the restatement as a result of the output VAT on Platform MPS.

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

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

	2020 Number of shares	2019[2] Number of shares
Weighted average number of shares in issue	14,870,729	13,730,530
Effect of dilutive potential shares issuable on exercise of employee share options	46,052	6,211
Diluted weighted average number of shares in issue	14,916,781	13,736,741

2. The comparative weighted average number of shares have been restated for the effect of new ordinary shares issued at a discount to their market value as part of the share placing issued in November 2019 (Note 28).

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

12. Earnings per share continued

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

	2020 p	2019 restated[1,2] p
Based on reported earnings:		
Basic earnings per share from:		
– Continuing operations	43.2	42.5
– Discontinued operations	–	(2.8)
Total basic earnings per share	43.2	39.7
Diluted earnings per share from:		
– Continuing operations	43.1	42.6
– Discontinued operations	–	(3.0)
Total diluted earnings per share	43.1	39.6
Based on underlying earnings:		
Basic earnings per share	124.1	123.6
Diluted earnings per share	123.7	123.5

1. See Note 4 for details regarding the restatement as a result of the output VAT on Platform MPS.
2. The comparative weighted average number of shares and therefore basic and diluted earnings per share have been restated for the effect of new ordinary shares issued at a discount to their market value as part of the share placing issued in November 2019 (Note 28).

13. Dividends

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

	2020 £'000	2019 £'000
Final dividend paid for the year ended 30 June 2019 of 32.0p (FY18: 30.0p) per share	4,382	4,123
Interim dividend paid for the year ended 30 June 2020 of 21.0p (FY19: 19.0p) per share	3,298	2,591
Total dividends	7,680	6,714
Final dividend proposed for the year ended 30 June 2020 of 32.0p (FY19: 32.0p) per share	5,161	4,378

The interim dividend of 21.0p (FY19: 19.0p) per share was paid on 24 April 2020.

A final dividend for the year ended 30 June 2020 of 32.0p (FY19: 32.0p) per share was declared by the Board of Directors on 16 September 2020 and is subject to approval by the shareholders at the Company's Annual General Meeting. It will be paid on 6 November 2020 to shareholders who are on the register at the close of business on 25 September 2020. In accordance with IAS 10 'Events After the Reporting Period', the aggregate amount of the proposed dividend expected to be paid out of retained earnings is not recognised as a liability in these Financial statements.

14. Intangible assets

	Goodwill £'000	Computer software £'000	Acquired client relationship contracts £'000	Contracts acquired with fund managers £'000	Total £'000
Cost					
At 1 July 2018	35,776	7,768	32,161	3,521	79,226
Additions	–	1,106	–	–	1,106
At 30 June 2019	35,776	8,874	32,161	3,521	80,332
Additions	16,111	1,614	25,623	–	43,348
Cost of intangible assets on acquisition of subsidiary	–	1,006	–	–	1,006
Disposals	–	(991)	–	–	(991)
At 30 June 2020	51,887	10,503	57,784	3,521	123,695
Accumulated amortisation and impairment					
At 1 July 2018	1,986	1,027	12,254	3,403	18,670
Amortisation charge	–	2,165	2,144	102	4,411
Impairment	4,756	–	2,328	–	7,084
At 30 June 2019	6,742	3,192	16,726	3,505	30,165
Amortisation charge	–	2,444	2,867	16	5,327
Accumulated amortisation of intangible assets on acquisition of subsidiary	–	919	–	–	919
Accumulated amortisation on disposals	–	(991)	–	–	(991)
Impairment	4,471	–	–	–	4,471
At 30 June 2020	11,213	5,564	19,593	3,521	39,891
Net book value					
At 1 July 2018	33,790	6,741	19,907	118	60,556
At 30 June 2019	29,034	5,682	15,435	16	50,167
At 30 June 2020	40,674	4,939	38,191	–	83,804

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

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:

	2020 £'000	2019 £'000
Funds		
Braemar Group Limited ("Braemar")	3,320	3,320
Levitas Investment Management Services Limited ("Levitas")	–	4,471
	3,320	7,791
International		
Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited (collectively "Brooks Macdonald International")	21,243	21,243
Cornelian		
Cornelian Asset Managers Group Limited ("Cornelian")	16,111	–
Total goodwill	40,674	29,034

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

14. Intangible assets continued

During the year ended 30 June 2020, the Group acquired goodwill of £16,111,000 in relation to the acquisition of Cornelian (Note 10).

Goodwill is reviewed annually for impairment and its recoverability has been assessed at 30 June 2020 by comparing the carrying amount of the CGUs to their expected recoverable amount, estimated on a value-in-use basis. The value-in-use of each CGU has been calculated using pre-tax discounted cash flow projections based on the most recent budgets approved by the relevant subsidiary company boards of directors, covering a period of five years. Cash flows are then extrapolated beyond the forecast period using an expected long-term growth rate.

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

The key underlying assumption of the recoverable amount calculation is the growth in funds under management of the Levitas funds. Given the fund outflows during the year ended 30 June 2020, flat fund flows have been forecast in the next five financial years, resulting in a small recoverable amount that does not support the goodwill balance. As a result, the Levitas goodwill balance has been fully impaired, recognising an impairment of £4,471,000, giving a goodwill balance of £nil at 30 June 2020. The five-year partnership is still active and fund flows could improve in due course, however given current market conditions, the situation with the fund distributor, and the need for FUM to grow by £584 million over the five-year period, it is prudent to write off the accounting goodwill balance in the Levitas CGU at 30 June 2020.

Based on a value-in-use calculation, the recoverable amount of the Brooks Macdonald International CGU at 30 June 2020 was £59,063,000, indicating that there is no impairment. The key underlying assumptions of the calculation are the discount rate, the short-term growth in earnings and the long-term growth rate of the business. A pre-tax discount rate of 11% (FY19: 12%) has been used, based on the Group's assessment of the risk-free rate of interest and specific risks relating to Brooks Macdonald International. Annual cash inflow growth rates of up to 35% are forecast over the next five financial years, the period covered by the most recent forecasts, which reflect historic actual growth and planned management actions and are considered to be reasonable in the current market and industry conditions. The 2% long-term growth rate applied is considered prudent in the context of the long-term average growth rate for the funds, investment management and financial planning industries in which the CGU operates.

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

- An increase of the pre-tax discount rate by 8%.
- A decrease in the perpetuity growth rate by 14%.
- A decrease in the pre-tax cash flows by 48% from the forecasts.

Based on a value-in-use calculation, the recoverable amount of the Braemar CGU at 30 June 2020 was £49,461,000, indicating that there is no impairment. A pre-tax discount rate of 11% (FY19: 13%) has been used, based on the Group's assessment of the risk-free rate of interest and specific risks relating to Braemar. The key underlying assumptions of the calculation are the discount rate, the growth in funds under management of the funds business and the long-term growth rate. Annual funds under management growth rates of between 22% and 43% for the various funds are forecast in the next five financial years, the period covered by the most recent forecasts, which reflect historic actual growth and planned management activities and are considered to be reasonable in the current market and industry conditions. The 2% long-term growth rate applied is considered prudent in the context of the long-term average growth rate for the funds industry in which the CGU operates. Sensitivity analysis has not been performed given the vast headroom the recoverable amount provides over the goodwill balance.

At 30 June 2020 headroom exists in the calculations of the respective recoverable amounts of these CGUs over the carrying amounts of the goodwill allocated to them, except for Levitas. On this basis, excluding Levitas, the Directors have concluded that there is no impairment required to the goodwill balances at 30 June 2020.

14. Intangible assets continued

b. Computer software

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

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

c. Acquired client relationship contracts

This asset represents the fair value of future benefits accruing to the Group from acquired client relationship contracts. The amortisation of client relationships is charged to the Consolidated statement of comprehensive income on a straight-line basis over their estimated useful lives (6 to 20 years). At 30 June 2020, no impairment indicators were present for the acquired client relationship contract intangible assets.

During the year ended 30 June 2020, the Group acquired client relationship contracts totalling £25,623,000, as part of the acquisition of Cornelian (Note 10), which were recognised as separately identifiable intangible assets in the Consolidated statement of financial position. The additions included contracts related to the Cornelian discretionary business of £18,012,000, with a useful economic life of 20 years, and £7,611,000 related to the Cornelian funds-management business, with a useful economic life of six years.

d. Contracts acquired with fund managers

This asset represents the fair value of the future benefits accruing to the Group from contracts acquired with fund managers. Payments made to acquire such contracts are stated at cost and amortised on a straight-line basis over an estimated useful life of five years. At 30 June 2020, no impairment indicators were present for the contracts acquired with fund managers intangible assets.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

15. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings and office equipment £'000	IT equipment £'000	Total £'000
Cost				
At 1 July 2018	2,881	8,216	3,120	14,217
Additions	269	89	214	572
At 30 June 2019	3,150	8,305	3,334	14,789
Additions	1,241	328	389	1,958
Cost of property plant and equipment on acquisition of subsidiary	19	104	195	318
Disposals	(466)	(7,720)	(1,436)	(9,622)
At 30 June 2020	**3,944**	**1,017**	**2,482**	**7,443**
Accumulated depreciation				
At 1 July 2018	998	7,643	1,580	10,221
Depreciation charge	422	299	670	1,391
At 30 June 2019	1,420	7,942	2,250	11,612
Depreciation charge	1,072	317	639	2,028
Accumulated depreciation of property, plant and equipment on acquisition of subsidiary	19	102	123	244
Depreciation on disposals	(466)	(7,720)	(1,436)	(9,622)
At 30 June 2020	**2,045**	**641**	**1,576**	**4,262**
Net book value				
At 1 July 2018	1,883	573	1,540	3,996
At 30 June 2019	1,730	363	1,084	3,177
At 30 June 2020	**1,899**	**376**	**906**	**3,181**

During the year ended 30 June 2020, the Group conducted a review of the property, plant and equipment assets and retired assets from the fixed asset register with a £nil net book value, and no longer used in the business. This resulted in disposals of property, plant and equipment with cost and accumulated depreciation both totalling £9,622,000.

16. Right of use assets

	Property £'000
Cost	
At 30 June 2019	-
Adjustment on initial application of IFRS 16	1,799
At 1 July 2019	1,799
Additions	6,692
At 30 June 2020	**8,491**
Depreciation	
At 30 June 2019	-
Adjustment on initial application of IFRS 16	244
At 1 July 2019	244
Depreciation charge	1,256
At 30 June 2020	**1,500**
Right of use assets	
At 30 June 2019	-
At 30 June 2020	**6,991**

During the year ended 30 June 2020, the Group adopted IFRS 16 resulting in the recognition of right of use assets and corresponding lease liabilities (Note 23). On transition, amounts previously recognised on the Consolidated statement of financial position at 30 June 2019 for prepaid rental expenses and lease incentive accruals were recognised as depreciation. Further details of the application of IFRS 16 can be found in Note 2(c).

The additions relate to additional leases that commenced during the year ended 30 June 2020. The Group received a lease incentive by way of a reverse lease premium, receiving £1,250,000, and paid initial direct costs of £77,000 in relation to a new lease during the year. These amounts have been included in the calculation for the additional right of use assets during the period. The Group's right of use assets relates solely to property-related leases.

17. Financial assets at fair value through other comprehensive income

	2020 £'000	2019 £'000
At 1 July	500	650
Impairment	–	(150)
At 30 June	**500**	500

At 30 June 2020, the Group held an investment of redeemable £500,000 preference shares in an unlisted company incorporated in the UK, redeemable in April 2021. The preference shares carry an entitlement to a fixed preferential dividend at a rate of 8% per annum.

The Group adopted IFRS 9 'Financial instruments' on 1 July 2018 resulting in the 'available for sale' ("AFS") financial assets category being no longer available. As a result, the AFS assets were reclassified to fair value through other comprehensive income and fair value through profit or loss (Note 18). The AFS reserves balance was £1,000 at 30 June 2018 and on reclassification was revalued to £nil.

During the year ended 30 June 2019 ,the Group impaired its £150,000 investment in preference share capital in an unlisted company incorporated in the Channel Islands to a net book value of £nil as the Group does not expect to recover its investment.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
At 1 July 2019	–	–	1,113	1,113
Additions	543	–	–	543
Finance income of contingent consideration	–	–	9	9
Loss from changes in fair value of contingent consideration receivable	–	–	(54)	(54)
Net gain from changes in fair value	6	–	–	6
Payments received	–	–	(568)	(568)
At 30 June 2020	**549**	**–**	**500**	**1,049**
Comprising:				
Financial assets at fair value through other comprehensive income	–	–	500	500
Financial assets at fair value through profit and loss (Note 18)	549	–	–	549
Total financial assets	**549**	**–**	**500**	**1,049**

Unlisted preference shares are valued using a perpetuity income model which is based upon the preference dividend cash flows. Offshore bonds are valued using the value of the underlying securities, some of which are illiquid and therefore prices are not readily available in the market. Contingent consideration receivable is valued using the net present value of the expected amount receivable based on management revenue forecasts.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities				
At 1 July 2019	–	–	1,299	1,299
Additions	–	–	7,466	7,466
Finance cost of deferred consideration	–	–	145	145
Payments made	–	–	(919)	(919)
At 30 June 2020	**–**	**–**	**7,991**	**7,991**
Comprising:				
Deferred consideration (Note 22)	–	–	7,991	7,991
Total financial liabilities	**–**	**–**	**7,991**	**7,991**

The inputs used for Level 3 include the estimated recoverable amount for financial assets and forecast estimated payable for deferred consideration within financial liabilities (Note 22).

Deferred consideration is valued using the net present value of the expected amounts payable based on management's forecasts and expectations.

18. Financial assets at fair value through profit or loss

	2020 £'000	2019 £'000
At 30 June	613	1,267
IFRS 9 reclassification from AFS	–	928
Adjusted balance at 1 July	613	2,195
Additions	543	219
Finance income of contingent consideration	9	29
Loss from changes in fair value of contingent consideration receivable	(54)	(75)
Net gain/(loss) from changes in fair value	6	(38)
Payments received	(568)	(483)
Disposals	–	(1,234)
At 30 June	**549**	613

The Group adopted IFRS 9 'Financial instruments' on 1 July 2018 resulting in the AFS financial assets category being no longer available. As a result, the AFS assets were reclassified to fair value through other comprehensive income (Note 17) and fair value through profit or loss.

During the year ended 30 June 2020, the Group acquired Cornelian Asset Managers Group Limited (see Note 10). On acquisition, Cornelian Asset Managers Group Limited held 500,000 shares in five of the SVS Cornelian Risk Managed Passive Funds, totalling £543,000 on acquisition. In the period since acquisition to 30 June 2020, the Group recognised a gain on these investments of £6,000. The Group's holding in the SVS Cornelian Risk Managed Passive Funds at 30 June 2020 was £549,000. These investments are classified as Level 1 as defined in Note 17.

During the year ended 30 June 2020, the Group received the remaining £178,000 in relation to the Group's disposal of its Employee Benefits business during the year ended 30 June 2019 (Note 11). Prior to receipt, the Group recognised finance income on this balance of £7,000 and a loss in fair value of £54,000.

During the year ended 30 June 2020, the Group received the remaining £390,000 in relation to the Group's disposal of Braemar Estates (Residential) Limited in December 2017. Prior to receipt, the Group recognised finance income on this balance of £2,000.

During the year ended 30 June 2019, the Group disposed of their 563,689 class A units in the IFSL Brooks Macdonald Balanced Fund in November 2018 at their fair value of £1,229,000. In the period from 1 July 2018 to disposal, the Group recognised a reduction in fair value of £33,000.

During the year ended 30 June 2019, the Group disposed of its investment in an offshore bond at its fair value of £5,000 and reduced its other investment in an offshore bond from £5,000 to £nil as the Group does not expect to recover its investment.

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For the year ended 30 June 2020

19. Deferred income tax

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

	2020 £'000	2019 £'000
Deferred tax assets		
Deferred tax assets to be settled after more than one year	430	524
Deferred tax assets to be settled within one year	1,094	699
Total deferred tax assets	1,524	1,223
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than one year	(6,463)	(1,566)
Deferred tax liabilities to be settled within one year	(767)	(712)
Total deferred tax liabilities	(7,230)	(2,278)

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

	2020 £'000	2019 £'000
At 1 July	(1,055)	(1,814)
Additional liability on acquisition of client-relationship intangible assets (Note 14)	(4,868)	–
Adjustment on acquisition of business combination	(17)	–
Credit to the Consolidated statement of comprehensive income	212	808
Credit/(charge) recognised in equity	22	(49)
At 30 June	(5,706)	(1,055)

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

	Share-based payments £'000	Trading losses carried forward £'000	Accelerated capital allowances £'000	Total £'000
Deferred tax assets				
At 1 July 2018	663	505	8	1,176
Credit/(charge) to the Consolidated statement of comprehensive income	6	(6)	96	96
Charge to equity	(49)	–	–	(49)
At 30 June 2019	620	499	104	1,223
Adjustment on acquisition of business combination	–	–	(17)	(17)
Credit/(charge) to the Consolidated statement of comprehensive income	247	(42)	91	296
Credit to equity	22	–	–	22
At 30 June 2020	889	457	178	1,524

19. Deferred income tax continued

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

	Accelerated capital allowances on research & development £'000	Intangible asset amortisation £'000	Intangible asset amortisation £'000
Deferred tax liabilities			
At 1 July 2018	–	2,990	2,990
Credit to the Consolidated statement of comprehensive income	–	(712)	(712)
At 30 June 2019	–	2,278	2,278
Additional liability on acquisition of client-relationship intangible assets (Note 10)	–	4,868	4,868
Credit to the Consolidated statement of comprehensive income	(154)	(224)	(378)
Under provision in prior years charged to the Consolidated statement of comprehensive income	462	–	462
At 30 June 2020	308	6,922	7,230

20. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	1,184	1,070
Other receivables	1,054	1,198
Prepayments and accrued income	23,843	24,464
Total current trade and other receivables	26,081	26,732

The credit risk balance is immaterial in relation to trade receivables, refer to Note 33(c) for details on the credit risk assessment. Accrued income includes portfolio management fee income for the quarter ended 30 June 2020, outstanding at the Consolidated statement of financial position date.

21. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank	50,168	34,523
Cash held in Employee Benefit Trust	–	67
Total cash and cash equivalents	50,168	34,590

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

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22. Deferred consideration

Deferred consideration payable is split between non-current liabilities (see below) and provisions within current liabilities (Note 24) to the extent that it is due for payment within one year of the reporting date. It reflects the Directors' best estimate of amounts payable in the future in respect of certain client relationships and subsidiary undertakings that were acquired by the Group. Deferred consideration is measured at its fair value based on discounted expected future cash flows. The movements in the total deferred consideration balance during the year were as follows:

	2020 £'000	2019 £'000
At 1 July	1,299	2,875
Additions	7,466	-
Finance cost of deferred consideration	145	94
Fair value adjustments	-	(419)
Payments made during the year	(919)	(1,251)
At 30 June	7,991	1,299
Analysed as:		
Amounts falling due within one year	1,691	919
Amounts falling due after more than one year	6,300	380
Total deferred consideration	7,991	1,299

During the year ended 30 June 2020, the Group acquired Cornelian Asset Managers Group Limited (Note 10) and part of the consideration was deferred over a period of up to two years. The total cash deferred consideration of £8,000,000 was recognised at its fair value of £7,466,000 on acquisition. The deferred consideration is payable in up to three instalments in March 2021, October 2021 and March 2022 based on the future value of the funds under management acquired, and cost savings and synergies achieved on integrating the business. During the period from acquisition to 30 June 2020, the Group recognised a finance cost of £110,000 on the Cornelian deferred consideration. The fair value of the Cornelian deferred consideration at 30 June 2020 was £7,576,000.

During the year ended 30 June 2020, payments totalling £919,000 (FY19: £1,251,000) were made to the vendors of Levitas. Full details of the Levitas acquisition are disclosed in Note 13 of the 2015 Annual Report and Accounts. A total increase in the fair value of deferred consideration of £nil (FY19: £419,000) was recognised during the year in respect of Levitas. The fair value of the Levitas deferred consideration at 30 June 2020 was £415,000.

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

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

	2020 £'000	2019 £'000
At 1 July	380	1,479
Additions	7,466	-
Finance cost of deferred consideration	145	94
Fair value adjustments	-	(419)
Transfer to current liabilities	(1,691)	(774)
At 30 June	6,300	380

An amount of £1,691,000 (FY19: £774,000), representing deferred consideration payable in respect of the acquisitions of Cornelian and Levitas, was transferred to provisions within current liabilities (Note 24).

23. Lease liabilities

	£'000
At 30 June 2019	-
Adjustment on initial application of IFRS 16	1,799
At 1 July 2019	1,799
Additions	7,865
Payments made against lease liabilities	(2,034)
Interest on lease liabilities	304
At 30 June 2020	7,934
Analysed as:	
Amounts falling due within one year	1,275
Amounts falling due after more than one year	6,659
Total lease liabilities	7,934

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's estimated incremental borrowing rate. Further details of the application of IFRS 16 can be found in Note 2(c).

The additions relate to additional leases that commenced during the year ended 30 June 2020.

24. Provisions

	Client compensation £'000	Exceptional costs of resolving legacy matters £'000	Deferred consideration £'000	FSCS levy £'000	Leasehold dilapidations £'000	Total £'000
At 1 July 2018	22	6,225	1,396	689	-	8,332
Charge to the Consolidated statement of comprehensive income	100	-	-	1,036	416	1,552
Transfer from non-current liabilities	-	-	774	-	-	774
Utilised during the year	(22)	(5,524)	(1,251)	(797)	(50)	(7,644)
At 30 June 2019	100	701	919	928	366	3,014
Charge to the Consolidated statement of comprehensive income	266	-	-	2,171	381	2,818
Additions on acquisition of subsidiary	-	-	-	-	103	103
Transfer from non-current liabilities	-	-	1,691	-	-	1,691
Utilised during the year	(328)	(93)	(919)	(1,598)	(470)	(3,408)
At 30 June 2020	38	608	1,691	1,501	380	4,218
Analysed as:						
Amounts falling due within one year	38	608	1,691	1,501	161	3,999
Amounts falling due after more than one year	-	-	-	-	219	219
Total provisions	38	608	1,691	1,501	380	4,218

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24. Provisions continued

a. Client compensation

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

b. Exceptional costs of resolving legacy matters

Following a review into legacy matters arising from the former Spearpoint business, which was acquired by the Group in 2012, a provision was recognised for costs of resolving these including associated expenses in the years ended 30 June 2017 and 30 June 2018. These matters relate to a number of discretionary portfolios formerly managed by Spearpoint, now managed by Brooks Macdonald Asset Management (International) Limited, and a Dublin-based fund, for which Spearpoint acted as investment manager. The amount utilised during the year of £93,000 represented goodwill payments made to clients of £96,000 and net legal fees credit of £3,000. The amount remaining at 30 June 2020 of £608,000 relates to the remaining goodwill offers yet to be accepted by clients. During the year ended 30 June 2019, a contingent liability was recognised in relation to potential claims related to the legacy matters (Note 35), which is still recognised as at 30 June 2020.

c. Deferred consideration

Deferred consideration has been included within provisions as a current liability to the extent that it is due for payment within one year of the reporting date. The amount outstanding at 30 June 2020 was £1,691,000 (FY19: £919,000). Deferred consideration was recognised on the acquisition of Cornelian Asset Managers Group Limited (Notes 10 and 22). At 30 June 2020, the current deferred consideration in relation to Cornelian was £1,277,000.

Deferred consideration was recognised on the previous acquisition of Levitas, and a final annual payment has now been calculated and is due in November 2020. At 30 June 2020, the current deferred consideration in relation to Levitas was £414,000.

An amount of £1,691,000 (FY19: £774,000) was transferred from non-current liabilities, representing amounts falling due within one year of the reporting date. Provisions of £919,000 (FY19: £1,251,000) were utilised during the year on payment to the vendors of Levitas.

d. FSCS levy

Following confirmation by the FSCS in April 2020 of its final industry levy for the 2020/21 scheme year, the Group has made a provision of £1,501,000 (FY19: £928,000) for its estimated share.

e. Leasehold dilapidations

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

As part of the acquisition of Cornelian Asset Managers Group Limited (Note 10), leasehold dilapidations totalling £103,000 were acquired.

25. Trade and other payables

	2020 £'000	2019 restated[1] £'000
Trade payables	4,573	4,079
Other taxes and social security	6,070	3,503
Other payables	51	475
Accruals and deferred income	12,071	13,493
Total trade and other payables	**22,765**	21,550

1. See Note 4 for details regarding the restatement as a result of the output VAT on Platform MPS.

Included within other taxes and social security is a liability of £1,126,000 (FY19: £762,000) in respect of the restatement regarding output VAT on Platform MPS due to HMRC as described in Note 4.

Included within accruals and deferred income is an accrual of £306,000 (FY19: £273,000) in respect of employer's National Insurance contributions arising from share option awards under the LTIS (Note 30b). The options have been valued using a Black-Scholes model based on the market price of the Company's shares at the grant date (Note 30).

26. Other non-current liabilities

	2020 £'000	2019 £'000
At 1 July	714	157
Additional liability in respect of share option awards	193	275
Liability for transitional allowance	–	441
Transfer to current liabilities	(577)	(159)
At 30 June	**330**	714

Other non-current liabilities include employer's National Insurance contributions arising from share option awards under the LTIS and LTIP schemes. During the year an additional liability was recognised during the year of £193,000 (FY19: 275,000) in respect of existing awards, granted in previous years, that are expected to vest in the future. During the year, an amount of £577,000 (FY19: £159,000) was transferred to current liabilities, reflecting awards that are expected to vest within the next 12 months. At 30 June 2020 the non-current liability for employer's National Insurance contributions arising from share option awards under the LTIS and LTIP schemes was £330,000 (FY19: £273,000).

At 30 June 2020, the Group recognised a non-current liability of £nil for long-term employee benefits (FY19: £441,000).

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For the year ended 30 June 2020

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

	2020 £'000	2019 restated[1] £'000
Operating profit/(loss)		
Continuing operations	10,245	8,176
Discontinued operations (Note 11)	-	(724)
Operating profit	10,245	7,452
Adjustments for:		
Amortisation of intangible assets	5,327	4,411
Depreciation of property, plant and equipment	2,028	1,391
Depreciation of right of use assets	1,256	-
Other (gains)/losses - net	4,519	6,928
Decrease/(increase) in receivables	694	(807)
Increase/(decrease) in payables	1,044	(2,172)
Increase/(decrease) in provisions	431	(4,841)
(Decrease)/increase in other non-current liabilities	(384)	557
Share-based payments charge	3,571	2,634
Net assets acquired in business combination	7,357	-
Net cash inflow from operating activities	36,088	15,553

1. See Note 4 for details regarding the restatement as a result of the output VAT on Platform MPS.

28. Share capital and share premium account

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

	Number of shares	Exercise price p	Share capital £'000	Share premium account £'000	Total £'000
At 1 July 2018	13,903,033		138	38,404	38,542
Shares issued:					
– on exercise of options	6,469	1,381.0 - 1,719.0	-	95	95
– to Sharesave Scheme	40,569	1,237.0 - 1,738.0	1	569	570
At 30 June 2019	13,950,071		139	39,068	39,207
Shares issued:					
– on placing	1,690,141	-	17	29,387	29,404
– as consideration	453,172	-	5	8,995	9,000
– on exercise of options	25,862	1,381.0 - 1,725.0	-	424	424
– to Sharesave Scheme	7,856	1,400.0 - 1,738.0	-	108	108
At 30 June 2020	16,127,102		161	77,982	78,143

The total number of ordinary shares issued and fully paid at 30 June 2020 was 16,127,102 (FY19: 13,950,071) with a par value of 1p per share.

On 27 November 2019, the Group issued 1,690,141 ordinary shares by way of a non-pre-emptive placing for non-cash consideration. The shares were placed at an equivalent of 1,775p per share, which raised £29,404,000, net of £600,000 share issue costs, offset against share premium arising on the issue. The shares were issued to fund the acquisition of Cornelian (Note 10).

In addition, on 28 February 2020, the Group issued 453,172 ordinary shares to the previous shareholders of Cornelian Asset Managers Group Limited as non-cash consideration for the acquisition. The non-cash consideration of £9,000,000 was calculated at an equivalent of 1,986p per share in accordance with the Sale and Purchase Agreement.

28. Share capital and share premium account continued

There was £nil share capital issued on exercise of options and to Sharesave Scheme members in the year ended 30 June 2020 (FY19: £1,000).

Employee Benefit Trust

The Group established an Employee Benefit Trust ("EBT") on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the Group's Long Term Incentive Scheme, see Note 30(b). At 30 June 2020, the EBT held 409,163 (FY19: 268,045) 1p ordinary shares in the Company, acquired for a total consideration of £7,519,000 (FY19: £4,597,000) with a market value of £6,800,000 (FY19: £5,358,000). They are classified as treasury shares in the Consolidated statement of financial position, their cost being deducted from retained earnings within shareholders' equity.

29. Other reserves and retained earnings

Other reserves comprise the following balances:

	2020 £'000	2019 £'000
Share option reserve	6,206	4,383
Merger reserve	192	192
Total other reserves	6,398	4,575

a. Share option reserve

The share option reserve represents the cumulative charge to the Consolidated statement of comprehensive income for the Group's equity-settled share-based payment schemes, as described in Note 30.

b. Merger reserve

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

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

	2020 £'000	2019 £'000
At beginning of the year	4,383	2,921
Share-based payments	3,571	2,634
Transfer to retained earnings	(1,770)	(1,123)
Tax credit/(charge) on share-based payments	22	(49)
At end of the year	6,206	4,383

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

	2020 £'000	2019 restated[1] £'000
At beginning of the year	43,091	45,870
Profit for the financial year	6,426	5,855
Loss profit from discontinued operations	-	(395)
Transfer from share option reserve	1,770	1,123
Purchase of own shares by Employee Benefit Trust	(4,607)	(2,648)
Dividends paid	(7,680)	(6,714)
At end of the year	39,000	43,091

1. See Note 4 for details regarding the restatement as a result of the output VAT on Platform MPS.

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For the year ended 30 June 2020

30. Equity-settled share-based payments

All share options granted to employees under the Group's equity-settled share-based payment schemes are valued using a Black-Scholes model, based on the market price of the Company's shares at the grant date and annualised volatility of up to 50%, covering the period to the end of the contractual life. Volatility has been estimated on the basis of the Company's historical share price subsequent to flotation. The risk-free annual rate of interest is deemed to be the yield on a gilt edged security with a maturity term between seven months and five years, ranging from 0.01% to 2.00%. No options outstanding at 30 June 2020 (FY19: none) carry any dividend or voting rights.

The share options in issue under the various equity-settled share-based payment schemes have been valued at prices ranging from £2.31 to £20.96 per share. The charge to the Consolidated statement of comprehensive income for the year in respect of these was £3,952,000 (FY19: £2,078,000). The weighted average remaining contractual life of all equity-settled share-based payment schemes at 30 June 2020 was years 1.88 years (FY19: 2.25 years). The weighted average share price of all options exercised during the year was £19.86 (FY19: £18.63).

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

	Long Term Incentive Plan	Save As You Earn (SAYE)
Grant date	Various	13/05/2020
Share price at grant £	14.00-19.50	14.48
Vesting period	9-48 months	36 months
Volatility %	29-46%	35%
Annual dividend %	2.62-3.64%	3.52%
Risk-free rate %	0.01-0.62%	0.01%
Option value £	13.30-19.22	3.56

The total charge to the Consolidated statement of comprehensive income for the year for all share-based payment schemes, including employer's National Insurance contributions, was £3,055,000 (FY19: £2,440,000).

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

	Exercise price £	Fair value £	Number of options
Long Term Incentive Plan	-	12.41 - 19.22	270,760
Employee Sharesave Scheme	11.72	3.57	198,276

At the end of the period, amounts totalling £1,079,000 (FY19: £879,000) had vested and were eligible for exercise by scheme participants.

a. Long Term Incentive Plan

The Long Term Incentive Plan was approved by shareholders at the 2018 Annual General Meeting and encompasses annual deferral of bonuses into a Deferred Bonus Plan ("DBP"), Long Term Incentive Plan ("LTIP") awards made to senior management and Exceptional Share Option Awards ("ESOA"). Certain ESOA grants carry performance conditions. All awards are subject to continued employment and are made at the discretion of the Remuneration Committee. No awards expired during the year (FY19: none).

	2020		2019	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	492,560	-	-	-
Awarded in the year	270,760	-	514,915	-
Exercised in the year	(24,961)	-	-	-
Forfeited in the year	(79,891)	-	(22,355)	-
At 30 June	658,468	-	492,560	-

30. Equity-settled share-based payments continued

i. Deferred Bonus Plan ("DBP") Awards

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

Scheme year (grant date)	Exercise price £	Vesting period	2020 Number of options	2019 Number of options
2018	-	2019 - 2021	73,995	92,476
2019	-	2020 - 2022	75,810	-
All years			149,805	92,476

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

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

Scheme year (grant date)	Exercise price £	Vesting period	2020 Number of options	2019 Number of options
2018	-	2021	29,300	33,903
2019	-	2022	26,352	-
All years			55,652	33,903

iii. Exceptional Share Option Awards ("ESOA")

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

Financial year of grant	Exercise price £	Vesting period	2020 Number of options	2019 Number of options
2019	-	2019 - 2024	297,652	366,181
2020	-	2020 - 2024	155,449	-
All years			453,101	366,181

b. Long Term Incentive Scheme ("LTIS")

The Group made no new awards under the LTIS during the year. The existing conditional awards, which vest three years after the grant date, are subject to the satisfaction of specified performance criteria, measured over a three-year performance period. No awards expired during the year (FY19: none). The off-cycle awards made in 2017 and 2018 were to two senior executives to replace awards forfeited from previous employers.

	2020 Number of options	2019 Number of options
At 1 July	209,216	253,656
Granted in the year	-	21,127
Exercised in the year	(78,635)	(52,839)
Forfeited in the year	(6,735)	(12,728)
At 30 June	123,846	209,216

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

30. Equity-settled share-based payments continued

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

Scheme year (grant date)	Exercise price £	Vesting period	2020 Number of options	2019 Number of options
2010	-	2013	-	1,862
2011	-	2014	-	4,883
2012	-	2015	552	4,410
2013	-	2016	5,021	7,207
2014	-	2017	8,855	14,964
2015	-	2018	10,173	17,139
2016	-	2019	16,502	57,259
2017 (off-cycle)	-	2020	-	7,458
2017	-	2020	66,214	72,907
2018 (off-cycle)	-	2019 - 2020	16,529	21,127
All years			123,846	209,216

At 30 June 2020, options for schemes up to and including the 2016 scheme have vested and are able to be exercised.

c. Employee Benefit Trust ("EBT")

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

	2020 Number of shares	2019 Number of shares
At 1 July	268,045	164,582
Acquired in the year	244,714	156,883
Exercised in the year	(103,596)	(53,420)
At 30 June	409,163	268,045

d. Company Share Option Plan ("CSOP")

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

	2020		2019	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	73,497	16.76	90,676	16.70
Exercised in the year	(25,862)	16.39	(6,469)	15.46
Forfeited in the year	(7,132)	16.78	(10,710)	17.36
At 30 June	40,503	16.92	73,497	16.76

30. Equity-settled share-based payments continued

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

Scheme year (grant date)	Exercise price £	Vesting period	2020 Number of options	2019 Number of options
2013	14.52	2016	4,134	9,991
2014	13.81	2017	4,349	7,611
2015	17.19	2018	16,678	28,508
2016	17.25	2019	9,914	20,968
2017 (off-cycle)	20.11	2020	1,491	1,491
2017	19.66	2020	3,937	4,928
All years			40,503	73,497

At 30 June 2020, options for the 2015 scheme have vested and are able to be exercised. The off-cycle award was issued in August 2017 to one member of senior management and vests in August 2020. No awards expired during the year (FY19: none).

e. Employee Sharesave Scheme ("SAYE")

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

	2020		2019	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
At 1 July	204,117	14.79	211,244	15.21
Granted in the year	198,276	11.72	95,249	14.00
Exercised in the year	(7,856)	14.70	(40,569)	14.02
Forfeited in the year	(104,688)	14.68	(61,807)	15.49
At 30 June	289,849	12.73	204,117	14.79

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

Scheme year (grant date)	Exercise price £	Vesting period	2020 Number of options	2019 Number of options
2016	14.00	2019	-	4,764
2017	17.38	2020	12,641	26,004
2018	14.94	2021	44,370	78,100
2019	14.00	2022	34,562	95,249
2020	11.72	2023	198,276	-
All years			289,849	204,117

At 30 June 2020, options for the 2016 scheme have vested and are able to be exercised. 6,326 awards under the 2016, 2017 and 2018 schemes expired during the year (FY19: none).

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

31. Lease commitments

The Group leases a portfolio of office properties with varying lease end dates. Prior to adoption of IFRS 16 Leases on 1 July 2019, these were classified as operating leases (Note 2(c)). The following table represents the future minimum lease payments under non-cancellable operating leases, which are not recognised as liabilities in the Financial statements. No disclosure is provided for 2020 as from 1 July 2019, the distinction between finance and operating leases disappeared for lessees, with the Group now recognising right of use assets for these leases (Note 16).

	2020 £'000	2019 £'000
Within one year	–	1,789
After one year but not more than five years	–	1,141
After five years	–	–
Total future minimum lease payments	–	2,930

32. Discretionary funds under management

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

	2020 £'000	2019 £'000
Client money bank accounts	726,354	985,342
Client assets under management	12,958,080	12,165,242
Total client funds under management	13,684,434	13,150,584

33. Financial risk management

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

a. Liquidity risk

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

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

33. Financial risk management continued

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

	On demand £'000	Not more than 3 months £'000	After 3 months but not more than 1 year £'000	After 1 year but not more than 6 years £'000	No fixed payment date £'000	Total £'000
At 30 June 2020						
Cash flows from financial assets						
Financial assets at fair value through other comprehensive income	–	–	–	–	500	500
Financial assets at fair value through profit or loss	–	–	–	–	549	549
Cash and balances at bank	50,168	–	–	–	–	50,168
Trade receivables	–	1,181	3	–	–	1,184
Other receivables	–	24,897	–	–	–	24,897
	50,168	26,078	3	–	1,049	77,298
Cash flows from financial liabilities						
Trade payables	–	4,573	–	–	–	4,573
Other financial liabilities	–	18,605	4,861	13,508	–	36,974
	–	23,178	4,861	13,508	–	41,547
Net liquidity gap	50,168	2,900	(4,858)	(13,508)	1,049	35,751
At 30 June 2019 restated[1]						
Cash flows from financial assets						
Financial assets at fair value through other comprehensive income	–	–	–	–	500	500
Financial assets at fair value through profit or loss	–	388	225	–	–	613
Cash and balances at bank	34,590	–	–	–	–	34,590
Trade receivables	–	1,070	–	–	–	1,070
Other receivables	–	25,319	343	–	–	25,662
	34,590	26,777	568	–	500	62,435
Cash flows from financial liabilities						
Trade payables	–	4,079	–	–	–	4,079
Other financial liabilities	–	18,272	2,795	1,372	–	22,439
	–	22,351	2,795	1,372	–	26,518
Net liquidity gap	34,590	4,426	(2,227)	(1,372)	500	35,917

1. See Note 4 for details regarding the restatement as a result of the output VAT on Platform MPS.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

33. Financial risk management continued

b. Market risk

Interest rate risk

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

A 1% fall in the average monthly interest rate receivable on the Group's cash and cash equivalents would have the impact of reducing interest receivable and therefore profit before taxation by £502,000 (FY19: £346,000). An increase of 1% would have an equal and opposite effect.

Foreign exchange risk

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

Price risk

Price risk is the risk that the fair value of the future cash flows from financial instruments will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to price risk through its holdings of equity securities and other financial assets, which are measured at fair value in the Consolidated statement of financial position (Notes 17 and 18). A 1% fall in the value of these financial instruments would have the impact of reducing total comprehensive income by £27,000 (FY19: £28,000). An increase of 1% would have an equal and opposite effect.

c. Credit risk

The Group may elect to invest surplus cash balances in highly liquid money market instruments with maturity dates not exceeding three months. The difference between the fair value and the net book value of these instruments is not material. To reduce the risk of a counterparty default, the Group deposits the rest of its funds in approved, high-quality banks. At 30 June 2020 there was no significant concentration of credit risk in any particular counterparty (FY19: none).

Assets exposed to credit risk recognised on the Consolidated statement of financial position total £50,168,000 (FY19: £34,590,000), being the Group's total cash and cash equivalents.

Trade receivables with a carrying amount of £1,184,000 (FY19: £1,070,000) are neither past due nor impaired. Trade receivables have no external credit rating as they relate to individual clients, although the value of investments held in each individual client's portfolio is always in excess of the total value of the receivable. All trade receivables fall due within one year (FY19: three months).

34. Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves of the Company. Total capital at 30 June 2020 was £123,541,000 (FY19 restated: £86,873,000). Regulatory capital is derived from the Group Internal Capital Adequacy Assessment Process ("ICAAP"), which is a requirement of the Capital Requirements Directive. The ICAAP draws on the Group's risk management process which is embedded within the individual businesses, function heads and executive committees within the Group.

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

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management. The Group's 2020 ICAAP will be approved in December 2020. There have been no capital requirement breaches during the year. Brooks Macdonald Group plc's Pillar III disclosure is presented on our website at www.brooksmacdonald.com.

35. 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 an unexpected finding in respect of the Group's tax affairs which could result in a financial outflow to 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 2019, a small number of clients rejected goodwill offers made by Brooks Macdonald Asset Management (International) Limited in connection with the exceptional costs of resolving legacy matters (Note 24(b)), which were released from the provision. It is possible that one or more of these clients might issue claims against Brooks Macdonald Asset Management (International) Limited but no such claims have been issued as at 30 June 2020. 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.

36. Related party transactions

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

	Amounts owed by related parties		Amounts owed to related parties	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Braemar Group Limited	–	661	–	–
Brooks Macdonald Asset Management Limited	–	–	22,641	6,993
Brooks Macdonald Asset Management (International) Limited	14	–	–	24
Brooks Macdonald Retirement Services (International) Limited	29	–	–	–
Brooks Macdonald Financial Consulting Limited	–	–	2,638	11,918
Brooks Macdonald Funds Limited	–	–	–	4,786
Brooks Macdonald Nominees Limited	–	–	–	2,583
Levitas Investment Management Services Limited	–	9	–	–

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

The Group manages a number of collective investment funds that are considered related parties. During the year ended 30 June 2019 the Group disposed of their 563,689 class A units in the IFSL Brooks Macdonald Balanced Fund (Note 18). These transactions were conducted on an arm's length basis.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

37. Interest in unconsolidated structured entities

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

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

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

The funds under management of unconsolidated structured entities total £2,051bn (FY19: £1,584bn). Included in revenue on the Consolidated statement of comprehensive income is management fee income of £8,644,000 (FY19: £6,873,000) from unconsolidated structured entities managed by the Group.

38. Events since the end of the year

On 24 June 2020, the Group entered into a binding agreement to acquire the Lloyds Bank International's Channel Islands wealth management and funds business, subject to regulatory approval. Lloyds Channel Islands' wealth management and funds business is expected to bring circa £1.0 billion of FUM and is a strong fit for the Group. It brings a high-quality discretionary client base, adds a multi-asset and fixed income fund range to the Group's offering, and increases distribution reach through well-established intermediary relationships.

The total consideration is expected to be up to £9,630,000, including £2,500,000 of regulatory capital, with initial consideration being up to £9,300,000. A contingent cash consideration of up to £330,000 will be payable two years after completion depending upon the acquired business meeting certain pre-agreed performance targets relating to the retention of portfolio clients. Completion is expected to take place in the fourth quarter of the 2020 calendar year subject to regulatory approval.

The Group incurred costs amounting to £606,000 in relation to the acquisition. These have been recognised in the Consolidated statement of comprehensive income and excluded from underlying profit in view of their non-recurring nature.

At the time of approving these Consolidated financial statements, the transaction has not yet completed. Accordingly, these Consolidated financial statements do not reflect the accounting of the acquisition and this will be performed and recognised as at the completion date.

Financial statements

Company financial statements

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Company statement of financial position

As at 30 June 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	43	951	1,461
Investment in subsidiaries	44	119,047	74,251
Financial assets at fair value through other comprehensive income	45	500	500
Deferred tax assets	46	–	140
Total non-current assets		120,498	76,352
Current assets			
Trade and other receivables	47	75	690
Financial assets at fair value through profit or loss	48	–	-
Cash and cash equivalents		13,628	11,101
Total current assets		13,703	11,791
Total assets		134,201	88,143
Liabilities			
Non-current liabilities			
Deferred consideration	49	(6,300)	(380)
Total non-current liabilities		(6,300)	(380)
Current liabilities			
Trade and other payables	50	(27,913)	(29,394)
Total current liabilities		(27,913)	(29,394)
Net assets		99,988	58,369
Equity			
Share capital	52	161	139
Share premium account	52	77,982	39,068
Share option reserve		6,501	4,682
Retained earnings		15,344	14,480
Total equity		99,988	58,369

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own Statement of comprehensive income for the year ended 30 June 2020. Brooks Macdonald Group plc reported profit after tax for the year ended 30 June 2020 of £12,696,000 (FY19: £14,785,000).

The Company financial statements were approved by the Board of Directors and authorised for issue on 16 September 2020, and signed on their behalf by:

Caroline Connellan
CEO

Ben Thorpe
Group Finance Director

Company registration number: 4402058

The accompanying notes on pages 159 to 165 form an integral part of the Company financial statements.

Company statement of changes in equity

For the year ended 30 June 2020

	Note	Share capital £'000	Share premium account £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2018		138	38,404	3,192	8,785	50,519
Comprehensive income						
Profit for the year	41	–	–	–	14,785	14,785
Total comprehensive income		–	–	–	14,785	14,785
Transactions with owners						
Issue of ordinary shares		1	664	–	–	665
Share-based payments		–	–	1,762	–	1,762
Share-based payments transfer		–	–	(272)	272	-
Purchase of own shares by Employee Benefit Trust		–	–	–	(2,648)	(2,648)
Dividends paid	42	–	–	–	(6,714)	(6,714)
Total transactions with owners		1	664	1,490	(9,090)	(6,935)
Balance at 30 June 2019		139	39,068	4,682	14,480	58,369
Comprehensive income						
Profit for the year	41	–	–	–	12,696	12,696
Total comprehensive income		–	–	–	12,696	12,696
Transactions with owners						
Issue of ordinary shares		22	38,914	–	–	38,936
Share-based payments		–	–	2,274	–	2,274
Share-based payments transfer		–	–	(455)	455	-
Purchase of own shares by Employee Benefit Trust		–	–	–	(4,607)	(4,607)
Dividends paid	42	–	–	–	(7,680)	(7,680)
Total transactions with owners		22	38,914	1,819	(11,832)	28,923
Balance at 30 June 2020		161	77,982	6,501	15,344	99,988

The accompanying notes on pages 159 to 165 form an integral part of the Company financial statements.

Company statement of cash flows

For the year ended 30 June 2020

	Note	2020 £'000	2019 £'000
Cash flow from operating activities			
Cash generated from operations	51	15,931	25,683
Tax refund		106	-
Net cash generated from operating activities		16,037	25,683
Cash flows from investing activities			
Purchase of intangible assets	43	-	(149)
Investment in subsidiaries	44	(30,257)	(6,000)
Finance income		17	21
Proceeds of sale of financial asset at fair value through profit or loss	48	-	1,229
Deferred consideration paid	49	(919)	(1,251)
Net cash used in investing activities		(31,159)	(6,150)
Cash flows from financing activities			
Proceeds of issue of shares	52	38,936	664
Shares issued as consideration		(9,000)	-
Purchase of own shares by Employee Benefit Trust		(4,607)	(2,648)
Dividends paid to shareholders	42	(7,680)	(6,714)
Net cash generated/(used) in financing activities		17,649	(8,698)
Net increase in cash and cash equivalents		2,527	10,835
Cash and cash equivalents at beginning of year		11,101	266
Cash and cash equivalents at end of year		13,628	11,101

The accompanying notes on pages 159 to 165 form an integral part of the Company financial statements.

Notes to the Company financial statements

For the year ended 30 June 2020

39. Principal accounting policies

General information

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

Statement of compliance

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

Developments in reporting standards and interpretations

Developments in reporting standards and interpretations are set out in Note 2(c) to the Consolidated financial statements.

The principal accounting policies adopted are set out below:

a. Basis of preparation

The Financial statements have been prepared on the historical cost basis, except for the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss and deferred consideration such that they are measured at their fair value.

At the time of approving the Financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial statements.

b. Intangible assets

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

Computer software

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

c. Investments in subsidiary companies

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

d. Subsidiary company guarantees and contingent liabilities

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

e. Retirement benefit costs

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

f. Employee Benefit Trust

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

Notes to the Company financial statements continued

For the year ended 30 June 2020

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

The preparation of financial information requires the use of assumptions, estimates and judgements about future conditions. Use of currently available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, the Directors believe that the accounting policies where judgement is necessarily applied are those that relate to the measurement of investment in subsidiaries and deferred consideration.

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

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

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

Investment in subsidiaries

The Company's investment in subsidiaries are reviewed annually for impairment, or when a change in circumstances indicates that it might be impaired. When required, the recoverable amounts of subsidiaries are determined by value in use calculations, which require the use of estimates to derive the projected future cash flows attributable to each subsidiary. If the projected cash flows cannot support the cost of investment, an impairment in the investment in subsidiary may be required. Details of the investment in subsidiaries are given in Note 44.

Deferred consideration

As described in Note 49, the Company has a deferred consideration balance in respect of the acquisition of Levitas Investment Management Services Limited in July 2014 and Cornelian Asset Managers Group Limited in February 2020. Deferred consideration is recognised at its fair value, being an estimate of the amount that will ultimately be payable in future periods. For Levitas, this has been calculated allowing for estimated growth in the acquired funds, discounted by the estimated interest rate, and as at 30 June 2020, there is one fixed payment remaining. For Cornelian, the deferred consideration has been calculated allowing for estimated growth in the acquired funds and estimated cost savings, discounted by the estimated interest rate.

41. Profit for the year

Brooks Macdonald Group plc reported profit after tax for the year ended 30 June 2020 of £12,696,000 (FY19: £14,785,000). Auditors' remuneration is disclosed in Note 7 of the Consolidated financial statements. The average monthly number of employees during the year was eight (FY19: eight). Directors' emoluments are set out in Note 5(d) of the Consolidated financial statements.

42. Dividends

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

43. Intangible assets

	Software £'000
Cost	
At 1 July 2019	1,985
Additions	–
At 30 June 2020	**1,985**
Accumulated amortisation	
At 1 July 2019	524
Amortisation charge	510
At 30 June 2020	**1,034**
Net book value	
At 30 June 2019	1,461
At 30 June 2020	**951**

44. Investment in subsidiaries

	Group undertakings £'000
Net book value	
At 1 July 2018	71,540
Additions:	
– Investment in subsidiaries	6,000
– Capital contribution relating to share-based payments	1,467
Impairment of subsidiary	(4,756)
At 30 June 2019	74,251
Additions:	
– Investment in subsidiaries	46,723
– Capital contribution relating to share-based payments	2,595
Impairment of subsidiary	(4,522)
At 30 June 2020	**119,047**

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid to acquire the Company's subsidiaries. During the year, the Company acquired the entire share capital of Cornelian Asset Managers Group Limited at a cost of £44,223,000 (Note 10).

During the year, the Company recognised £2,595,000 (FY19: £1,467,000) of capital contributions relating to share-based payment charges of its subsidiaries. These share-based payment transactions were awarded in respect of services received by the subsidiary and, accordingly, the subsidiary recognises the equity-settled share-based payment charge in its own accounts. The Company has the obligation to deliver the equity instruments to meet these awards and so recognises a capital contribution.

During the year, the Company recognised an impairment in relation to a subsidiary company, Levitas Investment Management Services Limited. Based on a value-in-use calculation, the recoverable amount of the Levitas CGU as at 30 June 2020 did not support the investment value. At the end of the previous financial year, the Group entered into a new five-year partnership agreement in relation to Levitas that carried a lower sponsorship fee, the aim of this reduction was to enhance FUM flows and deepen the relationship with the fund distributor. Unfortunately for reasons beyond the Group's control, the anticipated fund inflows have not been forthcoming and the Levitas fund recorded net outflows during the financial year, impacting its rate of growth and future cash flows and therefore investment value. For further details, see Note 14.

Notes to the Company financial statements continued

For the year ended 30 June 2020

44. Investment in subsidiaries continued

Details of the Company's subsidiary undertakings at 30 June 2020, all of which were 100% owned and included in the Consolidated financial statements, are provided below:

Company	Type of shares and par value	Country of incorporation	Nature of business
Braemar Group Limited	Ordinary 1p	UK	Investment management
Brooks Macdonald Asset Management Limited	Ordinary £1	UK	Investment management
Brooks Macdonald Asset Management (International) Limited	Ordinary 1p and Preference £1	Channel Islands	Investment management
Brooks Macdonald Financial Consulting Limited	Ordinary 5p	UK	Financial consulting
Brooks Macdonald Funds Limited	Ordinary £1	UK	Fund management
Brooks Macdonald Nominees Limited	Ordinary £1	UK	Non-trading
Brooks Macdonald Retirement Services (International) Limited	Ordinary £1	Channel Islands	Retirement planning
Cornelian Asset Managers Group Limited	Ordinary 20p	UK	Investment management
Cornelian Asset Managers Limited	Ordinary £1	UK	Investment and fund management
Cornelian Asset Managers Nominees Limited	Ordinary £1	UK	Non-trading
Levitas Investment Management Services Limited	Ordinary £1	UK	Fund sponsor
Secure Nominees Limited	Ordinary £1	Channel Islands	Non-trading

The registered office for all subsidiaries is 21 Lombard Street, London, EC3V 9AH except for the following:

Company	Registered office
Brooks Macdonald Asset Management (International) Limited	1st Floor Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 2HH
Brooks Macdonald Retirement Services (International) Limited	Liberation House, Castle Street, St. Helier, Jersey, JE2 3AT
Cornelian Asset Managers Group Limited	Hobart House, 80 Hanover Street, Edinburgh, EH2 1EL
Cornelian Asset Managers Limited	Hobart House, 80 Hanover Street, Edinburgh, EH2 1EL
Cornelian Asset Managers Nominees Limited	Hobart House, 80 Hanover Street, Edinburgh, EH2 1EL
Secure Nominees Limited	1st Floor Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 2HH

Brooks Macdonald Group plc has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 30 June 2020:

- Braemar Group Limited
- Brooks Macdonald Nominees Limited
- Cornelian Asset Managers Nominees Limited
- Levitas Investment Management Services Limited

As a condition of the exemption, the Company has guaranteed the year-end liabilities of the relevant subsidiaries until they are settled in full. The liabilities of the subsidiaries at 30 June 2020 were £15,000.

45. Financial assets at fair value through other comprehensive income

	2020 £'000	2019 £'000
IFRS 9 reclassification from AFS	-	500
At beginning of year	500	500
Net changes in fair value	-	-
At end of year	500	500

The Company adopted IFRS 9 'Financial instruments' on 1 July 2018, resulting in the AFS financial assets category being no longer available. As a result, the AFS assets were reclassified to fair value through other comprehensive income.

At 30 June 2020, the Company held an investment of 500,000 redeemable £1 preference shares in an unlisted company incorporated in the UK. The preference shares carry an entitlement to a fixed preferential dividend at a rate of 8% per annum.

46. Deferred tax assets

	2020 £'000	2019 £'000
At 1 July	140	-
(Charge)/credit to the Statement of comprehensive income	(140)	140
At 30 June	-	140

The deferred taxation charge of £140,000 (FY19: credit of £140,000) arises out of the cost of share-based payments at the Statement of financial position date.

47. Trade and other receivables

	2020 £'000	2019 £'000
Amounts owed by subsidiary undertakings	44	670
Prepayments and accrued income	31	20
Total trade and other receivables	75	690

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

48. Financial assets at fair value through profit or loss

	2020 £'000	2019 £'000
At beginning of year	-	1,262
Net loss from changes in fair value	-	(33)
Disposals	-	(1,229)
At end of year	-	-

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

49. Deferred consideration

Deferred consideration is split between non-current liabilities (see below) and trade and other payables in current liabilities to the extent that it is due to be paid within one year of the reporting date. It reflects the Directors' best estimate of amounts payable in the future in respect of certain client relationships and subsidiary undertakings that were acquired by the Company. Deferred consideration is measured at its fair value based on discounted expected future cash flows. The movements in the total deferred consideration balance during the period were as follows:

	2020 £'000	2019 £'000
At beginning of year	1,299	2,875
Additions	7,466	-
Finance cost of deferred consideration	145	94
Fair value adjustments	-	(419)
Payments made during the year	(919)	(1,251)
At end of year	7,991	1,299
Analysed as:		
Amounts falling due within one year	1,691	919
Amounts falling due after more than one year	6,300	380
Total deferred consideration	7,991	1,299

Notes to the Company financial statements continued

For the year ended 30 June 2020

49. Deferred consideration continued

During the year ended 30 June 2020, the Company acquired Cornelian Asset Managers Group Limited (Note 10) and part of the consideration was deferred over a period of up to two years. The total cash deferred consideration of £8,000,000 was recognised at its fair value of £7,466,000 upon acquisition. The deferred consideration is payable in up to three instalments in March 2021, October 2021 and March 2022 and based on the future value of the funds under management acquired and cost savings and synergies achieved on integrating the business. During the period from acquisition to 30 June 2020, the Company recognised a finance cost of £110,000 on the Cornelian deferred consideration. The fair value of the Cornelian deferred consideration at 30 June 2020 was £7,576,000.

During the year ended 30 June 2020, payments totalling £919,000 (FY19: £1,251,000) were made to the vendors of Levitas. Full details of the Levitas acquisition are disclosed in Note 13 of the 2015 Annual Report and Accounts. A total decrease in the fair value of deferred consideration of £nil (FY19: £419,000) was recognised during the year in respect of Levitas. The fair value of the Levitas deferred consideration at 30 June 2020 was £415,000.

50. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	113	58
Amounts owed to subsidiary undertakings	25,279	26,304
Deferred consideration (Note 49)	1,692	919
Accruals and deferred income	829	2,113
Total trade and other payables	27,913	29,394

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

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

	2020 £'000	2019 £'000
Operating profit	12,857	14,717
Adjustments for:		
Impairment of subsidiary	4,522	4,756
Changes in fair value of financial assets at fair value through profit or loss	-	33
Changes in fair value of deferred consideration	-	(419)
Decrease/(increase) in receivables	615	(106)
(Decrease)/increase in payables	(2,140)	6,407
Share-based payments	77	295
Net cash inflow from operating activities	15,931	25,683

52. Share capital and share premium account

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

	Number of shares	Share capital £'000	Share premium account £'000	Total £'000
At 1 July 2018	13,903,033	138	38,404	38,542
Shares issued:				
– on exercise of options	6,469	-	95	95
– to Sharesave Scheme	40,569	1	569	570
At 30 June 2019	13,950,071	139	39,068	39,207
Shares issued:				
– on placing	1,690,141	17	29,387	29,404
– as considerations	453,172	5	8,995	9,000
– on exercise of options	25,862	-	424	424
– to Sharesave Scheme	7,856	-	108	108
At 30 June 2020	16,127,102	161	77,982	78,143

52. Share capital and share premium account continued

The total number of ordinary shares, issued and fully paid at 30 June 2020, was 16,127,102 (FY19: 13,950,071) with a par value of 1p per share. Excluding 409,163 (FY19: 268,045) treasury shares held by the Employee Benefit Trust (see below), the Company had 15,717,939 (FY19: 13,682,026) ordinary 1p shares in issue as at 30 June 2020. Details of the shares issued are given in Note 28 of the Consolidated financial statements.

Employee Benefit Trust

The Company established an Employee Benefit Trust ("EBT") on 3 December 2010 to acquire ordinary shares in the Company to satisfy awards under the Group's Long Term Incentive Scheme, see Note 30(c) to the Consolidated financial statements. All finance costs and administration expenses connected with the EBT are charged to the Statement of comprehensive income as they accrue. The EBT has waived its rights to dividends.

During the year, the EBT received instructions to exercise 103,596 (FY19: 53,420) options. The cost of the shares released on exercise of these options amounted to £1,738,000 (FY19: £760,000). At 30 June 2020, the number of shares held by the EBT was 409,163 (FY19: 268,045) with a market value of £6,800,000 (FY19: £5,358,000) acquired for a total consideration of £7,519,000 (FY19: £4,597,000). These shares are presented as treasury shares in the Company financial statements and their cost is deducted from retained earnings within shareholders' equity.

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

53. Related party transactions

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

	2020 £'000	2019 £'000
Short-term employee benefits	2,040	2,638
Post-employment benefits	57	15
Share-based payments	94	248
Total compensation	2,191	2,901

Dividends totalling £9,000 (FY19: £52,000) were paid in the year in respect of ordinary shares held by key management personnel and their close family members.

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

	2020 £'000	2019 £'000
Dividends received:		
– Brooks Macdonald Asset Management Limited	17,500	20,000
– Levitas Investment Management Services Limited	1,500	-
– Cornelian Asset Managers Group Limited	4,000	-
– Braemar Group Limited	-	3,000
Total transactions with subsidiaries	23,000	23,000

The Company's balances with fellow Group companies at 30 June 2020 are set out in Note 36 to the Consolidated financial statements. All transactions with fellow Group companies are carried out at arm's length and all outstanding balances are to be settled in cash. None of the balances are secured and no provisions have been made for doubtful debts in respect of any of the amounts due from fellow Group companies.

54. Financial risk management objectives and policies

The financial risk management objectives and policies applied by the Company are in line with those of the Group as disclosed in Note 33 to the Consolidated financial statements.

Company information

Company Secretary	Phil Naylor
Company registration number	4402058
Registered office	21 Lombard Street, London, EC3V 9AH
Website	www.brooksmacdonald.com

Financial calendar

Results announcement	17 September 2020
Ex-dividend date for final dividend	24 September 2020
Record date for final dividend	25 September 2020
Annual General Meeting	27 October 2020
Final dividend payment date	6 November 2020

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Glossary

Abbreviation	Definition
ACD	Authorised Corporate Director
AFS	Available for sale financial assets
AGM	Annual General Meeting
AI	Artificial intelligence
AIM	Alternative Investment Market
ANLA	Adjusted Net Liquid Asset
APS	AIM Portfolio Service
ARC	Asset Risk Consultants
BCP	Business continuity planning
BMG, Company, Parent Company	Brooks Macdonald Group plc
BMIS	Brooks Macdonald Investment Solutions
BPR	Business Property Relief
BPS	Bespoke Portfolio Service
CASS	Client Assets Sourcebook
CEO	Chief Executive Officer
CGU	Cash generating unit
CIP	Centralised Investment Process
Cornelian	Cornelian Asset Managers Group Limited and its controlled entities
COVID-19	Coronavirus global pandemic
CPD	Continuing professional development
CREST	The settlement system used by the London Stock Exchange for settling all its transactions
CRO	Chief Risk Officer
CSOP	Company Share Option Plan
DBP	Deferred Bonus Plan
DCF	Defensive Capital Fund
DFM	Discretionary Fund Managers
EBT	Employee Benefit Trust
EMEA	Europe, Middle East and Africa
EPS	Earnings per share
ESG	Environmental, social and governance
ESOA	Exceptional Share Options Awards
EU	European Union
FCA	UK Financial Conduct Authority
FRC	UK Financial Reporting Council
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss

Abbreviation	Definition
GDPR	General Data Protection Regulation
GRIF	Ground Rents Income Fund
Group	Brooks Macdonald Group plc and its controlled entities
HNWI	High net worth individuals
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment process
IFA	Independent Financial Advisor
IFPRU	The FCA's Prudential Sourcebook for Investment Firms
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
LRMF	Liquidity Risk Management Framework
LTIS	Long term incentive scheme
LTIP	Long term incentive plan
M&A	Mergers and acquisitions
MAF	Multi-Asset Fund
MiFID II	Markets in Financial Instruments Directive II which is legislation for the regulation of investment services within the European Economic Area
MRT	Material Risk Takers
MTP	Medium-Term Plan
MPS	Managed Portfolio Service
NOMAD	Nominated advisor
OEIC	Open-Ended Investment Company
PBT	Profit before tax
R&D	Research and development
RCC	Risk and Compliance Committee
RDR	Retail distribution review
RIS	Responsible Investment Service
RMF	Risk management framework
RPI	Retail price index
ROU	Right of use asset
SAYE	Employee Sharesave Scheme
SM&CR	Senior Managers and Certification Regime
The Code	UK Corporate Governance Code
UKIM	UK Investment Management

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