Interim Report and Accounts

for the six months ended 31 December 2019

BROOKS MACDONALD

Strategy execution
driving improved
financial performance

Our vision

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

How we achieve this

We build trusting relationships with our clients founded on our client-centric culture and the professionalism and expertise of all our people.

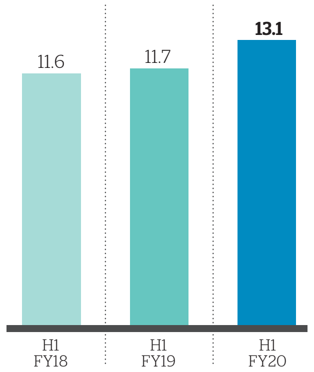
The strength of our Centralised Investment Process allows us to partner with professional advisers in order to complement their services and benefit our mutual clients. These include private investors, trusts, pension funds and institutions.

Contents

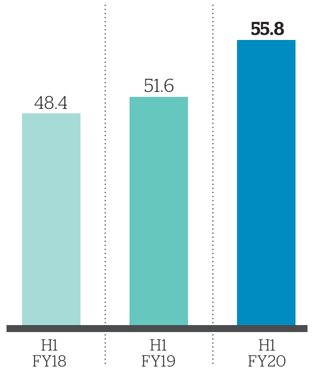
Half year highlights

Financial highlights[1]

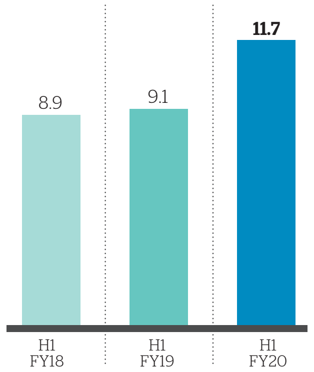
Funds under management ("FUM") (£bn)



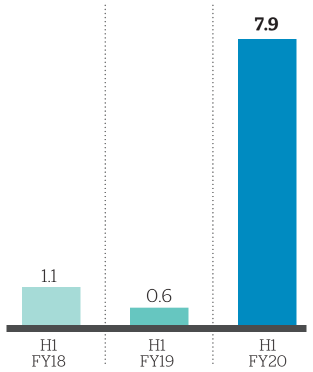
Total revenue (£m)



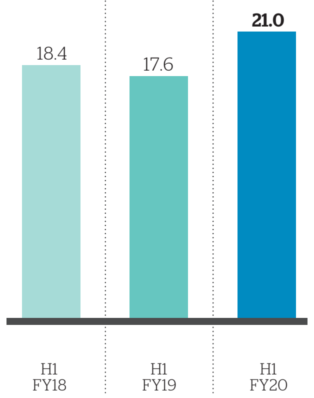
Underlying profit before tax[2] (£m)



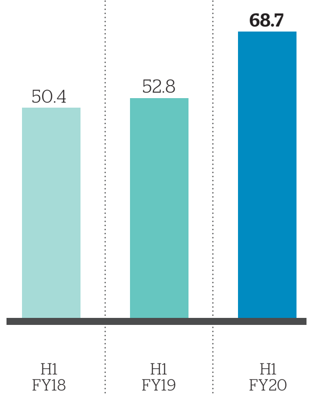
Statutory profit before tax[3] (£m)



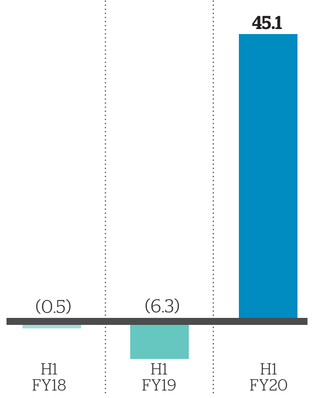
Underlying profit before tax margin[2] (%)



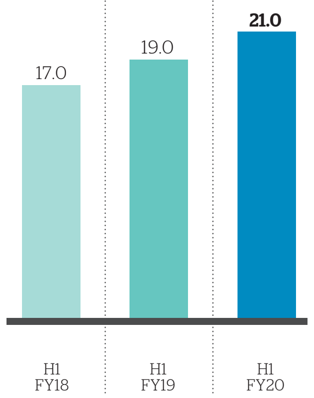
Underlying[2] diluted earnings per share (p)



Statutory diluted earnings per share[3] (p)



Interim dividend per share (p)



Strategic highlights

- Delivered strong financial performance and improvement in underlying profit margin as committed, alongside continued robust investment performance
- Strategy on track, midway through second phase, positioning the Group for future success
- Acquired Cornelian (completed following period end), a good strategic and cultural fit, strengthening our core offering, building scale and bringing in new talent
- Continued focus on delivering for clients and advisers including an enhanced client offering
- Reinvigoration of International continued
- Invested further in talent by promoting internally and bringing in new skills and capabilities
- Driving efficiency and effectiveness and making Brooks Macdonald easier to do business with

1. Comparative results have been restated to exclude discontinued operations and present a more appropriate year-on-year comparison. Details of the discontinued operations are included on page 23.
2. The underlying figures represent the results for the Group's continuing activities excluding underlying adjustments as listed on page 9. The Board considers the underlying profit to be a more appropriate reflection of the Group's performance compared to the statutory profit. A reconciliation between the Group's statutory and underlying profit before tax is also included on page 9.
3. Statutory results represent results from continuing operations. Details of the discontinued operations are included on page 23.

Interim management report

"In the first half we have continued to execute our strategy and position the business to deliver our growth agenda."

Caroline Connellan
CEO

A positive half year

It has been a good six months for Brooks Macdonald with an ongoing focus on executing our strategy and positioning the business to take advantage of growth opportunities.

The Group delivered strong financial performance with material progress in our medium-term commitment to increase profit margins, alongside growth in revenues and increased earnings per share, all achieved despite a backdrop of macroeconomic and political uncertainty giving rise to relatively weak client sentiment.

As we continued to implement our strategy, we kept our clients and advisers at the forefront, working to improve their experience, and making Brooks Macdonald easier to do business with. We launched and continue to roll out our new online client and adviser portal, myBM.

Our investment in talent continued across the Group, with a number of appointments to our senior leadership, and Robin Eggar recently taking sole responsibility as Managing Director, UK Investment Management ("UKIM"). We remain focused on developing and promoting our talent, as well as hiring the right people to complement our capabilities and support the future growth and success of our business.

We delivered improvements in our efficiency and effectiveness across the business, streamlining processes and eliminating duplication and continuing to invest in our risk management and governance framework. Our Centralised Investment Process achieved robust risk adjusted returns for clients in the period and is ahead of the relevant ARC benchmarks across all risk profiles over three and five years.

On 22 November 2019, we announced the acquisition of Cornelian Asset Managers Group Limited ("Cornelian") a well-established wealth manager with a track record of profitable growth. The transaction completed successfully on 28 February 2020. Integration planning proceeded well while we awaited final regulatory approval and we are now working to integrate Cornelian into the Group.

Strong financial performance

The Group delivered a marked further improvement in performance during the first half of the financial year. We continued to deliver progress on our stated medium-term target of increasing margins, with underlying profit margin rising to 21.0% (H1 FY19: 17.6%).

Revenues were up 8.1% to £55.8 million (H1 FY19: £51.6 million) whereas underlying costs increased by just 3.8% to £44.1 million as we continued to enforce strong cost discipline. This resulted in an underlying profit before tax of £11.7 million, a 28.6% increase on the prior period (H1 FY19: £9.1 million) and an increase of 30.1% in underlying diluted EPS to 68.7p (H1 FY19: 52.8p).

Our statutory profits before tax from continuing operations also increased significantly on the prior period from £0.6 million to £7.9 million driven by improvements in underlying performance and fewer adjustments. Accordingly, the statutory earnings per share from continuing operations on a diluted basis moved from a loss of 6.3 pence in the previous period to earnings of 45.1 pence this half.

We maintained Group FUM over the period at £13.1 billion. This included growth of 1.3% in UKIM discretionary FUM (comprising Bespoke Portfolio Service ("BPS") and Managed Portfolio Service ("MPS")) and 1.8% in International, offset by a 13.6% reduction in UKIM Funds, driven in particular by the loss of a low margin £244 million mandate for Grosvenor Consulting (as previously reported).

In keeping with our stated progressive dividend policy and the improved results for the period, the Group is declaring an interim dividend of 21.0 pence per share, a 10.5% uplift on the interim dividend paid last year. The interim dividend will be paid on 24 April 2020 to shareholders on the register as at 27 March 2020.

Disciplined strategic execution

The Group's purpose is to protect and enhance our clients' wealth through the provision of investment management and advice alongside exceptional service. Our strategy continues to be based on the three pillars of foundation, focus and growth, as initially laid out in 2017:

- Building on a foundation of success, with our client-centric culture and our strong relationships with clients and advisers driving growth in funds under management.
- Focusing to deliver value to our shareholders, our clients and advisers, and our staff, working from a sustainable platform to ensure that we deliver improved margins in the medium term.
- Driving for growth, deepening our relationships with our existing clients and advisers and bringing our investment management and financial planning expertise to new clients.

Having completed a first phase of reinforcing the foundations of the business and taking immediate actions to improve margins, we are now in the second phase, increasing value by enhancing what we do and how we do it.

During the six months to 31 December 2019, we made our first inorganic move since 2014 to complement our organic growth strategy, announcing the acquisition of Cornelian. Cornelian fits our stated acquisition criteria of a high quality, earnings accretive business with a good strategic and cultural fit, and will add circa £1.4 billion in FUM. The acquisition augments the Group's existing direct client and multi-asset funds offerings as well as strengthening our intermediary distribution reach.

Interim management report

Improvements across the Group

During the period, we made good progress across all our businesses with higher underlying profit margins in UK Investment Management, International and Financial Planning.

Our Centralised Investment Process has continued to perform well, giving returns ahead of the relevant ARC Private Client Index across all risk profiles for three and five years; continued good performance is critical to medium-term client retention.

Strengthening in UKIM

Over the course of the first half of the financial year we implemented strategic and operational improvement initiatives within UK Investment Management, the largest part of our business. We recently appointed Robin Eggar as Managing Director, UK Investment Management, taking sole responsibility for UKIM. We strengthened our investment team leadership both in London and across the regions, building to a team of four London Team Heads and four Regional Heads. We also promoted internally to a new position of Director, Head of UK Distribution. We were successful in hiring new talent at all levels in our investment management and distribution teams, bringing in complementary skills and expertise, and in giving opportunities to the talent we already have in the business through internal promotions. Investing in our talent, whether promoting or hiring, will support the high-performance culture that is critical to our growth ambitions, and will remain an area of focus.

The decisive actions we announced in January 2019 to streamline and simplify the business, driving efficiency and effectiveness, involved a net headcount reduction of circa 50, predominantly in administration and IT areas. This included some client-facing staff which, along with modest additional departures over the course of the year, has led to some associated client attrition and limited FUM outflows. Nonetheless, we are confident that the moves we are making are enhancing our capabilities, building an organisation that will deliver our growth agenda.

Inflows were stable or up compared to H1 FY19 in all product groups except MPS on platform (leading to its relaunch late in H1) and Third-Party funds (affected by the previously announced exit of low margin business).

Within the BPS umbrella, our Decumulation and Responsible Investment Services, launched in FY19, have been well received and are starting to build traction. Our relaunched Court of Protection service has also been performing well, recording gross inflows in excess of £50 million during the period.

We relaunched our MPS platform service to provide advisers and clients with the benefits of our rigorous Centralised Investment Proposition in a value-driven format with a reduced pricing structure. We are expanding the range of platforms on which it is available.

Success in DCF, loss of low margin business elsewhere in Funds

Within Funds, our Defensive Capital Fund ("DCF") has been an ongoing success story, reaching the £700 million FUM milestone in the period when Niall O'Connor took over the Fund following Jon Gumpel stepping down. However, during the second quarter, the Group's investment management agreement for the Grosvenor Consulting funds was terminated, as previously announced. This accounted for £244 million of FUM corresponding to annualised revenues of circa £0.6 million. This followed extensive discussions between Brooks Macdonald and Grosvenor over the purchase of the sponsorship company attached to the Grosvenor funds, where we were unable to reach a satisfactory commercial arrangement that met our stated acquisition criteria.

Reinvigoration of International

Our International business delivered encouraging progress with the leadership of Andrew Shepherd continuing to reinvigorate the business, focusing on delivering for clients, advisers and trustees. The team is working to focus the business on its core opportunities and to make the organisation more efficient, which is starting to drive improved profitability. Although revenues were slightly down on the prior period, asset outflows are now at much reduced levels compared to the first half of last year. We see potential for material value creation in International as the reinvigoration continues.

Financial Planning improved performance

The Financial Planning division has completed its operational review and has commenced implementation of the findings. It continues to improve productivity and making good progress in transitioning clients to a fee-based pricing structure. Although the division remained loss-making in the period, it narrowed the gap to break-even and we are optimistic that further benefits will be seen from these changes over the upcoming two years.

Spearpoint legacy matters

During the period, we continued to make progress in dealing proactively with the previously announced legacy matters arising from the former Spearpoint business which we acquired in 2012. These matters relate both to a number of discretionary portfolios formerly managed by Spearpoint, now managed by our Jersey office, and to a Dublin-based fund, for which Spearpoint acted as investment manager. While we accept no legal liability in these matters, we have a deep commitment to treating customers fairly and seeking to protect our clients' best interests.

In H2 FY19, the Board of the Dublin-based fund agreed our goodwill offer of £3.4 million and received unanimous shareholder approval at an Extraordinary General Meeting in April 2019. Shareholders had until 4 September 2019 to claim their share, and the company is now going into voluntary liquidation with only final clearance from the Irish Revenue outstanding. As we reported with our FY19 annual results, 84% of the discretionary clients to whom we issued a goodwill offer in March 2018 accepted that offer. To date, we have received no claims.

As at 30 June 2019, £11.3 million of the total £12.0 million provision had been utilised, leaving £0.7 million outstanding. Over the six months to 31 December 2019, a negligible amount was utilised, leaving the balance at £0.7 million. The total expensed provision remains unchanged and we intend to deal with any residual issues in the ordinary course of business.

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

Positive medium-term outlook, short-term uncertainty

With continued investment in talent, we have highly skilled and experienced teams across the business, positioning us well to build on our success to date and achieve our growth ambitions. We continue to focus on serving our clients and strengthening our relationships with advisers by further enhancing our offering, simplifying the business and making Brooks Macdonald easier to work with.

The developing momentum in our underlying business, combined with the acquisition of Cornelian, represented a significant step forward in our strategy of delivering sustainable, value-enhancing growth.

We saw improvement in client sentiment at the start of the calendar year and we continue to have a positive outlook over the medium term. In the short term, the macroeconomic outlook remains uncertain, exacerbated by the increasing impact of the coronavirus outbreak, with highly volatile markets and the potential effect on the wider economy. Given our focus on delivering for clients and advisers, our investment in talent, and our enhanced execution discipline, we are confident we are building the high-performance culture that will deliver our growth ambitions.

"We have delivered a strong improvement in underlying profit margin to 21% driven by good progress in all divisions."

Ben Thorpe
Group Finance Director

Interim management report

The table below shows the Group's financial performance for the six months ended 31 December 2019 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 9.

Group financial results summary

	6 months to 31 December 2019 £m	6 months to 31 December 2018[1] £m	12 months to 30 June 2019 £m
Revenue	55.8	51.6	107.3
Fixed staff costs	(19.2)	(19.7)	(37.0)
Variable staff costs	(7.5)	(7.0)	(15.5)
Non-staff costs	(17.4)	(15.8)	(33.8)
Total underlying costs	(44.1)	(42.5)	(86.3)
Underlying profit before tax	11.7	9.1	21.0
Underlying adjustments	(3.8)	(8.5)	(12.4)
Profit before tax from continuing operations	7.9	0.6	8.6
Profit/(loss) from discontinued operations	–	0.1	(0.4)
Statutory profit before tax	7.9	0.7	8.2
Taxation	(1.5)	(1.5)	(2.5)
Statutory profit/(loss) after tax	6.4	(0.8)	5.7
Underlying profit before tax margin	21.0%	17.6%	19.6%
Underlying diluted earnings per share	68.7p	52.8p	125.5p
Statutory profit before tax from continuing operations margin	14.2%	1.2%	8.0%
Statutory diluted earnings/(loss) per share from continuing operations	45.1p	(6.3p)	44.5p
Dividends per share	21.0p	19.0p	51.0p

[1] Comparative results have been restated to exclude discontinued operations in respect of the Ground Rents Income Fund plc ("GRIF") in order to present a more appropriate period-on-period comparison. Refer to Note 7 of the Condensed consolidated financial statements for details of the discontinued operations.

During the first six months of the financial year, the Group reported an 8.1% increase in total revenues from £51.6 million to £55.8 million. Fee income was up 7.7% to £44.7 million (H1 FY19: £41.5 million) driven by higher average FUM levels in the period and the continued trend towards higher quality fee-only rates. Non-fee income has also increased on the prior period totalling £11.1 million (H1 FY19: £10.1 million).

Underlying costs increased marginally by 3.8% to £44.1 million on the prior period. Fixed staff costs fell by 2.5% from £19.7 million in H1 FY19 to £19.2 million this period, reflecting the benefits arising from the costs reduction exercise carried out in FY19 and partially offset by the continued investment in and development of our talent resources. Variable staff costs increased by 7.1% to £7.5 million.

Non-staff costs increased by 10.1% from £15.8 million to £17.4 million. The main contributors to this increase include higher property-related costs (£0.6 million) as a result of higher lease charges due to the transition to IFRS 16 from 1 July 2019, accelerated dilapidation costs, increased business rates and lease termination costs. IT spend has increased (£0.4 million) arising from the launch of our new online client portal, myBM, entering into new Data Centre arrangements and investing in cyber security risks mitigation. Regulatory and compliance costs are also up in the period (£0.7 million) principally driven by a supplementary FSCS levy communicated in FY20 in respect of FY19 of £0.2 million (H1 FY19 £0.1 million credit), along with higher internal audit and professional indemnity insurance. In addition, we expect the FSCS levy for FY20, which is recognised within the second half, to be significantly higher than that charged in respect of FY19.

Underlying profits for the first half amounted to £11.7 million, a 28.6% increase on the prior period resulting in a profit margin of 21.0% (H1 FY19: 17.6%) delivering on our stated target of marginal progression in margin.

Statutory profits before tax from continuing operations have increased significantly on the prior period from £0.6 million to £7.9 million giving rise to a statutory profit margin of 14.2%. This was in part driven by fewer underlying adjustments in the period with the total impact decreasing from £8.5 million in H1 FY19 to £3.8 million this period. Refer to page 9 for a breakdown of the underlying adjustments recognised in the period.

Funds under management

	6 months to 31 December 2019 £m	6 months to 31 December 2018[1] £m	12 months to 30 June 2019 £m
Opening FUM	13,147	12,308	12,312
Net new business	(506)	241	409
Investment growth	448	(803)	426
Total FUM growth	(58)	(562)	835
Closing FUM	13,089	11,746	13,147
Organic growth (net of markets)	(3.8%)	2.0%	3.3%
Total growth	(0.4%)	(4.6%)	6.8%

Total FUM at 31 December 2019 stood at £13.1 billion (H1 FY19: £11.7 billion, FY19: £13.1 billion), representing an increase of 12.0% on the FUM levels at H1 FY19 and a modest decline of 0.4% on the closing position for FY19. Net outflows in the period of £0.5 billion were partly driven by softer client sentiment in the light of the political and macroeconomic backdrop, the Group's focus on efficiency and business quality and the termination of the investment management agreement for the Grosvenor Wealth Management funds as previously announced. Investment performance continued to be robust of 3.4% in the period, compared to an increase of 2.9% in the MSCI WMA Private Investor Balanced Index.

Closing FUM by service and segment

The table below shows the closing FUM broken down by segment and by our key services within UKIM at 31 December 2019 and comparative periods.

	31 December 2019 £m	31 December 2018[1] £m	H1 FY20 v H1 FY19 %	30 June 2019 £m
BPS	8,332	7,281	14.4	8,254
MPS	1,755	1,491	17.7	1,705
Funds	1,369	1,464	(6.5)	1,584
UKIM total	11,456	10,236	11.9	11,543
International	1,633	1,510	8.1	1,604
Total FUM	13,089	11,746	11.4	13,147

Average FUM by service and segment

The table below shows the average FUM[2] broken down by segment and by our key services within UKIM at 31 December 2019 and comparative periods.

	31 December 2019 £m	31 December 2018[1] £m	H1 FY20 v H1 FY19 %	30 June 2019 £m
BPS	8,304	7,599	9.3	7,847
MPS	1,746	1,530	14.1	1,596
Funds	1,500	1,489	0.7	1,534
UKIM total	11,550	10,618	8.8	10,977
International	1,637	1,592	2.8	1,589
Average FUM	13,187	12,210	8.0	12,566

As noted from the above table, average FUM has increased across all categories compared to prior periods.

[1] Comparative periods FUM have been restated to exclude the funds held in GRIF to present a more appropriate year-on-year comparison.
[2] Average FUM calculated using actual FUM on billing dates in each period.

Interim management report

Segmental analysis

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

H1 FY20 (£m)	UK Investment Management	International	Financial Planning	Group and consolidation	Total
Revenue	46.8	7.0	2.0	–	55.8
Direct costs	(21.2)	(4.0)	(1.5)	(17.4)	(44.1)
Operating contribution	25.6	3.0	0.5	(17.4)	11.7
Internal cost recharges	(12.3)	(1.6)	(1.1)	15.0	–
Underlying profit/(loss) before tax	13.3	1.4	(0.6)	(2.4)	11.7
Underlying profit/(loss) before tax margin	28.4%	20.0%	(30.0%)	N/A	21.0%

H1 FY19[1] (£m)	UK Investment Management	International	Financial Planning	Group and consolidation	Total
Revenue	42.4	7.4	1.8	–	51.6
Direct costs	(20.8)	(5.0)	(1.4)	(15.3)	(42.5)
Operating contribution	21.6	2.4	0.4	(15.3)	9.1
Internal cost recharges	(10.4)	(1.5)	(1.2)	13.1	–
Underlying profit/(loss) before tax	11.2	0.9	(0.8)	(2.2)	9.1
Underlying profit/(loss) before tax margin	26.4%	12.2%	(44.4%)	N/A	17.6%

[1] Comparative results have been restated to exclude discontinued operations in respect of GRIF in order to present a more appropriate period-on-period comparison. Refer to Note 7 of the Condensed consolidated financial statements for details of the discontinued operations.

All three business segments reported an improvement in performance during the first half compared to the previous period. UK Investment Management and Financial Planning recognised an increase in revenues during the period, up by 10.4% and 11.1% respectively. International reported a slight decline in revenues of 5.4% driven by the realignment of the business over the last year.

In line with our stated objective of reducing the cost growth trajectory, the costs incurred by the three business segments have increased proportionately lower than the rise in revenues, particularly within International, which had strong delivery against its strategic plan with cost actions driving profitability improvements. UK Investment Management continued to perform well, with flat direct costs delivering good profit growth.

Whilst Financial Planning is still in its turnaround phase, revenues were up and costs stable as it executed the findings of its operational review, delivering a higher contribution to the Group and a reduction in the underlying loss compared to the prior period. The above factors contributed to an improvement in underlying profitability across all businesses and an encouraging progression in profit margin.

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 six months ended 31 December 2019 with comparatives is shown in the table below:

	6 months to 31 December 2019 £m	6 months to 31 December 2018[1] £m	12 months to 30 June 2019 £m
Underlying profit before tax	11.7	9.1	21.0
Acquisition costs	(2.0)	-	-
Amortisation of client relationships and contracts acquired with fund managers	(1.1)	(1.1)	(2.2)
Head office relocation costs	(0.6)	-	-
Changes in fair value of consideration and related disposals	(0.1)	0.3	0.2
Goodwill impairment	-	(4.8)	(4.8)
Restructuring charge	-	(0.6)	(3.3)
Client relationship contracts impairment	-	(2.3)	(2.3)
Statutory profit before tax from continuing operations	7.9	0.6	8.6
Profit/(loss) from discontinued operations	-	0.1	(0.4)
Statutory profit before tax	7.9	0.7	8.2

[1] Comparative results have been restated to exclude discontinued operations in respect of GRIF in order to present a more appropriate period-on-period comparison. Refer to Note 7 of the Condensed consolidated financial statements for details of the discontinued operations.

Acquisition costs (£2.0 million charge)

These represent costs incurred in relation to the acquisition of Cornelian during the six months ended 31 December 2019. The costs incurred include corporate finance services, legal fees and due diligence fees. These costs are being excluded from the Group's underlying performance as they were not incurred as part of the normal trading activity.

Amortisation of client relationships and contracts acquired with fund mangers (£1.1 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 amortisation charge has been excluded from the underlying profit since it is a significant non-cash item. Refer to Note 10 to the Condensed consolidated financial statements for more details.

Head office relocation costs (£0.6 million charge)

The Group's 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 are being incurred on the three locations until the existing office leases at Bevis Marks and Welbeck Street expire 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 (£0.1 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.

Interim management report

Taxation

The Group's corporation tax charge on underlying profits for the period was £1.5 million (H1 FY19: £1.5 million) representing an effective tax rate of 17.3% (H1 FY19: 20.1%). The decrease in the effective tax rate is largely due to goodwill and client relationship contract impairments recognised in the prior period which are not allowable for tax purposes. The effective tax charge for the current period includes the increased deferred tax credit on share options and includes certain costs incurred in respect of the Cornelian acquisition which are not allowable for tax purposes. Refer to Note 6 to the Condensed consolidated financial statements for more details.

Earnings per share

The Group's basic statutory earnings per share for the six months ended 31 December 2019 was 45.2 pence (H1 FY19: 5.9 pence loss). On an underlying basis, basic earnings per share increased by 30.3% to 68.8 pence (H1 FY19: 52.8 pence). Details on the basic and diluted earnings per share are provided in Note 8 of the Condensed consolidated financial statements.

Dividend

In line with the Group's progressive dividend policy, the Board has declared an interim dividend of 21.0 pence (H1 FY19: 19.0 pence). This represents an increase of 10.5% compared to the previous period. The interim dividend will be paid on 24 April 2020 to shareholders on the register as at 27 March 2020. Refer to Note 9 to the Condensed consolidated financial statements for more details.

Financial position and regulatory capital

The Group's financial position remains strong with net assets increasing to £119.8 million (FY19: £87.6 million) largely as a result of the equity placing carried out in November 2019. Refer to Note 18 of the Condensed consolidated financial statements for more details on the equity placing.

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

As at 31 December 2019, the Group had regulatory capital resources of £67.1 million (FY19: £32.9 million), representing a capital adequacy ratio of 389% (FY19: 239%) over the Pillar I requirement. The capital resources at 31 December 2019 include the impact of the equity placing made in November 2019 to fund the acquisition of Cornelian.

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

The latest ICAAP review was conducted for the period ended 30 June 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.

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2019

	Note	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018[1] (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
Revenue	4	55,791	51,590	107,270
Administrative costs		(47,828)	(44,136)	(91,835)
Other losses	5	(55)	(6,863)	(6,928)
Operating profit		7,908	591	8,507
Finance income		132	109	227
Finance costs		(151)	(62)	(94)
Profit before tax		7,889	638	8,640
Taxation on continuing operations	6	(1,528)	(1,503)	(2,517)
Profit/(loss) for the period from continuing operations		6,361	(865)	6,123
Profit/(loss) from discontinued operations	7	–	99	(395)
Taxation on discontinued operations	6	–	(49)	–
Profit/(loss) for the period attributable to equity holders of the Company		6,361	(815)	5,728
Other comprehensive income:				
Other comprehensive income		–	–	–
Total comprehensive income/(expense) for the period		6,361	(815)	5,728
Earnings/(loss) per share				
Basic	8	45.2p	(5.9p)	41.6p
Diluted	8	45.1p	(5.9p)	41.6p

[1] Comparative results have been restated to exclude discontinued operations in respect of the Ground Rents Income Fund plc ("GRIF") in order to present a more appropriate period-on-period comparison. Refer to Note 7 for details of the results of discontinued operations. 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 18).

The accompanying notes on pages 15 to 38 form an integral part of these Condensed consolidated financial statements.

Condensed consolidated statement of financial position

as at 31 December 2019

	Note	31 Dec 2019 (unaudited) £'000	31 Dec 2018 (unaudited) £'000	30 Jun 2019 (audited) £'000
Assets				
Non-current assets				
Intangible assets	10	48,403	51,473	50,167
Property, plant and equipment	11	2,385	3,642	3,177
Right of use assets	12	7,434	–	–
Financial assets at fair value through other comprehensive income	13	500	500	500
Financial assets at fair value through profit or loss	13	–	5	–
Other non-current receivables	13	94	–	94
Deferred tax assets		1,917	826	1,223
Total non-current assets		60,733	56,446	55,161
Current assets				
Trade and other receivables	13	27,301	25,526	26,732
Financial assets at fair value through profit or loss	13	175	662	613
Cash and cash equivalents	13	62,639	24,754	34,590
Total current assets		90,115	50,942	61,935
Total assets		150,848	107,388	117,096
Liabilities				
Non-current liabilities				
Other non-current liabilities	13	(570)	(137)	(714)
Lease liabilities	14	(7,278)	–	–
Deferred consideration	15	–	(349)	(380)
Provisions	16	(131)	–	(278)
Deferred tax liabilities		(2,119)	(1,882)	(2,278)
Total non-current liabilities		(10,098)	(2,368)	(3,650)
Current liabilities				
Trade and other payables	13	(17,377)	(13,999)	(20,788)
Current tax liabilities	13	(225)	(2,778)	(2,350)
Lease liabilities	14	(1,592)	–	–
Provisions	16	(1,775)	(5,788)	(2,736)
Deferred tax liabilities		–	(554)	–
Total current liabilities		(20,969)	(23,119)	(25,874)
Net assets		119,781	81,901	87,572
Equity				
Share capital	18	157	138	139
Share premium	18	68,817	38,476	39,068
Other reserves		6,087	3,520	4,575
Retained earnings		44,720	39,767	43,790
Total equity		119,781	81,901	87,572

The Condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 11 March 2020, signed on their behalf by:

C M Connellan
CEO

B L Thorpe
Group Finance Director

Company registration number: 4402058

The accompanying notes on pages 15 to 38 form an integral part of these Condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

for the six months ended 31 December 2019

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 30 June 2018		138	38,404	3,114	46,301	87,957
Adjustment on initial application of IFRS 9		–	–	(1)	–	(1)
Adjusted balance at 1 July 2018		138	38,404	3,113	46,301	87,956
Comprehensive (expense)/income						
Loss for the period from continuing operations		–	–	–	(865)	(865)
Profit from discontinued operations after tax	7	–	–	–	50	50
Other comprehensive income		–	–	–	–	–
Total comprehensive expense		–	–	–	(815)	(815)
Transactions with owners						
Issue of ordinary shares	18	–	72	–	–	72
Share-based payments		–	–	1,145	–	1,145
Share-based payments exercised		–	–	(692)	692	–
Purchase of own shares by employee benefit trust		–	–	–	(2,288)	(2,288)
Tax on share options		–	–	(46)	–	(46)
Dividends paid	9	–	–	–	(4,123)	(4,123)
Total transactions with owners		–	72	407	(5,719)	(5,240)
Balance at 31 December 2018		138	38,476	3,520	39,767	81,901
Comprehensive income						
Profit for the period from continuing operations		–	–	–	6,988	6,988
Loss from discontinued operations		–	–	–	(445)	(445)
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	6,543	6,543
Transactions with owners						
Issue of ordinary shares	18	1	592	–	–	593
Share-based payments		–	–	1,489	–	1,489
Share-based payments exercised		–	–	(431)	431	–
Purchase of own shares by employee benefit trust		–	–	–	(360)	(360)
Tax on share options		–	–	(3)	–	(3)
Dividends paid	9	–	–	–	(2,591)	(2,591)
Total transactions with owners		1	592	1,055	(2,520)	(872)
Balance at 30 June 2019		139	39,068	4,575	43,790	87,572
Comprehensive income						
Profit for the period		–	–	–	6,361	6,361
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	6,361	6,361
Transactions with owners						
Issue of ordinary shares	18	18	29,749	–	–	29,767
Share-based payments		–	–	2,492	–	2,492
Share-based payments exercised		–	–	(1,031)	1,031	–
Purchase of own shares by employee benefit trust		–	–	–	(2,080)	(2,080)
Tax on share options		–	–	51	–	51
Dividends paid	9	–	–	–	(4,382)	(4,382)
Total transactions with owners		18	29,749	1,512	(5,431)	25,848
Balance at 31 December 2019		157	68,817	6,087	44,720	119,781

The accompanying notes on pages 15 to 38 form an integral part of these Condensed consolidated financial statements.

Condensed consolidated statement of cash flows

for the six months ended 31 December 2019

	Note	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018 (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
Cash flow from operating activities				
Cash generated from operations	17	9,927	455	15,553
Taxation paid	6	(4,464)	(348)	(2,301)
Net cash generated from operating activities		5,463	107	13,252
Cash flows from investing activities				
Proceeds from sale of discontinued operations	7	390	593	593
Purchase of intangible assets	10	(427)	(200)	(1,106)
Purchase of property, plant and equipment	11	(430)	(420)	(572)
Proceeds of lease incentive received	12	1,250	-	-
Payment of initial direct costs for right of use asset	12	(77)	-	-
Proceeds of sale of financial assets at fair value through profit or loss	13	-	1,229	1,234
Deferred consideration paid	15	(919)	(1,251)	(1,251)
Finance income received		125	96	198
Net cash (used in)/generated from investing activities		(88)	47	(904)
Cash flows from financing activities				
Dividends paid to shareholders	9	(4,382)	(4,123)	(6,714)
Payment of lease liabilities	14	(631)	-	-
Proceeds of issue of shares	18	29,767	72	665
Purchase of own shares by employee benefit trust		(2,080)	(2,288)	(2,648)
Net cash generated from/(used in) financing activities		22,674	(6,339)	(8,697)
Net increase/(decrease) in cash and cash equivalents		28,049	(6,185)	3,651
Cash and cash equivalents at beginning of period		34,590	30,939	30,939
Cash and cash equivalents at end of period		62,639	24,754	34,590

The accompanying notes on pages 15 to 38 form an integral part of these Condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

1. General information

Brooks Macdonald Group plc ("the Company") is the parent company of a group of companies ("the Group"), which offers a range of investment management services to private high net worth individuals, pension funds, institutions and trusts. The Group also provides financial planning as well as offshore investment management and acts as fund manager to a regulated OEIC providing a range of risk-managed multi-asset funds and a specialised absolute return fund. The Group's primary activities are set out in its Annual Report and Accounts for the year ended 30 June 2019.

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

The Interim Report and Accounts were approved for issue on 11 March 2020. The Condensed consolidated financial statements have been independently reviewed but are not audited.

2. Accounting policies

a) Basis of preparation

The Group's Condensed consolidated financial statements are prepared and presented in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. They have been prepared on a going concern basis with reference to the accounting policies and methods of computation and presentation set out in the Group's Consolidated financial statements for the year ended 30 June 2019, except as stated below. The Condensed consolidated financial statements should be read in conjunction with the Group's audited financial statements for the year ended 30 June 2019, which 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 information in the Interim Report and Accounts does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group's Consolidated financial statements for the year ended 30 June 2019 have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified and did not draw attention to any matters by way of emphasis. It contained no statement under section 498(2) or (3) of the Companies Act 2006.

At the time of approving the Condensed consolidated financial statements, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Condensed consolidated financial statements.

Developments in reporting standards and interpretations

Standards and interpretations adopted during the current reporting period

This is the first set of the Group's financial statements where IFRS 16 has been applied. This new standard was adopted from 1 July 2019. Under the transition method chosen, comparative information is not restated. Changes to significant accounting policies are described in Note 2b.

The following amendments to standards have also been adopted in the current period, but have not had a significant impact on the amounts reported in these Condensed consolidated financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

Future new standards and interpretations

A number of new standards are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Condensed consolidated financial statements. None of the standards not yet effective are expected to have a material impact on the Group's financial statements.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

2. Accounting policies (continued)

b) Changes in accounting policies

Except as described below, the accounting policies applied in these Condensed consolidated financial statements are the same as those applied in the Group's Consolidated financial statements as at and for the year ended 30 June 2019.

The changes in accounting policies will also be reflected in the Group's Consolidated financial statements as at and for the year ending 30 June 2020.

The Group adopted IFRS 16 'Leases' from 1 July 2019.

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.

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 statement of financial positions 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 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.

2. Accounting policies (continued)

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 expense in the Condensed 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.

Impact on the Condensed 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 Condensed 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

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

2. Accounting policies (continued)

Impact on financial statements for the six months to 31 December 2019

During the six months ended 31 December 2019, the Group recognised an interest charge arising on lease liabilities of £116,000 and a depreciation charge on the ROU assets of £533,000. Included within the interest charge and depreciation charge was £80,000 and £247,000 respectively for a new lease that commenced during the six months ended 31 December 2019.

An analysis of ROU assets is presented in Note 12 and lease liabilities presented in Note 14.

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.

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

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

Six months ended 31 Dec 2019 (unaudited)	UK Investment Management £'000	International £'000	Financial Planning £'000	Group & consolidation adjustments £'000	Total £'000
Total segment revenue	47,232	7,023	1,962	8	56,225
Inter segment revenue	(434)	–	–	–	(434)
External revenues	46,798	7,023	1,962	8	55,791
Underlying administrative costs	(21,268)	(4,085)	(1,464)	(17,354)	(44,171)
Operating contribution	25,530	2,938	498	(17,346)	11,620
Allocated costs	(12,235)	(1,599)	(1,075)	14,909	–
Underlying other losses, finance income and finance costs	49	32	–	2	83
Underlying profit/(loss) before tax	13,344	1,371	(577)	(2,435)	11,703
Acquisition costs	–	–	–	(2,080)	(2,080)
Amortisation of client relationships and contracts acquired with fund managers	(358)	(210)	–	(520)	(1,088)
Head office relocation costs	(444)	(91)	(38)	–	(573)
Changes in fair value of contingent consideration	–	–	(55)	–	(55)
Finance cost of deferred consideration	–	–	–	(25)	(25)
Finance income from contingent consideration	–	–	6	1	7
Profit/(loss) before tax	12,542	1,070	(664)	(5,059)	7,889
Taxation					(1,528)
Profit for the period attributable to equity holders of the Company					6,361

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

3. Segmental information (continued)

Six months ended 31 Dec 2018 (unaudited)	UK Investment Management £'000	International £'000	Financial Planning £'000	Group & consolidation adjustments [1] £'000	Total £'000
Total segment revenue	42,450	7,423	1,801	38	51,712
Inter segment revenue	(122)	–	–	–	(122)
External revenues	42,328	7,423	1,801	38	51,590
Underlying administrative costs	(20,793)	(4,937)	(1,402)	(15,244)	(42,376)
Operating contribution	21,535	2,486	399	(15,206)	9,214
Allocated costs	(10,295)	(1,533)	(1,186)	13,014	–
Underlying other losses, finance income and finance costs	7	(85)	1	(7)	(84)
Underlying profit/(loss) before tax	11,247	868	(786)	(2,199)	9,130
Goodwill impairment	–	–	–	(4,756)	(4,756)
Client relationship contracts impairment	–	–	–	(2,328)	(2,328)
Amortisation of client relationships and contracts acquired with fund managers	(398)	(210)	–	(519)	(1,127)
Restructuring charge	(431)	(3)	–	(180)	(614)
Changes in fair value of deferred consideration	–	–	–	419	419
Finance cost of deferred consideration	–	–	–	(63)	(63)
Disposal costs	–	–	(21)	–	(21)
Changes in fair value of contingent consideration	–	–	–	(15)	(15)
Finance income from contingent consideration	–	–	–	13	13
Profit/(loss) before tax	10,418	655	(807)	(9,628)	638
Taxation					(1,503)
Profit from discontinued operations after tax					50
Loss for the period attributable to equity holders of the Company					(815)

[1] Group & consolidation adjustments have been restated to exclude discontinued operations in respect of GRIF in order to present a more appropriate period-on-period comparison. Refer to Note 7 for details of the results of discontinued operations.

3. Segmental information (continued)

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

4. Revenue

	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018[1] (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
Portfolio management fee income	49,254	45,173	94,567
Financial services commission	66	72	109
Advisory fees	2,380	2,307	4,509
Fund management fees	4,091	4,038	8,085
Total revenue from continuing operations	55,791	51,590	107,270

[1] Comparative results have been restated to exclude discontinued operations in respect of GRIF in order to present a more appropriate period-on-period comparison. Refer to Note 7 for details of the results of discontinued operations.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

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.

	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018[1] (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
United Kingdom	48,768	44,167	92,661
Channel Islands	7,023	7,423	14,609
Total revenue from continuing operations	55,791	51,590	107,270

[1] Comparative results have been restated to exclude discontinued operations in respect of GRIF in order to present a more appropriate period-on-period comparison. Refer to Note 7 for details of the results of discontinued operations.

b) Major clients

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

5. Other losses

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

	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018 (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
Loss from changes in fair value of contingent consideration receivable (Note 13)	(55)	(15)	(75)
Goodwill impairment (Note 10)	–	(4,756)	(4,756)
Client relationship contracts impairment (Note 10)	–	(2,328)	(2,328)
Impairment of financial assets at fair value through other comprehensive income (Note 13)	–	(150)	(150)
Loss from changes in fair value of financial assets at fair value through profit or loss (Note 13)	–	(33)	(38)
Gain from changes in fair value of deferred consideration payable (Note 15)	–	419	419
Total other losses	(55)	(6,863)	(6,928)

6. Taxation

The current tax expense for the six months ended 31 December 2019 was calculated based on the Corporation Tax rate of 19.0%, applied to the taxable profit for the six months ended 31 December 2019 (six months ended 31 December 2018: 19.0%; year ended 30 June 2019: 19.0%).

	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018 (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
UK Corporation Tax	2,330	1,754	4,069
Under provision in prior years	–	–	(419)
Total current taxation	2,330	1,754	3,650
Deferred tax credits	(802)	(251)	(808)
Research and development tax credit	–	–	(325)
Total income tax expense on continuing operations	1,528	1,503	2,517
Capital gains tax on discontinued operations	–	49	–
Total income tax expense	1,528	1,552	2,517

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

During the six months ended 31 December 2019, the Group moved from a large company to a very large company for Corporation Tax payment on account purposes. Four payments are now made during the financial year, followed by a balancing payment or repayment following the year end. Previously, the Group would pay two payments on account during the financial year and two following the financial year end. During the six months ended 31 December 2019, the Group therefore made four payments on account as opposed to two in the six months ended 31 December 2018.

The Finance (No.2) Act 2015, which was substantively enacted in October 2015, will reduce the main rate of Corporation Tax to 17.0% in 2020. Deferred tax assets and liabilities are calculated at the rate that is expected to be in force when the temporary differences unwind, but limited to the extent that such rates have been substantively enacted. The tax rate used to determine the deferred tax assets and liabilities is therefore 17.0% (six months ended 31 December 2018: 17.0%; year ended 30 June 2019: 17.0%) and will be reviewed in future years subject to new legislation.

During the year ended 30 June 2019, the Group made a claim for research and development tax relief in relation to qualifying expenditure on software development incurred in the year ended 30 June 2018. This resulted in a reduction in the Corporation Tax liabilities in the respective years, and a repayment of £325,000 was due from HM Revenue and Customs. The Group will consider whether claims can also be made for qualifying expenditure incurred in the year ended 30 June 2019 and thereafter in due course.

7. Discontinued operations

During the six months ended 31 December 2019, the Group did not recognise any discontinued operations.

On 10 May 2019, Brooks Macdonald Funds Limited, a subsidiary within the Group, resigned as investment manager of the Ground Rents Income Fund plc ("GRIF"). The fund management of GRIF was classed as Property Funds within internal management information and was managed separately to the other funds within the Group. As a result, the operations were classified as discontinued upon resignation, resulting in comparative information in these Condensed consolidated financial statements for the six months ended 31 December 2018 to be restated. Disposal costs of £12,000 were incurred by the Group in relation to the resignation, during the year ended 30 June 2019.

On 31 December 2018, the Group disposed of its Employee Benefits business within the Financial Planning segment. Initial cash consideration of £50,000 was received on completion. Additional cash consideration is receivable in the first calendar quarter of 2020, being a multiple of revenue earned by the disposed business for the year ended 31 December 2019. On disposal the contingent consideration receivable was estimated at £232,000, which was recognised at its fair value of £219,000 based on the discounted forecast cash flows. Disposal costs of £21,000 were incurred by the Group in relation to the sale during the year ended 30 June 2019. Following the year ended 31 December 2019, the final consideration was calculated to be £177,000 and was received in February 2020. This outstanding amount was recognised as a financial asset at fair value through profit or loss at 31 December 2019, net of finance income of contingent consideration (Note 13).

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

7. Discontinued operations (continued)

On 1 December 2017, the Group disposed of its Property Management division, comprising the owned subsidiaries Braemar Estates (Residential) Limited and Braemar Facilities Management Limited. Full details of this disposal are disclosed in Note 11 of the 2018 Brooks Macdonald Group plc Annual Report and Accounts. During the year ended 30 June 2019, the Group received £483,000 of contingent consideration (Note 13) and a further £60,000 as additional post-completion consideration. During the six months ended 31 December 2019, the Group received the final contingent consideration payment at its fair value of £390,000.

The presentation of the information for the six months ended 31 December 2018 below has been restated to separate the results of the additional discontinued operations, consistent with the presentation in the year ended 30 June 2019. The previously reported discontinued operations at 31 December 2018 recognised the operations of the Employee Benefits business; however, the GRIF operations have now been included.

	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018 (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
Loss before tax from discontinued operations	–	(230)	(724)
Gain on disposal of discontinued operations	–	329	329
Profit/(loss) from discontinued operations	–	99	(395)
Taxation	–	(49)	–
Profit/(loss) from discontinued operations after tax	–	50	(395)

a) Profit or loss from discontinued operations

	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018 (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
Revenue	–	647	920
Administrative costs	–	(877)	(1,644)
Loss before tax from discontinued operations	–	(230)	(724)

b) Gain on disposal of discontinued operations

	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018 (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
Initial consideration received	–	50	50
Additional consideration received	–	60	60
Fair value of contingent consideration (Note 13)	–	219	219
Gain on disposal of discontinued operations	–	329	329

8. Earnings per share

The Board of Directors considers that underlying earnings per share provides a more appropriate reflection of the Group's performance in the period. Underlying earnings per share are calculated based on 'underlying earnings', which is defined as earnings before underlying adjustments listed below. The tax effect of these adjustments has also been considered.

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

	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018[1] (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
Earnings/(loss) from continuing operations after tax	6,361	(865)	6,123
Profit/(loss) from discontinued operations after tax	–	50	(395)
Earnings/(loss) attributable to ordinary shareholders	6,361	(815)	5,728
Underlying adjustments			
Acquisition costs (Note 23)	2,080	–	–
Amortisation of acquired client relationship contracts (Note 10)	1,072	1,072	2,144
Head office relocation costs (Note 22)	573	–	–
Changes in fair value of contingent consideration (Note 13)	55	15	75
Finance cost of deferred consideration (Note 15)	25	63	94
Amortisation of contracts acquired with fund managers (Note 10)	16	55	102
Finance income of contingent consideration (Note 13)	(7)	(13)	(29)
Goodwill impairment (Note 10)	–	4,756	4,756
Client relationship contracts impairment (Note 10)	–	2,328	2,328
Restructuring charge	–	614	3,265
Disposal costs (Note 7)	–	21	33
Changes in fair value of deferred consideration (Note 15)	–	(419)	(419)
Underlying (profit)/loss from discontinued operations (Note 7)	–	(99)	395
Tax impact of adjustments	(495)	(285)	(1,185)
Underlying earnings attributable to ordinary shareholders	9,680	7,293	17,287

[1] Comparative results have been restated to exclude discontinued operations in respect of GRIF in order to present a more appropriate period-on-period comparison. Refer to Note 7 for details of the results of discontinued operations.

Basic earnings per share is calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of shares in issue throughout the period. Diluted earnings per share represents the basic earnings per share adjusted for the effect of dilutive potential shares issuable on exercise of employee share options under the Group's share-based payment schemes, weighted for the relevant period. The weighted average number of shares in issue during the six months ended 31 December 2019 was as follows:

	Six months ended 31 Dec 2019 (unaudited) Number of shares	Six months ended 31 Dec 2018[1] (unaudited) Number of shares	Year ended 30 Jun 2019[1] (audited) Number of shares
Weighted average number of shares in issue	14,075,329	13,806,820	13,771,254
Effect of dilutive potential shares issuable on exercise of employee share options	18,383	18,880	6,211
Diluted weighted average number of shares in issue	14,093,712	13,825,700	13,777,465

[1] 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 18).

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

8. Earnings per share (continued)

	Six months ended 31 Dec 2019 (unaudited) p	Six months ended 31 Dec 2018[1] (unaudited) p	Year ended 30 Jun 2019[1] (audited) p
Based on reported earnings:			
Basic earnings/(loss) per share from:			
- Continuing operations	45.2	(6.3)	44.5
- Discontinued operations	–	0.4	(2.9)
Total basic earnings/(loss) per share	45.2	(5.9)	41.6
Diluted earnings/(loss) per share from:			
- Continuing operations	45.1	(6.3)	44.5
- Discontinued operations	–	0.4	(2.9)
Total diluted earnings/(loss) per share	45.1	(5.9)	41.6
Based on underlying earnings:			
Basic earnings per share	68.8	52.8	125.5
Diluted earnings per share	68.7	52.8	125.5

[1] Comparative results have been restated to exclude discontinued operations in respect of GRIF in order to present a more appropriate period-on-period comparison. Refer to Note 7 for details of the results of discontinued operations. 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 18).

9. Dividends

	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018 (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
Final dividend paid on ordinary shares	4,382	4,123	4,123
Interim dividend paid on ordinary shares	–	–	2,591
Total dividends	4,382	4,123	6,714

An interim dividend of 21.0p (six months ended 31 December 2018: 19.0p) per share was declared by the Board of Directors on 11 March 2020. It will be paid on 24 April 2020 to shareholders who are on the register at the close of business on 27 March 2020. In accordance with IAS 10, this dividend has not been included as a liability in the Condensed consolidated financial statements at 31 December 2019.

A final dividend for the year ended 30 June 2019 of 32.0p (year ended 30 June 2018: 30.0p) per share was paid to shareholders on 8 November 2019.

10. 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	–	200	–	–	200
At 31 December 2018	35,776	7,968	32,161	3,521	79,426
Additions	–	906	–	–	906
At 30 June 2019	35,776	8,874	32,161	3,521	80,332
Additions	–	427	–	–	427
At 31 December 2019	35,776	9,301	32,161	3,521	80,759
Accumulated amortisation & impairment					
At 1 July 2018	1,986	1,027	12,254	3,403	18,670
Amortisation charge	–	1,072	1,072	55	2,199
Impairment	4,756	–	2,328	–	7,084
At 31 December 2018	6,742	2,099	15,654	3,458	27,953
Amortisation charge	–	1,093	1,072	47	2,212
At 30 June 2019	6,742	3,192	16,726	3,505	30,165
Amortisation charge	–	1,103	1,072	16	2,191
At 31 December 2019	6,742	4,295	17,798	3,521	32,356
Net book value					
At 1 July 2018	33,790	6,741	19,907	118	60,556
At 31 December 2018	29,034	5,869	16,507	63	51,473
At 30 June 2019	29,034	5,682	15,435	16	50,167
At 31 December 2019	29,034	5,006	14,363	–	48,403

a) Goodwill

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

	31 Dec 2019 (unaudited) £'000	31 Dec 2018 (unaudited) £'000	30 Jun 2019 (audited) £'000
Funds			
Braemar Group Limited ("Braemar")	3,320	3,320	3,320
Levitas Investment Management Services Limited ("Levitas")	4,471	4,471	4,471
	7,791	7,791	7,791
International			
Brooks Macdonald Asset Management (International) Limited and Brooks Macdonald Retirement Services (International) Limited (collectively "Brooks Macdonald International")	21,243	21,243	21,243
Total goodwill	29,034	29,034	29,034

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

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

10. Intangible assets (continued)

b) Computer software

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

c) Acquired client relationship contracts

This asset represents the fair value of future benefits accruing to the Group from acquired client relationship contracts. The amortisation of client relationships is charged to the Condensed consolidated statement of comprehensive income on a straight-line basis over their estimated useful lives (15 to 20 years).

d) Contracts acquired with fund managers

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

11. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings & office equipment £'000	IT equipment £'000	Total £'000
Cost				
At 1 July 2018	2,881	8,216	3,120	14,217
Additions	153	80	187	420
At 31 December 2018	3,034	8,296	3,307	14,637
Additions	116	9	27	152
At 30 June 2019	3,150	8,305	3,334	14,789
Additions	273	137	20	430
At 31 December 2019	3,423	8,442	3,354	15,219
Accumulated depreciation				
At 1 July 2018	998	7,643	1,580	10,221
Depreciation charge	193	226	355	774
At 31 December 2018	1,191	7,869	1,935	10,995
Depreciation charge	229	73	315	617
At 30 June 2019	1,420	7,942	2,250	11,612
Depreciation charge	719	223	280	1,222
At 31 December 2019	2,139	8,165	2,530	12,834
Net book value				
At 1 July 2018	1,883	573	1,540	3,996
At 31 December 2018	1,843	427	1,372	3,642
At 30 June 2019	1,730	363	1,084	3,177
At 31 December 2019	1,284	277	824	2,385

12. 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	6,412
At 31 December 2019	8,211
Depreciation	
At 30 June 2019	–
Adjustment on initial application of IFRS 16	(244)
At 1 July 2019	(244)
Depreciation charge	(533)
At 31 December 2019	(777)
Right of use assets	
At 1 July 2019	1,799
At 31 December 2019	7,434

During the six months ended 31 December 2019, the Group adopted IFRS 16 resulting in the recognition of right of use assets and corresponding lease liabilities (Note 14). On transition, amounts previously recognised on the 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 2b. The additions relate to an additional lease that commenced during the six months ended 31 December 2019. 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 the lease. These amounts have been included in the calculation for the additional right of use asset during the period. The Group's right of use assets relate solely to property-related leases.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

13. Financial instruments

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

	31 Dec 2019 (unaudited) £'000	31 Dec 2018 (unaudited) £'000	30 Jun 2019 (audited) £'000
Financial assets			
Financial assets at fair value through profit or loss:			
Contingent consideration receivable	175	662	613
Offshore bond	-	5	-
Financial assets at fair value through other comprehensive income:			
Unlisted redeemable preference shares	500	500	500
Financial assets at amortised cost:			
Trade and other receivables	27,301	25,526	26,732
Cash and cash equivalents	62,639	24,754	34,590
Other receivables	94	-	94
Total financial assets	90,709	51,447	62,529
Financial liabilities			
Financial liabilities at fair value through profit or loss:			
Deferred consideration (Note 15)	405	1,268	1,299
Financial liabilities at amortised cost:			
Trade and other payables	17,377	13,999	20,788
Current tax liabilities	225	2,778	2,350
Provisions	1,501	4,869	2,095
Lease liabilities	8,870	-	-
Other non-current liabilities	570	137	714
Total financial liabilities	28,948	23,051	27,246

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.

13. Financial instruments (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
At 1 July 2018	1,262	-	1,583	2,845
Additions	-	-	219	219
Finance income of contingent consideration	-	-	13	13
Net loss from changes in fair value	(33)	-	(15)	(48)
Impairment	-	-	(150)	(150)
Payments received	(1,229)	-	(483)	(1,712)
At 31 December 2018	-	-	1,167	1,167
Finance income of contingent consideration	-	-	16	16
Net loss from changes in fair value	-	-	(70)	(70)
At 30 June 2019	-	-	1,113	1,113
Finance income of contingent consideration	-	-	7	7
Net loss from changes in fair value	-	-	(55)	(55)
Payments received	-	-	(390)	(390)
At 31 December 2019	-	-	675	675
Comprising:				
Financial assets at fair value through other comprehensive income	-	-	500	500
Financial assets at fair value through profit and loss	-	-	175	175
Total financial assets	-	-	675	675

At 31 December 2019, the Group held an investment of 500,000 redeemable £1 preference shares in an unlisted company incorporated in the UK. The preference shares carry an entitlement to a fixed preferential dividend at a rate of 8% per annum. Unlisted preference shares are classified as financial assets at fair value through other comprehensive income. They have been valued using a perpetuity income model which is based upon the preference dividend cash flows.

During the six months ended 31 December 2019, the Group received the final instalment of £390,000 (six months ended 31 December 2018: £483,000; year ended 30 June 2019: £483,000) in relation to the contingent consideration receivable recognised on disposal of Braemar Estates (Residential) Limited in December 2017 (Note 7). At 31 December 2019, the remaining contingent consideration receivable of £175,000 is in relation to the Group's disposal of the Employee Benefits business (Note 7). During the six months ended 31 December 2019, finance income of £7,000 and loss from changes in fair value of £55,000 were recognised on this contingent consideration receivable. Contingent consideration receivable is classified as financial assets at fair value through profit or loss, and are valued using the net present value of the expected amount receivable based off management revenue forecasts.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

13. Financial instruments (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities				
At 1 July 2018	–	–	2,875	2,875
Finance cost of deferred consideration	–	–	63	63
Fair value adjustments	–	–	(419)	(419)
Payments made	–	–	(1,251)	(1,251)
At 31 December 2018	–	–	1,268	1,268
Finance cost of deferred consideration	–	–	31	31
At 30 June 2019	–	–	1,299	1,299
Finance cost of deferred consideration	–	–	25	25
Payments made	–	–	(919)	(919)
At 31 December 2019	–	–	405	405
Comprising:				
Deferred consideration (Note 15)	–	–	405	405
Total financial liabilities	–	–	405	405

Deferred consideration is recognised at fair value through profit or loss and is valued using the net present value of the expected amounts payable based on management's forecasts and expectations. For more details see Note 15.

14. Lease liabilities

	£'000
At 30 June 2019	–
Adjustment on initial application of IFRS 16	1,799
At 1 July 2019	1,799
Additions	7,586
Payments made against lease liabilities	(631)
Finance cost of lease liabilities	116
At 31 December 2019	8,870
Analysed as:	
Amounts falling due within one year	1,592
Amounts falling due after more than one year	7,278
At end of period	8,870

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 2b. The additions relate to an additional lease that commenced during the six months ended 31 December 2019.

15. Deferred consideration

Deferred consideration is split between non-current liabilities (see below) and provisions in current liabilities (Note 16) to the extent that it is due to be paid within one year of the reporting date. It reflects the Directors' best estimate of amounts payable in the future in respect of certain client relationships and subsidiary undertakings that were acquired by the Group. Deferred consideration is measured at its fair value based on discounted expected future cash flows. The movements in the total deferred consideration balance during the year were as follows:

	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018 (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
At beginning of period	1,299	2,875	2,875
Finance cost of deferred consideration	25	63	94
Fair value adjustments	–	(419)	(419)
Payments made during the period	(919)	(1,251)	(1,251)
At end of period	405	1,268	1,299
Analysed as:			
Amounts falling due within one year	405	919	919
Amounts falling due after more than one year	–	349	380
At end of period	405	1,268	1,299

No additions to deferred consideration payable were recognised during the six months ended 31 December 2019. Payments totalling £919,000 (six months ended 31 December 2018: £1,251,000; year ended 30 June 2019: £1,251,000) were made during the six months ended 31 December 2019 to the vendors of Levitas. Full details of the Levitas acquisition are disclosed in Note 13 of the 2015 Brooks Macdonald Group plc Annual Report and Accounts.

No adjustments to the fair value of deferred consideration were recognised during the six months ended 31 December 2019 (six months ended 31 December 2018: decrease of £419,000; year ended 30 June 2019: decrease of £419,000). The amount payable is based on the incremental growth in FUM of the TM Levitas funds, measured at annual intervals. The outstanding deferred consideration liability at 31 December 2019 relates entirely to the present value of fixed amounts owed to the vendors of Levitas, due within one year.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

16. Provisions

	Client compensation £'000	Exceptional costs of resolving legacy matters £'000	Deferred consideration £'000	Regulatory levies £'000	Leasehold dilapidations £'000	Total £'000
At 1 July 2018	22	6,225	1,396	689	-	8,332
Charge/(credit) to the Condensed consolidated statement of comprehensive income	88	-	-	(131)	-	(43)
Transfer from non-current liabilities	-	-	774	-	-	774
Utilised during the period	(21)	(1,446)	(1,251)	(557)	-	(3,275)
At 31 December 2018	89	4,779	919	1	-	5,788
Charge to the Condensed consolidated statement of comprehensive income	12	-	-	1,167	416	1,595
Utilised during the period	(1)	(4,078)	-	(240)	(50)	(4,369)
At 30 June 2019	100	701	919	928	366	3,014
Charge to the Condensed consolidated statement of comprehensive income	172	-	-	162	279	613
Transfer from non-current liabilities	-	-	405	-	-	405
Utilised during the period	(119)	(39)	(919)	(949)	(100)	(2,126)
At 31 December 2019	153	662	405	141	545	1,906
Analysed as:						
Amounts falling due within one year	153	662	405	141	414	1,775
Amounts falling due after more than one year	-	-	-	-	131	131
Total provisions	153	662	405	141	545	1,906

a) Client compensation

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

b) Exceptional costs of resolving legacy matters

Following a review into legacy matters arising from the former Spearpoint business, which was acquired by the Group in 2012, a provision was recognised for costs of resolving these including associated expenses in the years ended 30 June 2017 and 30 June 2018. These matters relate to a number of discretionary portfolios formerly managed by Spearpoint, now managed by Brooks Macdonald Asset Management (International) Limited, and a Dublin-based fund, for which Spearpoint acted as investment manager. During the six months ended 31 December 2019 no further provisions were made (six months ended 31 December 2018: £nil; year ended 30 June 2019: £nil). The amount utilised during the six months ended 31 December 2019 of £39,000 represented goodwill payments made to clients of £51,000 and legal fees of £209,000, offset by returned amounts of £221,000. During the six months ended 31 December 2019, a contingent liability was recognised in relation to potential claims related to the legacy matters (Note 21).

16. Provisions (continued)

c) Deferred consideration

Deferred consideration has been included within provisions as a current liability to the extent that it is due for payment within one year of the reporting date. Details of the total deferred consideration payable are provided in Note 15.

d) Regulatory levies

At 31 December 2019 provisions include an amount of £141,000 (at 31 December 2018: £1,000; at 30 June 2019: £928,000) in respect of expected levies by the Financial Services Compensation Scheme ("FSCS"). The expected levy for the 2020/21 scheme year has been announced by the FSCS but does not yet meet the recognition criteria for a provision.

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. During the six months ended 31 December 2019, the Group settled dilapidations on the cessation of two leases for £100,000.

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

	Six months ended 31 Dec 2019 (unaudited) £'000	Six months ended 31 Dec 2018[1] (unaudited) £'000	Year ended 30 Jun 2019 (audited) £'000
Operating profit/(loss) before tax from:			
- Continuing operations	7,908	591	8,507
- Discontinued operations (Note 7)	-	(230)	(724)
Operating profit	7,908	361	7,783
Depreciation of property, plant and equipment	1,222	774	1,391
Depreciation of right of use assets	533	-	-
Amortisation of intangible assets	2,191	2,199	4,411
Other losses	55	6,863	6,928
(Increase)/decrease in trade and other receivables	(619)	493	(807)
Decrease in trade and other payables	(3,117)	(9,292)	(2,503)
Decrease in provisions	(594)	(2,068)	(4,841)
(Decrease)/increase in other non-current liabilities	(144)	(20)	557
Share-based payments charge	2,492	1,145	2,634
Net cash inflow from operating activities	9,927	455	15,553

[1] Comparative results have been restated to exclude discontinued operations in respect of GRIF in order to present a more appropriate period-on-period comparison. Refer to Note 7 for details of the results of discontinued operations.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

18. Share capital and share premium

The movements in share capital and share premium during the six months ended 31 December 2019 were as follows:

	Number of shares	Exercise price p	Share capital £'000	Share premium £'000	Total £'000
At 1 July 2018	13,903,033		138	38,404	38,542
Shares issued:					
on exercise of options	1,643	1,452.0 - 1,719.0	-	21	21
to Sharesave Scheme	3,981	1,237.0 - 1,738.0	-	51	51
At 31 December 2018	13,908,657		138	38,476	38,614
Shares issued:					
on exercise of options	4,826	1,381.0 - 1,719.0	-	74	74
to Sharesave Scheme	36,588	1,237.0 - 1,738.0	1	518	519
At 30 June 2019	13,950,071		139	39,068	39,207
Shares issued:					
on placing	1,690,141	1,775.0	17	29,383	29,400
on exercise of options	15,876	1,381.0 - 1,725.0	1	255	256
to Sharesave Scheme	9,710	1,400.0 - 1,738.0	-	111	111
At 31 December 2019	15,665,798		157	68,817	68,974

The total number of ordinary shares issued and fully paid at 31 December 2019 was 15,665,798 (at 31 December 2018: 13,908,657: at 30 June 2019: 13,950,071).

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 £29,400,000, 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 23).

There was £1,000 of share capital issued on exercise of options and to Sharesave Scheme members in the six months ended 31 December 2019 (six months ended 31 December 2018: £nil; year ended 30 June 2019: £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 and Long Term Incentive Plan. At 31 December 2019, the EBT held 274,157 (at 31 December 2018: 278,027; at 30 June 2019: 268,045) 1p ordinary shares in the Company, acquired for a total consideration of £4,915,000 (at 31 December 2018: £4,735,000; at 30 June 2019: £4,597,000) with a market value of £5,867,000 (at 31 December 2018: £4,017,000; at 30 June 2019: £5,358,000). They are classified as treasury shares in the Condensed consolidated statement of financial position, their cost being deducted from retained earnings within shareholders' equity.

19. Equity-settled share-based payments

Share options granted during the six months ended 31 December 2019 under the Group's equity-settled share-based payment schemes were as follows:

	Exercise price p	Fair value p	Number of options
Long Term Incentive Plan	nil	1,795 - 1,922	117,889

No options were granted in respect of the Company's other equity-settled share-based payment schemes during the six months ended 31 December 2019. The charge to the Condensed consolidated statement of comprehensive income for the six months ended 31 December 2019 in respect of all equity settled share-based payment schemes was £1,980,000 (six months ended 31 December 2018: £646,000; year ended 30 June 2019: £2,078,000).

20. Related party transactions

There were no related party transactions during the six months ended 31 December 2019 and no balances outstanding at 31 December 2019 owed to or from related parties.

21. Guarantees and contingent liabilities

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

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

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

During the year 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 16b), which were released from the provision. It is possible that one or more complainants might issue claims against Brooks Macdonald Asset Management (International) Limited but no such claims have been issued as at 31 December 2019. As a result, it is not possible to estimate the potential outcome of claims or to assess the quantum of any liability with any certainty at this stage.

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2019

22. Head office relocation

On 17 July 2019, the Group announced it had signed an agreement to lease a new office at 21 Lombard Street, London. The lease is for six years, which commenced on 27 September 2019. Staff from the Group's two previous London offices at Welbeck Street in the West End and Bevis Marks in the City have been re-located into the new central location. Occupancy of the new office took place in March 2020 following fit out works. During the six months ended 31 December 2019, the Group incurred additional costs of £573,000 which has been charged to the Condensed consolidated statement of comprehensive income and have been excluded from underlying profit. At 31 December 2019, the Group had capitalised £270,000 of property, plant and equipment in relation to the fit out of the new office. These will be depreciated over their respective useful economic lives in line with the Group's accounting policy at the point the assets are available for use.

At 31 December 2019, capital expenditure authorised and contracted for in relation to the head office relocation, but not included, in these Condensed consolidated financial statements amounted to £942,000 (at 31 December 2018: £nil; at 30 June 2019: £nil).

23. Events since the end of the period

On 22 November 2019, the Group announced that it had entered into a binding agreement to acquire 100% of the issued share capital of Cornelian Asset Managers Group Limited, an Edinburgh-based independent wealth and asset manager from its shareholders, including senior management. Following regulatory approval, the acquisition was completed on 28 February 2020.

Under the terms of the acquisition, the total net consideration is expected to be up to £39,000,000, with initial consideration being £31,000,000, of which £22,000,000 will be paid in cash and £9,000,000 in Brooks Macdonald shares. A further contingent cash consideration of up to £8,000,000 is payable depending upon Cornelian meeting certain pre-agreed performance targets relating to the retention and growth of client assets as well as the realisation of cost synergies over a two-year period. The Group has funded the cash consideration for the acquisition in part through a placing of additional new ordinary shares in the Company (Note 18) which raised gross proceeds of £30,000,000.

The Group has recognised an expense of £2,080,000 in relation to acquisition costs which have been excluded from underlying profit for the six months ended 31 December 2019.

Cautionary statement

The Interim Report and Accounts for the six months ended 31 December 2019 has been prepared to provide information to shareholders to assess the current position and future potential of the Group. The Interim Report and Accounts contains certain forward-looking statements concerning the Group's financial condition, operations and business opportunities. These forward-looking statements involve risks and uncertainties that could impact the actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which the Group operates and differ materially from the impression created by the forward-looking statements. Any forward-looking statement is made using the best information available to the Directors at the time of their approval of this report. Past performance cannot be relied on as a guide to future performance.

Statement of Directors' responsibilities

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

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

The Directors of Brooks Macdonald Group plc are listed on page 42.

By order of the Board of Directors

B L Thorpe
Group Finance Director
11 March 2020

Independent review report to Brooks Macdonald Group plc

Report on the Condensed consolidated financial statements

Our conclusion

We have reviewed Brooks Macdonald Group plc's Condensed consolidated financial statements (the "interim financial statements") in the Interim Report and Accounts of Brooks Macdonald Group plc for the six month period ended 31 December 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the Condensed consolidated statement of financial position as at 31 December 2019;
- the Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended;
- the Condensed consolidated statement of cash flows for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report and Accounts have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in Note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
11 March 2020

Further information

Directors

A T Carruthers	Chairman
C M Connellan	CEO
J F Linwood	Non-Executive Director
R S Price	Non-Executive Director
D Seymour-Williams	Non-Executive Director
D Stewart	Senior Independent Director
B L Thorpe	Group Finance Director
C R Harris	Senior Independent Director (resigned 31 October 2019)

Financial calendar

Interim results announced	12 March 2020
Ex-dividend date for interim dividend	26 March 2020
Record date for interim dividend	27 March 2020
Payment date of interim dividend	24 April 2020

Company information

Company Secretary	Simon Broomfield (resigned 31 October 2019) Robert King (appointed 31 October 2019)
Company registration number	4402058
Registered office	21 Lombard Street, London, EC3V 9AH
Website	www.brooksmacdonald.com

Officers and advisers

Independent auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Principal bankers
The Royal Bank of Scotland plc
280 Bishopsgate
London
EC2M 4RB

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Nominated adviser and broker
Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Public relations
MHP Communications Limited
4th Floor
60 Great Portland Street
London
W1W 7RT

Glossary

Abbreviation	Definition
AIM	Alternative Investment Market
ANLA	Adjusted Net Liquid Asset
ARC	Asset Risk Consultants
BPS	Bespoke Portfolio Service
CGU	Cash Generating Unit
Cornelian	Cornelian Asset Managers Group Limited
CREST	The settlement system used by the London Stock Exchange for settling all its transactions
DCF	Defensive Capital Fund
EBT	Employee Benefit Trust
EU	European Union
FCA	UK Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
GRIF	Ground Rents Income Fund
Group	Brooks Macdonald Group plc and its controlled entities
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFPRU	The FCA's Prudential Sourcebook for Investment Firms
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
International	The Group's trading activities in the Channel Islands
IT	Information Technology
MPS	Managed Portfolio Service
OEIC	Open-Ended Investment Company
ROU	Right of use asset
UK	United Kingdom
UKIM	UK Investment Management

1 **Head Office - London**
21 Lombard Street
London
EC3V 9AH

2 **East Anglia**
Suite 2, Beacon House
4 Kempson Way
Bury St. Edmunds
Suffolk
IP32 7AR

3 **Hampshire**
The Long Barn
Dean Estate
Wickham Road
Fareham
PO17 5BN

4 **Leamington Spa**
36 Hamilton Terrace
Leamington Spa
CV32 4LY

5 **Leeds**
St Pauls House
23 Park Square South
Leeds
LS1 2ND

6 **Manchester**
10th Floor
1 Marsden Street
Manchester
M2 1HW

7 **Taunton**
4 Heron Gate
Hankridge Way
Taunton
TA1 2LR

8 **Tunbridge Wells**
2 Mount Ephraim Road
Tunbridge Wells
Kent
TN1 1EE

9 **Scotland**
2nd Floor Suite
Hobart House
80 Hanover Street
Edinburgh
EH2 1EL

10 **Wales**
3 Ty Nant Court
Morganstown
Cardiff
CF15 8LW

11 **Jersey**
Liberation House
Castle Street
St. Helier
Jersey
JE2 3AT

12 **Guernsey**
First Floor, Royal Chambers
St. Julians Avenue
St. Peter Port
GY1 2HH

BROOKS MACDONALD