



1762

BREWIN  
DOLPHIN

*Invested for  
the future*

Annual Report  
and Accounts 2017

# Our vision is to become the UK's leading provider of personalised wealth and investment management services, delivering a compelling client proposition, rewarding careers and sustainable shareholder returns.

---

## In this report

### Strategic Report

- 1 Our Investment Proposition
- 6 Our Results
- 8 About Us
- 9 Our Services
- 10 Our Business Model
- 12 Our Market
- 14 Chairman's Statement
- 16 Chief Executive's Review
- 22 Our Strategy
- 24 Key Performance Indicators
- 26 Principal Risks and Uncertainties
- 30 Financial Review
- 38 Corporate Responsibility

### Governance

- 42 Board of Directors
- 44 Chairman's Introduction
- 45 Corporate Governance Report
- 48 Committee Reports
- 56 Directors' Remuneration Report
- 70 Directors' Report
- 74 Statement of Directors' Responsibilities
- 75 Independent Auditor's Report

### Financial Statements

- 82 Consolidated Financial Statements
- 90 Notes to the Financial Statements

### Other Information

- 133 Five Year Record
- 134 Appendix – Calculation of KPIs
- 135 Shareholder Information
- 136 Glossary
- 137 Branch Address List



Visit our corporate website for more information: <https://www.brewin.co.uk>

# Our Investment Proposition

Why invest in Brewin Dolphin Holdings PLC?


**As a leading UK wealth manager, we are invested for the future of our stakeholders. We exist to protect and grow our clients' wealth.**

## **Brewin Dolphin is recognised and well known for providing trusted advice and investment expertise**

During our long history as a respected provider of high-quality financial services to clients, we have earned a reputation for integrity and trustworthiness that stands us in good stead for the future.


## **The future direction of our market place is positive**

As the role of the state diminishes, people need increasingly to take responsibility for their financial affairs such as savings, investments, retirement planning and long-term care. Demand for financial advisory services and investment management is growing as a result, creating good long-term prospects for continued growth.

 For more information see page 12


## **Our brand, scale and investment in our people enable us to stand out**

We are one of the largest wealth management companies. We attract, develop and retain the best talent to strengthen existing relationships, win new clients and help us build an even stronger organisation.

 For more information see page 38

## **We are making good progress with our strategy and investing for the future**

We have significantly strengthened our operations and improved our operational efficiency in recent years. Now we are progressing with our strategy for growth, constantly investing to increase the number of clients we serve and the proportion of their wealth that we manage.

 For more information see page 16

---

# *Invested for the future*

These eight 'enablers' ensure we can deliver the services our clients need and support our growth strategy.

---

## *An evolving proposition based on trust*

Clients' needs and ambitions evolve over time, influenced by changing circumstances and shifting economic trends. We are there to track every change, drawing on our flexible business model, market-leading research and innovative culture to ensure our advice is constantly relevant and tailored to their needs. That is how we earn and preserve our clients' trust.

---

## *Investing in talent*

We invest in attracting, developing and retaining the best talent. In doing so, we enable our employees to be as good as they possibly can be, providing high-quality advice and consistently doing more for clients. By ensuring our people are highly engaged we can rely on their commitment and expertise for the long-term.

---

## *Using technology to support relationships*

We are a people business that is enabled by technology. Our investments in technology help us to spend more time with clients and meet growing demand for wealth and investment management services. By offering new communication channels, apps and portals, we are constantly improving efficiency and expanding contact options.

---

## *Client-focused leadership*

We are driving our strategy for growth by placing client needs at the forefront of our business thinking. That is why our Executive Committee includes client-facing specialists who represent our services – financial planning, advice and investment management. This is how we ensure that client needs are an important part of strategic decision-making.



---

## *We're always there for our clients*

We are growing our presence in our market place in an increasingly competitive environment. Our availability, via technology and our network of 29 offices across the United Kingdom, the Channel Islands and the Republic of Ireland, helps us to grow our client base and the share of their wealth that we manage.



---

## *Building long-term relationships*

Strengthening existing client relationships and winning new ones that last are key to sustainable long-term value for both clients and shareholders. By building mutually rewarding relationships and understanding every client's lifetime goals and ambitions we can deliver individually tailored, expert planning and advice that precisely meets their needs.

---

## *A progressive business with a distinctive culture*

Our values – Genuine, Expert and Ambitious – help us develop and sustain client relationships. As we advance and innovate, our culture and values continue to guide us in growing and protecting our clients' wealth, helping them to achieve their ambitions.

---


## *A focused strategy for growth*

We are delivering on our strategy to grow our core revenues by expanding the proportion of wealth we manage for increasing numbers of clients. We continue to invest for the future – in our people, services, technology, infrastructure, culture and above all our client relationships.

## Our Results

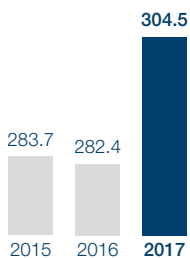
# 2017 Financial Highlights<sup>1</sup>

## A year of strong growth and performance

 To read about the Key Performance Indicators we use to measure our strategic progress, turn to page 24

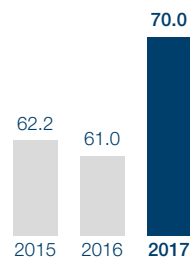
### Total income (£m)

£304.5m



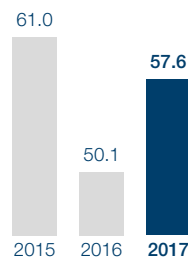
### Adjusted<sup>2</sup> profit before tax (£m)

£70.0m



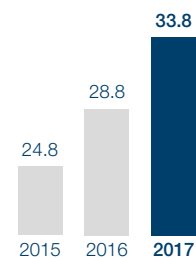
### Statutory profit before tax (£m)

£57.6m



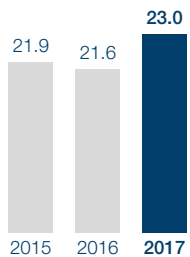
### Discretionary funds (£bn)

£33.8bn



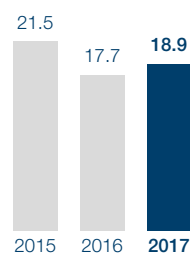
### Adjusted<sup>2</sup> PBT margin (%)

23.0%



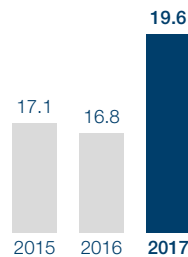
### Statutory PBT margin (%)

18.9%



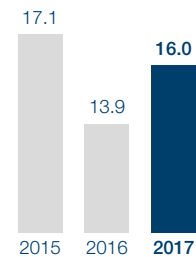
### Adjusted<sup>2</sup> earnings per share – diluted<sup>3</sup> (p)

19.6p



### Earnings per share – diluted<sup>3</sup> (p)

16.0p



1. Continuing operations.

2. These figures have been adjusted to exclude redundancy costs, FSCS levy rebate, onerous contracts, one-off migration costs, amortisation of client relationships, acquisition costs, incentivisation awards and disposal of available-for-sale investments – see page 31.

3. See note 13 to the Financial Statements.



# Group Highlights

## Strong period of organic fund inflows

Our net new funds growth rate in overall discretionary funds was 8% during the year, well in excess of our 5% per annum target.

## Discretionary funds of £33.8bn, increased by 17.4%

Total discretionary funds grew 17.4% (15.3% excluding acquired funds) to £33.8 billion (2016: £28.8 billion) driven by record gross funds inflows, as well as strong investment performance and outflows reducing to a level more consistent with prior years.

## Successful acquisition of Duncan Lawrie Asset Management ('DLAM')

£0.7 billion of funds acquired on the acquisition of the high-quality wealth management business of DLAM in May 2017; financed entirely from internal resources. Eighteen new investment professionals and their clients have been welcomed to Brewin Dolphin.

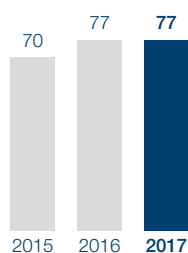
## Margin

Improved operational efficiency has allowed growth in the business within our existing capacity, reflected in the adjusted PBT margin increasing from 21.6% to 23.0% in the year.

 To learn more about progress during the year see the Chief Executive's Review on page 16

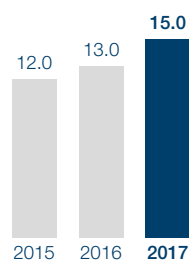
Dividend payout ratio

77%



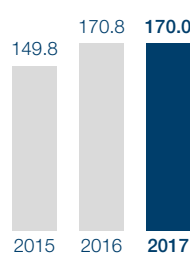
Full year dividend (p)

15.0p



Cash (£m)

£170.0m



## About Us

# A scalable platform for growth

**Our rich heritage and reputation for trust, integrity and service alongside our regional presence provides a strong platform from which we can grow our business.**

Our talented and knowledgeable people are delivering the right services and expertise across the country to help clients reach their goals.

### Who we are

Founded in 1762, Brewin Dolphin is a leading independently-owned UK wealth manager. We are listed on the London Stock Exchange, and a member of the FTSE 250 Index. We take an integrated, advice-led approach to protecting and growing our clients' wealth by combining our experience and expertise in financial planning and investment management. Our success is built upon our belief in the importance of long-term client relationships and our commitment to a highly personalised and high-quality service.

 See page 137 for branch address list

1,614  
Employees

29  
Offices

## Our Services

The table below outlines the services provided by the Group. Further information on these and our clients can be found in the Business Model overleaf.

	Available to			
	Direct private individuals	Private individuals via intermediaries	Corporates	Charities
<b>Core services</b>				
<b>Wealth Management</b>				
Integrated approach to protecting and growing wealth that combines both Financial Planning and Investment Management.	✓			
<b>Investment Management</b>				
Designed for clients who want to benefit from a personal focus on their investment portfolio but do not require financial planning.	✓	✓	✓	✓
<b>Financial Planning</b>				
This service helps address our clients' wider financial planning needs including advice on investment, protection or retirement requirements.	✓			
<b>Managed Portfolio Service ('MPS')</b>				
This service is provided for financial advisers who offer a suite of risk rated model portfolios designed for their clients who do not require, or for whom it is not cost effective to have, a personalised solution.		✓		
<b>Brewin Portfolio Service ('BPS')</b>				
A cost effective service for clients with smaller sums to invest and who do not need advice. It combines the investment expertise of Brewin Dolphin with the freedom for individuals who are happy making their own risk decisions and investment choices. It gives access to six risk rated portfolios which are primarily invested in passive funds.	✓			
<b>Execution Only</b>				
Custody, trade execution and settlement services for clients who have no need for advice and prefer to make their own investment decisions. This service is limited and we no longer provide it on a standalone basis to new clients.	✓		✓	✓
<b>Core funds</b>	<b>£22.5bn</b>	<b>£10.4bn</b>	<b>£1.6bn</b>	<b>£2.9bn</b>
<b>Non-core services</b>				
<b>Advisory</b>				
The service provided is either 'Advisory Managed', where we provide advice on both the structure of the portfolio and the individual investments within it, or 'Dealing with Advice' where advice is provided on a transactional basis only. We no longer offer this service for new clients, other than on an exceptional basis.	✓		✓	✓

### Total core<sup>1</sup> funds

2017	£37.4bn
2016	£32.4bn

1. Discretionary, BPS and execution only funds.

## Our Business Model

# A business model designed for growth

### Resources and relationships

We rely on our resources and relationships in order to run our business. We actively engage with our stakeholders throughout our business cycle.

### Employees

Our strength is in our 1,614 people, both client-facing colleagues and those who provide support to them. We have a strong commitment to development and we use initiatives such as the employee engagement survey to understand what is working well and what can be improved.

### Clients

We help to protect and grow wealth for our clients and maintaining close personal relationships with them is key to our business.

### Investors

We engage with our shareholders and potential investors at events such as the Company's AGM and roadshows.

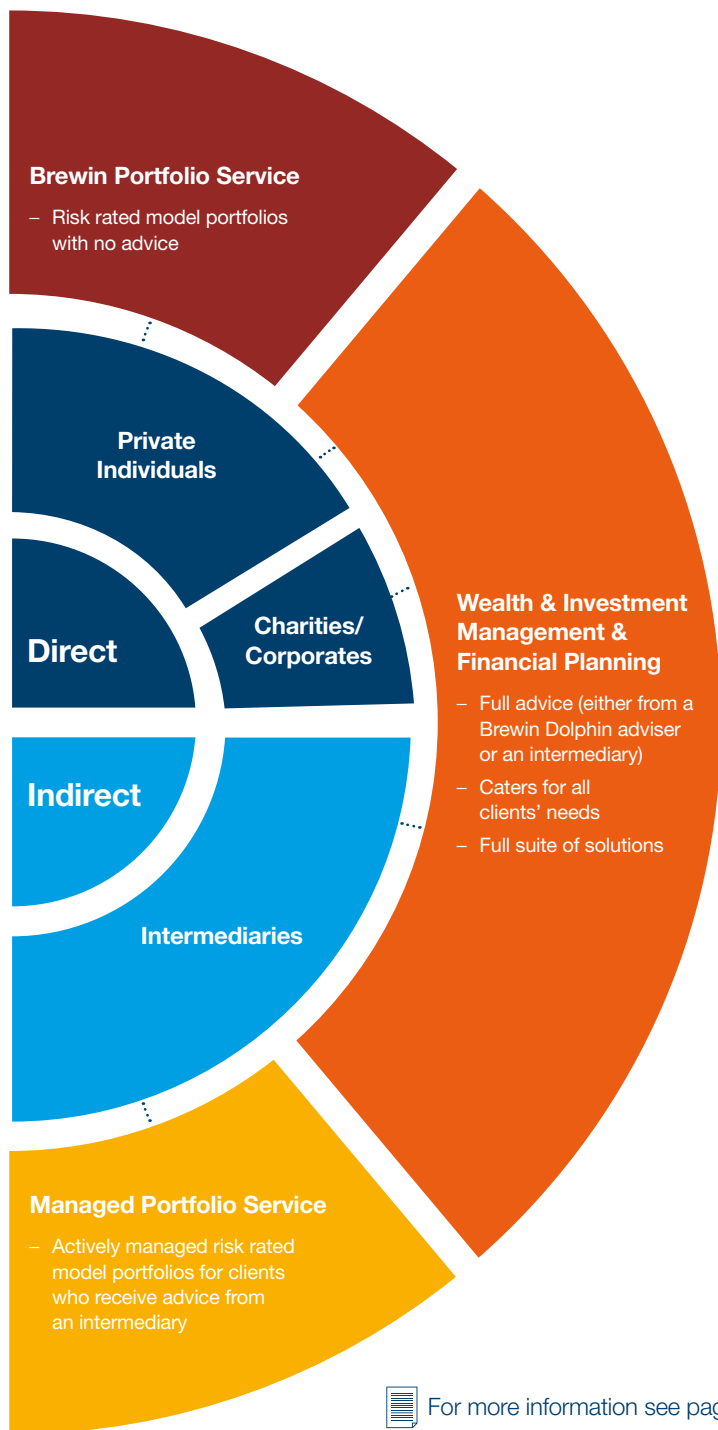
### Suppliers

We actively engage with our suppliers at different stages of our business model, which ensures commitment and transparency between all parties.

### Regulators

We ensure a regular dialogue with regulatory bodies and can therefore adapt to the changing regulatory landscape and identify where these changes can provide opportunities for the business.

### How our clients access our services



## How we meet our clients' needs

We seek to employ and develop the best people to help our clients manage the financial complexities of life and support financial intermediaries.

### Brewin Dolphin advice

Our people take time to establish strong client relationships based on a full understanding of individual circumstances. This enables us to build a tailored financial solution.

This may include our integrated wealth management service, just financial planning or just our investment solutions, depending on client needs and how they access our services.

### Investment solutions

We are an independently owned business which means we can look across a wide range of financial products to choose the best and most appropriate options from the market place.

Our direct portfolios and our model portfolio services are underpinned by our in-house research as well as our Group-wide asset allocation framework.

## We deliver the right services through our eight key enablers

- An evolving proposition based on trust
- Investing in talent
- Using technology to support relationships
- Client-focused leadership
- We are always there for our clients
- Building long-term relationships
- A progressive business with a distinctive culture
- A focused strategy for growth

 For more information see pages 2-5

## How our business creates value for our stakeholders

The creation of value for our clients is inextricably linked to our business interests.

### For Brewin Dolphin

We earn income from services based on the amount of funds we manage, fees charged for financial planning or the investment business we transact on behalf of our clients.

Our personalised approach to client service combined with the expertise of our professionally qualified and experienced staff drives the value of our services and helps us earn the trust of clients and creates loyal client relationships. This creates value through brand enhancement and the generation of new leads via referrals.

Our client relationships are a key source of long-term value for the Group.

### For Clients

#### Clients with advice

We help clients achieve their long-term goals by managing their wealth for key stages in their life. Every client is different so we individually assess their needs and develop personalised plans.

We guide them through today's complex financial services environment, helping them nurture their wealth in the most tax-efficient manner we can.

#### Clients without advice

Our Brewin Portfolio Service gives clients a low-cost alternative to the full wealth management service whilst enabling them to still benefit from the research and investment expertise of Brewin Dolphin.

#### Intermediaries

Both our discretionary investment management service and managed portfolio service allow intermediaries to effectively outsource the investment management of their clients' portfolios whilst retaining the full client relationship.

Our national business development team and network of offices mean we can support advisers and their clients face-to-face across the UK.

## How this value is reinvested in the business to drive growth

The value we create generates additional capacity for us to invest further in our business.

## Our business model is underpinned by:

- Our strategy (p 22)
- Risk management framework (p 26)
- Our high standards of corporate governance (p 44)

# Challenges and opportunities

## Societal change

How people save and invest to meet their needs is directly affected by societal influences, from changing Government policy to evolving consumer preferences.

As the Government's long-term personal care policies change and employers increasingly withdraw from offering final salary pension schemes, people are becoming more self-reliant in planning and securing their long-term futures. This has created the opportunity for Brewin Dolphin to help growing numbers of individuals fulfil their ambitions via our advice-led, relationship-based and needs-driven proposition. Our focus on long-term relationships is enabling us to meet our clients' life-time needs.

As the UK population ages, many people approaching retirement have benefited from a positive property market over recent decades and generous pension provision. This means that many have generated substantial personal and familial wealth that they now wish to protect and grow. By basing our client relationships on in-depth knowledge and understanding of individual client goals, we can design tailored solutions that fulfil their goals and needs.

Consumer demands are changing too, as individuals increasingly seek outcome-oriented solutions that help them fulfil their personal ambitions. As a result, our emphasis is shifting to embrace a range of priorities besides investment performance alone. The fully bespoke, advice-led wealth management service we offer is enabling us to take advantage of this trend. Critically, our continued focus on addressing individual client needs ensures that our offering remains relevant over the long-term.


## A dynamic economic environment

The global investment environment and competitive landscape cannot be separated from economic forces, which in turn are influenced by world events.

In the UK in particular, a decade of low interest rates has created challenges for people seeking low-risk means of maintaining and growing their capital. Even slight rises, such as the one announced on 2 November 2017 by the Bank of England, are unlikely to make a substantial positive difference in the short term. As a result, growing numbers of people are seeking advice on how to grow their investments without taking undue risk. Our ability to adapt rapidly to changing client needs and market environments helps us to optimise investment performance. We are significantly broadening the range of clients we can help in this area with the design and test implementation of the WealthPilot service.

Geopolitical uncertainties across the world are also highly influential, with shifting political relationships and other uncertainties having the potential to disrupt the global investment environment. Heightened risk and volatility can have negative short-term impacts on business and stock market performance. At Brewin Dolphin, we plan for the long-term. By doing so, we seek to ensure that the interests of our clients, employees and shareholders are always upheld.

Closer to home, the UK wealth management industry is fragmented and constantly changing, as new entrants arrive, others depart and consolidation continues. Within this environment, Brewin Dolphin's trusted brand and established reputation for delivering sound advice and consistent performance enable us to sustain long-term client relationships. During 2017, we further extended and strengthened our own market presence with the acquisition of DLAM.

 See page 17 for more information

 See page 28 for more information

 See page 16 for more information

**Social, economic, legislative and technological forces are constantly creating challenges and opportunities throughout the financial services market place. Here, we look at how our ability to find the right response to these forces is enabling us to invest for the future.**

## Regulatory developments

The 2008 financial crisis continues to exert its influence over the global financial services industry, most particularly in the form of evermore stringent legislation to protect consumers.

One effect of this is the rising cost of compliance, with many companies facing significant and escalating cost challenges in areas including recruitment, training and restructuring. As one of the largest players in the UK wealth management industry, Brewin Dolphin not only has the scale to absorb the costs of change and allocate resources appropriately – we also have the expertise to adapt fast and efficiently to new regulation.

Fees for services are set to become more transparent during 2018 with the introduction of the EU's MiFID II. This will enable clients to more easily gauge the value of the services they receive. At Brewin Dolphin, we believe we can clearly demonstrate the value of our advice-led proposition. In addition, wherever possible we continue to leverage our scale to reduce the cost of investments within our client portfolio.

Other material legislative factors include the growing levels of choice and complexity that people face as pension freedom rules and other changes come into effect, leading more individuals to seek professional financial advice. We have a vital role to play in enabling clients to receive the advice they need, ensuring through our recruitment and development practices that our people can advise on complex needs.

 See page 20 for further details

## Technological forces

Technology is a differentiator in many areas of the business and complements the way we interact with clients.

New technology can be both a powerful enabler and a threat, particularly in financial services where it has the potential to transform many aspects of the wealth management industry. Our overriding emphasis on client relationships, however, makes communication the most important of these.

As increasing numbers of people use digital channels to communicate and engage whenever they wish, we have embedded digital solutions that increase client choice to complement our 29-strong branch network.

We also continue to offer new ways of enabling clients to communicate in the ways that suit them best, such as using Skype in our new WealthPilot proposition (see page 17).

# Focused delivery



A highlight of the year was the increase in funds under management which grew by 13.3% to a record of £40.1 billion. In part due to a strong stock market but also, and importantly, as a result of credible investment performance and a substantial inflow of new business. Statutory profit before tax from continuing operations increased by 15% to £57.6 million confirming Brewin Dolphin's position as one of the leading UK wealth managers.

The Board is proposing a final dividend of 10.75p per share, to be paid on 7 February 2018 to shareholders on the register on 12 January 2018, the ex-dividend date is 11 January 2018. This will bring the total dividend for the year to 15.0p per share, an increase of 15.4% compared to the full year dividend for the 2016 financial year. This reflects a payout ratio of dividends to earnings of 77% and lies well within the Company's target ratio of 60% to 80%.

## Changing environment

We are entering a period of intense change in the wealth management sector, for which we are well positioned. These changes are in part driven by regulation, in particular MiFID II, and in part by external factors including pricing pressure which has arisen particularly as a result of the exponential growth of US passive funds.

MiFID II comes into effect in January 2018. It is now embedded in European law and seeks to harmonise best practice across all the EU member states. It is designed to give clients greater transparency across the wealth management industry. Over time this will stimulate change in service and charging models.

Huge effort has been spent on ensuring that the Group will both comply with MiFID II and respond accordingly to the changes it heralds.

We have examined carefully the services we provide and over the next few months will continue to develop a broader offering. In this context we launched the Brewin Portfolio Service. This provides a cost effective service to clients who have smaller sums to invest. Additionally, we delivered a new digital portal, MyBrewin, to allow clients improved access to their portfolios.

## Clients and employees

The bedrock of our business lies in the relationship between our people and our clients. Last year we launched both an employee and a client satisfaction survey. The employee engagement score, already above its peer group benchmark, is again higher. Our annual client survey also shows sustained high levels of client satisfaction with their adviser and the quality of advice and service. The survey confirms the continued importance of trust in the relationship with clients. Both surveys indicate a sound business.

Brewin Dolphin is a people business. We continue to invest in talent and attract new people. During the year there was a concerted and successful drive across the Group to raise the standard of employee development and training. By way of illustration, a Financial Planning Academy was set up to ensure a regular supply of well trained financial planners. Sixteen planners are currently being trained and another twelve will be recruited during the year.

Talent and dedication are to be found at all levels of the organisation which is why I am proud to have been asked to sponsor a People Awards Scheme, to recognise outstanding individual performance. The number and quality of nominations received confirms the depth of expertise throughout the organisation.

## Board

The Board is committed to delivering high standards of corporate governance and embedding the right culture and behaviour throughout the business. This determines how we interact with our clients, our employees, our shareholders, the communities in which we live, our regulators and all the parties which we deal with on a regular or one-off basis.

The Board consists of two Executive Directors, four Non-Executive Directors and me. Angela Knight retired during the year and I have already paid fulsome tribute to her contribution. We concluded that we should recruit both a replacement for her



and an additional Non-Executive Director. This is a reflection of the increasing workload placed upon the Board. On 15 November 2017, Mike Kellard's appointment to the Board was announced and will take effect from 1 December 2017. We will continue to search for an additional Non-Executive Director and use this as an opportunity to add to the Board's skillset.

The day to day management of the Group is delegated to the Executive Committee, chaired by David Nicol as Chief Executive. The Board continues to work closely with the Executive team to offer support and challenge.

## Annual General Meeting ('AGM')

This year's AGM will be held on 2 February 2018 at 11:30 in Haberdasher's Hall, 18 West Smithfield Street, London EC1A 9HQ, a few minutes' walk from our head office. Light refreshments will be held after the meeting. I do hope you will be able to attend. If you are not able to do so, please write to me with any questions or comments you may have, and I will ensure that you receive a timely response.

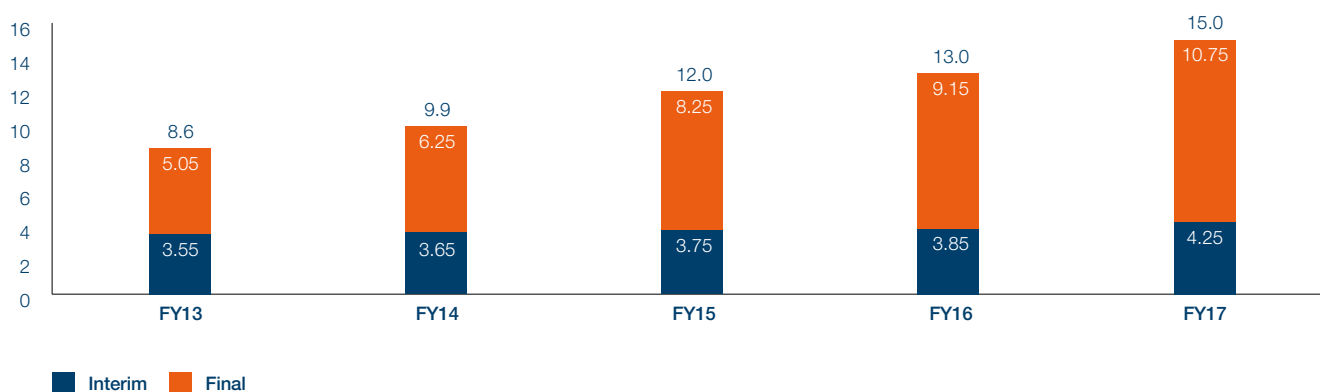
We endeavour to maintain a regular dialogue with our shareholders, large and small, and your views are always most welcome. Further details can be found in the Notice of AGM.

### Simon Miller

Chairman

28 November 2017

## Dividend history (p)



## Dividend policy

The Company's dividend policy is to grow dividends in line with the Group's adjusted earnings; with a target payout ratio of 60% to 80% of annual adjusted diluted earnings per share.

The policy is intended to ensure that shareholders benefit from the growth of the Group and it aligns with the strategic objective of growing our dividend. The Board recognises the importance of dividends to shareholders and the benefit of providing sustainable shareholder returns.

The payout range has been adopted to provide sufficient flexibility for the Board to remunerate shareholders for their investment whilst recognising that there may be a requirement for capital retention within the Group.

 See the Financial Review starting on page 30 for additional information

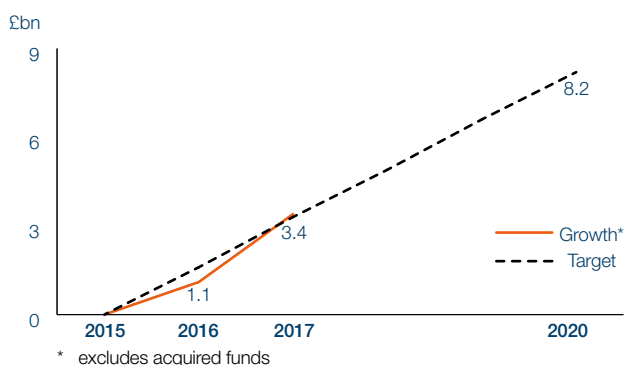
# Invested for the future to deliver long-term growth



2017 was a successful year for the business, during which we continued to look after our clients' investment and advice needs in increasingly uncertain and complex times. As well as generating further investment returns for clients in line with their objectives, we also continued to attract net new client funds.

Total funds grew by 13.3% during the year to a record £40.1 billion, helping to drive our strong financial performance for 2017. Adjusted profit before tax from continuing operations grew by 14.8% to a record £70.0 million. Statutory profit before tax from continuing operations was 15.0% higher at £57.6 million.

Net new funds growth rate in discretionary funds was 8% for the year, well in excess of the 5% per annum target we set (see our KPIs on page 24). As a result, we are on target to meet the plan we announced two years ago to increase discretionary funds by one third from net new funds alone within five years (see graph below).



## Delivering against our strategy

Our focus on delivering a number of strategic initiatives is helping us to sustain the net new funds growth rate of the business.

Particularly strong growth in discretionary funds from the intermediaries channel continues to be the principal driver of our overall increase in funds. Our success in meeting the growing demand in this market segment resulted from deliberate initiatives, supported by a dedicated sales team, which focused on developing our investment services and meeting the needs of intermediaries and their clients.

During the year we have continued to increase the proportion of new direct discretionary private client funds we attract. This is a result of offering as broad as possible a range of financial advice to meet client needs, including our integrated investment management and financial planning services. This demonstrates our 'advice-led' strategy working in practice.

As well as delivering on initiatives to generate current growth, we continued to make good progress on a range of programmes aimed at supporting future growth. These are centred around a number of priorities:

- expanding the range of services we can offer clients and further enhancing our services to keep pace with their changing needs;
- improving the operational efficiency of our organisation;
- sharpening the focus of our marketing and promotional activities; and
- improving support for our employees, via increased investment in training, skills and professional development.

We have a business with a proud heritage, of evident quality and strength, founded on a strong culture of personalised client service, professionalism and expertise in investments and financial advice.

I believe these foundations, further strengthened under the current strategy over the last five years, were a key ingredient in us being the successful bidder in a competitive process for the high-quality wealth management business of DLAM. Financed from our internal reserves, this purchase added a further £0.7 billion in funds when it completed in May 2017. It has also allowed us to welcome 18 new investment professionals and their clients to Brewin Dolphin.

To prosper and remain competitive, successful businesses must constantly seek to innovate, change and improve. At the core of our current strategy is an appetite for innovation and constructive change. While I consider our record in this regard to be good, I also believe the rate of change in our market environment is accelerating (see page 12), driven by changing client needs and the continued evolution of financial regulation and government policy towards savings and financial advice.

Our strategy aims to position our business so that we can capitalise on the opportunities these market changes will bring and in so doing, achieve a higher future market share.

We therefore continue to develop new products and services while also improving how we deliver all our services to clients. We aim to ensure we can continue to offer attractive services that meet the needs of future clients in the changing market environment in a way that is valuable to them and to all our stakeholders.

Coupled with a measured approach to risk (see page 26), our willingness today to innovate for the future by capitalising on our scale and strength to re-invest some of our growing financial returns is critical to the long-term prospects of our business.

Key components of this approach are understanding client needs and how they are changing, then exploring new ways of meeting those needs with investment and financial planning solutions. Equally important is an appetite for innovation, together with a commitment to meeting associated costs, not only in pure financial terms but also in management time and key resources.

Therefore, during the year we focused innovation in two new areas:

- We began the design and test implementation of a new needs-based wealth planning and investment advice service ('WealthPilot') for clients with simpler needs. This is aimed at a much wider market segment than our traditional services, at lower cost with simpler investment solutions. For further details, see the following section.
- Secondly, we have approved the development of an advice-led proposition designed around the requirements of clients with more sophisticated and complex needs.

These initiatives are still at an early stage. To date, they entail modest additional investment in the form of initial staffing and training costs, as well as some separate office space in central London to provide an appropriate environment for testing our new complex advice service.

Both are currently standalone, which we believe will provide the right environment in which to innovate. However, both these new initiatives will form the basis of services that we intend to make available throughout our network of regional offices where local demand exists.

## Our actions during 2017

### Improving the direct client offering

It is an ongoing priority for us to free our client advisers from administrative tasks, enabling them to spend as much time as possible with clients. These efforts have a direct benefit for our business development capabilities, as they allow deeper conversations that lead to better understanding of our clients' needs, goals and aspirations.

During the year, we made further material progress in developing and engaging teams and individuals with areas of specialist expertise, to help clients implement their bespoke financial plans once they have engaged with an adviser. These experts tend to operate across groups of offices, enhancing our collaborative culture, freeing up adviser time to focus on identifying client needs, enhancing the quality of advice for our clients and ensuring the most efficient use of our resources.

As I mentioned earlier, we introduced our WealthPilot initiative during 2017. Initially based in the London office, this is a needs-based wealth-planning and investment advice service delivered by qualified advisers. The service is delivered over the phone, by Skype or face-to-face in our office, whichever the client prefers.

Critically, this is a simplified version of our core service which enables us to offer advice to a much wider audience, at lower cost with simpler investment solutions. While allowing us to serve this broader new client opportunity, it is also opening up a multi-generational service, introducing the children and even grandchildren of existing clients. We will be expanding WealthPilot across our network during 2018.

 See page 22 for a summary of progress and future focus

## Chief Executive's Review continued

We have also taken early steps to develop a new service catering for clients with more complex needs. This will allow us to provide additional solutions to sophisticated clients as part of a fully advice-led proposition. The new service will be based and delivered in an entrepreneurial, standalone environment, where direct input from our clients will inform development of the proposition. This will ensure that we continue both to meet clients' evolving needs and to deliver the tangible value that they require.

We continue to implement and extend the professional services offering we launched to solicitors and accountants in 2016. To ensure our wealth managers acquire the correct specialist knowledge, we have engaged the internal training services of several law and accountancy firms to work with more than 100 wealth managers from over 20 offices. We ran an extensive programme of external seminars, workshops and other events to encourage further uptake and build deeper relationships in this specialist market.

During the year, we used the benefit of our scale on behalf of our clients in negotiating our unit purchasing power with institutional funds. This has reduced the cost of investments within our client portfolios, with £1.8 billion of funds being converted to lowest-cost units.

We have enhanced our BPS non-advised solution, launching a digital on-boarding process which means that it now takes less time to subscribe to the service. BPS clients now have a fully transactional portal allowing them to top up, move and withdraw money online and create direct debits for regular contributions at any time. We have also looked to take advantage of the flexible ISA rules and have made the BPS ISA flexible. The service has proved popular with around 1,000 accounts opened over the last 12 months. MyBrewin, our new digital portal for clients, is in the process of being rolled out. Plans for the portal in the near future include providing access to documents online and continuing to deliver a brand enhancing experience via our digital front door.

### For intermediaries

Intermediaries drove around 90% of our net new fund growth in the year. In this channel, the advice role lies with the intermediary, while Brewin Dolphin undertakes the investment management role.

We launched our intermediaries growth strategy in 2012, three years before that of the organisation as a whole. This reflects the importance of maturity when it comes to strategic success, demonstrating the long-term value of our approach.

Much of our success in this area during 2017 was driven by the efforts of our 17-strong regionally based team of specialist business development managers. These individuals help to feed the sentiment and opinions of intermediaries back to our corporate centre, ensuring we have an excellent understanding of the current state of the market. Our intention is to continue to develop long-term working relationships via our branch network to mitigate some of the risks posed by sector contraction and consolidation.

We also responded positively in various ways to the most important objectives and requirements of intermediaries, revealed through continuous dialogue. For example, we continued our strategy of expanding our proposition to meet a broader range of client needs. This included the launch of a 'passive' version of our Managed Portfolio Service (MPS Passive Plus), targeting those clients for whom a more complex or bespoke service may not be necessary or cost-effective.

This service harnesses the benefits of passive investing, which intermediaries increasingly see as an attractive and streamlined way to meet their clients' investment needs. Now intermediaries have a good breadth of choice in how they work with Brewin Dolphin, from MPS Passive Plus to the full bespoke discretionary service.

**“Intermediaries drove around 90% of our net new fund growth in the year.”**

“The expertise, attitudes and behaviours of our people are our most important determinants of success.”

We currently provide the intermediary bespoke discretionary service to over 1,400 firms, with over 100 new firms signed up in the last year. Our MPS offering has more than 600 firms invested.

The MPS Passive Plus launch provided further evidence of how we listen and respond to intermediaries' needs. During 2017, use of our overall MPS offering by intermediaries and their clients increased, MPS represents 22% of our intermediaries business. This demonstrates the value of working with our intermediary clients to help us understand changes in market demand and develop the right solutions.

We invested in a widespread programme of events and communication to help intermediaries deepen their technical knowledge and understanding, with a particular focus on MiFID II. This aims to help them strengthen their own client relationships and increasingly value their partnership with Brewin Dolphin.

We are currently working with intermediaries to tailor MyBrewin, our new digital portal to ensure that the digital offering meets their needs.

### For charities

2017 saw us increase our range of trustee training and other educational events. We also commissioned an extensive research project, launched in Autumn 2017, on the subject of 'Charity Investment: What matters most?'.

We were successful in a number of major client pitches, particularly in the South East and North West of England. This has helped us to balance the span of our charities business across the country. This has historically been weighted in favour of Scotland, where we continue to have a strong presence. As at 30 September 2017, we hold over £3.3 billion on behalf of charities and are currently the sixth largest UK charity investment manager.

The year was also notable for a significant strengthening of co-operation and collaboration between teams, regions and offices, sharing expertise to benefit our charity operations as a whole. This is an indication of the ongoing cultural shift underway in our organisation.

### Brand growth

Advice-led documentation on subjects of particular client interest – see page 21 for more information.



## Chief Executive's Review continued

### For our people

In an increasingly advice-led organisation, the expertise, attitudes and behaviours of our people are our most important determinants of success.

Our 2017 survey of employees shows that people are positively embracing the changes that are underway. In fact, the rise of four percentage points to 82% in the engagement score of our employees, from last year's already exceptional result, places us 6% ahead of the financial services industry benchmark of 76%. (See page 38 for further details.)

Our primary focus during 2017 has been on developing and improving the skillsets of our core teams and providing the culture and working environment that best sustains service standards of the highest quality. Our focus on skills extends beyond technical matters alone – courses on the 'psychology of money', for example, are helping advisers better understand client needs and ambitions.

We have been active in searching for new talent to join our business during the year. Continuing our pursuit of the best people to give advice to clients, we bolstered our financial planning capabilities with 26 new hires ranging from apprentices to highly qualified paraplanners and financial planners. Combined with manageable levels of attrition, these hires contributed to a small increase in client-facing headcount.

Key senior hires elsewhere in the organisation included our new Chief Operating Officer and Company Secretary, while investments in our technology team increased headcount in that area by 10. Our total headcount saw a marginal rise of 2% to 1,614 employees.

We also made an important investment in developing our client-facing expertise for the future, with the launch of our Financial Planning Academy. With an initial cohort of 16 aspiring individuals, this is a key investment in our ability to provide long-term value for our clients and so enhance Group performance. See page 39 for further details on this and further development initiatives, including our graduate and emerging talent programmes, executive leadership development, performance management and learning opportunities.

In the same section, you can read about our Diversity & Inclusion policy, through which we aim to gain diversity from employing the most talented people from different backgrounds.

All these factors add up to high levels of staff engagement. I have already mentioned the exceptional results of our 2017 Engagement Survey, which highlights the tangible positive impact of such activities.

### For our operational efficiency

Our strategy includes freeing up time for key staff, wherever possible and appropriate, by both increasing the automation of manual business processes and enhancing the client proposition through the use of technology solutions such as client portals.

During the year, technology investments played an ongoing role in our journey to improve and increase standardisation and collaboration across the organisation.

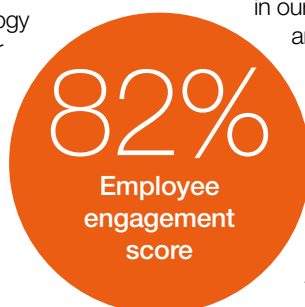
Technology is an important enabler in improving collaboration between teams and individuals.

As well as the benefits highlighted earlier, it allows geographically separate teams to work together and improves efficiency through shared resources.

This is just one element of our ongoing commitment to introducing cost-effective new solutions to support our people in every area of the business, from further developing our new HR system to moving to a new trade execution system.

Our new Order Management System (trade execution system) has standardised processes across the Group, improving operating efficiency and controls while providing a strong basis for compliance with regulatory changes such as MiFID II. The new client portal, 'MyBrewin', will improve our clients' digital experience and enable operational efficiencies through features such as Documents Online. Within our digital programme, we have continued to adopt cloud technologies and have successfully moved and tested our disaster recovery capability in the Microsoft Cloud.

We are also rolling out a new suite of workspace tools to provide an improved and consistent experience, enhanced client-engagement capabilities, greater collaboration and flexible working opportunities. The new tools are also enhancing device and system security, supporting our ongoing commitment and investment in maintaining a robust cybersecurity control environment to protect clients, employees and Group information.



“The world we face contains many geopolitical uncertainties but we will continue to address and mitigate these by planning for the long-term, as we have for more than 250 years.”

Our regulators have issued a significant quantity of regulatory guidance and change over the last 12-18 months, resulting in some key regulatory projects for Brewin Dolphin. MiFID II is a key piece of regulation that will substantially change European financial markets. We have had a project in place for the last two years to meet the 3 January 2018 implementation date. The Group continues to make substantial investment in systems and processes to achieve compliance. Additionally, the FCA requires investment firms to comply with the Senior Manager and Certification Regime (‘SMCR’) during 2018. The Group has an established project in place and continues to make good progress towards compliance before the effective date.

### For communities

The ways in which we work to support communities, on a national and local basis, fully reflect how we behave in our client and employee relationships. This in turn reflects our inherent cultural imperative of always doing what is right for our stakeholders.

The Board and I believe that 2017 was a highly significant year for Corporate Responsibility (‘CR’) at Brewin Dolphin. Our national approach of supporting education and employability initiatives resonates with clients and shows them what kind of organisation we are. This runs alongside the CR activities of our offices, which select and manage charitable and other initiatives with a local and regional focus. See page 40 for details.

We believe we lead the wealth management sector in CR, and I am confident that we are moving in the right direction to meet our goals. There is still progress to be made, however, and we will maintain focused discipline within this important area.

### For brand growth

This was another year of high-quality marketing activities aiming to attract awareness, interest and contact from potential clients. They included the continuation of our carefully targeted Gardening Club, which in 2017 included gardens at the new RHS show at Chatsworth as well as Chelsea itself. We harnessed the burgeoning interest in cycling, with the launch of the Brewin Dolphin Velo series of four road events in England and Scotland.

Other initiatives included the continuation of placing advice-led articles in media on subjects of particular client interest. We also piloted a digital marketing exercise designed to drive down cost per contact. We will be building on this in the coming year.

### Looking ahead: 2018 and beyond

The world we face contains many geopolitical uncertainties but we will continue to address and mitigate these by planning for the long-term, as we have for more than 250 years.

Some challenges are imminent, of course, such as the introduction of MiFID II and the General Data Protection Regulations (‘GDPR’). However, we believe that organisations of scale, such as Brewin Dolphin, should regard these developments as an opportunity to differentiate. For us transparency is an important element of a high-quality client service.

When it comes to Brexit, our view is somewhat clearer than it was in 2016. As a UK-based entity, we will maintain close oversight on Brexit’s likely effects on our wider operating environment, to ensure that we are prepared and positioned to take appropriate measures to address any eventualities that emerge.

Meanwhile, we believe that momentum remains with us as we pursue our ambitious growth strategy. We are confident that our advice-led approach for direct clients is fit for the future, as the advice gap coincides with a growing market need for advice. We believe there remains an important window of opportunity before banks and other major financial institutions re-enter the financial advice market.

Our continuous ambition to succeed means that we are preparing for an increasingly competitive future environment while making the most of current growth opportunities. In any event, we firmly believe in the long-term value of skilled and engaged people giving high-quality advice as part of a close client relationship.

So, by continuing to invest in the capabilities of our people today, we are also invested for the future.

### David Nicol

Chief Executive

28 November 2017

# Delivering our strategy for growth

Our vision is to become the UK's leading provider of personalised wealth and investment management services, delivering a compelling client proposition, rewarding careers and sustainable shareholder returns.

### Objective ①

#### Revenue growth

Grow the business in both absolute and market share terms, by increasing the number of clients and the proportion of their wealth that we manage.

##### What we said we would do

- Further new services targeting a range of discrete segments, based on client and intermediary research.
- Continued investment in client-facing new hires.
- Actively develop our already strong intermediary relationships.
- Further training in business development capabilities for our people.
- Continued investment in technology to improve accessibility for clients.

##### 2017 progress

- Net new discretionary funds flow of 8%, with approximately 90% from intermediaries.
- Achieved £3.4 billion gross fund inflows into our core business taking our total funds to more than £40 billion.
- Continued to hire the best available advisory and financial planning professionals.
- Invested further in training to help advisers get to the root of our clients' needs.
- Approved the development of an advice-led proposition designed around the needs of clients with sophisticated and complex needs.
- Launched pioneering Financial Planning Academy apprenticeship scheme.
- Broadened dialogue with intermediaries, and introduced services based on their stated requirements.
- Continued investment in technology to improve client communications and service delivery.

##### Future focus

- Develop an advice-led proposition for clients with sophisticated and complex needs.
- Continued development of intermediary relationships.
- Further segmentation of clients to increase relevance and increase funds flow.
- Continued evolution of focused marketing strategy.
- Continued investment in our Financial Planning Academy.
- Rollout of WealthPilot, our low-cost advice platform.



 Performance against strategy is a factor in remuneration decision making, see page 59

 For measurement of progress see our KPIs on page 24

 For discussion on priorities and progress see the Chief Executive's Review on page 16 and for an evaluation of our principal risks see page 26

## Objective ②

### Improved efficiency

Maintain an efficient and scalable operating model enabling investment, developing greater productivity and sustaining competitive pricing.

#### What we said we would do

- Invest in technology and process improvement to increase efficiency and reduce costs.

#### 2017 progress

- Embedded new order management system, maximising the time advisers can spend with clients.
- Continued to improve collaboration and knowledge-sharing across offices.
- Embedded and further enhanced internal management systems for HR and financial reporting and analysis.
- Used our scale to enhance our unit purchasing power when negotiating with institutional funds.

#### Future focus

- Increase efficiency and reduce costs through continued investment in technology.

## Objective ③

### Capital sufficiency

Maintain sufficient capital to maximise opportunities and cover risks.

#### What we said we would do

- Continue to maintain capital at a level that enables investment in emerging opportunities from a position of strength.

#### 2017 progress

- Maintained sufficient capital to enable investment opportunities, reduce risk and provide comfort during periods of uncertainty.
- Acquired DLAM, gaining experienced wealth and investment managers and strong client relationships, while maintaining capital sufficiency.

#### Future focus

- From a position of strength, continue to maintain capital at a level that enables investment in emerging opportunities.

## Objective ④

### Dividend growth

Grow our dividend in line with earnings.

#### What we said we would do

- Continue policy of target payment of 60% to 80% of adjusted diluted EPS to ensure we grow our dividend in line with earnings.

#### 2017 progress

- Dividend payout ratio of 77% of adjusted diluted EPS.

#### Future focus

- Maintain policy of target payment of 60% to 80% of adjusted diluted EPS to ensure our dividend grows in line with earnings.

## Key Performance Indicators

# Measuring progress

## We use key performance indicators ('KPIs') to measure the progress and the success of our strategy implementation.

We set out the KPIs for each strategic and financial objective below, with a measure of our performance to date and an indication where applicable of potential challenges to success.

 A detailed explanation of the calculations used for the KPIs is contained in the Appendix on page 134

### Changes to KPIs

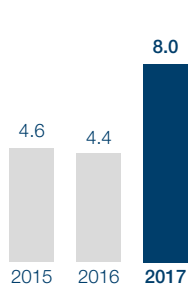
We have removed the following KPI after assessing the ongoing suitability of the KPIs for measuring the success of our strategy implementation:

 KPIs marked with an asterisk are included in remuneration decision making see page 59

- % of managed funds in our discretionary service – this measure is no longer required, as the focus on discretionary funds is fully embedded and the target of 90% has been met.

## 1 Revenue growth

### Discretionary funds inflows\* (%): Target 5%

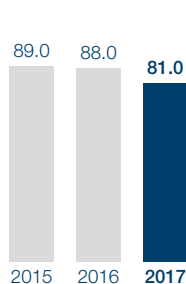


**Definition** The value of annual net inflows as a percentage of opening funds for our discretionary service.

**Performance during the year** Net inflows were £2.3 billion, more than double the prior year; higher inflows were combined with lower net outflows (see page 32 for more detail).

**Potential challenges** Failure to successfully execute on the strategy for attracting direct inflows.

### Discretionary service yield (bps)

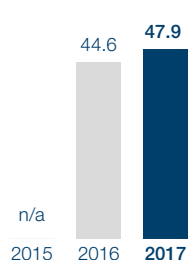


**Definition** Total discretionary income over the average discretionary funds for the period measured as a percentage.

**Performance during the year** The yield has reduced in line with the change in mix of new fund flows, with higher inflows from intermediaries and model portfolios which have lower charges than direct advised services – see page 32 for detail.

**Potential challenges** Market volatility reducing transactional volumes.

### Net promoter score (%): Benchmark 41.8%

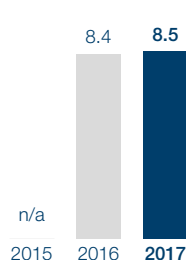


**Definition** An indication of how likely clients are to recommend us. Scored from -100% to +100%, measured by a client survey conducted by an independent third party.

**Performance during the year** This year saw a score of 47.9%, significantly above an industry benchmark measured of 41.8%.

**Potential challenges** Failure to maintain reputation may adversely impact client loyalty.

### Overall client satisfaction: Benchmark 7.8



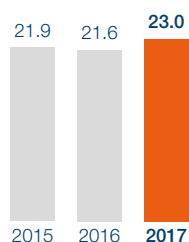
**Definition** An indication of overall client satisfaction as a score out of 10, measured by a client satisfaction survey conducted by an independent third party.

**Performance during the year** This year saw a score of 8.5/10, 9% above the 2017 industry benchmark of 7.8.

**Potential challenges** Failure to deliver a good client experience.

## 2 Improved efficiency

### Adjusted<sup>1</sup> PBT<sup>2</sup> margin\* (%): Target 25%

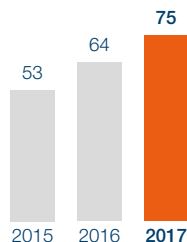


**Definition** Reported total annual adjusted profit before tax as a percentage of Group total income.

**Performance during the year** The adjusted PBT margin is 1.4 percentage points higher than 2016, as a result of efficient capacity utilisation supporting growth in fund revenue.

**Potential challenges** Failure to achieve further growth combined with changes in investment market and economic conditions.

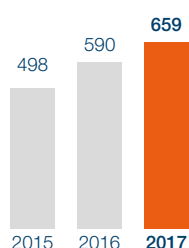
### Discretionary funds per CF30 (£m): Target £75m



**Definition** The total value of client funds in our discretionary service divided by the period end number of client-facing professional investment managers and financial planners ('CF30s').

**Performance during the year** The increase in the period reflects the net funds inflow and investment performance.

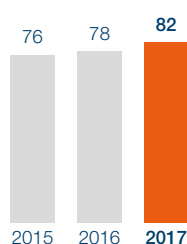
### Average client portfolio (£000): Target 500



**Definition** The average value of funds per client for our managed/advised services. This is calculated based on total reported managed/advised funds at period end, divided by period-end number of client relationships.

**Performance during the year** The change in size was primarily due to market growth in the year and the continued exit of sub £150k clients.

### Employee engagement (%): Benchmark 76%



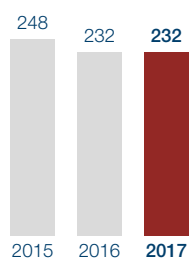
**Definition** A survey that measures overall employee engagement on matters that affect them. Measured by a specialist external company. The survey is benchmarked against other financial services firms.

**Performance during the year** The employee engagement survey undertaken in 2017 resulted in a 4 percentage points increase in employee satisfaction over the 2016 result with increased employee engagement – see page 38 for more detail.

**Potential challenges** Failure to engage our employees effectively could impact productivity and could result in loss of key staff.

## 3 Capital sufficiency

### Capital adequacy ratio (%): Minimum 150%

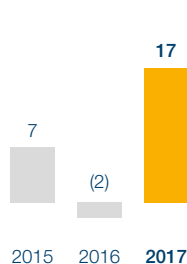


**Definition** The ratio, as a percentage, of the Group's period end total regulatory capital resources to the period end total regulatory capital requirement.

**Performance during the year** Our capital adequacy ratio remains well above the target of 150%.

## 4 Dividend growth

### Adjusted<sup>1,3</sup> EPS growth – diluted (%)

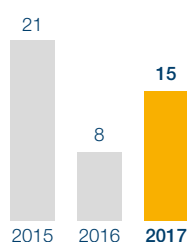


**Definition** The annual percentage change in reported adjusted diluted earnings per share.

**Performance during the year** Driven by a 15% increase in adjusted PBT.

**Potential challenges** In the longer term, failure to effectively execute our growth strategy. In the short term, investment market conditions are the biggest driver of our income and therefore earnings.

### Dividend growth (%)



**Definition** The percentage change in total annual dividend per share (interim and final).

**Performance during the year** Dividend growth driven by adjusted diluted EPS growth in line with dividend policy see page 15.

**Potential challenges** Failure to maintain capital strength and profitability.

1. Excluding redundancy costs, FSCS levy, onerous contracts, amortisation of client relationships, one-off migration costs, acquisition costs, incentivisation awards and disposal of available-for-sale investments.

2. See page 6 for statutory PBT.

3. See note 13 to the Financial Statements.

## Principal Risks and Uncertainties

# Managing our risks

**Effective risk management is key to the success of delivering our strategic objectives. Our risk culture continues to strengthen; it ensures identification, assessment, and management of the principal risks to our business.**

The overall level of risk we face continues to increase as a result of external market conditions; high volumes of regulatory change; an increasingly uncertain global political environment and associated market volatility; and increasing cyber criminality.

Our approach is to maintain a strong control framework to identify, monitor and manage the principal risks we face, adequately quantify them and ensure we retain sufficient capital in the business to support our strategy for further growth.

We assess our principal risks regularly to ensure that our risk profile is within our risk appetite which is set by the Board.

We categorise risks into risk groups covering potential impacts to clients, revenue, capital and reputation. The three risk groups are:

- Business Risk
- Financial Risk
- Operational Risk

We identify and assess specific risks within these risk groups, mitigate and manage these risks, and monitor and report against these risks, which provides the foundation to enable us to deliver against our strategic objectives.

### Risk Management Objectives

The primary objectives of risk management at Brewin Dolphin are to ensure that there is:

- a strong risk culture so that employees are able to identify, assess, manage and report against the risks the business is faced with;
- an appropriate balance between risk and the cost of control;
- a defined risk appetite within which risks are managed; and
- a swift and effective response to incidents in order to minimise impact.

### Risk Management Framework

The Board has established a Risk Management Framework to ensure there is effective risk governance.

We follow industry practice for risk management through the 'three lines of defence' model. The first line is the business that owns and manages the risk, the second line is the control functions, and the third line is independent assurance provided by audit.

The key parties involved in the risk management process within the Group and their respective responsibilities, and an explanation of how risk management is structured within the Group, is set out opposite.

The Board promotes a strong risk culture throughout the business by promoting and encouraging:

- A distinct and consistent tone from the top
- Clear accountabilities for those managing risk
- Prompt sharing and reporting of risk information
- A commitment to ethical principles
- Appropriate levels of conduct and considered risk taking behaviour
- Recognition of the importance of knowledge, skill and experience in risk management
- Members of staff at all levels to make suggestions for improving processes and controls
- An acceptance of the importance of continuous management of risk, including clear accountability for and ownership of specific risks.

Every employee within the Group is expected to adhere to the high standards established by the Board. The benefits of establishing a strong risk culture is evident; with our employees self-identifying and escalating risk events and potential issues to mitigate the probability of risks crystallising.

The Board reviews the effectiveness of this Risk Management Framework periodically, receiving reports on internal control from the Audit and Risk Committees and debating key risks for the Group following more detailed work by the Risk Committee.

## Risk Management Framework

### Top Down Risk Management

#### Board

- Responsible for ensuring there is an adequate and appropriate risk management framework and culture in place.
- Sets risk appetite and is responsible for ensuring alignment with the Group's business strategy.

#### Risk Committee

- Oversees the Risk Management Framework.
- Assists the Board in its responsibilities for the integrity of internal control and risk management systems.

#### Audit Committee

- Assists the Board in gaining assurance as to the integrity of the financial statements and the effectiveness of the system of internal controls.
- Monitors the effectiveness and objectivity of internal and external auditors.

#### Risk Management Committee

- Executive level day to day oversight and monitoring of the adequacy and effectiveness of the Risk Management Framework.
- Monitors current and emerging risks and themes.
- Oversees the Group's Policy Framework.

### Business Risks

These are the risks that we do not set the right strategy, a material business decision fails or external market factors impact the viability of the business.

### Financial Risks

These are the risks facing our business in terms of inadequate or failed management of finances and the risk introduced by external factors that could have a detrimental impact on our cash flow, capital and liquidity.

### Operational Risks

This is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

### Risk Identification and Assessment

- Risk and Control Self Assessments to identify the key risks for each department and for business change activities.
- Assessment of inherent (pre-control) and residual risk (post-control).

### Risk Mitigation and Management

- Management of events that had a potential or actual financial, regulatory, operational or client impact.
- Agreeing action plans to mitigate risk issues.

### Risk Monitoring and Reporting

- The business community is primarily responsible for monitoring risks.
- Risk trends are monitored and analysed.
- Key risk indicators are reviewed monthly.

### Risk Assurance

- Annual audit plan to evaluate the adequacy of processes and systems, and test the operating effectiveness of key controls.

### Bottom Up Risk Management

## 2017 Developments

Considerable uncertainty in the external environment has continued in 2017 both in the UK and globally, including ongoing Brexit negotiations and international political events. Whilst the Group is predominantly a UK domiciled business with a UK centric client base, this uncertainty and resulting increased levels of market volatility may have an impact on some of our principal risks. We are closely following the Brexit negotiations and will assess the ongoing impact of these on our principal risks over time.

In 2017 we have focused on reviewing variances in the risks and controls across our offices. This process has identified opportunities to strengthen controls and improve operational efficiency, which will be implemented over the course of 2018.

A risk workshop was conducted during the period to review the risks facing the Group. For each risk, an assessment was undertaken of the relative willingness to take that risk to achieve the Group's strategic objectives. Key Risk Indicators used to monitor the profile of each risk against the risk appetite have been refreshed.

 See page 37 for our Viability Statement, which relies on the evaluation of principal risks

## Principal Risks and Uncertainties continued

### Principal Risks

The tables below detail the principal risks and uncertainties we have identified. We have a process to regularly report key risk indicators and identify changes in the profile of these principal risks. We also consider emerging risks as part of this process.

#### Business risks

These are the risks that we do not set the right strategy, a material business decision fails, or external market factors impact the viability of the business. This could include an inability to introduce or enter into new business lines effectively, to expand organically or through merger/acquisition, or to enhance the effectiveness of our operational infrastructure.

##### Direction of change:

Business risks have increased over the past year as heightened levels of uncertainty in the external environment persist. Additional risk was taken on during the integration of DLAM to support the Group's growth objectives.

Principal Risk	Nature of the Risk	Key mitigants
<b>Business Strategy</b>	This is the risk that we fail to deliver against the strategic objectives.	<ul style="list-style-type: none"> <li>– A strategic plan approved by the Board.</li> <li>– A risk appetite that is set against our strategic objectives, and monitored on a regular basis by our formal governance committees.</li> <li>– A robust governance structure that includes challenge from our independent Non-Executive Directors.</li> <li>– Branch and functional plans are set to achieve strategic priorities, which are subject to thorough challenge and review by the Board.</li> </ul>
<b>Geopolitical</b>	<p>The external environment continues to be marked by considerable uncertainty globally, as we are in a period of significant political change.</p> <p>Financial markets can be sensitive to geopolitical factors and market volatility can heighten in uncertain environments, impacting performance leading to the Group generating variable returns.</p> <p>Geopolitical uncertainties and external market factors are inherent risks to the financial services industry.</p>	<ul style="list-style-type: none"> <li>– We are focused on delivering long-term value to clients, positioning portfolios appropriately based on our clients' risk profiles and in line with our macroeconomic views.</li> </ul>

#### Financial risks

These are the risks facing our business in terms of inadequate or failed management of finances and the risk introduced by external factors that could have a detrimental impact on our cash flow, capital and liquidity.

##### Direction of change:

Financial risks remain at a similar level to last year and are impacted by the continued uncertainty in the external environment. Economic uncertainty has the potential to impact profitability of our counterparties and their credit ratings.

Principal Risk	Nature of the Risk	Key mitigants
<b>Counterparty</b>	Default by our banking or trading counterparties could put our own or our clients' cash deposits or assets at risk.	<ul style="list-style-type: none"> <li>– A Financial Risk Management Framework is in place which includes managing the Group's exposure to counterparty credit risk and setting and monitoring counterparty limits.</li> <li>– Diversity across our trading and banking counterparties.</li> <li>– Due diligence is undertaken for all banking and trading counterparties.</li> <li>– A Financial Risk Committee provides oversight of the Financial Risk Management Framework.</li> </ul>

## Operational risks

This is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

### Direction of change:

The volume of regulatory change and increasing occurrences of cyber attacks across industries has increased the inherent risk of change management and criminality. We focus on continually strengthening our monitoring and oversight of these risks.

Principal Risk	Nature of the Risk	Key mitigants
<b>Regulatory &amp; Legal Compliance</b>	This is the risk that we are not compliant with all existing applicable regulation and legislation.	<ul style="list-style-type: none"> <li>– Compliance and Legal functions monitor and oversee fulfilment of our regulatory and legislative requirements and interactions with our key regulators.</li> <li>– We are active in various industry and trade associations to help influence regulation and legislation.</li> </ul>
<b>Change Management</b>	The risk that business and regulatory changes are not delivered which impact the Group's performance and ability to deliver strategic objectives.	<ul style="list-style-type: none"> <li>– A Strategic Projects Committee is responsible for prioritising projects and reviewing their status and progress.</li> <li>– A Regulatory Change function within Compliance review new regulation as it is drafted to ensure we are in compliance when it is implemented.</li> </ul>
<b>Conduct</b>	This is the risk of not delivering fair outcomes for clients.	<ul style="list-style-type: none"> <li>– Tone from the top sets a culture which puts delivering fair outcomes for clients at the core of the Group's activities/ethos.</li> <li>– A conduct risk framework sets our approach to conduct risk governance, and the ongoing assessment and monitoring against key metrics and reporting of conduct risk.</li> <li>– A risk based client on-boarding process which ensures that we understand our clients' needs and attitudes to risk.</li> <li>– A quality assurance process to identify and address any instances where the best outcomes for clients are not achieved.</li> <li>– Robust investment governance supported by:               <ul style="list-style-type: none"> <li>– an Investment Governance Committee;</li> <li>– a dedicated research department to set the Group's asset allocation framework; and</li> <li>– a restricted assets policy to prevent investment in unsuitable assets.</li> </ul> </li> </ul>
<b>Criminality</b>	The increasing external risk of criminality and the difficulty of complete prevention is recognised, as the volume and sophistication of information security threats (cyber risk) and fraud attempts across industries increase.	<ul style="list-style-type: none"> <li>– Financial Crime, Information Security and Data Protection functions ensure we have robust preventative and detective measures to reduce this risk.</li> <li>– Dedicated Information Security and Data Protection team report directly to the Group Risk &amp; Compliance Director.</li> <li>– Regular testing of our business continuity, disaster recovery and crisis management plans.</li> </ul>

# Good growth in our core services from strong funds inflows



## Results

The Group's financial performance for the year to 30 September 2017 was strong. Statutory profit before tax from continuing operations was 15.0% higher than last year at £57.6 million (2016: £50.1 million), or 20.6% higher if the results of the acquisition in May 2017 are excluded. Adjusted profit before tax from continuing operations ('adjusted PBT') was 14.8% higher at £70.0 million (2016: £61.0 million), or 12.1% higher if the acquisition in the year is excluded. Adjusted diluted earnings per share ('EPS') was 19.6p per share (2016: 16.8p), an increase of 16.7%.

The 14.8% increase in adjusted PBT was driven by the growth in total income of 7.8% to £304.5 million (2016: £282.4 million) and together with improving operational efficiency. Fixed operating costs grew by 5.2%, leading to an increase in adjusted PBT margin to 23.0% (2016: 21.6%). Statutory PBT margin for the period increased to 18.9% (2016: 17.7%) in line with adjusted PBT margin.

Continuing operations	2017 £m	2016 £m	Change
Core <sup>1</sup> income	291.0	263.3	10.5%
Other income	13.5	19.1	-29.3%
<b>Total income</b>	<b>304.5</b>	<b>282.4</b>	<b>7.8%</b>
Fixed staff costs	(110.2)	(103.5)	6.5%
Other operating costs	(71.8)	(69.5)	3.3%
Total fixed operating costs	(182.0)	(173.0)	5.2%
Adjusted <sup>2</sup> profit before variable staff costs	122.5	109.4	12.0%
Variable staff costs	(52.5)	(48.7)	7.8%
<b>Adjusted<sup>2</sup> operating profit</b>	<b>70.0</b>	<b>60.7</b>	<b>15.3%</b>
Net finance income and other gains and losses	–	0.3	
<b>Adjusted<sup>2</sup> profit before tax</b>	<b>70.0</b>	<b>61.0</b>	<b>14.8%</b>
Exceptional items <sup>3</sup>	(5.7)	(4.6)	
Amortisation of client relationships	(6.7)	(6.3)	
<b>Profit before tax</b>	<b>57.6</b>	<b>50.1</b>	<b>15.0%</b>
Taxation	(12.5)	(11.1)	
<b>Profit after tax</b>	<b>45.1</b>	<b>39.0</b>	<b>15.6%</b>
<b>Earnings per share</b>			
Basic earnings per share	16.5p	14.4p	14.6%
Diluted earnings per share	16.0p	13.9p	15.1%
<b>Adjusted<sup>4</sup> earnings per share</b>			
Basic earnings per share	20.5p	17.7p	15.8%
Diluted earnings per share	19.6p	16.8p	16.7%

1. Core income is defined as income derived from discretionary investment management, financial planning, Brewin Portfolio Service ('BPS') and execution only services.
2. These figures have been adjusted to exclude redundancy costs, onerous contracts, amortisation of client relationships, acquisition costs, incentivisation awards, one-off migration costs and disposal of available-for-sale investments.
3. See reconciliation of adjusted profit before tax to statutory profit before tax on opposite page.
4. See note 13 to the Financial Statements.



## Explanation of adjusted performance measures

We use adjusted PBT, adjusted diluted EPS and adjusted PBT margin ('adjusted measures') to measure and report on the underlying financial performance of the Group, aiding comparability between reporting periods. The adjusted measures are used by the Board and management for planning and reporting. They are also useful measures for investors and analysts. Additionally, we use some of the adjusted performance measures as Key Performance Indicators ('KPIs'), as well as for performance measures for various incentive schemes, including the annual bonuses of Executive Directors and long-term incentive plans.

These adjusted profit measures are calculated based on statutory profit before tax adjusted to exclude various items of income or expense. Such adjusted items are typically infrequent or unusual items which the Directors consider to be outside the ordinary course of business. They can include non-recurring one-off items of either income or expenses. Income or expenditure adjusted for historically has included items such as material gains on available-for-sale assets. One-off expenses can be items such as acquisition costs incurred in the year and migration costs incurred during 2016.

Other adjusted-for-items of income or expense may, like the redundancy costs and onerous contract charges, recur from one period to the next. Although these may recur over one or more periods, they are the result of events or decisions which the Directors consider to be outside the ordinary course of business, such as material restructuring decisions to reduce the ongoing cost base of the Group that do not represent long-term expenses of the business. Incentivisation awards costs in relation to the acquisition in the current year, payable for a predetermined period of time, are adjusted for on this basis.

Additionally, the amortisation expense of acquired client relationships is an expense which investors and analysts typically add back when considering profit before tax or earnings per share ratios.

### Reconciliation of adjusted profit before tax to statutory profit before tax

	2017 £m	2016 £m	Change
Adjusted profit before tax	70.0	61.0	14.8%
Redundancy costs	(0.7)	(2.7)	
One-off migration costs	–	(1.6)	
Acquisition costs	(1.7)	–	
Incentivisation awards	(1.3)	–	
Onerous contracts	(2.0)	(0.3)	
Total exceptional items	(5.7)	(4.6)	
Amortisation of client relationships	(6.7)	(6.3)	
Statutory profit before tax of continuing operations	57.6	50.1	15.0%
Statutory profit before tax of discontinued operations	–	14.0	
Statutory profit before tax	57.6	64.1	-10.1%

### Impact of acquisition


The acquisition of DLAM added £0.7 billion of funds and contributed £2.5 million of income for 4½ months post completion to 30 September 2017. After associated staff costs of £0.6 million and administrative, overhead and variable costs of £0.3 million for the period this resulted in a post-acquisition contribution to adjusted profit before tax of £1.6 million to the Group, equivalent to incremental adjusted diluted earnings per share of 0.5p. The integration of DLAM was completed successfully and the achievement of operational cost synergies has exceeded those originally expected by £0.3 million, on a full year run rate basis.

Additional exceptional costs of £3.0 million resulting from the acquisition were incurred, included within the adjusted items below and impacting statutory profit but not adjusted profit. These comprise:

- the upfront acquisition costs of £1.7 million covering principally advisory fees and integration expenses;
- £1.3 million for additional awards to DLAM staff to incentivise the successful transfer and integration of the business; and
- an incremental charge for the amortisation of the £25.5 million of client relationships acquired (see note 14 to the Financial Statements) of £1.4 million within the £6.7 million total amortisation charge for the Group.

Net of these incremental costs the impact of the acquisition on 2017 statutory profit before tax was a loss of £2.8 million, or a reduction of 1.0 p to statutory diluted earnings per share.

Further exceptional staff incentivisation expense will be incurred over the next five financial years dependent on performance targets being achieved in May next year.

 For more information see our KPIs on page 24

## Financial Review continued

### Funds

£bn	30 September				Net flows	Growth rate	Acquired	Investment performance	30 September	Change
	2016	Inflows	Outflows	Internal transfers					2017	
Private clients	16.9	0.9	(0.7)	–	0.2	1.2%	0.5	1.3	<b>18.9</b>	11.8%
Charities & corporates	4.2	0.1	(0.2)	0.1	–	–%	0.1	0.2	<b>4.5</b>	7.1%
Direct discretionary	21.1	1.0	(0.9)	0.1	0.2	0.9%	0.6	1.5	<b>23.4</b>	10.9%
Intermediaries	6.5	1.5	(0.3)	(0.1)	1.1	16.9%	–	0.5	<b>8.1</b>	24.6%
MPS	1.2	0.9	–	0.1	1.0	83.3%	–	0.1	<b>2.3</b>	91.7%
Total discretionary	28.8	3.4	(1.2)	0.1	2.3	8.0%	0.6	2.1	<b>33.8</b>	17.4%
BPS <sup>1</sup>	0.1	–	–	–	–	–%	–	–	<b>0.1</b>	–%
Execution only	3.5	0.4	(0.8)	0.3	(0.1)	(2.9)%	0.1	–	<b>3.5</b>	–%
<b>Core funds</b>	<b>32.4</b>	<b>3.8</b>	<b>(2.0)</b>	<b>0.4</b>	<b>2.2</b>	<b>6.8%</b>	<b>0.7</b>	<b>2.1</b>	<b>37.4</b>	<b>15.4%</b>
Advisory	3.0	–	(0.1)	(0.4)	(0.5)	(16.7)%	–	0.2	<b>2.7</b>	(10.0)%
Total funds	35.4	3.8	(2.1)	–	1.7	4.8%	0.7	2.3	<b>40.1</b>	13.3%

1. BPS re-categorised from total discretionary.

Indices	30 September	30 September	Change
	2016	2017	
MSCI WMA Private Investor Balanced Index	1,457	<b>1,545</b>	6.0%
FTSE 100	6,899	<b>7,373</b>	6.9%

Total funds grew by 13.3% to £40.1 billion at 30 September 2017 (2016: £35.4 billion), as a result of strong net new funds growth (+4.8%), acquired funds (+2.0%) and investment performance (+6.5%).

Core funds grew by 15.4% (2016: 13.7%) or 13.3% excluding acquired funds, due to continuing strong growth in the intermediaries and MPS channels which represented 91.3% (£2.1 billion) of net discretionary funds inflows during the year.

The acquisition of DLAM increased core funds by £0.7 billion and included £0.6 billion of discretionary funds.

Total discretionary funds grew 17.4% (15.3% excluding acquired funds) to £33.8 billion (2016: £28.8 billion) driven by record gross funds inflows of £3.4 billion (2016: £2.4 billion) and lower gross outflows of £1.2 billion (2016: £1.5 billion). Discretionary net funds inflows of £2.3 billion (2016: £1.1 billion) represents a record annualised growth from discretionary funds of 8.0% (2016: 4.4%), well above our 5% target.

Total direct discretionary growth was maintained with gross organic inflows of £1.0 billion (2016: £1.0 billion). Total direct discretionary funds are now £23.4 billion (including £0.6 billion of acquired assets) (2016: £21.1 billion). Charities and corporates represent 19.2% of our total direct client funds (2016: 19.9%).

Direct discretionary private client funds grew to £18.9 billion (2016: £16.9 billion) with inflows increasing to £0.9 billion (2016: £0.8 billion) in the year. Of particular note was the growth of the wealth management service, which represented over one third of total direct inflows in the year, with 15% (2016: 13%) of our direct private client funds now in this service. As anticipated direct discretionary private client outflows declined from previously elevated levels to £0.7 billion (2016: £1.1 billion). Total net flows for direct discretionary private clients were £0.2 billion, the same as the prior year.

Net funds inflows into charities and corporates were flat for the year (2016: £0.2 billion), as we saw slightly higher outflows of £0.2 billion (2016: £0.1 billion) due to the loss of one large client in the early part of the year.

Gross inflows from our intermediaries channel of £1.5 billion (2016: £0.9 billion) were a record high and we saw continuing strong funds inflows from MPS of £0.9 billion (2016: £0.5 billion). The strength of our intermediaries proposition meant we added over 100 new relationships in the year, taking our total number of relationships to over 1,600. We now have 28 intermediary relationships with funds of over £50 million, with the top 200 relationships accounting for 70% of our intermediaries funds.

Execution only funds, whilst flat at £3.5 billion, saw the loss of certain larger accounts in the first quarter of the year but with very low associated fee income loss.

Advisory funds were £2.7 billion (2016: £3.0 billion). The rate of advisory funds net outflows has declined in the year to an annualised rate of 16.7% (2016: 25.7%), of which £0.4 billion was retained and transferred into other service categories.

## Income

Total income increased by 7.8% to £304.5 million (2016: £282.4 million) and is analysed as follows:

	2017 £m	2016 £m	Change
Private clients	176.4	165.9	6.3%
Charities & corporates	21.8	19.7	10.7%
Direct discretionary	198.2	185.6	6.8%
Intermediaries	55.3	46.0	20.2%
MPS	5.3	2.9	82.8%
Indirect discretionary	60.6	48.9	23.9%
Total discretionary	258.8	234.5	10.4%
Financial planning	20.8	17.5	18.9%
BPS	1.0	0.9	11.1%
Execution only	10.4	10.4	-%
Core income	291.0	263.3	10.5%
Advisory	12.9	15.7	-17.8%
Other income	0.6	3.4	-82.4%
Total other income	13.5	19.1	-29.3%
<b>Total income</b>	<b>304.5</b>	<b>282.4</b>	<b>7.8%</b>

Core income growth of 10.5% to £291.0 million (2016: £263.3 million) was driven by discretionary funds growth of 17.4% (2016: 16.5%) and overall core funds growth of 15.4% (2016: 13.7%). With the Group's continued focus on discretionary funds, core income now represents 95.6% (2016: 93.2%) of total income.

Income from direct discretionary private clients grew 6.3% as we continued to attract new funds and transfer existing clients into this service. Charities and corporates income grew in line with funds growth.

Income from our indirect discretionary business grew by 23.9% as a result of continued strong net funds inflows. MPS income grew strongly in the year to £5.3 million (2016: £2.9 million) as the business benefited from high levels of asset retention and record inflows.

Financial planning income increased by 18.9% to £20.8 million (2016: £17.5 million) reflecting the increased take up of our wealth management service.

Total other income reduced by £5.6 million to £13.5 million (2016: £19.1 million) impacted by slowing but continued outflows from our advisory business, the loss of trail income and the continued low interest rate environment.

## Fees and commissions

Core fee income grew by 15.7% to £207.9 million (2016: £179.7 million) in line with the growth in core funds. Core commission income declined by £3.8 million to £62.3 million (2016: £66.1 million) as a result of a marked decline in market volatility during the year compared to the second half of 2016.

Core fee income now represents over 71% of core income and has increased steadily from 48% in 2010 and 62% in 2013.

The split of fees and commissions is shown in the table below:

£m	2017			2016			Change		
	Fees	Commission	Total	Fees	Commission	Total	Fees	Commission	Total
Private clients	125.3	51.1	176.4	111.2	54.7	165.9	12.7%	-6.6%	6.3%
Charities & corporates	18.8	3.0	21.8	16.6	3.1	19.7	13.3%	-3.2%	10.7%
Direct discretionary	144.1	54.1	198.2	127.8	57.8	185.6	12.8%	-6.4%	6.8%
Intermediaries	53.7	1.6	55.3	44.1	1.9	46.0	21.8%	-15.8%	20.2%
MPS	5.3	-	5.3	2.9	-	2.9	82.8%	-%	82.8%
Total discretionary	203.1	55.7	258.8	174.8	59.7	234.5	16.2%	-6.7%	10.4%
BPS	1.0	-	1.0	0.9	-	0.9	11.1%	-%	11.1%
Execution only	3.8	6.6	10.4	4.0	6.4	10.4	-5.0%	3.1%	-%
Core income excluding financial planning	207.9	62.3	270.2	179.7	66.1	245.8	15.7%	-5.7%	9.9%

## Financial Review continued

### Income yield

(bps)	2017			2016		
	Fees	Commission	Total	Fees	Commission	Total
Private clients	69	28	97	70	34	104
Charities & corporates	43	7	50	43	7	50
Direct discretionary	64	24	88	64	29	93
Intermediaries	72	2	74	75	3	78
MPS	28	–	28	30	–	30
Total discretionary	64	17	81	65	23	88
BPS	70	–	70	70	–	70
Execution only	11	19	30	11	18	29
Advisory	33	13	46	34	15	49
<b>Overall</b>	<b>57</b>	<b>17</b>	<b>74</b>	<b>57</b>	<b>21</b>	<b>78</b>

Overall income yield declined to 74bps (2016: 78bps).

The overall blended yield across all our discretionary services declined to 81bps (2016: 88bps). This was a result of an increasing proportion of funds growth through our intermediaries channel and higher market levels moving direct discretionary private clients into lower priced fee bands. Reduced portfolio turnover rates lowered commission income and consequently the commission yield. This reflects more benign markets decreasing the need for portfolio rebalancing and a general increase in the use of collectives in client portfolios.

On a discrete basis, the yield from our direct discretionary private client channel reduced to 97bps (2016: 104bps) primarily due to lower commission income. Charities and corporates income yield remained consistent with 2016 at 50bps.

Intermediaries yield fell to 74bps (2016: 78bps) as many intermediary relationships grew and became more material in the year. Our intermediaries clients benefited from lower priced volume based fee tiers. As a significant proportion of our intermediaries relationships are now on the most cost effective volume based tariff, we expect the overall yield from this business to remain broadly stable based on the current sources of inflows. The MPS income yield was 28bps (2016: 30bps) as a result of the introduction of lower priced passive products into the range.

The yield on our execution only business increased to 30bps (2016: 29bps), this was primarily due to increased trading activity by our clients. The yield on our advisory business declined to 46bps (2016: 49bps), this was primarily due to a reduction in transactional commission income.

### Adjusted PBT margin

The increase in the adjusted PBT margin to 23.0% in the year (2016: 21.6%) was driven by the growth in total income coupled with the ability of the Group to utilise existing capacity which delivered operational scale benefits. Further, the efficient use of existing capacity together with rising income levels resulted in our target of £75 million of discretionary funds per CF30 being achieved in the final quarter of 2017 (see page 25).

The fourth quarter adjusted PBT margin was 25%, in line with our target set in 2013.

### Costs

Total fixed operating costs increased by 5.2% to £182.0 million in the year (2016: £173.0 million) with staff costs accounting for approximately 75% of the increase.

#### Fixed staff costs

Fixed staff costs increased by £6.7 million to £110.2 million (2016: £103.5 million) as a result of inflationary pay rises and higher cost of sales from the substantial increase in intermediary inflows compared to prior years. Headcount grew by a net 31 over the course of the year to 1,614 from 1,583 at the end of last year.

#### Other operating costs

Overall other operating cost increases were limited to 3.3%, increasing to £71.8 million (2016: £69.5 million). This was largely as a result of increases in premises costs following rent reviews and higher technology spend ensuring our systems and processes are ready for the adoption of MiFID II. These increases were partially offset by further operational efficiencies and lower depreciation charges.

## Variable staff costs

Variable staff costs in the form of profit share increased by 7.8% to £52.5 million (2016: £48.7 million), in line with business performance. Profit share as a percentage of pre-profit share profit fell from 44.5% in 2016 to 42.8% in 2017 as a result of higher levels of deferrals and operational efficiency improvements.

## Exceptional items

Net exceptional costs of £5.7 million (2016: £4.6 million) were primarily due to the acquisition of DLAM which resulted in £3.0 million of transaction related and staff incentivisation costs. Redundancy costs, as a result of restructuring, declined materially from £2.7 million in 2016 to £0.7 million, as the period of major business rationalisation was largely concluded in the year.

The onerous contract charge for the year was £2.0 million (2016: £0.3 million), of which £1.3 million related to the identification of onerous space available for subletting in our Newcastle office, following a review of space utilisation and subsequent reorganisation (see note 23 to the Financial Statements for further information). Furthermore, a subdued property market for prime office space in Edinburgh resulted in the previously identified onerous space not being sublet in line with our expectations; the onerous provision has been revised to reflect this.

## Amortisation of client relationships

Amortisation of client relationships increased to £6.7 million (2016: £6.3 million), including £1.4 million for 4½ months' amortisation of the client relationships acquired in the year, offset by a reduction in the amortisation of other previously acquired client relationships which have now reached the end of their amortisation periods.

## Defined benefit pension scheme

The final salary pension scheme moved from a deficit of £7.0 million to a surplus of £4.5 million in the year resulting in an actuarial gain of £8.6 million being recognised (2016: £7.0 million loss).

Under IAS 19, large annual fluctuations can occur. The swing to a surplus has largely been driven by an increase in the discount rate, reflecting a rebound in the level of corporate bond yields from their near low point at the end of September 2016. This served to decrease the present value of liabilities that were significantly higher at 30 September 2016 than in the recent past; this was partially offset by an increase in the inflation assumption from 3.1% to 3.3% per annum. Changes to post retirement mortality assumptions, members transferring the value of their benefits out of the scheme and cash contributions to the scheme have also contributed to the movement.

The Group continues to make contributions of £3.0 million per annum, as part of the funding plan agreed with the trustees of the Group's Defined Benefit Pension Scheme (see note 18 to the Financial Statements).

## Dividend

The Group's dividend policy is set out in the Chairman's Statement, see page 15.

In determining the level of dividend in any year, the Board considers a number of factors including: the level of distributable reserves; the future cash commitments and investment needs to sustain the long-term growth of the Group; the level of dividend cover; and anticipated regulatory capital requirements.

The Company is the parent company of the Group and is a non-trading investment holding company. It derives its distributable reserves from dividends received from its subsidiaries, of which Brewin Dolphin Limited is the principal operating subsidiary. Before any interim or final dividends are proposed by the Board it satisfies itself that there will be sufficient distributable reserves in the Company at the respective payment dates.

The distributable reserves of the Company, comprise £38.4 million of the merger reserve (see note 26 to the Financial Statements) and the majority of the balance on the profit and loss reserve.

The Group is well positioned to continue funding dividend payments in accordance with its policy. The ability of the Board to maintain future dividends will be influenced by a number of the principal risks identified on pages 28 to 29 that could adversely impact the performance of the Group.

Furthermore, with the current cash resources available to the Group we continue to be well positioned to support our strategy. Further details of the Group's cash flow can be found below; details of its continuing viability and going concern are both on page 37. The majority of the cash resources are held by the principal operating subsidiary Brewin Dolphin Limited.

## Financial Review continued

### Capital resources and regulatory capital

The Group's financial position remains strong with net assets increasing to £262.6 million at 30 September 2017 (2016: £242.8 million), primarily as a result of good profit retention and the actuarial gain on the defined benefit pension scheme. Tangible net assets (net assets excluding intangibles) are £166.8 million (2016: £161.8 million).

At 30 September 2017, the Group had regulatory capital resources of £165.2 million (2016: £164.0 million), see note 28 to the Financial Statements.

The Group's primary regulator is the Financial Conduct Authority ('FCA'). The FCA rules determine the calculation of the Group's regulatory capital resources and regulatory capital requirements. As required under FCA rules, we perform an Internal Capital Adequacy Assessment Process ('ICAAP') which includes performing a range of stress tests to determine the appropriate level of regulatory capital that the Group needs to hold.

The Group's Pillar III disclosures are published annually on our website and provide further details about regulatory capital resources and requirements.

### Cash flow and capital expenditure

The Group had a small cash outflow for the period of £0.9 million (2016: £20.5 million inflow) after paying £25.5 million for the DLAM acquisition, financed entirely from its cash reserves. This resulted in total net cash balances of £170.0 million as at 30 September 2017 (2016: £170.8 million).

Adjusted EBITDA (see table below) was £85.2 million (2016: £75.6 million), 12.7% higher, the increase being in line with adjusted PBT growth for the year. £3.0 million was contributed to the defined benefit pension scheme (2016: £3.0 million). Capital expenditure of £2.0 million was significantly lower than previous periods (2016: £6.4 million), resulting from lower capitalisation of software due to the nature of IT developments.

Cash outflow for own share 'matching' purchases in the period comprised £5.6 million (2016: £6.7 million) for the Deferred Profit Share Plan and Equity Award Plan, to match the awards made in 2016. All past awards are fully matched. £0.2 million (2016: £0.2 million) of shares were purchased for the Share Incentive Plan (see note 29 to the Financial Statements). £0.5 million was received from shares issued in the period in relation to Approved Share Options (2016: £0.4 million).

Dividends paid in the period increased by 11.6% to £36.6 million (2016: £32.8 million).

	2017 £m	2016 £m
Adjusted profit before tax	70.0	61.0
Finance income and costs	–	(0.3)
Adjusted operating profit	70.0	60.7
Share-based payments	8.1	8.4
Depreciation and amortisation	7.1	6.5
Adjusted EBITDA	85.2	75.6
Pension funding	(3.0)	(3.0)
Capital expenditure	(2.0)	(6.4)
Proceeds on disposal of trading investments	1.1	–
Working capital	(1.0)	(0.6)
Interest and taxation	(9.7)	(8.5)
Acquisition of subsidiary	(25.5)	–
Exceptional items	(2.2)	(3.1)
Acquisition costs	(1.7)	–
Discontinued operations	(0.2)	5.8
Shares purchased and disposed of	(5.8)	(6.9)
Shares issued for cash	0.5	0.4
<b>Cash flow pre-dividends</b>	<b>35.7</b>	<b>53.3</b>
Dividends paid	(36.6)	(32.8)
<b>Cash flow</b>	<b>(0.9)</b>	<b>20.5</b>
<b>Opening cash</b>	<b>170.8</b>	<b>149.8</b>
Exchange and other non-cash movements	0.1	0.5
<b>Closing cash</b>	<b>170.0</b>	<b>170.8</b>

## Going concern

The Group's business activities, performance and position, together with the factors likely to affect its future development are set out in the Chairman's Statement, Strategic Report and Risk Committee Report.

The Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk are described in note 28 to the Financial Statements.

The Directors believe that the Group is well placed to manage its business risks successfully. The Group's forecasts and projections, taking account of possible adverse changes in trading performance, show that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis for the preparation of the Financial Statements. In forming their view, the Directors have considered the Group's prospects for a period exceeding 12 months from the date the Financial Statements are approved.

## Viability Statement

The Directors have assessed the outlook of the Company over a longer period than the 12 months required by the going concern statement in accordance with the UK Corporate Governance Code.

The assessment is based on the Group's Medium Term Plan ('MTP'), the Internal Capital Adequacy Assessment Process ('ICAAP') and the evaluation of the Group's principal risks and uncertainties (see page 28), including those risks that could threaten its business model, future performance or solvency.

The Group maintains a five-year MTP as part of its corporate planning process, which is a financial articulation of the Group's strategy. The financial forecasting model is predicated on a detailed year-one budget and higher level forecasts for years two to five.

As a matter of good practice and as part of the ICAAP required by the Financial Conduct Authority ('FCA'), the firm performs a range of stress tests including reverse stress tests. These assess the Group's ability to withstand a market-wide stress, a Group-specific (idiosyncratic) stress and a combined stress taking into account both market-wide and Group-specific events. The stress tests are derived through discussions with senior management, after considering the principal risks and uncertainties faced by the Group, and the scenarios involved are refreshed on a regular basis to ensure they remain current.

The stress tests enable the Group to model the impact of a variety of external and internal events on the MTP; to identify the potential impact of stress events on the Group's income, costs, cash flow and capital; and the Board to assess the effectiveness of any management actions that may be taken to mitigate the impact of the stress events.

The reverse stress tests allow the Board to assess scenarios and circumstances that would render its business model unviable. This enables the identification of potential business vulnerabilities and the development of potentially mitigating actions.

During the year the Group has continued to evaluate the potential risks and opportunities of the UK leaving the European Union. Although there remains limited clarity on the final outcome of the negotiations, a range of potential scenarios have been considered and the potential impacts on our clients, the Group and the wider industry have been assessed. This analysis does not present any reason to believe the Group will not remain viable over the long-term. The Group will continue to engage with industry bodies, regulators and clients to further understand these impacts and manage the associated risks.

Following the assessment of the above, the Board concluded that the Viability Statement should cover a period of five years. While the Directors have no reason to believe that the Group will not be viable over a longer period, this period has been chosen to be consistent with the MTP used as part of the Group's corporate planning process.

Taking account of the Group's current position and principal risks and the Board's assessment of the Company's prospects, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a period of at least five years.

## Andrew Westenberger

Finance Director

28 November 2017

# Employee engagement drives value for all stakeholders

## The importance of engagement

It is widely recognised that an organisation whose employees are engaged with its purpose and culture will perform better than others, and create value for clients and shareholders. This is because engaged employees feel a strong connection with their employer and believe their work is important.

This is certainly what we believe. For us, engagement has a strong role to play in helping our people be as good as they possibly can be, and this underpins a superior business performance. At Brewin Dolphin, our Human Resources ('HR') function and Corporate Responsibility ('CR') activities are both recognised as powerful builders of engagement.

## Our rising engagement score

It is very important to us that we understand our engagement performance. In 2017, we commissioned an employee engagement survey for the third successive year. Once again, this is proving to be an active tool that helps us listen to our people, understand what they want and focus on improvement.

This year's survey demonstrated that this approach is working. It showed a rise in the Brewin Dolphin engagement score, up by four percentage points ('pp') on last year's very strong result to 82%. This is well ahead of the financial services industry benchmark of 76%, and continues the year-on-year improvement that we've seen since the survey's initial launch.

Every office identifies local initiatives that can make a positive impact on the workplace. Taking the rich data the survey provides we also focus on a number of Group-wide work streams. Satisfaction with internal communication, for example, rose by 14 pp, while that for learning and development rose by eight pp. This is especially good to see, as these are the two key areas in which HR can most directly improve employee engagement.

These were not the biggest rises, however – working with our colleagues across our Business Support function saw their overall engagement score rise from 67% to 80% (13 pp). The employee participation rate in the 2017 engagement survey, meanwhile, was 88%. This is an exceptional level of participation by any standards, and we see it as an endorsement of the actions we have taken following past surveys.

## Culture and engagement

We continue to nurture and strengthen the elements of our culture that we believe will engage our people and drive the best possible service for our clients.

From both an internal and external perspective, our brand values are key features of our culture. This is why in 2016 we involved employees, clients and prospective clients in identifying our three core values of:

- Genuine: heartfelt advice, delivered by people who care
- Expert: skillfully facilitating important decisions
- Ambitious: making more of life's opportunities

During 2017, we focused attention on embedding these values throughout the organisation. In particular, they have become key factors in our performance management and promotion processes. They have also provided the platform for the newly launched Brewin Dolphin People Awards, in which employees nominate colleagues for their exceptional qualities in these three areas.

The values also reflect Brewin Dolphin's cultural desire to do what is right, which is echoed in how we treat our clients, our employees and our communities. In particular, they run through all our 'people' processes, covering performance, talent and development, ensuring that 'how' we do things is at least as important as 'what' we do.

## Driving diversity and inclusion

Our ongoing commitment to Diversity and Inclusion ('D&I') continued during 2017, focusing on issues wider than gender and ethnicity to help us ensure that we attract the very best talent we can find and enable all our people to perform to the best of their ability. This approach enables Brewin Dolphin's people to benefit our clients, our business and society as a whole, as well as themselves.

During the year, the D&I Committee was reinvigorated to broaden the scope of the issues that we address. Specific actions included joining the City of London Mental Health Alliance, a self-help group aiming to eliminate the stigma surrounding the subject.

We also started to work with the 'Outstanding' LGBT business network, with employees participating in their mentoring programme as mentors and mentees.

In addition, we joined the Business Disability Forum, which aims to open up visibility around the issues of disability in the workplace.

All these organisations, and more, were identified as offering opportunities for interaction, as they gain from the contributions of our people as much as we do from theirs.

Last year, we reported on the unconscious bias training initiative we ran across the organisation. In 2017, we took this a stage further, addressing all our recruitment literature and selection processes to reduce unconscious bias and attract the broadest range of candidates.

During the year, we hired 208 new employees across the organisation. In seeking the best candidates, we are delighted that more than half (53%) of these hires have been female.





Janet Barrett, winner in the CR category at the Brewin Dolphin People Awards, raised thousands of pounds by selling knitted chicks for a cancer charity.

For more information  
<https://www.brewin.co.uk>

The 'Women @ Brewin' initiative that we announced last year has continued to grow in scale and positive impact. It enables our employees to meet and discuss career issues with successful female role models, both from our Board and from outside the organisation. High-profile external participants in the programme during 2017 included Heather Hanbury, headmistress of the Lady Eleanor Holles School, and Ebru Köksal, a leading figure in global football.

### Learning, development and talent

During 2017, we ran a wide range of internal and external initiatives designed to improve the skills and personal development of our employees, and to identify the best talent of the future. In this way, we aim to attract and retain the best people to achieve competitive advantage by delivering a superior quality of service.

Our internal development programmes addressed every level of the Group. For example, we developed in-house a fully bespoke Executive Leadership Programme that aims to prepare those individuals identified with the appropriate talent to reach and perform strongly at the highest levels of the organisation. This year-long programme took into account our growth strategy and aspirations, using the input of psychologists and one-to-one feedback to ensure it matched our organisational needs as well as the personal requirements of the 13 participants.

At the other end of the scale, we also launched the Financial Planning Academy, a Government-approved apprentice scheme aiming to achieve social good as well as providing us with a sustainable pipeline of planning talent. In this first year, 16 individuals from diverse backgrounds, aged 22 to 47, participated with the aim of becoming para-planners. Encouragingly, half of these were female.

We also continued the programmes mentioned in the 2016 report. These included the business apprenticeship programme we launched in 2016 in our Newcastle-upon-Tyne office. This is now fully embedded, and is operating on a six-month cycle. Our emerging talent programme also continued at the expanded level we announced last year, with 30 graduates participating this time.

### Driving new efficiencies in HR

Our new HR system was fully integrated during the year. It enables our people to find all HR-related materials, from performance management data to holiday dates, more efficiently.

We also introduced the use of LinkedIn to our recruitment programmes, enabling us to develop direct relationships with candidates and drive down our spend with agencies.

### Tax strategy

Our tax strategy, as published on our website, outlines our governance arrangements, our approach to tax risk and tax planning, and how we interact with tax authorities. We manage tax risk within our Group wide risk management and governance framework where we operate an industry standard 'three lines of defence' model. As befits our operating structure and straightforward business model, our appetite for tax risk is low.

While we are mindful to run our business in a cost effective manner in line with our obligations to our shareholders, we do not participate in aggressive tax planning or condone abusive tax practices which would contravene our ethics and culture.

## Corporate Responsibility continued

We use legitimate tax reliefs for the purpose they were intended and aim to pay the right amount of tax in the territories in which we operate. We believe in fostering professional working relationships with HM Revenue & Customs ('HMRC') and other tax authorities and we work with industry bodies and HMRC supporting initiatives to reduce complexity and unintended commercial consequences in the development of tax legislation.

### Our Corporate Responsibility activities

This was an outstanding year for CR at Brewin Dolphin. The further development of our strategy and twice-yearly updates to the Board have ensured that issues involving CR are of increasing importance to our people at every level of the organisation.

As a result, CR activities become more directly connected to our values, particularly the 'genuine' aspect, which is underpinned by the authenticity of our people's commitment to supporting good causes.

This growing importance is borne out by the findings of our 2017 engagement survey. Last year, we were delighted to be shortlisted for a major national award on the strength of a 34% rise to 78% in the importance of CR to our people. This year, that score rose again to 85% – a full 20 percentage points ahead of the national benchmark for the financial services industry.

Significant progress has been made since 2015, which was when we commenced an intensified strategic focus on CR. This has seen us bring together a number of previously disparate corporate-level initiatives in an integrated fashion under the same management structure.

These include:

- Volunteering Day: every employee is entitled to one paid day each year to volunteer for a good cause in the community, either singly or as part of a team. In the year 2016/17, our people had volunteered for more than 3,000 hours. With around 25% of employees participating, this is gathering momentum from a standing start in 2015. Looking ahead to 2020, our target is for 40% of employees to volunteer each year for the cause of their choice.
- Payroll Giving: all of our employees get the chance to contribute to charity directly from their pre-tax salary. The numbers choosing to do so increased by a third this year. Brewin Dolphin matches donations by up to £20 every month. As a result of our people's efforts, we received the government-supported Payroll Giving Quality Mark Gold Award for the second successive year.
- Fundraising Matching: every employee can claim a £100 donation from Brewin Dolphin for their chosen cause if they raise over £100, or £200 if they raise more than £1,000. In 2017, 170 employees collectively raised £136,000, with £19,500 in match-funding.
- Small Grants: employees can nominate a small local charity for a grant of up to £1,000. In the year 2016/17 over £20,000 was donated to 25 charities.

Our offices have continued to be active in their communities through sponsorship of events such as local literary and flower festivals as well as charitable sporting events.



Children at one of our partnership events

These initiatives are complemented by a number of key corporate partnerships with charities or non-profit social enterprises whose work is aligned with our purpose of creating access to opportunity. We have deliberately selected small-to-medium-sized partners so that our input and financial support can make an important positive difference to them.

These partnerships are with Enabling Enterprise and Dress for Success Dublin, which promotes economic independence for women.

## Preparing for the world of work

We believe that providing work experience is a highly effective way of improving opportunities for young people, and this belief drove much of our CR activity during the year.

For example, we participated alongside other employers in the 'Capital Experience' initiative, run by the national Career Ready charity which prepares young people for a life in work. We ran networking and Q&A sessions for groups of participating school students from across the UK, many of whom were visiting London for the first time.

We further developed our Brewin Dolphin Career Workshops during 2017, in which 18 school students aged 16 – 18 joined us for a week-long programme designed to help them experience the reality of office life. This included a series of seminars and presentations on areas ranging from marketing to HR. Participants included pupils from an inner-city school in London, as well as several young people who applied via the Brewin Dolphin website.

We have also become the first business partner for the Winning Scotland Foundation, an independent charity that uses the inspiration of successful sportspeople to help children and young people learn important life skills. With a particular focus on the 'growth mindset', it aims to create a generation of young people who can achieve their personal best. Our focus in this first year was on identifying where we can best support the charity's goals.

We are always keen to look for opportunities to work with young people across our wide network of offices, and this year we ran a series of day-long sessions on career preparation for sixth form students from Gateshead.

## Environmental activities

At Brewin Dolphin, our main environmental impacts are through largely UK-based travel and the consumption of resources and emissions at the buildings in our branch network. We do all we can to reduce any such impacts through sensible policies and initiatives including Green IT and recycling programmes. Please see page 72 for our full environmental statement.

## Supplier initiatives

Even though we are largely UK based, we are aware of the risks associated with a supply chain that crosses borders, potentially into nations where employee rights do not match our own standards. We take our responsibilities very seriously in this area and are taking those actions necessary to understand our supply-chain and carry out any required remedial activities that we identify.

## Skills, experience and aspirations for success

Our national partnership with Enabling Enterprise has developed further this year.

We have hosted students taking part in their school programmes at a growing number of offices, including those in Nottingham, Leeds, Birmingham, Manchester and London. Over the course of the year, 375 students worked with over 50 of our employee volunteers.

Enabling Enterprise's vision is that one day every student will leave school equipped with the skills, workplace experience and aspirations they need to succeed. From a single classroom in 2009, Enabling Enterprise now works with over 85,000 students each year and provides training and support to more than 3,400 teachers.

One school, Gilbertstone Primary in Yardley, Birmingham is starting its fourth year of working with Enabling Enterprise. In June 2017, 20 Year 5 students visited Brewin Dolphin's office in the city as part of their Enabling Enterprise programme.

"A fantastic Enabling Enterprise day, when the children thoroughly enjoyed using their problem-solving skills to trade on the stock market! All of the children shared ideas effectively and demonstrated great teamwork skills throughout the day."  
*Teacher, Gilbertstone Primary School*

"A great day! The children were fantastic; they had such good questions and worked really well in their teams to achieve a great outcome for their client."  
*Volunteer, Brewin Dolphin*

"I have enjoyed learning about the stock market – something we have never done before."  
*Student, Gilbertstone Primary School*

## Board of Directors

# Creating sustainable value for the benefit of our shareholders

### Chairman



**Simon Miller**  
Chairman

Simon Miller was appointed Chairman in March 2013. He joined the Board in 2005 and became Deputy Chairman and Senior Independent Director in 2012. He read law at Cambridge and was called to the Bar. He subsequently worked for Lazard Brothers and County NatWest. He is also chairman of Blackrock North American Income Trust PLC and JPMorgan Global Convertibles Income Fund and a non-executive director of STV.

### Executive Directors



**David Nicol, CA, Chartered FCSI**  
Chief Executive

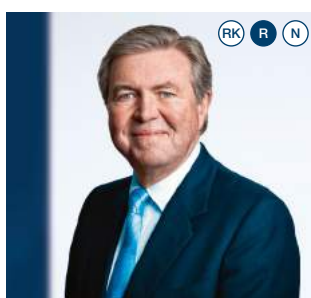
David Nicol joined the Board as a Non-Executive Director in March 2012 and was subsequently appointed Chief Executive in March 2013. He trained and qualified in 1980 as a chartered accountant with EY and spent two years working for KPMG in Hong Kong. He joined Morgan Stanley in 1984, where he worked for 26 years in a number of operations and finance roles. He was a director and CAO of Morgan Stanley International PLC from 2004 to 2010. David was a non-executive director of Euroclear plc from 1998 to 2010 and was on the board of the Chartered Institute of Securities and Investments until September 2015. He is on the Council of the Institute of Chartered Accountants of Scotland and is chairman of the appointment committee of the Hermes Property Unit Trust.

### Non-Executive Directors



**Kath Cates**  
Senior Independent Director

Kath Cates was appointed as a Non-Executive Director on 18 December 2014 and became Chair of the Risk Committee on 1 September 2015. At the February 2017 AGM, she was appointed as the Senior Independent Director. Kath has over 20 years' experience in international financial services, latterly as chief operating officer, wholesale banking for Standard Chartered Bank. She is currently a non-executive director and chair of the risk committee for RSA Insurance Group plc and a non-executive director of Threadneedle Investment Services Limited.



**Paul Wilson**  
Non-Executive Director

Paul Wilson was appointed as a Non-Executive Director in December 2013. Paul has over 25 years' experience of the financial services industry. Until February 2014, he was an advisory partner at Bain & Company, previously being responsible for their financial services practice. Paul is the senior independent director of XL Catlin UK and chair of their risk and reserving committee. He is also CEO of the World Platinum Investment Council and is a group board independent director at Unigestion Holding SA, based in Geneva. Paul is chairman of Action Against Hunger (UK). He holds an MBA from Harvard Business School.



**Caroline Taylor**  
Non-Executive Director

Caroline Taylor was appointed as a Non-Executive Director in May 2014 and is the Non-Executive Board member responsible for Corporate Responsibility within Brewin Dolphin. Caroline has over 25 years' experience in the financial services sector with a strong background in investment management and in-depth knowledge of all aspects of investment management operations, compliance and legal issues. Caroline was a director of Goldman Sachs Asset Management International from 2005 to 2012 and is currently a non-executive director of Ecclesiastical Insurance Office PLC.



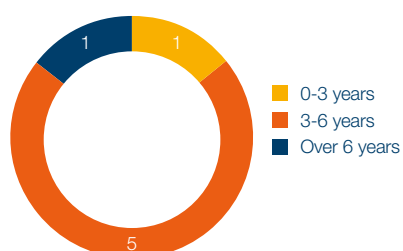
**Ian Dewar, FCA**  
Non-Executive Director

Ian Dewar was appointed as a Non-Executive Director in November 2013. He retired from KPMG in 2012 after a 32-year career, including 19 years as a partner. During that time, he performed a wide variety of roles, both within KPMG and as a non-executive trustee in the charity sector. An accountant by training, his experience has been in audit, advisory, client relationship and practice management roles. He has spent the last 28 years working in the financial services sector. Ian is a non-executive director of Manchester Building Society, Arbuthnot Banking Group PLC and The Aldenham Foundation.

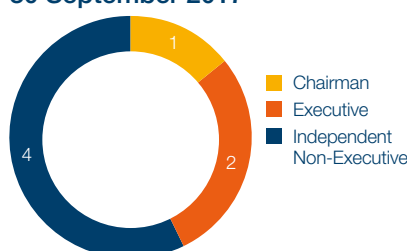
### Key to our committees

- A Member of the Audit Committee
- N Member of the Nomination Committee
- R Member of the Remuneration Committee
- RK Member of the Risk Committee
- D Member of the Disclosure Committee
- E Member of the Executive Committee
- Denotes Committee Chairman

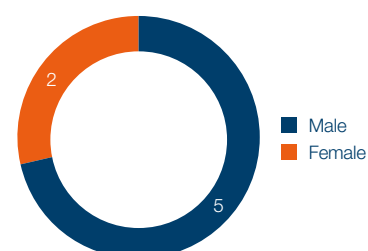
**Length of tenure of Directors at 30 September 2017**



**Balance of Executive and Non-Executive Directors at 30 September 2017**



**Balance of male and female Directors at 30 September 2017**



# Corporate values at the heart of governance

### Chairman's overview

We rely on our values to guide how we govern ourselves at every level of the organisation. By doing so, we make every effort to behave as our clients, employees, shareholders and regulators would expect.

We apply good practice to all aspects of Board leadership and governance, just as we do to providing clients with the best possible financial advisory and portfolio-management services.

As a result, the desire to behave ethically and act for the benefit of clients, employees and shareholders is firmly entrenched in our culture at every level of the organisation. Brewin Dolphin's values – Genuine, Expert and Ambitious – provide the foundations of our approach to governance.

In this brief introduction to corporate governance at Brewin Dolphin we highlight some of the Board's most significant actions and initiatives taken during 2017. These are designed to ensure our growth strategy is driven by our culture and values.

### Leadership for growth

During the year, we continued to ensure that the Board collectively has the skills and experience to guide and advise our executive management as they pursue an ambitious growth strategy.

At our AGM in February 2017, Kath Cates became our Senior Independent Director. This followed the retirement of Angela Knight, who served the Board with great distinction for nine years.

As announced on 15 November 2017, Mike Kellard will join the Board as a Non-Executive Director with effect from 1 December 2017. Mike has over 25 years' experience in the life, pensions and wealth management markets and we look forward to his contribution. We continue the search for an additional Non-Executive Director with experience to complement the Board's existing skill set.

Effective succession planning ensures that we can identify and develop those individuals with the talent, cultural awareness and ambition to assume senior positions.

Following last year's review of our leadership pipeline, we have strengthened our emphasis on developing talent at every level of the organisation. Exemplifying this approach at one end of the spectrum was the launch during the year of an apprentice scheme, the Brewin Dolphin Financial Planning Academy. At the other, we created and introduced an Executive Leadership Programme which aims to equip those who have been identified as future leaders of the business with the necessary skills to enable their development. Further information on both initiatives can be found on page 39.

### Improving engagement

For the third year in a row, we have undertaken an all employee engagement survey across the organisation. For the second successive time, this has shown substantial improvements in engagement under almost every measure.

These results enable the Board and senior management to understand and act on those areas of the business where there is room for improvement. The Board was pleased this year to see significant growth in employee satisfaction with our career-development and internal communications programmes, two areas on which we have focused considerable attention. See page 38 for more information.

We believe that the engagement survey enables Brewin Dolphin to create, sustain and improve the working environment.

### Board effectiveness

In last year's Annual Report, I said that there would be an externally facilitated performance evaluation during 2017. We appointed the London-based corporate advisory firm, Lintstock Ltd ('Lintstock'), to carry this out. We have subsequently engaged them to work with us for a three-year period. See page 47 for more information.

The next few pages contain our Corporate Governance Statement and detailed reports from our Board Committees.

### Simon Miller

Chairman

28 November 2017

## Leadership

The Board has a majority of independent Non-Executive Directors. Further information on the Directors' range of skills and expertise can be found on pages 42 and 43. In order for the Directors to discharge their responsibilities as set out in the Matters Reserved for the Board, the Board meets at least eight times a year (a full list of Matters Reserved for the Board can be found on our website). In addition to this, the Board attends a strategy day to discuss in depth the Group's direction with executive management.

### Key areas of discussion that took place during the year:

#### Routine

- Reports from the Chief Executive
- Reports from the Finance Director
- Reports from the Group Risk & Compliance Director
- Group strategy review
- Broker reports on shareholder feedback
- Medium-term plan and ICAAP
- Board and Committee evaluations
- Management presentations
- Training

#### Non-routine

- People strategy
- Corporate Responsibility strategy
- Duncan Lawrie Asset Management Limited ('DLAM') acquisition
- Deep dive on Investment Governance

### Board composition and roles

The Board is collectively responsible for the long-term success of the Group, in accordance with the UK Corporate Governance Code, there is a clear division of roles and responsibilities as shown below:

#### Chairman

- Provides leadership to the Board, promoting constructive debate and challenge between the Executive and Non-Executive Directors.
- Ensures that there is good information flow to the Board, and from the Board to its key stakeholders.
- Supports and advises the Chief Executive, particularly in the development of strategy.
- Builds an effective and complementary Board, regularly considering its composition and balance, diversity and succession planning.

#### Chief Executive

- Provides leadership to the Group.
- Develops strategy proposals for recommendation to the Board and is accountable for business performance.
- Maintains a dialogue with the Chairman on all important matters and strategic issues facing the Group.
- Ensures that there is an effective framework of internal controls, including risk management, covering all business activities.
- Ensures that the Board is fully informed of all key matters.

#### Finance Director

- Supports the Chief Executive in developing and implementing strategy.
- Oversees the financial delivery and performance of the Group and provides insightful financial analysis that informs key decision making.
- Leads investor relations activities and communication with investors alongside the Chief Executive.
- Works with the Chief Executive to develop budgets and medium-term plans to support the agreed strategy.

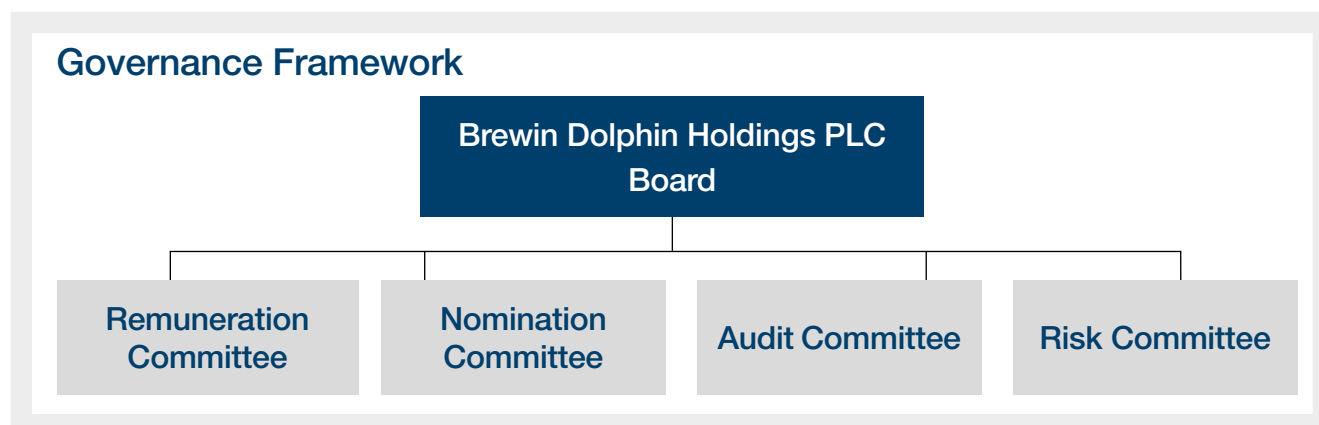
#### Senior Independent Director

- Acts as a sounding board for the Chairman and serves when required as an intermediary for the other Directors.
- Meets with the Non-Executive Directors (without the Chairman present) at least annually and leads the Board in the ongoing monitoring and annual evaluation of the Chairman's performance.
- Available to meet with major shareholders and acts as a point of contact for shareholders and other stakeholders.

#### Independent Non-Executive Directors

- Constructively challenge management and decisions taken at Board level.
- Oversee the performance of management in meeting agreed goals.
- Support the Chairman and Executive Directors in instilling appropriate culture, values and behaviours in the boardroom and across the Group.
- Challenge the adequacy and quality of information received prior to Board meetings.

## Corporate Governance Report continued



The Board delegates certain responsibilities to formal Board Committees whilst maintaining an appropriate level of oversight through regular reports from the Committee chairs. Further information on the individual committees' composition and activities in the year can be found throughout this section of the Annual Report and Accounts.

### Executive Committees

Responsibility for the Group's day to day management is delegated to the Chief Executive, who chairs an Executive Committee. The purpose of this Committee is to support the Chief Executive in the implementation and formation of strategy, as well as overseeing the day to day running of the Group. Further, it agrees operational decisions that are otherwise not reserved for the Board. The Committee consists of eight members of senior management from different areas of the business and meets monthly.

There is a Disclosure Committee which is a delegated Committee of the Board. It focuses on discharging the Company's duties in accordance with the EU Market Abuse Regulation. It comprises the Chief Executive, Finance Director, either the Group Risk and Compliance Director or the Head of Compliance (as alternate), and either the Company Secretary or Head of Legal (as alternate).

### Effectiveness

#### Composition

A review of the Board composition is conducted by the Nomination Committee and since Angela Knight's retirement at the 2017 AGM, the Committee has been searching for potential Non-Executive Directors based on merit against objective criteria. More information on this search can be found in the Nomination Committee Report on page 48.

#### Induction of Directors

All new Directors receive a tailored induction programme designed to broaden their understanding of the Group's operations, strategic aims and culture. This involves meetings with the Directors and members of the senior management team and the provision of any relevant training.

#### Time commitment

The expectation of the Non-Executive Directors' time commitment is set out in their letters of appointment. Copies of which are available for inspection at the Company's Registered Office and will also be available at the AGM. Their attendance, along with Executive Directors, at meetings during the year is set out in the table below.

#### Board and Committee attendance record

Member	Independent	Board	Nomination Committee	Risk Committee <sup>3</sup>	Audit Committee <sup>3</sup>	Remuneration Committee
<b>Executive Director</b>						
David Nicol	N	8/8	n/a	n/a	n/a	n/a
Andrew Westenberger	N	8/8	n/a	n/a	n/a	n/a
<b>Non-Executive Director</b>						
Simon Miller	N	8/8	3/3	n/a	n/a	5/5
Kath Cates <sup>1</sup>	Y	8/8	2/2	5/5	8/8	n/a
Paul Wilson	Y	8/8	3/3	5/5	n/a	5/5
Caroline Taylor	Y	8/8	3/3	n/a	8/8	5/5
Ian Dewar	Y	8/8	n/a	5/5	8/8	5/5
Angela Knight <sup>2</sup>	Y	3/3	1/1	n/a	5/5	n/a

1. Kath Cates was appointed as a member of the Nomination Committee following Angela Knight's retirement.

2. Angela Knight attended all meetings until her retirement at the 2017 AGM.

3. The Risk Committee and the Audit Committee held one joint meeting during the year to discuss the ICAAP.



## Directors' conflicts of interest

The Board has a policy in place for managing and, where appropriate, approving conflicts or potential conflicts of interest. All Directors are provided with an opportunity to disclose any changes in conflicts at the start of every meeting.

## Independence of Directors

All Non-Executive Directors are considered to be independent in character and judgement and do not hold any positions that will conflict with their responsibilities with the Group.

## Information flow

As part of the annual cycle, all Board Committees forward plan their agendas for the year to ensure that important issues are addressed. The Chairman of each Committee works closely with the Company Secretariat and other relevant members of senior management to agree areas of discussion or approval.

## Board evaluations

The Board and its Committees undertake an annual evaluation of their performance. The appraisal process provides an opportunity for the Board to appraise its own effectiveness and identify areas of development as well as follow up on the actions raised from the previous review.

In 2017 Lintstock Ltd were appointed as a retained adviser, for a three year programme to facilitate Board evaluations and to provide continuity. Lintstock designed a set of questionnaires for this year's review, focusing on areas of specific relevance to the Group. Topics included the composition of the Board and its Committees, board dynamics, risk management, strategy oversight, board efficiency, board training and priorities for change. It is intended that an interview exercise will be conducted next year followed by a questionnaire only approach in the final year.

Lintstock produced anonymised reports from the online questionnaires and these were discussed by the Board and its committees at their relevant meetings. Overall the results were positive and a number of actions were agreed. Progress against these actions will be reviewed during the year. Lintstock has no other connections to the Company.

Evaluation topic	Action
<b>Board composition</b>	Review of skills matrix to ensure the correct balance of skills and experience. Continuing succession discussions for Executive, Non-Executive and senior management roles.
<b>Board support and efficiency</b>	Improvements to be made to length and focus of Board papers. Improved clarity to avoid duplication between Board and Committee agendas.
<b>People</b>	Increased opportunities for Board members to meet with senior management and wider employee population to enhance challenge and improve evaluation.
<b>Strategic oversight</b>	Redesigned agendas to ensure more meeting time focused on strategy, mergers and acquisitions and other key issues.

## Director evaluation

During the year, the Chairman evaluated the performance of the Directors in one-to-one meetings and the Senior Independent Director evaluated the performance of the Chairman. It was confirmed that each Director continued to deliver the required commitment to their role and made an effective and valuable contribution to the Company.

## Accountability

Please see pages 26 to 29 in the Strategic Report for an overview of the Group's Principal Risks and Uncertainties and a description of the risk management framework.

Please see page 71 of the Directors' report for a description of how the Board has discharged its responsibilities in relation to internal controls and risk management.

## Shareholder relations

The Chairman, Chief Executive and Finance Director meet regularly with the Group's major shareholders. The Chairman communicates the shareholder feedback at the following Board meeting. The Board also receives regular broker reports which detail shareholder feedback.

Following the release of our annual results, an analysts and investor presentation is held. The presentation is available on our website for those unable to attend.

This year's AGM will be held in Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ on 2 February 2018 at 11.30am. Further details can be found in the Notice of AGM, a copy of which can be found on the Company's website ([www.brewinmedia.co.uk/investor-relations](http://www.brewinmedia.co.uk/investor-relations)).

## UK Corporate Governance Code Compliance statement

We have complied with all principles and provisions of the 2016 UK Corporate Governance Code ('the Code') throughout the financial year ended 30 September 2017. The Corporate Governance Statement and the cross referenced reports within set out our approach to applying the Code.

# Nomination Committee Report



## Chairman's overview

The main focus of the Nomination Committee is to consider the composition of the Board and to review and manage succession planning.

The Company has in place succession plans for the Board, and for senior management, to ensure there is the appropriate balance of skills and experience within the Board.

During the year we strengthened further our focus on developing talent throughout the Group. This included the launch of our Group Executive Leadership Programme, which draws upon our values to ensure its relevance to our growth strategy and culture.

Angela Knight retired at the AGM last year and Kath Cates became the Senior Independent Director. During the summer we commissioned external consultants to help identify non-executive candidates and Mike Kellard will join the Board on 1 December 2017. A copy of his biography will be included in the Notice of AGM. The external search consultancy retained by the Board in respect of the appointment of Mike Kellard was Odgers Berndtson, who have no connection to the Company. We are presently conducting a search for an additional non-executive director and we have asked our external adviser to focus on candidates who will ensure that the Board continues to represent a diversity of views.

During the year there was an externally facilitated performance evaluation of the Board by a London based board consultancy, Lintstock. This evaluation looked at the workings of both the Board and the Board Committees and formed the basis for the annual Board appraisals. In overall terms the outcomes of these assessments confirmed that progress was being made.

### Simon Miller

Chairman of the Nomination Committee

28 November 2017

## Committee composition

The Committee comprises the Board Chairman, Simon Miller, and three independent Non-Executive Directors. The Chief Executive and Group Human Resources Director are standing attendees at Committee meetings; the Chief Executive will exclude himself from discussions relating to his own appointment. Angela Knight was a Committee member in her capacity as Senior Independent Director and was succeeded by Kath Cates during the year. Details of membership and attendance can be found on page 46.

## The role of the Committee

The purpose of the Committee is to ensure that the Board retains an appropriate balance of skills to support the strategic objectives of the Group and that there are appropriate procedures in place for the nomination, selection, training and evaluation of Board members as well as to ensure that there is an effective framework for succession planning.

The responsibilities of the Committee are defined in the Committee's Terms of Reference, a copy of which can be found at [www.brewinmedia.co.uk/investor-relations](http://www.brewinmedia.co.uk/investor-relations).

# Risk Committee Report



## Chairman's overview

The Committee's key roles are to oversee the Group's identification of its principal risks, the setting of risk appetite and to recommend these to the Board. The Committee provides oversight of the Group Risk Management Framework to ensure that the risks are appropriately managed within the Group.

During the year the Committee attended a risk workshop which was hosted by the Risk Management Committee, an Executive forum. At the meeting the current key risks were reviewed and discussed at length and in light of our strategy and risk appetite. Emerging risks were also discussed to determine whether any of these risks should now be considered as a key risk to the Group. The results of the risk workshop helped the Group to refresh and update its key risks. For further information please refer to the Principal Risks and Uncertainties section on page 26.

The Committee regularly receives updates from management on risk management practices and this year particular areas of focus were IT risk, including change management and cyber risk.

The Committee also receives regular updates on regulatory changes, and how the Group plans and implements these to ensure compliance. Throughout the year special focus has been on MiFID II to ensure the Group is ready for the January 2018 implementation date.

In addition, we continued to examine the key risks which are relevant to the Group's strategic objectives.

### Kath Cates

Chairman of the Risk Committee

28 November 2017

## Committee composition

The Committee is made up of three independent Non-Executive Directors. There is cross-membership between the Committee and the Audit and Remuneration Committees to ensure that agendas are aligned and key information is appropriately shared across the Board Committees. The Chairman of the Risk Committee is also a member of the Audit Committee. Standing attendees at Committee meetings include the Chief Executive, Finance Director and the Group Risk & Compliance Director. Further details on membership and attendance can be found on page 46.

## The role of the Committee

The purpose of the Committee is to provide oversight of the Risk Management Framework of the Group and assist the Board with its responsibilities for ensuring the integrity of the Group's internal control and risk management systems.

The responsibilities of the Committee are outlined in the Committee's Terms of Reference, a copy of which can be found at [www.brewinmedia.co.uk/investor-relations](http://www.brewinmedia.co.uk/investor-relations).

## Committee activities during the year

### Risk Management and Investment Governance Frameworks

- The Committee reviewed and challenged key components of the Risk Management Framework and monitored the implementation of the updated Investment Governance Framework, and enhancement to client money controls.

16%

### Regulatory change

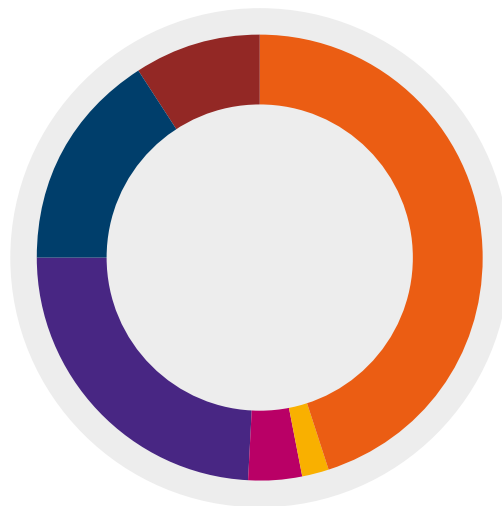
- The regulatory changes in relation to MiFID II, GDPR and SMCR and the implications they will have on the Group were assessed. The management responses to these were discussed to ensure the Group adopts the regulations and that the right behaviours will be embedded in the business.

9%

### Key risks

- The Committee reviewed and recommended the risk appetite statements and tolerance for key risks to the Board. These were monitored on an ongoing basis to ensure they remained relevant and appropriate, adding any emerging risks if necessary.
- In depth discussions on cyber risk and change management took place.

45%



### Internal Capital Adequacy Assessment Process ('ICAAP')

- The key components of the ICAAP were challenged in a six monthly review, exploring scenarios and stress tests to determine an appropriate regulatory capital requirement. This was at a joint meeting with the Audit Committee prior to recommendation to the Board.

24%

### Training

- Training sessions were held on the ICAAP and SMCR.

4%

### Performance evaluation

- The Committee conducts a performance evaluation every year and this year Lintstock distributed a questionnaire for anonymous completion to all Committee members and those executives who regularly attend the Committee's meetings. The results were discussed by the Committee and helped to inform next year's forward-looking agenda.

2%



## Chairman's overview

As an Audit Committee, our focus throughout the year has been on quality: the quality of our financial reporting, the quality of our internal and external audits and the quality of our control environment.

We have taken note of the various papers issued by the Financial Reporting Council ('FRC') during the year and remain committed to ensuring that our Financial Statements are 'clear, balanced and understandable'. Our 2016 Financial Statements were subject to an in-depth review by the FRC and they had no points to raise. This year's Financial Statements are built on that firm base and reflect both changes in reporting requirements and the changes in our business.

Our internal audit is outsourced to BDO and Christian Bellairs, our partner, reports to the Audit Committee. We have a comprehensive programme of internal audit work and the Committee follows up on the actions taken by management in response to issues raised. The Committee recently held a workshop with BDO to review areas of risk and to finalise the internal audit plan for 2018. BDO have now completed two years as our Internal Auditor and we have recently completed a comprehensive assessment of their effectiveness.

As I mentioned last year, the FRC's Audit Quality Review team reviewed the audit of the 2015 Brewin Dolphin Financial Statements as part of their 2015 annual inspection of audit firms. Following that review an action plan was agreed with Deloitte for changes to be made to the 2016 audit which included a change of partner. The 2016 audit was reviewed by the FRC and no matters arose from that review which required action. The Committee has also conducted a review of the effectiveness of the External Auditor and concluded that Deloitte LLP continues to provide an effective audit. It remains the intention of the Committee to hold a formal external audit tender during the course of Robert Topley's (audit partner) five-year term. He has just completed his second year.

The Audit Committee has worked closely with the Risk Committee on key risks and the control environment, reviewing areas in depth and receiving reports on issues raised by all three lines of defence: the business, the Risk Department and Internal Audit. We monitor those issues and the timeliness and effectiveness in which they are dealt with by management. During the year the Committee has received an in-depth report on how revenue is recognised as well as a presentation on the effectiveness of controls in the Group's new Order Management System. We took part in a whistleblowing training session during the year which was facilitated by our in-house Legal Department. The Committee approved a new Whistleblowing Policy during the year and training was provided to assist Committee members in discharging their duties under the policy.

Angela Knight stepped down from the Committee in February 2017 and I would like to thank her for her wise counsel, input and challenge at Committee meetings. I am also grateful for the enthusiasm and insight that Kath Cates and Caroline Taylor bring to the Committee.

## Ian Dewar

Chairman of the Audit Committee

28 November 2017

## Committee composition

The Committee comprises only independent Non-Executive Directors. There is always a cross-membership with the Risk Committee, to help ensure that agendas are aligned and key information is shared appropriately across the Board Committees. Further details on membership and attendance can be found on page 46. The Chief Executive, Finance Director and Group Risk & Compliance Director are invited to attend at the Committee's request and, in addition, all Non-Executive Directors including the Chairman are entitled to attend. The External Audit partner and our Internal Audit partner are standing attendees. We have considered the FRC requirement for the Committee to have competence relevant to the financial services sector and have concluded that the Committee as a whole satisfies this requirement.

## Role and responsibilities

The Committee helps the Board meet its responsibilities for the integrity of the Group's financial reporting, including the effectiveness of its internal financial control system, and for monitoring the effectiveness and objectivity of the internal and external auditors.

The responsibilities of the Committee are outlined in the Committee's Terms of Reference, a copy of which can be found at [www.brewinmedia.co.uk/investor-relations](http://www.brewinmedia.co.uk/investor-relations).

## Committee activities during the year

### Financial reporting

- Reviewed the Annual Report and Accounts, the Interim Management Statements, the Half-Year Report and the investor presentation to ensure that, taken as a whole, they were fair, balanced and understandable and that they provided the necessary information for shareholders to assess the Group's performance, its business model and strategy.
- Reviewed reports from the external auditor on both the Financial Statements; including the significant audit risks, areas of audit focus and the appropriateness of the significant management judgements used in preparing the accounts, and on the effectiveness of systems of internal financial control.
- Reviewed reports from management on the preparation of the Annual Report and Accounts and the Half-Year Report, including both the key judgements and accounting policies followed in their preparation, as well as updates on changes to guidance regarding financial reporting.
- Reviewed the Group's going concern assumption and Viability Statement.

37%

### ICAAP

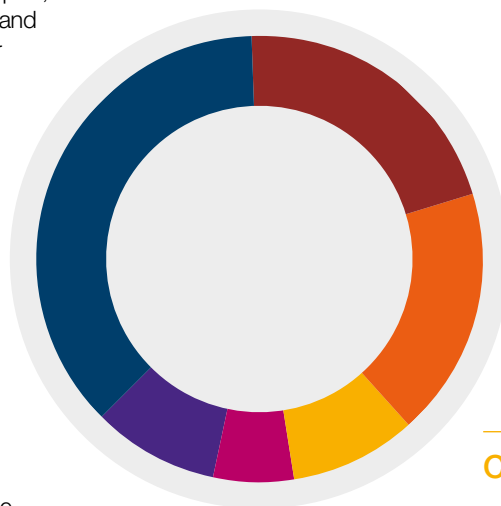
- Reviewed the ICAAP jointly with the Risk Committee. After review and challenge of the ICAAP and its key components, recommended its approval to the Board.

9%

### Internal Audit

- Assessed the effectiveness of the Internal Auditor and reviewed and approved the new internal audit plan for the year.
- Received internal audit reports, challenged the robustness of their findings and agreed appropriate actions.
- Reviewed how issues identified for action, whether arising from internal audit reports or from internal control processes, are identified, progressed and reported; this ensures there is an effective framework for the management of issues within the Group.

21%



### Financial Crime

- There was a formal report from the Group's Money Laundering Reporting Officer on the operation and effectiveness of systems and controls relating to anti-money laundering ('AML') and the prevention of financial crime.

6%

### External Auditor

- Approved the plan, terms of engagement and fees to be paid to the External Auditor for the audit of the 30 September 2017 Annual Report.
- Assessed the independence, objectivity and effectiveness of the External Auditor.
- Enforced the policy relating to non-audit services provided by the External Auditor and approved non-audit services in accordance with the policy which can be found on our website.
- Reviewed a letter of recommendation from the External Auditor for improving the systems of internal control.

18%

### Control Oversight

- Reviewed year-end reports providing assurance on the effectiveness and robustness of the Group's system of internal controls.
- The Committee conducted a deep dive on the controls around the Order Management System.
- Participated in whistleblowing refresher training.
- Maintained oversight of regulatory requirements.

9%

## Performance evaluation

The evaluation of the Committee's performance was captured as part of the wider, externally facilitated Board effectiveness review. The results of the Committee evaluation were discussed at the meeting in October 2017.

Ian Dewar met regularly during the year with the Board Chairman, Finance Director, Chief Executive, Head of Internal Audit and the external audit partner to review the Group's governance processes and discuss the effectiveness of the internal and external audit functions.

## Key sources of estimation uncertainty related to the Financial Statements

We reviewed the significant issues set out below in relation to the Group's Financial Statements for the year ended 30 September 2017. We discussed these issues with management at various stages during 2016/17 and during the preparation and approval of the Financial Statements. Having reviewed the presentations and reports from management, we are satisfied that the Financial Statements appropriately address the critical judgements and key estimates, in respect both of the amounts reported and the disclosures made. We also reviewed these issues with the auditors during the audit-planning process and at the conclusion of the year-end audit. We are satisfied that our conclusions in relation to these issues are in line with those drawn by the auditors.

Issue	Key considerations	Role of the Committee	Conclusion
Business combinations (see notes 4.a.i and 4.b.i to the Financial Statements)	<p>Appropriate application of IFRS in relation to the acquisition of DLAM, specifically:</p> <ul style="list-style-type: none"> <li>– establishing whether the acquisition of DLAM constituted a business or a group of assets; and</li> <li>– establishing the fair value of all the assets/liabilities acquired in the business combination.</li> </ul>	<p>We considered management's proposed accounting treatment of the DLAM acquisition (see note 27 to the Financial Statements) including the determining factors with regard to whether the transaction should be accounted for as a business combination or as a purchase of a group of assets under IFRS 3 and we satisfied ourselves as to the fair value attributed to the client relationships shown in the Financial Statements as an intangible asset.</p>	<p>We concluded firstly, that it was appropriate to account for the acquisition as a business combination given a separate legal entity was acquired and all of the value of the business was transferred and secondly, that the determination of the fair value of the assets was appropriate.</p>
Goodwill and client relationships (see note 4.b.ii to the Financial Statements)	<p>Impairment review of goodwill and client relationships, including the valuation assumptions used in the calculation of the fair value of the relevant cash-generating units.</p> <p>Determination of the useful economic life of client relationships, which establishes the quantum of the amortisation expense.</p>	<p>We satisfied ourselves as to the valuation assumptions used in the calculation of the fair value of the cash-generating units.</p> <p>We considered the paper prepared by management on the average client tenure and useful economic life expectations.</p>	<p>We concluded that the assumptions and judgements used were reasonable and that the carrying values of goodwill and client relationships in the financial statements were appropriate.</p>
Assumptions underlying the calculation of the defined benefit pension scheme asset/liability (see note 4.b.iii to the Financial Statements)	<p>Determination of the actuarial assumptions such as discount rate, the life expectancy of scheme members and the inflation rate used when calculating the defined benefit pension scheme asset/liability.</p>	<p>We considered management's paper explaining the assumptions used in the calculation, the resulting impact on the Balance Sheet and the movement in the deficit during the period.</p>	<p>We concluded that the assumptions and judgements used in determining the defined benefit pension scheme asset were appropriate.</p>

## Audit Committee Report continued

Issue	Key considerations	Role of the Committee	Conclusion
Likelihood of meeting performance conditions for the Long Term Incentive Plan (see note 4.b.iv to the Financial Statements)	Determining the likelihood of meeting the performance conditions which impact the quantum of the expense in the period.	We considered management's paper explaining the assumptions for the likelihood of meeting the performance conditions.	We concluded that the assumptions used in calculating the expense were appropriate.
Assumptions underlying the estimation of the provision relating to onerous leases (see note 4.b.v to the Financial Statements)	Appropriate application of IFRS and underlying recognition principles. Determining the best estimate of the likely cash flows and other assumptions.	We reviewed management's paper explaining the assumptions and calculation methodologies applied in the determining provisions. This included ensuring that the provisions represent present obligations arising from past events.  We satisfied ourselves that the procedures performed by management to identify the requirement for provisions were robust and comprehensive.	We concluded that the provisions were appropriate and complete for obligations that existed at the year end. We also confirmed that there had been no new information following the year end that would result in an adjustment to the provision.

### External Auditor

The Audit Committee is responsible for developing, implementing and monitoring the Group's policy on external audit. The policy sets out the categories of any pre-approved non-audit services which the External Auditor is authorised to undertake. It also provides an approval process for the provision of any other non-audit services. This policy is available to view on the Investor Relations section of the Group's website, under the Board Committees subsection.

The Board generally only uses the auditor for audit and related activities. If there is a business case to use the External Auditor to provide non-audit services, prior permission is required from the Committee. In such an instance, the Committee will review the proposal to ensure that it will not impact the auditor's objectivity and independence. The majority of tax advisory and similar work is carried out by another major accountancy firm. An analysis of the auditor's remuneration is provided in note 8 to the Financial Statements.

The Committee assesses the effectiveness of the External Auditor on an annual basis, taking account of the following factors:

Factor	Assessment
<b>The role of management</b>	That information provided by management to the External Auditor is timely and correct, that it has proper supporting papers and that accounting systems and internal controls work effectively.
<b>The audit partner</b>	The extent to which the partner demonstrates a strong understanding of the business, the industry and the challenges faced by the business. The length of time the partner acts as the lead engagement partner.
<b>The audit team</b>	The extent to which the audit team understands the business and industry and is properly resourced and experienced.
<b>The audit approach</b>	That the audit approach is discussed with management, targets the significant issues early, is communicated properly, is appropriate for the business and industry and includes an appropriate level of materiality.
<b>The communications and formal reporting by the auditor</b>	That management and the Committee are kept appropriately informed as the audit progresses and that the formal report is appropriate and contains all relevant material matters.
<b>The independence and objectivity of the auditor</b>	That the auditor complies with the FRC's ethical standards, has the required degree of objectivity (including their arrangements to identify, report and manage any conflicts of interest), and that the overall extent of non-audit services provided by the External Auditor does not compromise independence.

The Committee is satisfied that Deloitte LLP has conducted an effective audit for the 2016/17 financial year. The Committee has therefore recommended to the Board that Deloitte be reappointed at the 2018 AGM.

The Committee has considered the Competition and Markets Authority ('CMA') and EU requirements for mandatory tendering and rotation of the audit firm. As previously stated, the Committee had previously intended to initiate a re-tendering process during 2017/18 in line with the previous audit partner's rotation. However, as we changed the audit partner during 2015/16, we did not believe that a re-tendering process would be beneficial during 2017/18. As stated last year, the intention remains to re-tender prior to the end of the Robert Topley's five-year term. This will be kept under review and the Committee will use its regular reviews of auditor effectiveness to assess the most appropriate time for re-tendering during that period.



The Committee has considered the likelihood of the External Auditor withdrawing from the market and has noted that there are no contractual obligations to restrict the choice of replacement external auditor.

The External Auditor meets privately with the Committee at least twice a year without senior executive management being present and regularly with the Audit Committee Chairman.

## Internal Audit

BDO was appointed Internal Auditor in January 2016. The Committee approves an internal audit plan at the start of the financial year and then receives quarterly reports on all internal audits. The plan is reviewed every six months to ensure it fully covers the Group's key risks. The Committee appraises the Internal Auditor's processes to determine the effectiveness of their findings.

## Fair, balanced and understandable Report and Accounts

The Committee has performed a review of the Group's Annual Report and Accounts to ensure that it is fair, balanced and understandable. What is meant by these terms, and the questions that the Committee considers as part of this review, are shown below:

Term:	Description:	Questions:
Fair	Not exhibiting any bias.	Is the whole story being presented?
	Reasonable or impartial.	Have any sensitive material areas been omitted?
	Performed according to the rules.	
Term:	Description:	Questions:
Understandable	Having a meaning or nature that can be understood.	Is there a clear and cohesive framework for the Annual Report?
	Able to be accepted as normal.	Is the report written in accessible language?
		Are the messages clearly drawn out?
Term:	Description:	Questions:
Balanced	Even-handed.	Is there a good level of consistency between the front and back sections of the Annual Report?
	Taking account of all sides on their merits without prejudice or favouritism.	Does the reader get the same message from reading the two sections independently?
		Are the key judgements referred to in the narrative reports and the significant issues reported in the Audit Committee Report consistent with the disclosures of key estimates and uncertainties and critical judgements set out in the financial statements?

This report has been prepared in compliance with the CMA Order in relation to mandatory audit tendering and the responsibilities of the Audit Committee.

# Directors' Remuneration Report



## Chairman's overview

On behalf of the Board, I am pleased to present the 2017 Directors' Remuneration Report. The report comprises this overview, the Annual Report on Remuneration, and the Directors' Remuneration Policy ('the Policy') that was approved at the 2017 AGM and is included for information. We were very pleased to receive the support of nearly 99% of shareholders who voted for the Policy, which was largely unchanged from the Policy initially approved in 2014. The Policy is designed to help drive sustainable performance for shareholders, through annual bonus and long term incentive plans. It also maintains long term shareholder alignment through a three-year deferral of part of the annual bonus into shares, and a three-year Long Term Incentive Plan ('LTIP') vesting followed by a two year post-vesting sale restriction period, and ongoing Executive Director shareholding requirements.

## Base salary

The Committee reviewed the Executive Directors' base salaries at the 1 October 2017 review date, and decided that no increases should be awarded. It is also important to note that the Executive Directors do not receive a pension allowance.

## Pay for performance

Performance relative to annual financial targets was very strong with adjusted profit before tax ('adjusted PBT') of £70 million, 14.8% higher than the prior year, operating margin of 23% compared with 21.6% last year, and discretionary funds inflows of 8% compared with 4.4% in the prior year. There was also good progress against strategic non-financial targets. This strong performance resulted in an annual bonus award of 124% of base salary for the Chief Executive and Finance Director. 36.6% and 36.2% of the awards, respectively, will be deferred into options over shares under the Deferred Profit Share Plan ('DPSP') and will become exercisable after three years.

Annual bonus for the year to September 2018 will be related to adjusted PBT (30% weighting), net inflows of discretionary funds (30% weighting), and key non-financial performance indicators (40% weighting).

Performance for the 2014 LTIP grants has been assessed, covering the three financial years to September 2017. The targets set in 2014 were especially demanding; 16.2% of the award will vest. The number of shares that vested (net of tax) will be subject to a further two year holding period.

Although not an LTIP performance metric, it is worth noting the Group's strong TSR performance. In the nine years to September 2017, Brewin Dolphin has delivered over 300% TSR, compared with just 55% for the FTSE All Share Index for the financial services sector.

LTIP awards to be granted in 2018 will be based on adjusted Earnings Per Share ('EPS') (50% weighting) and growth in discretionary net funds inflows (50% weighting), which are key drivers of growth and value creation for shareholders.

## Other activities

During 2017, we have received updates on trends in executive pay in the wider market, forthcoming changes to corporate governance requirements and continued to keep abreast of the developing regulatory landscape in financial services.

We will also be reporting on the Gender Pay Gap, in accordance with regulatory requirements.

## Paul Wilson

Chairman of the Remuneration Committee

28 November 2017

## The role of the Committee

The purpose of the Committee is to exercise competent and independent judgement on remuneration policies and practices, and the incentives to manage risk, capital and liquidity as well as directly overseeing personal objectives, performance appraisal and individual compensation packages for the Chairman, Executive Directors, members of the Executive Committee and any other employees designated as material risk takers ('MRTs') under the FCA Remuneration Code.

The responsibilities of the Committee are defined in the Committee's Terms of Reference, a copy of which can be found at [www.brewinmedia.co.uk/investor-relations](http://www.brewinmedia.co.uk/investor-relations).

## Committee composition

The Committee is made up of independent Non-Executive Directors and the Non-Executive Chairman of the Board, who was independent upon his appointment. There is cross-membership with the Risk Committee to help ensure that there is alignment between the Group's key risks and its Remuneration Policy. Further details on membership and attendance can be found on page 46.

## Annual Report on Remuneration

This part of the Directors' Remuneration Report has been prepared in accordance with Part 3 of the revised schedule 8 set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6 of the Listing Rules. The financial information in this part of the Directors' Remuneration Report has been audited where indicated. The Annual Report on Remuneration will be put to shareholder vote at the 2018 AGM.

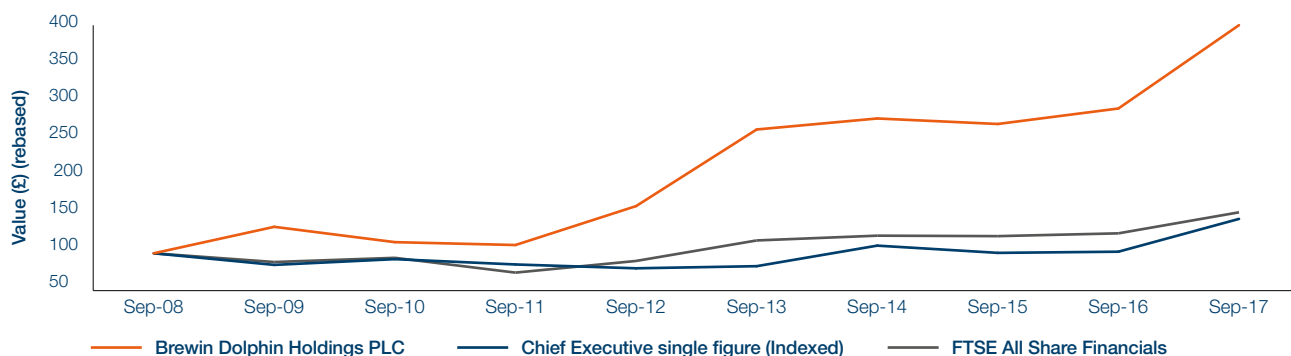
### Committee activities during the year

During the year the Committee focused on the following items:

- Considered and reviewed reward structures.
- Assessed and approved 2017 annual bonuses based on previously agreed criteria and vesting of 2017 awards for Executive Directors.
- Reviewed Chairman fees and Executive Directors' fixed remuneration.
- Approved 2018 annual bonus and LTIP performance criteria.
- Received a report in relation to conduct risk from the Group Risk & Compliance Director.
- Approved the Remuneration Policy Statement and Pillar III disclosures.
- Received updates on changes in regulation and trends in remuneration reporting.
- Identified and approved individual compensation for Material Risk Takers ('MRTs').
- Reviewed the Committee's Terms of Reference.
- Reviewed the outcomes of the Committee performance evaluation.
- Assessed the effectiveness of our External Adviser (New Bridge Street).

### TSR vs Chief Executive and FTSE All Share - Financial Services Index

Source: Datastream (Thomson Reuters)



This graph shows the value, by 30 September 2017, of £100 invested in Brewin Dolphin Holdings PLC on 28 September 2008, compared with the Total Remuneration figures of the CEO, rebased to £100 on the same date, as well as the FTSE All Share – Financial Services Index.

The other points plotted are the values at intervening financial year-ends.

## Directors' Remuneration Report continued

### Total remuneration for the financial year to 30 September 2017 (Audited)

£'000		Salary & fees	Benefits <sup>1</sup>	Pension <sup>2</sup>	Annual bonus <sup>3</sup>	Long term incentive <sup>4</sup>	Compensation for loss of office <sup>5</sup>	Total
<b>Executive Directors</b>								
David Nicol	2017	425	1	–	527	68	n/a	1,021
	2016	375	1	–	337	–	n/a	713
Andrew Westenberger	2017	375	3	–	465	59	n/a	902
	2016	325	3	7	293	–	n/a	628
<b>Non-Executive Chairman</b>								
Simon Miller	2017	180	–	–	–	n/a	n/a	180
	2016	175	–	–	–	n/a	n/a	175
<b>Non-Executive Directors</b>								
Kath Cates	2017	78	–	–	–	n/a	n/a	78
	2016	62	–	–	–	n/a	n/a	62
Ian Dewar	2017	71	–	–	–	n/a	n/a	71
	2016	60	–	–	–	n/a	n/a	60
Caroline Taylor	2017	68	–	–	–	n/a	n/a	68
	2016	56	–	–	–	n/a	n/a	56
Paul Wilson	2017	68	–	–	–	n/a	n/a	68
	2016	60	–	–	–	n/a	n/a	60
<b>Former Directors</b>								
Angela Knight <sup>a</sup>	2017	21	–	–	–	n/a	n/a	21
	2016	70	–	–	–	n/a	n/a	70
Stephen Ford <sup>b</sup>	2016	80	1	–	81	–	162	324
<b>Total</b>	<b>2017</b>	<b>1,286</b>	<b>4</b>	<b>–</b>	<b>992</b>	<b>127</b>	<b>n/a</b>	<b>2,409</b>
<b>Total</b>	<b>2016</b>	<b>1,263</b>	<b>5</b>	<b>7</b>	<b>711</b>	<b>–</b>	<b>162</b>	<b>2,148</b>

Note 1: Executives can elect to use part of their total fixed remuneration to fund benefits including Permanent Health Insurance and these amounts are disclosed as part of the 'salary and fees' figure. Benefits relate to death in service insurance and private medical insurance.

Note 2: Executives can elect to sacrifice part of their annual bonus into the Group's defined contribution pension scheme. Where employees choose to do this, the Company contributes 13.8% of the sacrificed amount, equal to the employer's national insurance that would have been due had the amount been paid as salary. Sums sacrificed from bonus have been shown in the bonus column, with the related employer contribution of 13.8% shown in the pension column.

Note 3: This relates to the payment of the annual bonus for the year ending 30 September 2017. Annual bonus is subject to a mandatory deferral policy as set out on page 66.

Note 4: 16.2% of the 2014 LTIP has been treated as vested in the period. David Nicol will receive 19,605 shares and Andrew Westenberger will receive 16,804 shares. For the purpose of this table, the average Q4 market price (£3.49) was used to determine the value of the awards vested. Options granted under the Deferred Profit Share Plan are included in the bonus amount disclosed in the year.

Note 5: Stephen Ford received a payment of £148,404 in relation to his notice period to 6 July 2016 following his departure from the Board on 7 January 2016. He also received a statutory redundancy payment of £9,738 and a contribution towards legal fees of £3,500. The information is being used solely as a comparator.

Note a: Stepped down from the Board on 3 February 2017. In addition to the fees set out above in relation to her Brewin Dolphin Holdings PLC directorship, Angela Knight continues to receive an annual fee of €30,000 in relation to her capacity as Chairman of TBD, the Group's Irish subsidiary.

Note b: Stepped down from the Board on 7 January 2016.

### Base salary review (Audited)

The Committee decided not to award salary increases at the October 2017 review date.

	Salary as at 30 September 2017	Salary as at 30 September 2016	Change
David Nicol	£425,000	£425,000	0%
Andrew Westenberger	£375,000	£375,000	0%

## Annual variable pay outcomes for 2017

Annual bonuses for the Executive Directors are determined by the Committee based on an assessment of performance relative to Key Performance Indicators ('KPIs'), which are selected to achieve a direct relationship between progress towards the Group's strategic goals and the bonuses that are awarded.

### Performance against financial criteria

Key Performance Indicator	Weighting	Threshold 25% of total fixed pay	On-target 100% of total fixed pay	Maximum 150% of total fixed pay	Actual for year ending 30 September 2017	% of maximum bonus awarded	Comment
Adjusted PBT <sup>1</sup>	20%	£56.9m	£67.5m	£74.5m	£70.0m	78.6%	Targets set in relation to prior year performance and budget
Adjusted operating margin <sup>1,2</sup>	20%	20.3%	22.7%	24.0%	23.0%	74.4%	Targets set in relation to prior year performance and budget
Discretionary net fund inflow	20%	2.5%	5.0%	7.5%	8.0%	100.0%	Targets set in relation to prior year performance and budget
<b>Outcome (straight average)</b>						<b>84.3%</b>	

1. See explanation of adjusted performance measures on page 31.

2. Adjusted PBT margin.

### Performance against non-financial criteria

Criteria (equally weighted)	Commentary on performance	% of maximum bonus awarded for this criteria
Strategy	Continued successful implementation of organic growth strategy. Successful integration of DLAM. Successful development of new business opportunities (eg. WealthPilot). Extensive work of investment solutions has been undertaken.	90.0%
Talent	Successful implementation of the Executive Leadership Programme and completed extensive work on succession planning for senior management. Enhanced delivery of business development training to enable strategic delivery. Continued development of training, guidance and systems to streamline processes and enhance efficiency. Introduction of the Brewin Dolphin Awards to focus on recognition and values. Enhanced Corporate Responsibility initiatives with charity fundraising.	80.0%
Client Service	Continued to ensure high quality, consistent client outcomes. Improved client retention. ARC measurement for MPS and bespoke discretionary funds management was maintained in the first and second quartiles for the peer group.	80.0%
Risk Management and Compliance	Improved engagement and relationship with the Regulators. Completion of several projects to enhance the Risk Management and Compliance Framework. Ongoing work to prepare for the impact of MiFID II, SMCR and GDPR.	70.0%
<b>Outcome (straight average)</b>		<b>80.0%</b>

## Directors' Remuneration Report continued

### Overall outcome

Criteria	% of maximum bonus awarded	Weighting
Financial	84.3%	60%
Non-financial	80.0%	40%
Total	82.6%	

### Bonus outcomes (Audited)

Based on their assessment of performance, the Committee has awarded the following annual bonuses to Executive Directors, with the split between cash and deferred shares as indicated in the table below:

Name	Role	Cash	Deferred shares <sup>1</sup>	Total	% of base salary
David Nicol	Chief Executive	£334,000	£193,000	£527,000	124%
Andrew Westenberger	Finance Director	£296,667	£168,333	£465,000	124%

1. See deferral table below.

The maximum annual bonus for each individual Executive Director is 150% of base salary.

Annual bonus awards are delivered part in cash and part in deferred shares that vest after three years:

Portion of variable pay	Fraction deferred
Up to £50,000	None
Between £50,000 and 1 x fixed remuneration	One-third
Above 1 x fixed remuneration	Two-thirds

The Committee has the discretion to adjust the final outcome to take account of overall company performance and exceptional events.

Both cash and share elements of the bonus are subject to malus provisions. Please see the Directors' Remuneration Policy table for further details.

### LTIP outcome in 2017

The Executive Directors received a conditional share award granted under the LTIP in December 2014. The performance period for the grant was three years to 30 September 2017 and performance against the criteria set is shown below:

Criteria	Weighting	Threshold target	Full vesting target	Actual for year ending 30 September 2017	% of award to vest
Adjusted EPS CAGR <sup>1</sup>	50%	6%	16%	7%	16.2%
Adjusted PBT Margin <sup>1</sup>	50%	25%	27%	23%	0%

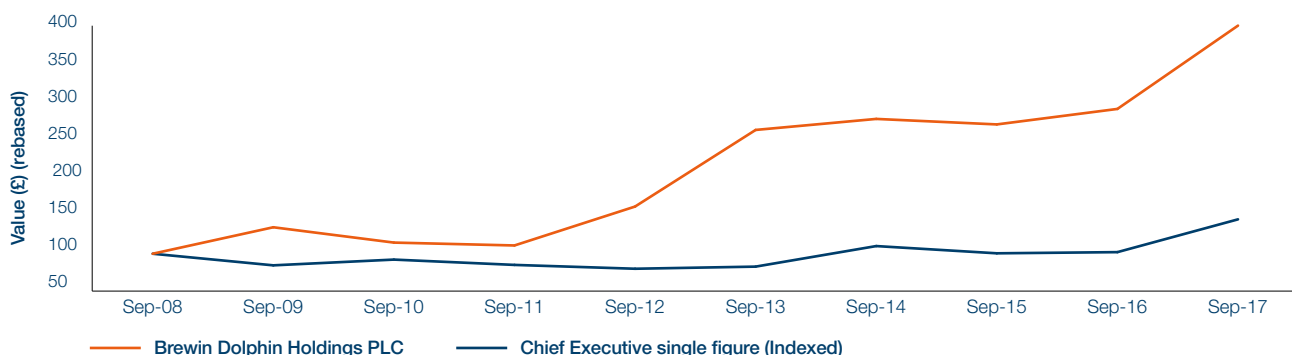
1. See explanation of adjusted performance measures on page 31.

## Chief Executive pay for performance comparison

The graph below shows the value by 30 September 2017, of £100 invested in Brewin Dolphin Holdings PLC on 28 September 2008, compared with the Total Remuneration figures of the Chief Executive, rebased to £100 on the same date. The other points plotted are the values at intervening financial year-ends.

### Chief Executive total pay vs TSR

Source: Datastream (Thomson Reuters)



The total remuneration figure for the Director undertaking the role of Chief Executive during each of the previous eight financial years is shown below. The total remuneration figure includes the annual bonus which was awarded based on performance in those years. Where this bonus was subject to deferral, it is shown in the year in which it was awarded. The annual bonus is shown as a percentage of the maximum for 2012 to 2017 only as there was no maximum amount for bonus in the preceding years. The LTIP awards granted in December 2014 have partially vested during the period.

	Year ending September									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Total remuneration (£'000)	589	643	593	557	577	770	702	713	1,021	
Annual bonus (% max)	n/a	n/a	n/a	39	63	80	67	60	82.6	
LTIP vesting (% of award)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	nil	16.2	

The movement in the salary and annual bonus for the Chief Executive, who is the highest paid Director, between the current and previous financial year compared to that for the average UK Group employee is shown below. Rather than having separate base salary, pension and benefit components, Executive Directors and other senior staff receive a total fixed pay sum which they can receive part as a defined pension contribution and/or benefits such as long-term illness/disability insurance. More junior employees receive a base salary plus pension contributions. As such, an analysis of the movement in benefits for the Chief Executive and the average employee was not considered to be practical or meaningful and has not been included in the below comparison.

Criteria	2017	2016	% change
<b>Chief Executive</b>			
Salary	<b>£425,000</b>	£375,000	13%
Bonus	<b>£527,000</b>	£337,500	56%
<b>Average per employee</b>			
Salary	<b>£51,106</b>	£49,347	4%
Bonus	<b>£33,358</b>	£27,759	21%

## Directors' Remuneration Report continued

### Directors' share interests (Audited)

#### Outstanding share options and conditional share awards

The tables below set out details of Executive Directors' outstanding share awards (which will vest in future years subject to performance and/or continued service).

#### Share options:

Plan	Grant date	Exercise price	Number of share options as at 1 October 2016	Granted during year	Exercised during year	Lapsed during year	Number of share options as at 30 September 2017	End of performance period	Maturity date	End of exercise period
David Nicol										
DPSP	05/12/2013	0.00p	29,584	–	29,584	–	–	n/a	05/12/2016	05/12/2019
DPSP	04/12/2014	0.00p	50,714	–	–	–	<b>50,714</b>	n/a	04/12/2017	04/12/2020
DPSP	03/12/2015	0.00p	37,174	–	–	–	<b>37,174</b>	n/a	03/12/2018	03/12/2021
DPSP	01/12/2016	0.00p	–	33,344	–	–	<b>33,344</b>	n/a	01/12/2019	01/12/2022
<b>Total</b>			<b>117,472</b>	<b>33,344</b>	<b>29,584</b>	<b>–</b>	<b>121,232</b>			
Andrew Westenberger										
DPSP	05/12/2013	0.00p	45,065	–	45,065	–	–	n/a	05/12/2016	05/12/2019
DPSP	04/12/2014	0.00p	42,646	–	–	–	<b>42,646</b>	n/a	04/12/2017	04/12/2020
DPSP	03/12/2015	0.00p	30,978	–	–	–	<b>30,978</b>	n/a	03/12/2018	03/12/2021
DPSP	01/12/2016	0.00p	–	28,125	–	–	<b>28,125</b>	n/a	01/12/2019	01/12/2022
<b>Total</b>			<b>118,689</b>	<b>28,125</b>	<b>45,065</b>	<b>–</b>	<b>101,749</b>			

#### Conditional share awards:

Plan	Grant date	Number of share awards as at 1 October 2016	Granted during year	Vested during year	Lapsed during year	Number of share awards as at 30 September 2017	End of performance period	Vesting date
David Nicol								
LTIP	26/02/2014	104,916	–	–	104,916	–	30/09/2016	26/02/2017
LTIP	04/12/2014	121,023	–	19,605*	101,418	–	30/09/2017	04/12/2017
LTIP	03/12/2015	130,111	–	–	–	<b>130,111</b>	30/09/2018	03/12/2018
LTIP	01/12/2016	–	147,877	–	–	<b>147,877</b>	30/09/2019	01/12/2019
<b>Total</b>		<b>356,050</b>	<b>147,877</b>	<b>19,605</b>	<b>206,334</b>	<b>277,988</b>		
Andrew Westenberger								
LTIP	26/02/2014	89,928	–	–	89,928	–	30/09/2016	26/02/2017
LTIP	04/12/2014	103,734	–	16,804*	86,930	–	30/09/2017	04/12/2017
LTIP	03/12/2015	111,524	–	–	–	<b>111,524</b>	30/09/2018	03/12/2018
LTIP	01/12/2016	–	130,480	–	–	<b>130,480</b>	30/09/2019	01/12/2019
<b>Total</b>		<b>305,186</b>	<b>130,480</b>	<b>16,804</b>	<b>176,858</b>	<b>242,004</b>		

The share price at 29 September 2017 was £3.49.

\* Actual vesting date is 4 December 2017. Figures shown are the number of shares vested at the end of the three year performance period (30 September 2017).



## Beneficial interests

To further align the interests of Executive Directors with shareholders, Executive Directors are required to build up a shareholding through the retention of shares vesting under the Group's share incentive plans within five years of appointment (January 2013 and March 2013 for Andrew Westenberger and David Nicol, respectively). The minimum shareholding requirement for the Chief Executive is 150% of base salary and the minimum shareholding requirement for the Finance Director is 100% of base salary. Shares that count towards these requirements include shares owned outright by the Executive Director, an amount equal to net of tax unvested awards granted under the DPSP as they are unfettered by performance criteria, and net of tax LTIP awards that have vested.

Director	Beneficially owned at 30 September 2017 <sup>1</sup>	Percentage of shareholding target held as at 30 September 2017	Outstanding DPSP share options at 30 September 2017	Outstanding LTIP share awards as at 30 September 2017	Beneficially owned at 28 November 2017 <sup>1</sup>	Beneficially owned at 30 September 2016
Kath Cates	5,587	n/a	–	–	5,587	2,500
Ian Dewar	6,358	n/a	–	–	6,358	6,358
Angela Knight	4,790	n/a	–	–	4,790	4,790
Simon Miller	75,000	n/a	–	–	75,000	75,000
David Nicol	98,651	95% <sup>2</sup>	121,232	277,988	98,651	83,000
Caroline Taylor	5,000	n/a	–	–	5,000	5,000
Andrew Westenberger	50,000	105% <sup>2</sup>	101,749	242,401	50,000	25,000
Paul Wilson	8,596	n/a	–	–	8,596	8,596

1. Or date of resignation if earlier.

2. Includes 53% of outstanding DPSP options and 53% of the 2014 LTIP award which will vest at 16.2% on 4 December 2017 but met its performance criteria on 30 September 2017. These are included on a net of tax basis.

## Deferred bonus

The Executive Directors receive part of their annual variable pay under the DPSP as a deferred award in Company shares, normally in the form of a nil-cost option. The option vests and becomes exercisable three years from the date of grant.

## Share Incentive Plan ('SIP')

Employees may use funds from their gross salary up to a maximum of 10% of their gross salary in regular monthly payments (being not less than £10 and not greater than £150) to acquire Ordinary Shares in the Company ('Partnership Shares'). Partnership Shares are acquired monthly. For every Partnership Share purchased, the employee receives one Matching Share up to a total value of £20, these shares are held in an employee benefit trust (the 'Trust'). Market purchase shares are used to satisfy all shares purchased under the SIP and it is the intention of the Directors to continue this practice for the forthcoming financial year.

## Dilution

By agreement with shareholders, the aggregate number of shares which may be issued at any date of grant, when aggregated with shares issued or issuable pursuant to options or awards granted in the preceding 10 years under any employee share plan operated by the Group shall not exceed 10% of the issued share capital.

The current cumulative dilution level over the 10-year period to 30 September 2017 is 2.14%.

## Directors' Remuneration Report continued

### Material contracts with Directors

There were no material contracts between the Group and the Directors, except for their contracts of employment or letters of appointment. The Directors undertake transactions in stocks and shares in the ordinary course of the Group's business for their own account. The transactions are not material to the Group in the context of its operations. £nil was outstanding in respect of these transactions at 30 September 2017 and 30 September 2016.

### Total pension entitlements

Executive Directors may opt to waive part of their aggregate fixed pay amount and receive an equivalent pension contribution instead. They may also receive part of their annual bonus in the form of pension contribution.

### Defined Contribution Scheme

Executive Directors may join the Group Defined Contribution Scheme. Andrew Westenberger and David Nicol have not made contributions to the scheme and do not receive any benefit under the scheme.

### Defined Benefit Scheme (Audited)

Entry to the Group Defined Benefit Scheme was withdrawn in 2004 for new employees.

### Death-in-service benefits

Executive Directors are eligible for death-in-service benefit cover which is equal to six times their individual fixed remuneration.

### Relative importance of the spend on pay (Audited)

	2017 '000	2016 '000	% change
Staff costs	<b>£147,043</b>	£141,217	4%
Dividends	<b>£41,048</b>	£35,309	16%

Average salary and bonus per employee has increased by 4% and 21% respectively (see page 61).

### External advisers

The Remuneration Committee is advised by New Bridge Street ('NBS'), appointed by the Committee. NBS is a member of the Remuneration Consultants Group and abides by its Code of Conduct which requires its advice to be impartial and objective. NBS has no other connections with the Company. The total fees paid to NBS in respect of its services to the Committee during the year were £49,322.

### External directorships

Details of external directorships held by the Executive Directors during the year and any fees that they received in respect of their services are shown below.

David Nicol

Company	Position	2017	2016
Hermes Property Unit Trust	Chair of appointment committee	<b>£30,762</b>	£27,500

The remuneration for 2017 increased following appointment as chairman of the committee with effect from 6 June 2017.

Andrew Westenberger

Company	Position	2017	2016
Schroder UK Growth Fund plc	Non-executive director	<b>£6,190</b>	n/a

The fee was a prorata amount for the year as the appointment took effect from 5 May 2017.

### Statement of shareholder voting

The Directors' Remuneration Policy and the Annual Report on Remuneration received the following votes from shareholders:

	Remuneration Policy (2017 AGM)	%	Annual Report on Remuneration (2017 AGM)	%
Votes cast in favour	180,850,144	98.6%	145,976,316	86.8%
Votes cast against	2,547,005	1.4%	22,227,659	13.2%
Total votes cast	183,397,149		168,203,975	
Abstentions	12,019,257		27,212,432	

## How the policy will be applied in 2018 onwards

### Fees for the Chairman and the Non-Executive Directors

As detailed in the Policy, the Group's approach to setting Non-Executive Directors' remuneration is with reference to the market levels in comparable sized FTSE companies, levels of responsibility and time commitments. The Chairman's fee was last reviewed in October 2016 and there have been no recommendations made to increase the fee.

The Non-Executive Directors' fees were last reviewed in 2016, where it was agreed to increase the fees with effect from 1 January 2017. There has been no recommendation made by the Board to increase the fees for 2017/18.

	30 September 2017	30 September 2016
Chairman	<b>£180,000</b>	£180,000
Base fee	<b>£60,000</b>	£50,000
Senior Independent Director	<b>£10,000</b>	£10,000
Committee Chair	<b>£10,000 – £15,000</b>	£5,000 – £12,000

### Performance targets for the 2017/18 annual bonus and LTIP awards to be granted in the 2018 financial year

For the 2018 financial year, the annual bonus will be based on performance against a balanced scorecard comprising three Key Performance Areas: adjusted PBT (30% weighting); discretionary net funds inflow (30%); and non-financial targets (40%).

The LTIP awards to be granted in the 2018 financial year will be subject to two separate performance metrics shown below, each accounting for one-half of the award.

These targets have been set with reference to market consensus and internal medium-term plans.

There is also a general underpin: the Committee will assess the overall health of the business and whether prudent risk management has been applied and may scale back the vesting level if it considers this to be appropriate.

Performance metric	Weighting (each measured independently)	Threshold (25% vesting)	Stretch (100% vesting)	Measurement period
Adjusted EPS Compound Annual Growth Rate ('CAGR')	50%	5%	15%	CAGR measured over the three financial years 2017/18, 2018/19, and 2019/20, using 2016/17 as the base year.
Average Annual Discretionary Net Funds Growth	50%	2.5%	7.5%	Average over the three financial years 2017/18, 2018/19 and 2019/20.

## Directors' Remuneration Policy

This Policy describes the policies, principles and structures that guide the Remuneration Committee's decision making process in the area of executive remuneration. The Policy was approved by the shareholders at the 2017 AGM and will apply for a period of three years, unless a revised policy is proposed to shareholders before the end of this period.

### Remuneration principles and objectives

The primary objectives of the Policy are:

- To attract, retain and motivate talented Directors and senior management of the calibre required to manage the business successfully, whilst seeking to avoid paying more than is necessary to meet this objective.
- To motivate and reward good performance.
- To meet relevant regulatory requirements, including the requirements of the FCA Remuneration Code so far as these apply to the Group.

The main principles of the Policy are:

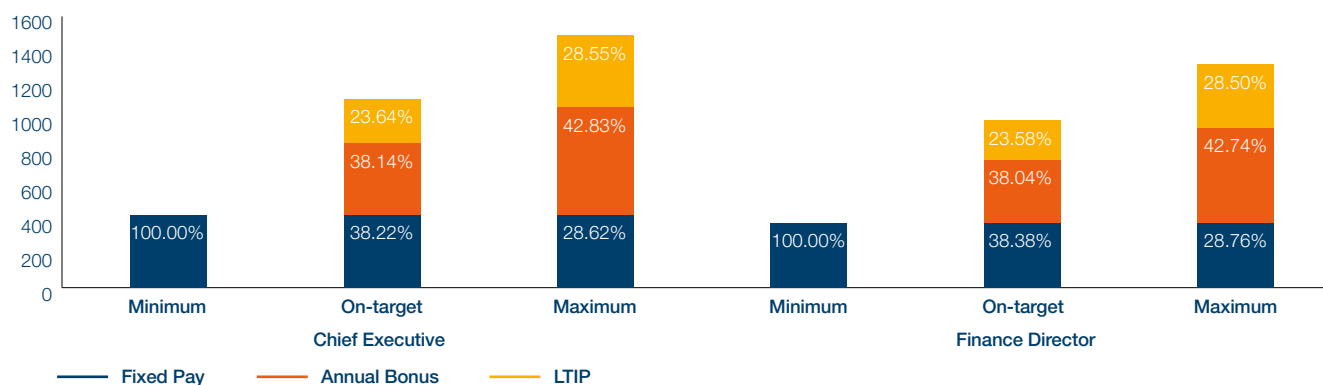
- To ensure that total remuneration is set at a level that is market competitive by benchmarking against relevant external comparators, taking account of size, complexity and sector, and to ensure that the overall package takes account of market practice.
- To maintain appropriate proportions of fixed and performance related pay, to help to drive performance over the short and longer term, maintain a flexible cost base, and avoid creating incentives for excessive risk taking.
- To align incentive plans with the business strategy, prudent risk management and shareholder interests.
- To achieve consistency with the general remuneration philosophy applied to the Group's employees as a whole.

# Directors' Remuneration Report continued

## Summary of remuneration elements for Executive Directors

Element	Purpose and link to short and long-term strategy	Operation, performance measures and periods, deferral and clawback	Maximum opportunity								
<b>Fixed pay (Discretionary)</b>	Provides a level of fixed remuneration sufficient to recruit and retain necessary talent, and to permit a zero variable pay award should that be appropriate.	<p>Executive Directors receive a base salary and can elect to benefit from life insurance at a level of six times annual salary and private medical insurance. Executive Directors can choose to sacrifice salary into the Group's defined contribution pension scheme. The Company does not make any other pension contributions to the Executive Directors.</p> <p>Individual levels of total fixed pay are reviewed annually, with any increases normally effective from 1 January, unless there are exceptional reasons for an increase at another time of the year. Any increases are generally targeted at around the general level of salary inflation in the Group, but may vary from this for exceptional reasons such as a change in the individual's role or responsibilities, or a need to bring an individual's remuneration to a market competitive level.</p>	Total Fixed Pay is benchmarked against relevant market levels of aggregate fixed pay (i.e. base salary+pension contribution+benefits, paid in the market), and is targeted to be not more than the approximate median of relevant comparators.								
<b>Annual variable pay (Discretionary)</b>	Rewards annual Group and personal performance, and, through the use of deferral into shares, also aligns reward with longer-term performance.	<table border="1"> <thead> <tr> <th>Portion of variable pay</th> <th>What fraction is deferred?</th> </tr> </thead> <tbody> <tr> <td>Portion up to £50,000</td> <td>None</td> </tr> <tr> <td>Portion between £50,000 and 1 x fixed remuneration</td> <td>One-third</td> </tr> <tr> <td>Portion above 1 x fixed remuneration</td> <td>Two-thirds</td> </tr> </tbody> </table> <p>The Remuneration Committee may seek to clawback annual variable pay in exceptional situations, such as misstatement of performance, failure of risk management or serious misconduct.</p>	Portion of variable pay	What fraction is deferred?	Portion up to £50,000	None	Portion between £50,000 and 1 x fixed remuneration	One-third	Portion above 1 x fixed remuneration	Two-thirds	The maximum individual award of annual variable pay is currently 150% of base salary.
Portion of variable pay	What fraction is deferred?										
Portion up to £50,000	None										
Portion between £50,000 and 1 x fixed remuneration	One-third										
Portion above 1 x fixed remuneration	Two-thirds										
<b>LTIP (Discretionary)</b>	Rewards achievement of long-term performance objectives.	<p>Executive Directors will be eligible to be considered each year for a conditional award over BDH shares, which will vest in one tranche, normally no earlier than three years from the date of award. Vesting will be subject to performance conditions and targets set prior to each grant by the Committee. These performance conditions will be related to financial performance (e.g. EPS growth and net discretionary funds flow) and will be aligned to the business strategy. For each performance metric used, there will be a threshold level of performance at which no more than 25% of the portion of the award relating to that KPI will vest, and a stretch level of performance, at which 100% of the portion of the award relating to that KPI will vest.</p> <p>Executive Directors will be required to hold net of tax vested shares for a period of two years following vesting.</p> <p>The Committee may seek to clawback LTIP in exceptional situations, such as misstatement of performance, failure of risk management or serious misconduct.</p>	The normal maximum annual award under the LTIP rules is up to 100% of base salary (in face value of shares at grant), but may be up to 150% in exceptional circumstances.								

## Potential Reward Opportunities (£000)



The potential reward opportunities illustrated above were calculated using base salary effective from 30 September 2017. Illustrations are intended to provide further information to shareholders regarding the pay for performance relationship; however, actual pay delivered will be influenced by changes in share price and the vesting period of awards. The assumptions below have been made in compiling the above charts:

Assumptions	Minimum	Target	Maximum
<b>Fixed pay</b>	Total fixed remuneration	Total fixed remuneration	Total fixed remuneration
<b>Annual bonus</b>	No annual bonus payable	On-target annual bonus of 100% of base salary	Maximum annual bonus of 150% of base salary
<b>LTIP</b>	Zero vesting – threshold not achieved	Share award of 100% of base salary Median vesting (62% of award)	Share award of 100% of base salary Full vesting (100% of award)

### Policy on share ownership

The Remuneration Committee has a policy of encouraging Executive Directors to acquire and retain a significant number of shares in the Company with the objective of further aligning their long-term interests with those of other shareholders. The Committee determines the requirement and reviews this periodically. The current limits are set out in the Annual Report on Remuneration.

### How the views of shareholders are taken into account

The Remuneration Committee regularly compares the Policy with shareholder guidelines and takes account of the results of shareholder votes on remuneration. The Remuneration Committee Chairman will consult with major investors ahead of any material changes to the Policy and, along with the Company Secretary, is available to meet with institutional shareholders to discuss any of the policy related disclosures or outcomes contained in this Directors' Remuneration Report.

Details of votes cast for and against the resolution to approve last year's Remuneration Report and Remuneration Policy are provided on page 64.

### Consideration of employment conditions elsewhere in the Group

A consistent remuneration philosophy for employees is applied at all levels and the aggregate rate of base salary increase for all employees is one of the factors considered when determining increases in fixed pay for Directors.

All employees are eligible for discretionary performance-related annual bonus and the principle of bonus deferral applies to annual bonuses for employees whose bonuses exceed certain thresholds.

A formal employee consultation on remuneration is not operated; however, employees are able to provide direct feedback on the Group's remuneration policies to their managers or the Human Resources department and as part of an annual employee engagement survey. The Group Human Resources Director is a standing attendee at Remuneration Committee meetings and presents regular reports on people strategy, including the effectiveness of the Group's remuneration policies and how they are viewed by employees.

## Directors' Remuneration Report continued

Fixed ratios between the total remuneration levels of different roles in the Group are not applied, as this would prevent us from recruiting and retaining the necessary talent in a highly competitive employment market.

### Benchmarking

The Remuneration Committee takes account of market benchmark data when setting total remuneration packages for Executive Directors and comparisons are made with other FTSE listed companies of similar size and business profile to the Group. Practices in the wealth management sector and other related sectors are also considered. Benchmark data is used as a reference point, alongside other factors such as the individual's role, experience and performance, rather than as a direct determinant of pay levels.

### Differences in remuneration policy for Executive Directors compared to other employees

The approach to remuneration for the Executive Directors is generally consistent with that for employees across the Group as a whole. However, there are some differences which the Remuneration Committee believes are necessary to reflect the different responsibilities of employees across the Group, and the need to recruit, retain and motivate employees in a variety of roles. For example, below Executive Director level, the portion of annual variable pay that is deferred is structured differently and is capped at one-third rather than the two-thirds deferral that applies to Executive Directors. Awards of market purchased shares are made to selected individuals from time to time, excluding Executive Directors, which vest subject to continued service, to recognise individuals' value to the Group and to create further alignment with shareholders.

### External non-executive director positions

Executive Directors are permitted to serve as non-executive directors of other companies, on the grounds that this can help to broaden the skills and experience of the Director, provided there is no competition with the Group's business activities and where these duties do not interfere with the individual's ability to perform his duties for the Group. The number of external directorships an Executive Director can hold is limited to two non-executive directorships.

Where an outside appointment is accepted in furtherance of the Group's business, any fees received are remitted to the Group.

If the appointment is not connected to the Group's business, the Executive Director is entitled to retain any fees received.

### Approach to remuneration for new Executive Director appointments

The remuneration package for a new Executive Director would be set in accordance with the terms and maximum levels of the Group's approved remuneration policy in force at the time of appointment.

The Committee may also offer additional cash and/or share-based elements when it considers these to be in the best interests of the Group and shareholders, for the purpose of replacing awards or potential foreseeable earnings which are forgone by the individual on becoming an Executive Director. This includes the use of awards made under 9.4.2 of the Listing Rules. In considering any such payments the Remuneration Committee would take account of the amount of remuneration forgone and the nature, vesting dates and any performance requirements attached to the remuneration forgone. Shareholders will be informed of any such payments and the rationale for these.

For an internal appointment, any deferred pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, ongoing remuneration obligations existing prior to appointment may be permitted to continue where this is considered to be in the best interests of the Group and shareholders.

For external and internal appointments, the Group may meet certain relocation expenses as appropriate.

### Service contracts and loss of office payments

Service contracts normally continue until the Executive Director's agreed retirement date or such other date as the parties agree. The service contracts contain provision for early termination.

In summary, the contractual provisions are:

Provision	Detailed terms
Notice period	Six months
Termination payment in the event of termination by the Company without due notice	Total fixed pay in respect of the unexpired period of contractual notice, in addition to any amounts to which they are statutorily entitled. In certain cases, the Committee may also consider a discretionary award of annual variable pay, subject to performance, in respect of the portion of any financial year that the individual has been working with the Group, although not for the period of any payment in lieu of notice or 'garden leave'.
Change of control	Same terms as above on termination.

The Group has power to enter into settlement agreements with executives and to pay compensation to settle potential legal claims. Any outstanding share-based entitlements granted to an Executive Director under the Group's LTIP or other share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, redundancy, retirement or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure), 'good leaver' status can be applied. In such cases, the normal practice, unless there are exceptional circumstances, is for any LTIP awards held to be pro-rated for the period of the performance period that has expired, and the performance conditions would continue to apply. Share awards under the DPSP will vest in full on the original vesting schedule. An Executive Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

### Legacy arrangements

For the avoidance of doubt, the Directors' Remuneration Policy includes authority for the Group to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous Remuneration Reports. Details of any payments to former Directors will be set out in the implementation section of this report as they arise.

### Policy for the Chairman and other Non-Executive Directors

Element	Purpose and link to strategy	Operation	Maximum
Chairman fee	To pay a market competitive all-inclusive fee that takes account of the role and responsibilities.	The Chairman is paid a single fee for all his responsibilities. The level of the fee is reviewed periodically by the Committee, with reference to market levels in comparably-sized FTSE companies, without the Chairman being present.	The current maximum aggregate fee for Non-Executive Directors is £700,000 per annum. This is subject to change periodically though any increase in aggregate fee would be subject to approval by shareholders.
Non-Executive Director fees	To pay a market competitive basic fee, and supplements for significant additional responsibilities such as Committee Chairmanships.	The Non-Executives are paid a basic fee. There are also supplements for Committee Chairmanships and the Senior Independent Director. The fee levels are reviewed periodically by the Chairman and Executive Directors.	As above.

Non-Executive Directors are engaged under letters of appointment; they do not have contracts of service and are not entitled to compensation on early termination of their appointment. The Group can reimburse NEDs' reasonable business expenses (including tax thereon if applicable).

### Compliance with the FCA Remuneration Code

The Remuneration Committee regularly reviews its Remuneration Policy's compliance with the principles of the Remuneration Code of the UK financial services regulator, as applicable to the Group. The Remuneration Policy is designed to be consistent with the prudent management of risk and the sustained, long-term performance of the Group.

### Application of the Policy

The Policy took effect from 3 February 2017.

This Directors' Remuneration Report, including both the Policy and Annual Remuneration Report, has been approved by the Board of Directors.

### Paul Wilson

Chairman of the Remuneration Committee

28 November 2017

# Directors' Report

## Index to principal Directors' Report and Listing Rule disclosures

Relevant information required to be disclosed in the Directors' Report and as set out in Listing Rule 9.8.4 R (information to be included in the Annual Report and Accounts) may be found in the following sections:

Information	Section in Annual Report	Pages
Business Review	Strategic Report	16-21, 24-25 & 30-37
Principal Risks and Uncertainties	Strategic Report	26-29
Disclosure information to auditor	Directors' Report	74
Directors in office during the year	Corporate Governance Report	42 & 46
Dividend recommendation for the year	Chairman's Statement	14
Directors' indemnities	Directors' Report	70
Corporate responsibility	Strategic Report	38-41
Greenhouse gas emissions	Directors' Report	72
Financial instruments – risk management objectives and policies	Notes to the Financial Statements	122
Future developments of the Company	Strategic Report	16-23
Employment policies and employee involvement	Strategic Report	38-41
Structure of share capital, including restrictions on the transfer of securities, voting rights and significant shareholders	Directors' Report	70
Rules governing the appointment of Directors	Corporate Governance Report	46
Powers of Directors	Corporate Governance Report	45
Rules governing changes to the Articles of Association	Directors' Report	71
Shareholder waiver of dividends	Note 24 to the Financial Statements	120

The above information is incorporated by reference and together with the information on pages 70 to 73 forms the Directors' Report in accordance with section 415 of the Companies Act 2006.

### Strategic Report

The Strategic Report is set out on pages 1 to 41 and was approved by the Board on 28 November 2017. It is signed on behalf of the Board by David Nicol, Chief Executive.

### Cautionary statement

The review of the business and its future development in the Annual Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of these reports and should be treated with caution due to inherent uncertainties associated with such statements. The Directors, in preparing the Strategic Report, have complied with s417 of the Companies Act 2006.

### Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the period and these remain in force at the date of this report.

### Share capital

Details of the Company's authorised and issued share capital, together with details of the movements therein, are set out in note 24 to the Financial Statements. This includes the rights and obligations attaching to shares and restrictions on the transfer of shares.

The Company has one class of Ordinary Shares which carry no right to fixed income. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.



## Employee share plans

Details of employee share plans are set out in note 29 to the Financial Statements. Under the rules of the Group's Share Incentive Plan ("SIP"), shares are held in trust for participants by Equiniti Share Plan Trustees Limited (the 'Trustee'). Voting rights are exercised by the Trustee on receipt of the participant's instructions; if no such instruction is received by the Trustee then no vote is registered. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

## Articles of Association

The Articles of Association may be amended by special resolution of the shareholders.

## Substantial shareholdings

As at 30 September 2017, the Company had received notifications in accordance with the FCA's Disclosures and Transparency Rule 5.1.2 of the following interests of 3% or more in the voting rights of the Company.

Shareholder	Number of voting rights	% of voting rights
Royal London Asset Management	16,824,793	5.95
Henderson Group PLC	14,426,962	5.09
Aberforth Partners	14,390,759	5.08
FIL Investment International	12,477,394	5.00
BlackRock, Inc.	below 5%	below 5
FIL Limited	14,092,698	4.97
Kames Capital	13,730,787	4.85
Aviva plc and its subsidiaries	11,318,428	4.00
Legal & General	8,563,901	3.99
Kabouter Management, LLC	8,661,021	3.06
Norges Bank	8,577,245	3.03

## Annual General Meeting

The AGM will be held at 11.30am on 2 February 2018 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ.

## Purchase of own shares

At the AGM on 3 February 2017, shareholders approved a resolution for the Company to make purchases of its own shares to a maximum of 10% of its issued Ordinary Shares. This resolution remains valid until the conclusion of the next AGM in 2018. As at 28 November 2017 the Directors had not used this authority.

## Employees

The average number of persons, including Directors, employed by the Group and their remuneration are set out in note 7 to the Financial Statements. Other information about the Group's employee engagement, diversity and inclusion policies is set out in the Corporate Responsibility report starting on page 38. The Group-wide gender diversity split as at 30 September 2017 was 44% female and 56% male.

## Internal control and risk management

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board considers that the information it receives enables it to review the effectiveness of the Group's internal controls in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Areas where internal controls can be improved are identified and appropriate actions agreed as part of our internal controls systems. Senior Management, the Board and the Audit Committee regularly monitor progress towards completion of these actions. The Board considers that none of the identified areas for improvement constitutes a significant failing or weakness.

## Directors' Report continued

### Greenhouse Gas Emissions ('GHG')

The Group recognises and and strives to minimise its impact on the environment. As a financial services provider, our main environmental focus is on our network of offices and employee travel.

#### Global GHG emissions for the period ended 30 September 2017

Emissions from:	Tonnes of CO <sub>2</sub> e 2016/17	Tonnes of CO <sub>2</sub> e 2015/16
Combustion of fuel and operation of facilities	308	327
Electricity purchased for own use	1,751	2,030
Fugitive emissions – refrigerant losses	12.7	–
Mobile combustion – business travel from leased assets	19.9	20.0
Company's chosen intensity measurement:		
Emissions per full time employee	1.3	1.5

#### Methodology and additional information

The table above reports the Group's annual GHG emissions from sources which fall within the consolidated financial statements. Included are most of the emission sources that the Group has responsibility for but some emission sources have been omitted based on a lack of data and materiality. Details of the emissions which have been omitted are given in the 'Emission sources not reported' section below. The Scope 2 emissions calculations for purchased electricity follow the location-based methodology of the GHG Protocol.

We have used SoFi software, from Think Step, to gather data on energy use (natural gas and electricity), hydrofluorocarbons and upstream leased assets. For the Group's international operations, Defra no longer includes the International Energy Agency's ('IEA') factors for international electricity consumption in their own dataset. Think Step negotiated an agreement with the IEA that allows them to continue to include IEA factors in the SoFi Impact libraries. These factors are the most up-to-date IEA overseas emission factors currently available which date back to country-specific physical consumption of electricity in 2014.

Regarding fugitive emissions, emissions from refrigerant losses occurred due to replacements of our Direct Expansion systems.

As in the previous reporting year, emissions from mobile combustion related to business travel and were estimated to be an average of 30% of total mileage. This is our own conservative assumption.

#### Emission sources not reported

This section of the report details the emission sources that we have not reported on and provides the reasons behind our decisions.

Only a minority of the buildings we operate directly make use of gas and we have included this in our emissions from combustion of fuel. We do not have distinct data on heat/steam for our other buildings as this is most likely embedded in the office service charges that we pay. As a result, we have not currently reported on purchased heat or steam. In future we will devise a methodology to estimate the emissions associated with heating requirements that we are responsible for.

#### Data quality for electricity and gas consumption

Our data for electricity as well as gas consumption comes from two main sources:

- consumption bills from suppliers/reports from property agents etc. (exact data); and
- our approximations based on exact data (estimated data).

We have used estimated data in some cases because we were unable to get complete data for all our buildings for the current reporting period. The section below details the approach that we have taken to fill the gaps in consumption data.

We identified that there were some buildings that had incomplete electricity or gas consumption figures for certain months over the current reporting period. In such situations, we chose a conservative approach to estimate the consumption data for the missing months. We did this by identifying the month in the dataset with the highest electricity consumption, calculated the worst case daily consumption figure and applied this daily figure to the months that had missing data as a worst case scenario.

In some other cases, there were buildings that we had no electricity and/or gas consumption data for. In these situations, we used either:

- last year's data as an approximation; or
- average consumption intensity per square metre across buildings with complete and exact data for each month in the current reporting period.

We then used these monthly average consumption per square metre intensities to estimate the monthly electricity/gas consumption of the buildings with no electricity/gas consumption data, based on individual floor areas.

### **Auditor**

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming AGM.

Approved for and on behalf of the Board.

### **Tiffany Brill**

Company Secretary  
Brewin Dolphin Holdings PLC  
Company Number: 02685806

28 November 2017

## Statement of Director's Responsibilities

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS and have also chosen to prepare the parent company Financial Statements under IFRSs adopted by the EU. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### Directors' responsibility statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the Principal Risks and Uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 28 November 2017 and is signed on its behalf by

**David Nicol**  
Chief Executive

**Andrew Westenberger**  
Finance Director

# Independent Auditor's Report

## Report on the audit of the financial statements

### Opinion

#### In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Brewin Dolphin Holdings PLC (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and,
- the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that non-audit services prohibited by the Financial Reporting Council's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Summary of our audit approach

<b>Key audit matters</b>	The key audit matters that we identified in the current year which are consistent with the prior year were: <ul style="list-style-type: none"> <li>– Revenue recognition;</li> <li>– Intangible assets: client relationships and goodwill; and</li> <li>– Assumptions underlying the calculation of the pension scheme liability.</li> </ul>
<b>Materiality</b>	The materiality that we used in the current year was £2.880m which was determined on the basis of 5% of profit before tax from continuing operations and is consistent with our approach for the 2016 audit.
<b>Scoping</b>	The scope of our audit covered substantially the entire group, with the following entities in scope, in addition to the parent company: <ul style="list-style-type: none"> <li>– Brewin Dolphin Limited;</li> <li>– Tilman Brewin Dolphin Limited; and</li> <li>– Brewin Dolphin MP.</li> </ul>
<b>Significant changes in our approach</b>	There have been no significant changes in our audit approach in 2017.

# Independent Auditor's Report continued

## Conclusions relating to principal risks, going concern and viability statement

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 3 to the financial statements and the directors' statement on the longer-term viability of the group contained within the strategic report on page 1.

**We confirm that we have nothing material to add or draw attention to in respect of these matters.**

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 26-29 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 71 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in note 3 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 37 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions; or
- whether the directors' statements relating to going concern and the prospects of the parent company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

**We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any related material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.**

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on our overall audit strategy, the allocation of resources in the audit and directing the efforts of the audit team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Revenue recognition

### Description

As detailed in the summary of significant accounting policies on page 3, revenue comprises investment management fees of £217.1m (2016: £190.5m), commissions of £66.0m (2016: £71.0m) and other income of £21.4m (2016: £20.8m).

Investment management fees account for approximately 67% of total revenue and are based on a percentage of individual clients' funds under management. There is a risk that incorrect rates or fund valuations are used to calculate management fees. This risk increases where manual amendments are required to be made to system calculated fees. Therefore we have also identified this as a higher fraud risk.

### How the scope of our audit responded

We evaluated the design and implementation and tested the operating effectiveness of controls over system generated investment management fees, including associated IT controls. We also evaluated the design and implementation of controls over fee amendments but we elected not to test their operating effectiveness as enhanced controls were implemented part way through the year.

We selected a sample of quarterly investment management fee calculations for individual clients and recalculated the system generated amount. We agreed a sample of the rates used to client contracts and the value of funds under management to third party sources. Additionally, we tested a sample of manual fee amendments to determine their validity in accordance with client agreements and the group's policy.

### Key observations

No issues were identified through our testing which indicate management fees were materially misstated for the year ended 30 September 2017

## Intangible assets: client relationships and goodwill

<b>Description</b>	<p>Historically, the group has expanded through acquisitions leading to the recognition of goodwill and client relationships of £90.5m (2016: £71.4m). During the year, the group acquired BDDL Limited (formerly Duncan Lawrie Asset Management Limited) which resulted in client relationships of £25.5m being recognised.</p> <p>As detailed in the summary of significant accounting policies in note 3, intangible assets are reviewed for impairment at least annually. This is considered to be a key source of estimation uncertainty for the group as described in note 4, based on the information contained in the intangibles note 14.</p> <p>Determining whether these intangible assets are impaired requires an estimation of the recoverable amount for each of the group's cash-generating units ("CGUs") and where the carrying amount exceeds the recoverable amount an impairment should be recorded. This assessment is based on estimates of the fair value less costs to sell of CGUs based on a percentage of funds under management. The percentages used are inherently judgemental.</p> <p>Judgement has also been applied in calculating the fair value of client relationships in the acquisition of BDDL Limited, including the determination that the difference between the fair value of consideration and the fair value of net assets acquired relates entirely to client relationships and no goodwill has arisen.</p>
<b>How the scope of our audit responded</b>	<p>In assessing the intangible assets, we have reviewed the calculations prepared by management to assess whether they meet the requirements of IAS 36 "Impairment of Assets" and that the assumptions and judgements made are appropriate.</p> <p>This included challenging the percentages management applied to market values of funds under management to determine fair value, and validating these against percentages derived from recent public acquisitions of fund management businesses.</p> <p>We evaluated the design and implementation and tested the operating effectiveness of controls over the production of funds under management data, designed to ensure its completeness and accuracy.</p> <p>We challenged the recognition and valuation of intangible client relationships recognised on acquisition of BDDL Limited and management's assessment that the fair value of intangible client relationships was £25.5m and that no goodwill should be recognised by testing management's valuation and challenging both key assumptions and whether other identifiable assets should be recognised.</p>
<b>Key observations</b>	<p>No issues were identified through our testing which indicate client relationships and goodwill were materially misstated for the year ended 30 September 2017.</p>

## Assumptions underlying the calculation of the pension scheme liability

<b>Description</b>	<p>The group has recognised a defined benefit pension surplus of £4.5m (2016: £7.0m deficit). The net surplus comprises assets of £106.3m and liabilities of £101.9m.</p> <p>The calculation of the liability is sensitive to changes in underlying assumptions and is considered to be a key source of estimation uncertainty for the group as detailed in note 4, and disclosed in note 18.</p> <p>The key assumptions are the discount rate, inflation rate and mortality rate where small changes to these assumptions could result in a material change to the pension liability valuation.</p>
<b>How the scope of our audit responded</b>	<p>In order to evaluate the appropriateness of the assumptions used by management, we have assessed the design and implementation of controls over the review of assumptions and have used our own actuarial experts to make direct enquiries of the group's actuary and review the key actuarial assumptions adopted in the IAS 19 ("Employee Benefits") pension valuation. In particular we compared the discount rate, inflation rate and mortality assumptions to our independently determined benchmarks derived using market and other data.</p>
<b>Key observations</b>	<p>No issues were identified through our testing which indicate a material misstatement in the assumptions underlying the pension scheme liability for the year ended 30 September 2017. Management's assumptions were in a reasonable range when compared to our internal benchmarks, with the group's assumptions being marginally conservative in comparison.</p>

# Independent Auditor's Report continued

## Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

<b>Group materiality</b>	£2.880m (2016: £2.485m)
<b>Basis for determining materiality</b>	5% of profit before tax from continuing operations which is consistent with our approach for the prior year audit.
<b>Rationale for the benchmark applied</b>	Profit before tax was used as the basis for determining materiality as this is the key metric used by members of the parent company and other relevant stakeholders in assessing financial performance.

We agreed with the audit committee that we would report to the committee all audit differences in excess of 5% of materiality, £144,000 (2016: 2% of materiality £49,700), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The change in the reporting threshold has been made to align with the thresholds typically used in listed company audits. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls and assessing the risks of material misstatement at the group level.

The group consists of the main trading subsidiary, Brewin Dolphin Limited along with Tilman Brewin Dolphin Limited, Brewin Dolphin MP Limited, and BDDL Limited. We focused our group audit scope primarily on Brewin Dolphin Limited which was subject to a full audit, and Tilman Brewin Dolphin Limited and Brewin Dolphin MP were subject to an audit of specified account balances. At the year end all of the net assets of BDDL Limited had been transferred to Brewin Dolphin Limited and thus we did not scope in this entity.

Our coverage of the group audit enabled us to test 98.0% (2016: 97.5%) of the group's revenue and its profit before tax. Our audit of Brewin Dolphin Limited used a component materiality of £2.875m (2016: £2.485m).

The majority of the operations of the group are based in the United Kingdom and are audited by Deloitte LLP. The only exception to this is Tilman Brewin Dolphin Limited, an Irish company, which represents less than 2.5% (2016: 2.5%) of revenue and is audited by another Deloitte member firm.



## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, strategic report and directors' report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

*Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

*Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

*Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the parent company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

**We have nothing to report in respect of these matters.**

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

# Independent Auditor's Report continued

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### Matters on which we are required to report by exception

#### Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

#### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

## Other matters

### Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Shareholders at the Annual General Meeting in April 2002 to audit the financial statements for the year ended 30 September 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 15 years, covering the years ended 2002 to 2017.

### Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

### Robert Topley FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

28 November 2017

# Financial Statements

---

## Contents

Consolidated Income Statement	82
Consolidated Statement of Comprehensive Income	83
Consolidated Balance Sheet	84
Consolidated Statement of Changes in Equity	85
Company Balance Sheet	86
Company Statement of Changes in Equity	87
Consolidated Cash Flow Statement	88
Company Cash Flow Statement	89
Notes to the Financial Statements	90
1. General information	90
2. Application of new and revised International Financial Reporting Standards ('IFRSs') and changes in accounting policies	90
3. Significant accounting policies	92
4. Critical accounting judgements and key sources of estimation uncertainty	98
5. Income	100
6. Segmental information	101
7. Staff costs	101
8. Profit for the year	102
9. Finance income and finance costs	102
10. Income tax expense	103
11. Discontinued operations	104
12. Dividends	104
13. Earnings per share	105
14. Intangible assets	107
15. Property, plant and equipment	108
16. Investment in subsidiaries	109
17. Trade and other receivables	110
18. Defined benefit pension scheme	111
19. Net deferred tax asset	116
20. Investments	116
21. Cash and cash equivalents	117
22. Trade and other payables	117
23. Provisions	118
24. Share capital	119
25. Own shares	120
26. Other reserves	121
27. Business combinations	121
28. Financial instruments and risk management	122
29. Share-based payments	129
30. Operating lease arrangements	130
31. Contractual commitments	130
32. Notes to the Cash Flow Statement	131
33. Post balance sheet events	131
34. Related party transactions	132

# Consolidated Income Statement

Year ended 30 September 2017

	Note	2017 £'000	2016 £'000
<b>Continuing operations</b>			
Revenue	5	303,896	280,484
Other operating income	5	568	1,866
<b>Income</b>		<b>304,464</b>	<b>282,350</b>
Staff costs	7	(162,689)	(152,175)
Redundancy costs	7	(742)	(2,780)
Onerous contracts		(1,969)	(311)
Amortisation of intangible assets – client relationships	14	(6,650)	(6,287)
One-off migration costs		–	(1,596)
Acquisition costs	27	(1,683)	–
Incentivisation awards		(1,297)	–
Other operating costs		(71,766)	(69,458)
<b>Operating expenses</b>		<b>(246,796)</b>	<b>(232,607)</b>
<b>Operating profit</b>		<b>57,668</b>	<b>49,743</b>
Finance income	9	161	514
Other gains and losses		2	(3)
Finance costs	9	(188)	(192)
<b>Profit before tax</b>		<b>57,643</b>	<b>50,062</b>
Tax	10	(12,490)	(11,095)
<b>Profit for the year from continuing operations</b>		<b>45,153</b>	<b>38,967</b>
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	11	–	11,395
<b>Profit for the year</b>		<b>45,153</b>	<b>50,362</b>
Attributable to:			
Equity holders of the parent		45,153	50,362
		<b>45,153</b>	<b>50,362</b>
<b>Earnings per share</b>			
From continuing operations			
Basic	13	16.5p	14.4p
Diluted	13	16.0p	13.9p
From continuing and discontinued operations			
Basic	13	16.5p	18.6p
Diluted	13	16.0p	17.9p

# Consolidated Statement of Comprehensive Income

Year ended 30 September 2017

	Note	2017 £'000	2016 £'000
<b>Profit for the year</b>		<b>45,153</b>	50,362
<b>Items that will not be reclassified subsequently to profit and loss:</b>			
Actuarial gain/(loss) on defined benefit pension scheme	18	<b>8,558</b>	(7,031)
Deferred tax (charge)/credit on actuarial gain/(loss) on defined benefit pension scheme	19	<b>(1,383)</b>	1,109
		<b>7,175</b>	(5,922)
<b>Items that may be reclassified subsequently to profit and loss:</b>			
Revaluation of available-for-sale investments	20	<b>(75)</b>	(30)
Deferred tax credit on revaluation of available-for-sale investments	19	<b>14</b>	6
Exchange differences on translation of foreign operations		<b>92</b>	559
		<b>31</b>	535
<b>Other comprehensive income/(expense) for the year net of tax</b>		<b>7,206</b>	(5,387)
<b>Total comprehensive income for the year</b>		<b>52,359</b>	44,975
Attributable to:			
Equity holders of the parent		<b>52,359</b>	44,975
		<b>52,359</b>	44,975

# Consolidated Balance Sheet

As at 30 September 2017

	Note	2017 £'000	2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	14	95,791	81,053
Property, plant and equipment	15	3,840	4,822
Other receivables	17	200	307
Defined benefit pension scheme	18	4,487	–
Net deferred tax asset	19	6,743	7,799
<b>Total non-current assets</b>		<b>111,061</b>	<b>93,981</b>
<b>Current assets</b>			
Available-for-sale investments	20	736	833
Trading investments	20	36	1,093
Trade and other receivables	17	243,144	218,118
Cash and cash equivalents	21	169,995	170,766
<b>Total current assets</b>		<b>413,911</b>	<b>390,810</b>
<b>Total assets</b>		<b>524,972</b>	<b>484,791</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	22	245,309	221,945
Current tax liabilities		4,993	3,388
Provisions	23	3,755	3,097
<b>Total current liabilities</b>		<b>254,057</b>	<b>228,430</b>
<b>Net current assets</b>		<b>159,854</b>	<b>162,380</b>
<b>Non-current liabilities</b>			
Defined benefit pension scheme	18	–	6,952
Provisions	23	8,339	6,600
<b>Total non-current liabilities</b>		<b>8,339</b>	<b>13,552</b>
<b>Total liabilities</b>		<b>262,396</b>	<b>241,982</b>
<b>Net assets</b>		<b>262,576</b>	<b>242,809</b>
<b>Equity</b>			
Share capital	24	2,833	2,830
Share premium account	24	152,320	151,836
Own shares	25	(25,921)	(29,294)
Revaluation reserve	26	(85)	(24)
Merger reserve	26	70,553	70,553
Profit and loss account		62,876	46,908
<b>Equity attributable to equity holders of the parent</b>		<b>262,576</b>	<b>242,809</b>

Approved by the Board of Directors and authorised for issue on 28 November 2017.

Signed on its behalf by

**David Nicol**  
Chief Executive

**Andrew Westenberger**  
Finance Director

# Consolidated Statement of Changes in Equity

Year ended 30 September 2017

	Attributable to the equity holders of the parent						
	Share capital £'000	Share premium account £'000	Own shares £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 30 September 2015	2,793	142,135	(28,153)	–	70,553	31,823	219,151
Profit for the year	–	–	–	–	–	50,362	50,362
Other comprehensive income for the year							
Deferred and current tax on other comprehensive income	–	–	–	6	–	1,109	1,115
Actuarial loss on defined benefit pension scheme	–	–	–	–	–	(7,031)	(7,031)
Revaluation of available-for-sale investments	–	–	–	(30)	–	–	(30)
Exchange differences on translation of foreign operations	–	–	–	–	–	559	559
Total comprehensive (expense)/income for the year	–	–	–	(24)	–	44,999	44,975
Dividends	–	–	–	–	–	(32,818)	(32,818)
Issue of share capital	37	9,701	–	–	–	–	9,738
Own shares acquired in the year	–	–	(7,220)	–	–	–	(7,220)
Own shares disposed of on exercise of options	–	–	5,853	–	–	(5,853)	–
Own shares disposed of	–	–	226	–	–	84	310
Share-based payments	–	–	–	–	–	8,387	8,387
Tax on share-based payments	–	–	–	–	–	286	286
<b>At 30 September 2016</b>	<b>2,830</b>	<b>151,836</b>	<b>(29,294)</b>	<b>(24)</b>	<b>70,553</b>	<b>46,908</b>	<b>242,809</b>
Profit for the year	–	–	–	–	–	45,153	45,153
Other comprehensive income for the year							
Deferred and current tax on other comprehensive income	–	–	–	14	–	(1,383)	(1,369)
Actuarial gain on defined benefit pension scheme	–	–	–	–	–	8,558	8,558
Revaluation of available-for-sale investments	–	–	–	(75)	–	–	(75)
Exchange differences on translation of foreign operations	–	–	–	–	–	92	92
Total comprehensive (expense)/income for the year	–	–	–	(61)	–	52,420	52,359
Dividends	–	–	–	–	–	(36,614)	(36,614)
Issue of share capital	3	484	–	–	–	–	487
Own shares acquired in the year	–	–	(5,807)	–	–	–	(5,807)
Own shares disposed of on exercise of options	–	–	9,180	–	–	(9,180)	–
Share-based payments	–	–	–	–	–	8,052	8,052
Tax on share-based payments	–	–	–	–	–	1,290	1,290
<b>At 30 September 2017</b>	<b>2,833</b>	<b>152,320</b>	<b>(25,921)</b>	<b>(85)</b>	<b>70,553</b>	<b>62,876</b>	<b>262,576</b>

# Company Balance Sheet

As at 30 September 2017

	Note	2017 £'000	2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	16	192,020	191,429
Other receivables	17	–	50
<b>Total non-current assets</b>		<b>192,020</b>	<b>191,479</b>
<b>Current assets</b>			
Trade and other receivables	17	53,802	46,151
Cash and cash equivalents	21	433	686
<b>Total current assets</b>		<b>54,235</b>	<b>46,837</b>
<b>Total assets</b>		<b>246,255</b>	<b>238,316</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	22	10,700	12,313
<b>Total current liabilities</b>		<b>10,700</b>	<b>12,313</b>
<b>Net current assets</b>		<b>43,535</b>	<b>34,524</b>
<b>Total liabilities</b>		<b>10,700</b>	<b>12,313</b>
<b>Net assets</b>		<b>235,555</b>	<b>226,003</b>
<b>Equity</b>			
Share capital	24	2,833	2,830
Share premium account	24	152,320	151,836
Own shares	25	(25,921)	(29,294)
Merger reserve	26	70,838	70,838
Profit and loss account	26	35,485	29,793
<b>Equity attributable to equity holders</b>		<b>235,555</b>	<b>226,003</b>

Approved by the Board of Directors and authorised for issue on 28 November 2017.

Signed on its behalf by

**David Nicol**  
Chief Executive

**Andrew Westenberger**  
Finance Director

Brewin Dolphin Holdings PLC  
Company Number: 02685806



# Company Statement of Changes in Equity

Year ended 30 September 2017

	Attributable to the equity holders of the Company					
	Share capital £'000	Share premium account £'000	Own shares £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 30 September 2015	2,793	142,135	(28,153)	70,838	30,109	217,722
Profit for the year	-	-	-	-	29,884	29,884
Total comprehensive income for the year	-	-	-	-	29,884	29,884
Dividends	-	-	-	-	(32,818)	(32,818)
Issue of share capital	37	9,701	-	-	-	9,738
Own shares acquired in the year	-	-	(7,220)	-	-	(7,220)
Own shares disposed of on exercise of options	-	-	5,853	-	(5,853)	-
Own shares disposed of	-	-	226	-	84	310
Share-based payments	-	-	-	-	8,387	8,387
<b>At 30 September 2016</b>	<b>2,830</b>	<b>151,836</b>	<b>(29,294)</b>	<b>70,838</b>	<b>29,793</b>	<b>226,003</b>
Profit for the year	-	-	-	-	43,434	43,434
Total comprehensive income for the year	-	-	-	-	43,434	43,434
Dividends	-	-	-	-	(36,614)	(36,614)
Issue of share capital	3	484	-	-	-	487
Own shares acquired in the year	-	-	(5,807)	-	-	(5,807)
Own shares disposed of on exercise of options	-	-	9,180	-	(9,180)	-
Share-based payments	-	-	-	-	8,052	8,052
<b>At 30 September 2017</b>	<b>2,833</b>	<b>152,320</b>	<b>(25,921)</b>	<b>70,838</b>	<b>35,485</b>	<b>235,555</b>

# Consolidated Cash Flow Statement

Year ended 30 September 2017

	Note	2017 £'000	2016 £'000
<b>Net cash inflow from operating activities</b>	32	<b>67,463</b>	52,033
<b>Cash flows from investing activities</b>			
Purchase of intangible assets – software		(1,437)	(5,238)
Purchases of property, plant and equipment		(589)	(373)
Purchase of available-for-sale investments		(18)	(770)
Acquisition of subsidiary	27	(25,500)	–
Proceeds on disposal of discontinued operation	11	–	14,000
Proceeds on disposal of trading investments		1,149	–
Proceeds on disposal of available-for-sale investments		42	47
Net cash (used in)/from investing activities		<b>(26,353)</b>	7,666
<b>Cash flows from financing activities</b>			
Dividends paid to equity shareholders	12	(36,614)	(32,818)
Purchase of own shares	25	(5,807)	(7,220)
Disposal of own shares		–	310
Proceeds on issue of shares		487	433
Net cash used in financing activities		<b>(41,934)</b>	(39,295)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(824)</b>	20,404
Cash and cash equivalents at 1 October		<b>170,766</b>	149,823
Effect of foreign exchange rates		<b>53</b>	539
<b>Cash and cash equivalents at 30 September</b>	21	<b>169,995</b>	170,766

# Company Cash Flow Statement

Year ended 30 September 2017

	Note	2017 £'000	2016 £'000
<b>Net cash inflow from operating activities</b>	32	<b>35,874</b>	32,502
<b>Cash flows from financing activities</b>			
Dividends paid to equity shareholders	12	<b>(36,614)</b>	(32,818)
Disposal of own shares		-	310
Proceeds on issue of shares		<b>487</b>	433
Net cash used in financing activities		<b>(36,127)</b>	(32,075)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(253)</b>	427
Cash and cash equivalents at 1 October		<b>686</b>	259
<b>Cash and cash equivalents at 30 September</b>	21	<b>433</b>	686

# Notes to the Financial Statements

## 1. General information

The consolidated financial statements of Brewin Dolphin Holdings PLC (the 'Company') and its subsidiaries (collectively, the 'Group') for the year ended 30 September 2017 were authorised for issue by the Directors on 28 November 2017.

The Company is incorporated in the United Kingdom under the Companies Act 2006. The nature of the Group's operations and its principal activities are set out in the Strategic Report.

The Company is registered in England and Wales. The address of the registered office is 12 Smithfield Street, London EC1A 9BD. The separate financial statements of the Company are also reported.

Note 16 identifies the subsidiaries that have taken advantage under s479A of the Companies Act 2006, of the exemption from audit.

The significant accounting policies have been disclosed below. The accounting policies for the Group and the Company are consistent unless otherwise stated.

## 2. Application of new and revised International Financial Reporting Standards ('IFRSs') and changes in accounting policies

### a. New standards, amendments and interpretations adopted

In the current year, there have been no new standards, amendments or interpretations adopted that have had a material impact on the disclosures or amounts reported in these financial statements.

### b. Changes in accounting policies

There have been no changes to accounting policies in the year.

### c. New standards, amendments and interpretations issued but not effective

The table below sets out changes to accounting standards which will be effective for periods beginning on or after:

		Effective for period beginning on or after 1 January
IAS 7 <sup>1</sup>	Amendments to Disclosure Initiative	2017
IAS 12 <sup>1</sup>	Amendments to Recognition of Deferred Tax Assets for Unrealised Losses	2017
IFRS 2 <sup>1</sup>	Amendments to Classification and Measurement of Share-based Payment Transactions	2018
IFRS 4 <sup>1</sup>	Amendments to Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	2018
IFRS 9 (2014)	Financial Instruments	2018
IFRS 15	Revenue from Contracts with Customers	2018
IFRS 15 <sup>1</sup>	Clarifications to Revenue from Contracts with Customers	2018
IFRIC 22 <sup>1</sup>	Foreign Currency Transactions and Advance Consideration	2018
IAS 40 <sup>1</sup>	Amendments to Transfers of Investment Property	2018
IFRS 16 <sup>1</sup>	Leases	2019
IFRIC 23 <sup>1</sup>	Uncertainty over Income Tax Treatments	2019
IFRS 17 <sup>1</sup>	Insurance Contracts	2021
Annual Improvements to IFRS <sup>1</sup>	2014–2016 Cycle: Makes amendments to the following standards: IFRS 1, IFRS 12 and IAS 28.	2018 (IFRS 1 and IAS 28) and 2017 (IFRS 12)

1. These amendments have not yet been endorsed by the EU.

The Directors are reviewing the impact of these new standards, amendments and interpretations and do not intend to adopt the standards early. It is not currently expected that these will have a material impact except for IFRS 16 'Leases'.

### IFRS 16 'Leases'

IFRS 16 was issued in January 2016 and is effective for periods beginning on or after 1 January 2019 (the standard is yet to be endorsed by the EU). The Group does not intend to adopt the standard early. Therefore, it will first be applicable to the Group's accounting period ending 30 September 2020.

The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model that replaces the current model where leases are either recognised as a finance or operating lease.

Under the single lessee model, a right of use asset and corresponding lease liability will be recognised which represent future lease payables, with movements through the Income Statement representing depreciation, additions or releases on the liability and unwinding of the discount for all leases unless the underlying asset has a low value or the remaining lease term is less than twelve months at the date of transition.

Accounting requirements for lessors are substantially unchanged from IAS 17 'Leases'.

### Transition

On transition to IFRS 16, the Group can choose to apply one of two transition methods;

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

A practical expedient exists that allows an entity not to reassess whether a contract is, or contains, a lease at the date of initial application of the standard.

### Impact

The Group is primarily a lessee and is also a sub-lessor for a small number of property leases that have been identified as onerous.

On adoption, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. The right of use asset will be depreciated over the shorter of the expected life of the asset and the lease term on a straight-line basis and recognised in the Income Statement. The lease liability will be reduced by lease payments, offset by the unwinding of the liability over the lease term. Interest recognised on the lease liability will be charged to the Income Statement.

The depreciation and interest charges will replace the lease costs currently charged to the Income Statement on a straight line basis. This will result in a change to the profile of the charge taken to the Income Statement over the life of the lease; higher expenses are recognised in earlier years of the lease, with a reduction in the annual expenses in the later years of the lease owing to the application of the actuarial method of accounting for the lease liability.

An assessment of the impact of the new standard is currently being undertaken and work being performed includes an assessment of the accounting impacts of the change, the process of collecting the required data, identification of leases within the Group which fall within the scope of the standard and the necessary changes to systems and processes.

It is not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated results. However, from the assessment to date, the Directors expect implementation of the new standard will have a material impact on the consolidated results of the Group. The Group has non-cancellable operating lease commitments of £58.7 million, see note 30.

It is likely that the Group will adopt the modified retrospective transition approach and take advantage of the practical expedient as detailed above.

### IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 is effective for periods commencing on or after 1 January 2018. The standard was endorsed by the EU during 2016 and supersedes existing revenue recognition standards, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Group does not intend to adopt the standard early; therefore, it will first be applicable to the Group's accounting period ending 30 September 2019.

The new standard establishes a principle based five step model to be applied to all contracts with customers, except for insurance contracts, financial instruments and lease contracts.

The Group will be required to identify all contracts it has with customers in order to determine whether, how much and when revenue is recognised. The Group is in the process of quantifying the potential impact of adopting the standard, based on its existing revenue streams.

The Group has conducted a preliminary assessment of the potential impact of the new standard; it is not currently expected to have a material financial impact on the amount and timing of revenue recognised under IFRS 15 in the Group financial statements, however it may result in changes to presentation and disclosure.

### IFRS 9 'Financial Instruments'

IFRS 9 is effective for periods commencing on or after 1 January 2018. The standard was endorsed by the EU during 2016. The Group does not intend to adopt this standard early, therefore, it will first be applicable to the Group's accounting period ending 30 September 2019.

IFRS 9 changes the classification and measurement of financial instruments, the timing and extent of credit provisioning, new hedge accounting requirements and enhanced disclosures in the financial statements. The Group does not use hedge accounting and so this element of the new standard is not applicable.

The Group has conducted a preliminary assessment of the potential impact of the new standard; it is not currently expected to have a material financial impact on the Group financial statements. However, the adoption of the standard will result in both the reclassification of certain financial assets and changes to disclosure.

## Notes to the Financial Statements continued

### 3. Significant accounting policies

#### a. Statement of compliance

The consolidated financial statements for both the Group and the Company have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union, Article 4 of the EU IAS Regulation and Companies Act 2006.

#### b. Basis of preparation

The consolidated financial statements are presented in pounds sterling, the functional currency of the Company, rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

#### c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated Income Statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In accordance with Section 408 of the Companies Act 2006 Brewin Dolphin Holdings PLC has taken advantage of the legal dispensation not to present its own Statement of Comprehensive Income or Income Statement. The amount of the profit for the financial period dealt with in the financial statements of the Company is disclosed in the Company Statement of Changes in Equity.

#### d. Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the going concern statement and the Viability Statement included in the Strategic Report on page 37.

#### e. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the Income Statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred the excess is recognised immediately in the Income Statement as a bargain purchase gain.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

#### f. Transaction date accounting

All securities transactions entered into on behalf of clients are recorded in the accounts on the date of the transaction. The underlying investments are not shown in the financial statements of the Group.

### g. Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the Income Statement in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

### h. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents investment management fees, investment management commissions, financial planning income and other income, excluding VAT, receivable in the period.

#### Investment management and financial planning income

Investment management fees and financial planning income are recognised in the period in which the related service is provided and commissions are recognised when the transaction is performed.

#### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Dividends received and receivable are credited to the Income Statement to the extent that they represent a realised profit and loss for the Company.

### i. Other operating income

Interest receivable and payable on client money balances is netted to calculate the Group's share of interest receivable and included under the heading 'Other operating income'.

### j. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and bank overdrafts.

### k. Leases

Rentals on operating leases are charged to the Income Statement on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a liability. The aggregate benefit of incentives is spread on a straight-line basis over the lease term.

### l. Share-based payments

Equity-settled share-based payments to employees are measured at fair value of the equity instruments at the date of grant. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29.

Fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

## Notes to the Financial Statements continued

### 3. Significant accounting policies (continued)

#### m. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

##### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

##### Current and deferred tax for the year

Current and deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited in other comprehensive income, in which case the current and deferred tax is also dealt with in other comprehensive income.

#### n. Investments in subsidiaries

In the Company's financial statements investments in subsidiary undertakings are stated at cost less any provision for impairment.

#### o. Intangible assets

##### i) Goodwill

Goodwill is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the identifiable assets and liabilities at the date of acquisition.

Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the Income Statement and is not reversed in a subsequent period (see note 3(u) for the Impairment accounting policy).

When the consideration transferred by the Group is deferred or contingent, this is valued at its acquisition date fair value, and is included in the consideration transferred in a business combination. Changes in the deferred or contingent consideration, which occur in the measurement period, are adjusted retrospectively, with corresponding adjustments to goodwill. Subsequent to the measurement period, the deferred and contingent considerations are revised annually at the balance sheet date and any corresponding adjustments are posted to the Income Statement.



## ii) Client relationships

Intangible assets classified as ‘client relationships’ are recognised when acquired as part of a business combination or when separate payments are made to acquire funds by adding teams of investment managers. Client relationships acquired separately are initially recognised at cost. If acquired as part of a business combination the initial cost of client relationships is the fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

When separate payments are made to acquire funds by adding teams of investment managers, elements of the total consideration may be deferred or contingent. In such cases the cost of the recognised client relationships includes the Company’s best estimate of the future consideration likely to be made, discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money, and is revised at each balance sheet date.

Client relationships are amortised over seven to fifteen years, dependent upon the assessment of the estimated useful life of the client relationships.

## iii) Computer software

Computer software which is not an integral part of the related hardware is classified as an intangible asset. Costs of acquiring computer software are treated as an intangible asset and amortised over three to ten years, dependent upon the assessment of the expected useful life of the software, on a straight-line basis from the date the software is operating as management intended.

The assessment of the expected useful life of computer software is based on the contractual terms or where appropriate past experience of the life of similar assets.

## p. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment. Depreciation has been provided on the basis of equal annual instalments to write off the cost less estimated residual values of tangible fixed assets over their estimated useful lives as follows:

Computer equipment	3 to 4 years
Office equipment	4 to 10 years
Leasehold improvements	to the earlier of the first break clause of the lease or 10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

## q. Fair value measurement

The Group measures financial instruments and certain non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 3. Significant accounting policies (continued)

#### r. Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the Income Statement.

#### i) Financial assets

Financial assets are classified into the following specified categories:

- financial assets at fair value through profit or loss ('FVTPL');
- available-for-sale financial assets; and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Financial assets at FVTPL

Financial assets are classified as FVTPL where the financial asset is held-for-trading. A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the near future.

Financial assets classified as FVTPL are stated at fair value, with any resultant gain or loss on remeasurement recognised in the Income Statement. The net gain or loss recognised in the Income Statement incorporates any dividends or interest earned on the financial asset and is included in the Income Statement. Their value is determined in the manner described in note 3(q).

#### Available-for-sale financial assets ('AFS')

Certain assets held by the Group are classified as being available-for-sale and are stated at fair value. Unlisted shares that are not traded in an active market are stated at fair value where the directors consider that fair value can be reliably measured. Fair value is determined in the manner described in note 3(q). Gains and losses are recognised directly in other comprehensive income and accumulated in the revaluation reserve with the exception of permanent impairment losses which are recognised directly in the Income Statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is reclassified to the Income Statement.

Dividends on AFS equity instruments are recognised in the Income Statement when the Group's right to receive payment is established.

#### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of the impairment.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the Income Statement in the period. In subsequent periods if the amount of impaired loss decreases, in respect of AFS equity securities, impairment losses previously recognised in the Income Statement are not reversed through the Income Statement. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

## ii) Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into.

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Financial liabilities at FVTPL

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the Income Statement. The net gain or loss recognised in the Income Statement incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the Income Statement. Fair value is determined in the manner described in note 3(q).

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

## s. Netting of balances

Amounts due to and from counterparties due to settle on balance are shown net where there is a currently enforceable legal right to set off the recognised amounts and an operational intention to settle net. Amounts due to and from counterparties due to settle against delivery of stock are shown gross.

## t. Post-retirement benefits

### i) Costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at each balance sheet date. Remeasurements comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the Balance Sheet with a charge or credit to the Statement of Other Comprehensive Income in the period in which they occur. Remeasurement recorded in the Statement of Other Comprehensive Income is not recycled.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset and net-interest expense or income is recognised within finance costs (see note 9).

### ii) Defined benefit pension scheme asset/liability

The defined benefit pension scheme asset/liability recognised in the Balance Sheet represents the present value of the defined benefit pension scheme obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Any asset recognised is only recognised to the extent that the Group is able, without condition or restriction placed on it by the trustees, to run the Scheme until the last member dies, without benefits being augmented; wind up the Scheme at that point; and reclaim any remaining monies.

## u. Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Goodwill is tested for impairment at least annually and whenever there is an indication that it may be impaired. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

### 3. Significant accounting policies (continued)

For the purposes of impairment testing, client relationships and goodwill are allocated to each of the Group's cash-generating units. Fair value is established by valuing clients' funds in each of the cash-generating units at the period end; the percentages of funds being used depend on values attributed in recent public transactions for the purchase of advisory and discretionary funds. If the carrying amount relating to any cash-generating unit exceeds the calculated fair value less costs to sell, a value in use is calculated using a discounted cash flow method. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

If the recoverable amount of any asset other than client relationships or goodwill is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### v. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount receivable can be measured reliably.

#### Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

#### w. Discontinued operations

A discontinued operation is a component of the Group's business that either has been disposed of or is classified as held for sale.

Components of the Group are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the component is available for immediate sale in its present condition.

#### x. Employee share ownership trusts

Brewin Dolphin Limited is the sponsoring employer of the Brewin Dolphin Share Incentive Plan Trust and the Brewin Dolphin Holdings PLC Employee Share Ownership Trust. The assets and liabilities of the trusts are recognised as those of Brewin Dolphin Holdings PLC and obligations of the trusts are regarded as obligations of Brewin Dolphin Holdings PLC. Shares of Brewin Dolphin Holdings PLC held by the trusts are treated as own shares held and shown as a deduction in equity.

### 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

## a. Critical judgements in applying the Group's accounting policies

### i. Business combinations

The Group applies judgement in determining whether a transaction is a business combination, which includes consideration as to whether the Group has acquired a business or a group of assets.

In making this judgement, the Group assesses the assets, liabilities, operations and processes that were the subject of the transaction against the definition of a business in IFRS 3.

On 10 May 2017, the Group's principal operating subsidiary (Brewin Dolphin Limited) acquired 100% of the ordinary share capital of Duncan Lawrie Asset Management Limited ('DLAM'). It has been judged that the acquisition should be accounted for as a business combination given control of a separate legal entity was acquired and all of the value of the business was transferred.

See note 27 for additional information.

## b. Key sources of estimation uncertainty

### i. Business combinations

As part of any business combination the Group recognises all assets acquired and liabilities assumed at their acquisition date fair values, including any separately identifiable intangibles assets such as the client relationship intangibles recognised as part of the DLAM acquisition (as set out in note 4.a.i. above).

The value attributed to the client relationships affects the amount of goodwill recognised, this value together with the assessment of useful economic lives determines future amortisation charges.

The valuation of the client relationship intangible asset gives rise to estimation uncertainty. Certain assumptions regarding the amount, timing and discounting of future cash flows have been adopted in order to determine these fair values.

The Group has recognised client relationship intangibles of £25,500,000 (see note 14 and 27), arising from the DLAM business' relationship with its clients.

If the fair value of the assets acquired moved by 10% then the value of the client relationship intangibles acquired would decrease/increase by £2,500,000 resulting in the recognition of either goodwill or a gain on bargain purchase.

### ii. Goodwill and client relationships

#### Amortisation of client relationships

The useful economic life over which client relationships are amortised is determined by the expected duration of the client relationships which are determined with reference to past experience of account closures, in particular the average life of those relationships, and future expectations. During the year, client relationships were amortised over a 7 to 15 year period.

The amortisation for the year was £6,650,000 (2016: £6,287,000). A reduction in the average amortisation period by one year would increase the amortisation expense for the year by £2,154,000 (2016: £2,144,000).

#### Impairment of goodwill and client relationships

Impairment exists when the carrying value of an asset or cash-generating unit ('CGU') exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use.

For the purposes of impairment testing, the Group values the recoverable amount of goodwill and client relationships at the fair value less costs of disposal. The calculation of the fair value less costs of disposal is based on the valuation of the funds, which make up the relevant intangible asset. A percentage is applied to funds (3% for discretionary funds and 1% for advisory funds) to determine the fair value. These percentages have been based on recent public transactions.

Therefore, the recoverable amount is sensitive to movements in the valuation of funds. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 14.

Note 3.u explains the accounting policy with respect to the impairment of intangible assets.

## Notes to the Financial Statements continued

### 4. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### iii. Defined benefit pension scheme

The calculation of the present value of the defined benefit pension scheme is determined by using actuarial valuations. Management make key assumptions in determining the inputs into the actuarial valuations, which may differ from actual developments in the future. These assumptions are governed by IAS 19 Employee Benefits, and include the determination of the discount rate, life expectancies, inflation rates and future salary increases. Due to the complexities in the valuation, the defined benefit pension scheme obligation is highly sensitive to changes in these assumptions. The detailed assumptions, including a sensitivity analysis, are set out in note 18.

During the year, the defined benefit pension scheme has moved from a deficit of £6,952,000 to a surplus of £4,487,000. See note 18 page 112 'Defined benefit pension scheme asset recognition basis' for further detail.

#### iv. Share-based payments

##### Long Term Incentive Plan ('LTIP')

The Group grants awards under the LTIP. The scheme includes performance based vesting conditions, which impacts the amount of benefit paid. The Group has made assumptions on the likelihood of meeting the performance conditions in determining the expense in the year. The LTIP charge for the year was £795,000 (2016: £337,000).

If all of the performance conditions were assumed to be met; the charge for the year would increase by £637,000 (2016: £1,692,000); an absolute increase of 10% in the vesting assumptions would increase the charge for the year by £225,000 (2016: £300,000).

Further information on the scheme is disclosed in note 29.

#### v. Provisions

##### Onerous leases

The Group recognises a provision for several onerous property leases of £5,367,000 (2016: £4,135,000). The valuation of an onerous lease is based on the best estimate of the likely future costs discounted to present value. Where the provision is in relation to premises and it is more likely than not that the premises will be sublet, an allowance for sublease income has been included in the valuation. The ultimate amount of the provision is dependent on the timing of any sublet and the associated terms of the sublet achieved.

If the assumptions regarding unconfirmed sublet income are removed, the provision would increase by £7,958,000 (2016: £6,355,000) to £12,094,000 (2016: £10,490,000). A delay of one year to the assumed sublets would increase the onerous lease provision and Income Statement expense for the year by £973,000. Further information is disclosed in note 23.

## 5. Income

### Group

	2017 £'000	2016 £'000
<b>Continuing operations</b>		
Investment management fee income	217,138	190,533
Investment management commission income	65,969	70,999
Financial planning income	20,789	17,483
Trail income	-	1,469
Revenue	303,896	280,484
Other operating income	568	1,866
<b>Income from continuing operations</b>	<b>304,464</b>	<b>282,350</b>
<b>Discontinued operations</b> (note 11)		
Commission income	-	2,946
Trail income	-	93
Fee income	-	310
Revenue	-	3,349
Other operating income	-	30
<b>Income from discontinued operations</b>	<b>-</b>	<b>3,379</b>
<b>Income from continuing and discontinued operations</b>	<b>304,464</b>	<b>285,729</b>

## 6. Segmental information

### Group

For management reporting purposes the Group currently has a single operating segment: the Investment Management division. This forms the reportable segment of the Group for the year. Please refer to the Consolidated Income Statement on page 82 and the Consolidated Balance Sheet on page 84 for numerical information.

The Group's operations are carried out in the United Kingdom, Channel Islands and the Republic of Ireland. The operations in the Channel Islands and the Republic of Ireland are not material and accordingly geographical segmental disclosures are not included. All segmental income related to external clients.

The accounting policies of the operating segment are the same as those of the Group.

## 7. Staff costs

### Group

	2017 No.	2016 No.
The average monthly number of employees (including Executive Directors) by category was:		
Client-facing	<b>882</b>	892
Business support	<b>812</b>	851
	<b>1,694</b>	1,743

	Continuing operations		Discontinued operations		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
The aggregate remuneration (including Executive Directors) comprised:						
Wages and salaries	<b>126,763</b>	120,085	-	171	<b>126,763</b>	120,256
Social security costs	<b>15,971</b>	13,927	-	14	<b>15,971</b>	13,941
Share-based payments	<b>8,052</b>	8,387	-	-	<b>8,052</b>	8,387
Apprenticeship levy	<b>417</b>	-	-	-	<b>417</b>	-
Termination benefits – redundancy costs	<b>1,662</b>	2,780	-	-	<b>1,662</b>	2,780
Defined contribution scheme and death in service contributions	<b>10,566</b>	9,776	-	18	<b>10,566</b>	9,794
	<b>163,431</b>	154,955	-	203	<b>163,431</b>	155,158
Staff costs	<b>162,689</b>	152,175	-	203	<b>162,689</b>	152,378
Redundancy costs	<b>742</b>	2,780	-	-	<b>742</b>	2,780
	<b>163,431</b>	154,955	-	203	<b>163,431</b>	155,158

### Company

The Company does not have any employees (2016: none).

## Notes to the Financial Statements continued

### 8. Profit for the year

#### Group

Profit for the year has been arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Net foreign exchange losses/(gains)	66	(65)	–	–	66	(65)
Depreciation of property, plant and equipment (note 15)	1,917	2,773	–	732	1,917	3,505
Amortisation of intangible assets – client relationships (note 14)	6,650	6,287	–	–	6,650	6,287
Amortisation of intangible assets – software (note 14)	5,200	3,741	–	700	5,200	4,441
Impairment of property, plant and equipment (note 11 and 15)	–	–	–	335	–	335
Impairment of intangible assets – software (note 11 and 14)	–	–	–	345	–	345
Impairment/(reversal of impairment) of trade receivables (note 17)	16	(58)	–	–	16	(58)
Auditor's remuneration (see analysis below)	762	534	–	–	762	534

Analysis of auditor's remuneration:

	2017 £'000	2016 £'000
<b>Audit services</b>		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	64	64
Fees payable to the Company's auditor and their associates for other services to the Group: the audit of the Company's subsidiaries pursuant to legislation	277	245
Fees payable to the Company's auditor for audit scope changes	50	–
Regulatory assurance work	158	106
Additional fees for regulatory assurance work	50	–
	<b>599</b>	<b>415</b>
<b>Other services</b>		
AAF 01/06 – controls assurance report	71	69
Interim review	52	50
Other assurance services	40	–
	<b>762</b>	<b>534</b>

Details of the Group's policy on the use of the auditor for non-audit services are set out in the Audit Committee Report on page 54.

### 9. Finance income and finance costs

#### Group

	Continuing operations		Discontinued operations		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Finance income</b>						
Interest on bank deposits	161	514	–	–	161	514
	<b>161</b>	<b>514</b>	<b>–</b>	<b>–</b>	<b>161</b>	<b>514</b>
<b>Finance costs</b>						
Interest expense on defined benefit pension scheme	119	52	–	–	119	52
Unwind of discounts on provisions	58	75	–	134	58	209
Interest on bank overdrafts	11	65	–	–	11	65
	<b>188</b>	<b>192</b>	<b>–</b>	<b>134</b>	<b>188</b>	<b>326</b>



## 10. Income tax expense

### Group

	Continuing operations		Discontinued operations		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current tax						
United Kingdom:						
Charge for the year	11,594	8,806	–	1,355	11,594	10,161
Adjustments in respect of prior years	(157)	237	–	(395)	(157)	(158)
Overseas:						
Charge/(credit) for the year	309	(8)	–	–	309	(8)
Adjustments in respect of prior years	(8)	35	–	–	(8)	35
Total current tax	11,738	9,070	–	960	11,738	10,030
Deferred tax						
United Kingdom:						
Charge for the year	705	2,310	–	1,675	705	3,985
Adjustments in respect of prior years	47	(285)	–	–	47	(285)
Total deferred tax (see note 19)	752	2,025	–	1,675	752	3,700
Tax charged to the Income Statement	12,490	11,095	–	2,635	12,490	13,730

United Kingdom corporation tax is calculated at 19.5% (2016: 20%) of the estimated taxable profit for the year. The Finance Act 2015 applied a 20% rate up to 31 March 2017 and Finance (No.2) Act 2015 reduced the rate applicable thereafter to 19%. The Finance Act 2016 reduces the rate still further from 1 April 2020 to 17%.

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

The charge for the year can be reconciled to the profit per the Income Statement as follows:

	2017 £'000	2016 £'000
Profit before tax on continuing operations	57,643	50,062
Tax at the UK corporation tax rate of 19.5% (2016: 20%)	11,240	10,012
Tax effect of:		
Expenses that are not deductible in determining taxable profit	1,419	521
Impact of defined benefit scheme contributions	(23)	(99)
Leasehold property	197	251
Share-based payments	(162)	241
Over provision for tax in previous years	(118)	(13)
Lower rates in subsidiaries	(154)	32
Impact of deferred tax rate change	91	150
Tax expense for the year	12,490	11,095
Effective tax rate for the year	21.7%	22.2%

There are no material uncertainties within the calculation of corporation tax. The tax provisions are based on tax legislations in the relevant jurisdictions and have not required any judgements or material estimates.

## Notes to the Financial Statements continued

### 11. Discontinued operations

#### Group

The results of the discontinued operation included in the Group's Consolidated Income Statement, were as follows:

	2017 £'000	2016 £'000
Revenue	-	3,379
Expenses	-	(3,339)
Operating profit	-	40
Costs of separation	-	(10)
Profit before tax	-	30
Attributable tax expense	-	(43)
Loss after tax	-	(13)
Profit on disposal of discontinued operations	-	14,000
Attributable tax expense	-	(2,592)
Net profit attributable to discontinued operations	-	11,395

Costs of separation consist of the following items:

	2017 £'000	2016 £'000
Impairment		
Intangible asset – see note 14	-	(345)
Tangible asset – see note 15	-	(335)
Onerous contract release	-	680
Other	-	(10)
Total costs of separation	-	(10)

The discontinued operation contributed the following cash flows included within the Consolidated Cash Flow Statement:

	2017 £'000	2016 £'000
Net cash outflows from operating activities	(172)	(8,206)
Net cash inflows from investing activities	-	14,000
Net (decrease)/increase in cash and cash equivalents	(172)	5,794

### 12. Dividends

#### Group and Company

	2017 £'000	2016 £'000
Amounts recognised as distributions to equity shareholders in the year:		
2015/2016 Final dividend paid 10 March 2017, 9.15p per share (2016: 8.25p per share)	24,996	22,374
2016/2017 Interim dividend paid 16 June 2017, 4.25p per share (2016: 3.85p per share)	11,618	10,444
	36,614	32,818

Proposed final dividend for the year ended 30 September 2017 of 10.75p (2016: 9.15p) per share based on shares in issue at 23 November 2017 (2016: 24 November 2016)	29,430	24,865
--	--------	--------

The proposed final dividend for the year ended 30 September 2017 of 10.75p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Under an arrangement dated 1 April 2011, Computershare Trustees (Jersey) Limited (the 'Trustee'), holds 9,817,002 Ordinary Shares representing 3.5% of the Company's called up share capital in relation to employee share schemes, has agreed to waive all dividends due to the Trustee.

## 13. Earnings per share

### Group

The calculation of the basic and diluted earnings per share is based on the following data:

	2017 '000	2016 '000
<b>Number of shares</b>		
<b>Basic</b>		
Weighted average number of shares in issue in the year	272,840	271,072
<b>Diluted</b>		
Effect of weighted average number of options outstanding for the year	10,162	9,984
Diluted weighted average number of options and shares for the year	283,002	281,056
<b>Adjusted<sup>1</sup> diluted</b>		
Effect of full dilution of employee share options which are contingently issuable or have future attributable service costs	2,406	4,637
Adjusted <sup>1</sup> diluted weighted average number of options and shares for the year	285,408	285,693

### a) Continuing operations

	2017 £'000	2016 £'000
<b>Earnings attributable to ordinary shareholders</b>		
Basic and diluted profit for the year	45,153	38,967
Redundancy costs	742	2,780
Onerous contracts	1,969	311
Amortisation of intangible assets – client relationships	6,650	6,287
Acquisition costs	1,683	–
Incentivisation awards	1,297	–
One-off migration costs	–	1,596
Disposal of available-for-sale investments	(2)	3
less tax effect of above	(1,481)	(2,042)
Adjusted basic and diluted profit for the year and attributable earnings	56,011	47,902

	2017	2016
<b>Earnings per share</b>		
Basic	16.5p	14.4p
Diluted	16.0p	13.9p
<b>Adjusted<sup>2</sup> earnings per share</b>		
Basic	20.5p	17.7p
Adjusted <sup>1</sup> diluted	19.6p	16.8p

- The dilutive shares used for this measure differ from that used for statutory dilutive earnings per share; the future value of service costs attributable to employee share options is ignored and contingently issuable shares for Long Term Incentive Plan ('LTIP') options are assumed to fully vest. The Directors have selected this measure as it represents the underlying effective dilution by offsetting the impact to the calculation of basic shares of the purchase of shares by the Employee Share Ownership Trust ('ESOT') to satisfy options.
- Excluding redundancy costs, onerous contracts, amortisation of client relationships, acquisition costs, incentivisation awards, one-off migration costs and disposal of available-for-sale investments.

## Notes to the Financial Statements continued

### 13. Earnings per share (continued)

#### b) Continuing and discontinued operations

	2017 £'000	2016 £'000
<b>Earnings attributable to ordinary shareholders</b>		
Basic and diluted profit for the year	45,153	50,362
Redundancy costs	742	2,780
Onerous contracts	1,969	311
Amortisation of intangible assets – client relationships	6,650	6,287
Acquisition costs	1,683	–
Incentivisation awards	1,297	–
One-off migration costs	–	1,596
Disposal of available-for-sale investments	(2)	3
less tax effect of above	(1,481)	(2,042)
Adjusted basic and diluted profit for the year and attributable earnings	56,011	59,297

	2017	2016
<b>Earnings per share</b>		
Basic	16.5p	18.6p
Diluted	16.0p	17.9p
<b>Adjusted<sup>2</sup> earnings per share</b>		
Basic	20.5p	21.9p
Adjusted <sup>1</sup> diluted	19.6p	20.8p

#### c) Discontinued operations

The denominators used are the same as those detailed above for both basic and diluted earnings from continuing operations.

	2017	2016
<b>Earnings per share</b>		
Basic	–	4.2p
Diluted	–	4.0p
<b>Adjusted<sup>2</sup> earnings per share</b>		
Basic	–	4.2p
Adjusted <sup>1</sup> diluted	–	4.0p

- The dilutive shares used for this measure differ from that used for statutory dilutive earnings per share; the future value of service costs attributable to employee share options is ignored and contingently issuable shares for Long Term Incentive Plan ('LTIP') options are assumed to fully vest. The Directors have selected this measure as it represents the underlying effective dilution by offsetting the impact to the calculation of basic shares of the purchase of shares by the Employee Share Ownership Trust ('ESOT') to satisfy options.
- Excluding redundancy cost, onerous contracts, amortisation of client relationships, acquisition costs, incentivisation awards, one-off migration costs and disposal of available-for-sale investments.

## 14. Intangible assets

Group	Goodwill £'000	Client relationships £'000	Software costs £'000	Total £'000
<b>Cost</b>				
At 30 September 2015	48,637	107,941	55,825	212,403
Additions	–	(65)	5,189	5,124
Disposals	–	–	(42,808)	(42,808)
Exchange differences	–	26	–	26
At 30 September 2016	48,637	107,902	18,206	174,745
Additions	–	25,708	879	26,587
Exchange differences	–	3	–	3
<b>At 30 September 2017</b>	<b>48,637</b>	<b>133,613</b>	<b>19,085</b>	<b>201,335</b>
<b>Accumulated amortisation and impairment losses</b>				
At 30 September 2015	–	78,805	46,609	125,414
Amortisation charge for the year	–	6,287	4,441	10,728
Eliminated on disposal	–	–	(42,808)	(42,808)
Exchange differences	–	13	–	13
Impairment losses for the year (see note 11)	–	–	345	345
At 30 September 2016	–	85,105	8,587	93,692
Amortisation charge for the year	–	6,650	5,200	11,850
Exchange differences	–	2	–	2
<b>At 30 September 2017</b>	<b>–</b>	<b>91,757</b>	<b>13,787</b>	<b>105,544</b>
<b>Net book value</b>				
<b>At 30 September 2017</b>	<b>48,637</b>	<b>41,856</b>	<b>5,298</b>	<b>95,791</b>
At 30 September 2016	48,637	22,797	9,619	81,053
At 30 September 2015	48,637	29,136	9,216	86,989

Client relationship additions are made up as follows:

	2017 £'000	2016 £'000
Cash paid for client relationships acquired in current year	<b>25,500</b>	–
Shares issued in year	–	9,305
Other additions for client relationships acquired in prior years	<b>208</b>	(66)
Utilisation of provisions for deferred purchase liability and shares to be issued	–	(9,304)
<b>Total additions</b>	<b>25,708</b>	(65)

The cash paid for client relationships acquired in the year relates to the acquisition of Duncan Lawrie Asset Management Limited which is detailed in note 27.

The following table splits out the significant client relationship assets:

	£'000
<b>Carrying amount at year end</b>	
Tilman Brewin Dolphin Limited <sup>1</sup>	14,305
South East investment management team 2 <sup>2</sup>	24,093
Other investment management teams <sup>3</sup>	3,458
	<b>41,856</b>

1. Amortisation period remaining 8 years 10 months.

2. Amortisation period remaining 6 years 7 months, relating to client relationships acquired in the year (see note 27).

3. None of the constituent parts of the goodwill or client relationships relating to the other investment management teams is individually significant in comparison to the total value of goodwill or client relationships respectively.

## Notes to the Financial Statements continued

### 14. Intangible assets (continued)

#### Goodwill impairment testing

The table below shows the goodwill allocated to groups of cash-generating units ('CGUs'):

	Groups of CGUs No.	Goodwill £'000
Carrying amount at year end		
Midland Branch 1	1	5,149
Midland Branch 2	1	5,284
Northern Branch 1	1	6,432
South East Branch 1	1	12,800
Other Branches	14	18,972
	<b>18</b>	<b>48,637</b>

In accordance with IFRS, the Group performs impairment testing for goodwill on an annual basis or more frequently when there are indications of impairment. Client relationships are reviewed for indicators of impairment at each reporting date.

The recoverable amount for each of the CGUs is the fair value less costs of disposal. The fair value is determined by applying percentages to the funds for each CGU. The percentages applied are a Level 2 input based on recent observable market transactions. Discretionary funds are valued at 3% and advisory funds are valued at 1% of assets under management.

#### Sensitivity analysis of the key assumptions

All of the CGUs within the Group have sufficient headroom (i.e. where the recoverable amount of the CGU is in excess of the carrying value), such that they are insensitive to all reasonable possible changes to the value of funds used for the purpose of goodwill impairment testing.

### 15. Property, plant and equipment

#### Group

	Leasehold improvements £'000	Office equipment £'000	Computer equipment £'000	Total £'000
<b>Cost</b>				
At 30 September 2015	13,003	13,150	43,666	69,819
Additions	198	138	127	463
Exchange differences	31	91	–	122
Disposals	(42)	(87)	(9,680)	(9,809)
At 30 September 2016	13,190	13,292	34,113	60,595
Additions	690	98	185	973
Exchange differences	4	12	–	16
Disposals	(178)	(8)	–	(186)
<b>At 30 September 2017</b>	<b>13,706</b>	<b>13,394</b>	<b>34,298</b>	<b>61,398</b>
<b>Accumulated depreciation and impairment losses</b>				
At 30 September 2015	8,685	11,988	40,961	61,634
Charge for the year	1,267	642	1,596	3,505
Exchange differences	30	78	–	108
Impairment of assets (see note 11)	–	–	335	335
Eliminated on disposal	(42)	(87)	(9,680)	(9,809)
At 30 September 2016	9,940	12,621	33,212	55,773
Charge for the year	1,026	388	503	1,917
Exchange differences	4	10	–	14
Eliminated on disposal	(138)	(8)	–	(146)
<b>At 30 September 2017</b>	<b>10,832</b>	<b>13,011</b>	<b>33,715</b>	<b>57,558</b>
<b>Net book value</b>				
<b>At 30 September 2017</b>	<b>2,874</b>	<b>383</b>	<b>583</b>	<b>3,840</b>
At 30 September 2016	3,250	671	901	4,822
At 30 September 2015	4,318	1,162	2,705	8,185

## 16. Investment in subsidiaries

### Group

The following are the Group's subsidiary undertakings, all of which are owned 100% directly or indirectly by the Company and are included in the consolidated financial statements:

Name of subsidiary	Activity	Country of registration	Class of share capital	Aggregate nominal value
ABDA Nominees Limited	Dormant Nominee	England & Wales	Ordinary	£1
B.L.Nominees Limited	Dormant Nominee	England & Wales	Ordinary	£1
BDDL Limited (formerly Duncan Lawrie Asset Management Limited)	Investment Manager	England & Wales	Ordinary	£1
BDS Nominees Limited	Client Nominee	England & Wales	Ordinary	£1
Bell Lawrie Nominees Limited	Dormant Nominee	Scotland	Ordinary	£1
Bell Lawrie White & Co. Limited	Dormant	Scotland	Ordinary	£0.01
BL PEP Nominees Limited	Dormant Nominee	Scotland	Ordinary	£1
BLM Nominees Limited	Dormant Nominee	Scotland	Ordinary	£1
Brewin (1762) Limited	Dormant	England & Wales	Ordinary	£1
Brewin 1762 Nominees (Channel Islands) Limited	Dormant Nominee	Jersey	Ordinary	£1
Brewin 1762 Nominees Limited	Client Nominee	England & Wales	Ordinary	£1
Brewin Broking Limited*	Dormant	England & Wales	A Ordinary / B Ordinary	£1
Brewin Dolphin (Channel Islands) Limited	Dormant	Jersey	Ordinary	£1
Brewin Dolphin Limited*	Investment Manager	England & Wales	Ordinary	£1
Brewin Dolphin MP	Investment Manager	England & Wales	A Ordinary / B Ordinary	£0.01
Brewin Dolphin Securities Limited	Dormant	England & Wales	Ordinary	£1
Brewin Nominees (Channel Islands) Limited	Client Nominee	Jersey	Ordinary	£1
Brewin Nominees Limited	Client Nominee	England & Wales	Ordinary	£1
Cosmitt Nominees Limited	Dormant Nominee	England & Wales	Ordinary	£1
DDY Nominees Limited	Dormant Nominee	England & Wales	Ordinary	£1
Dunlaw Nominees Limited	Dormant Nominee	England & Wales	Ordinary	£1
Erskine Nominees Limited	Dormant Nominee	Scotland	Ordinary	£1
Four Yards Nominees Limited	Client Nominee	England & Wales	Ordinary	£1
Giltspur Nominees Limited	Client Nominee	England & Wales	Ordinary	£1
Hill Osborne Nominees Limited	Dormant Nominee	England & Wales	Ordinary	£1
Hilstock PEP (Client) Nominees Limited	Dormant Nominee	England & Wales	Ordinary	£1
Hilstock SCP (Client) Nominees Limited	Dormant Nominee	England & Wales	Ordinary	£1
New Town (Nominees) Limited	Dormant Nominee	Scotland	Ordinary	£1
North Castle Street (Nominees) Limited	Client Nominee	Scotland	Ordinary	£1
Northgate Nominees Limited	Dormant Nominee	England & Wales	Ordinary	£1
Pilgrim Nominees Limited	Dormant Nominee	England & Wales	Ordinary	£1
Robert White & Co. Limited*	Dormant	Scotland	Ordinary	£1
Shareline (Yorkshire) Limited	Dormant	England & Wales	Ordinary	£1
Smittco Nominees Limited	Firm Nominee	England & Wales	Ordinary	£1
Stable (Nominees) Limited	Dormant Nominee	United Kingdom	Ordinary	£1
Tilman Brewin Dolphin Limited*	Investment Manager	Ireland	Ordinary / A Shares	€1.50/ €0.01
Tilman Brewin Dolphin Nominees Limited	Client Nominee	Ireland	Ordinary	€1
Webrich Limited*	Trustee	England & Wales	Ordinary	£1
WIS ICS Nominees Limited	Dormant Nominee	England & Wales	Ordinary	£1
Wise Nominees Limited	Dormant Nominee	England & Wales	Ordinary A Voting / Ordinary B Voting / Ordinary C	£1
Wise Speke Financial Services Limited	Dormant	England & Wales	Ordinary	£1

\* Indicates subsidiaries held directly.

All of the subsidiaries listed above are entitled to the exemption from audit under s479A of the Companies Act 2006, with the exception of BDDL Limited, Brewin Dolphin Limited, Brewin Dolphin MP and Tilman Brewin Dolphin Limited.

## Notes to the Financial Statements continued

### 16. Investment in subsidiaries (continued)

#### Company

	2017 £'000	2016 £'000
At 1 October	191,429	194,305
Change in investment in Brewin Dolphin Limited	–	(1)
Capital contribution to Brewin Dolphin Limited in respect of share-based payments	591	(2,875)
At 30 September	192,020	191,429

### 17. Trade and other receivables

#### Group

	2017 £'000	2016 £'000
<b>Non-current assets</b>		
Loans <sup>1</sup>	200	307
Total other receivables	200	307
<b>Current assets</b>		
Trade debtors	173,240	157,279
Loans <sup>1</sup>	303	347
Other debtors	5,530	2,056
Accrued income	56,433	49,846
Prepayments	7,638	8,590
Total trade and other receivables	243,144	218,118

1. All loans are to staff and the Directors believe that the balances are fully recoverable.

Trade debtors relate to either market or client transactions and are considered to be past due once the date for settlement has passed. The date for settlement is determined when the trade is booked. It is expected that some transactions may become past due in the normal course of business. Fees owed by clients are considered to be past due when they remain unpaid after 30 days after the relevant billing date. Trade debtors that are older than 90 days are provided for unless collateral is held. The maximum exposure to credit risk is the carrying value as above (see note 28 for details of the Group's credit risk).

#### Ageing of past due but not impaired trade debtors

	2017 £'000	2016 £'000
Not past due	171,993	154,590
Up to 15 days past due	710	2,348
16 to 30 days past due	44	43
31 to 45 days past due	115	64
More than 45 days past due	188	184
	173,050	157,229

#### Individually impaired trade debtors

	2017 £'000	2016 £'000
Individually impaired trade debtors	228	83
Provision for doubtful debts	(38)	(33)
	190	50
Trade debtors	173,240	157,279



## Movements in provision for doubtful debts

	2017 £'000	2016 £'000
At 1 October	33	108
Net charge/(release) to the Income Statement	16	(58)
Doubtful debts written off	(11)	(17)
At 30 September	38	33

No other financial assets of the Group or the Company, other than doubtful debts, are impaired.

## Company

	2017 £'000	2016 £'000
<b>Non-current assets</b>		
Loans <sup>1</sup>	–	50
Total other receivables	–	50
<b>Current assets</b>		
Amounts due from subsidiary undertakings	53,802	46,151
Total trade and other receivables	53,802	46,151

1. All loans are to staff and the Directors believe that the balances are fully recoverable.

## 18. Defined benefit pension scheme

### Group

The Group operates a registered Defined Contribution Scheme (the 'Brewin Dolphin Senior Staff Pension Fund') and a registered Defined Benefit Scheme (the 'Brewin Dolphin Limited RBS') in the UK which both offer pensions in retirement and death benefits to members. The disclosures provided are in respect of the Defined Benefit Scheme only (the 'Scheme').

Pension benefits are related to the members' final salary at retirement and their length of service. The pension is payable for life and has elements increasing in payment in line with inflation up to a maximum of 5% p.a. Since 1 April 2003 the Scheme has been closed to new members. Members under age 55 at 1 April 2004 ceased to accrue further service in the Scheme from that date. Contributions to the Scheme for the year beginning 1 October 2017 are expected to be £3.0 million.

The Scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the Scheme is subject to the Scheme funding requirements outlined in Section 224 of the Pensions Act 2004.

The Scheme was established under trust and is governed by the Scheme's Trust Deed and Rules. In accordance with UK trust and pensions law, the Scheme has appointed Trustees. Although the Group bears the financial cost of the Scheme, the responsibility for the management and governance of the Scheme lies with the Trustees, who have a duty to act in the best interest of members at all times.

## Notes to the Financial Statements continued

### 18. Defined benefit pension scheme (continued)

#### Valuation for funding purposes

The valuation as at 31 December 2014:

	£'000
Value of scheme assets	81,609
Actuarial value of scheme liabilities in respect of:	
In-service members	(17,598)
Deferred pensioners	(31,459)
Current pensioners and dependants	(43,926)
Value of scheme liabilities	(92,983)
Scheme deficit	(11,374)
Funding level	88%

The Scheme is valued for funding purposes at intervals of not more than three years by an independent qualified actuary. The latest valuation for funding purposes was as at 31 December 2014. The actuarial valuation deficit is used to assess the money the Group need to put into the pension scheme.

The Group and the Scheme's Trustees agreed a deficit reduction plan following the 2014 valuation and it was agreed that Brewin Dolphin Limited would pay contributions of £250,000 per month from 1 January 2015 with a view to eliminate the deficit by 28 February 2019.

The next actuarial valuation of the Scheme is due as at 31 December 2017 and a revised deficit reduction plan will be considered as part of this exercise. The administration costs of the Scheme, including investment management fees and Scheme levy payments, are currently paid by Brewin Dolphin Limited as they fall due.

#### Summary of amounts recognised in the financial statements under IAS 19

In the consolidated financial statements, the Group accounts for pension costs, other post-retirement benefits and related redundancy provisions in accordance with IAS 19 – 'Employee Benefits'. Under the standard, the difference between the market values of Scheme assets and the present value of Scheme liabilities is reported as a surplus (asset) (to the extent a surplus may be seen) or deficit (liability) in the Balance Sheet. The accounting value shown on the balance sheet will always be different from the result obtained using the funding basis.

The pension valuation under IAS 19 as at 30 September 2017 was carried out by a qualified independent actuary.

In the preparation of the valuations under IAS 19 referred to in this note, the actuary has used the assumptions indicated below, which the Group has directed for the purposes of accounting and disclosure under IAS 19.

#### Explanation of the variance between funding valuation and IAS 19 valuation

The accounts show the Scheme has a surplus compared to the deficit revealed by the last funding valuation. The main reasons for this are the difference between the experience of the Scheme over the period from 1 January 2015 to 30 September 2017 and that assumed for the purposes of the funding valuation as at 31 December 2014, and the differences in the assumptions used to value the liabilities in the accounting and funding valuations for the Scheme.

#### Defined benefit pension scheme asset recognition basis

Under IAS 19 the net defined benefit pension scheme asset that can be recognised is the lower of the surplus and the asset ceiling (i.e. the economic benefits available in the form of refunds or reductions in future contributions or a combination of both, in accordance with IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'). Under the Scheme's Trust Deeds and Rules the Group is able, without condition or restriction placed on it by the Trustees, to run the Scheme until the last member dies, without benefits being augmented; wind up the Scheme at that point; and reclaim any remaining monies. Consequently, the Group recognises the full surplus calculated in accordance with IAS 19.

## Risks

The main risks to which the Group is exposed in relation to the pension scheme are:

**Mortality risk** – the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the Scheme and consequently increases in the Scheme's liabilities. The Group and the Scheme's Trustees review the mortality assumption on a regular basis to minimise this risk.

**Investment risk** – the Scheme invests its assets in a diversified portfolio of assets. There are risks that the assets underperform relative to increases in the value of the Scheme's liabilities, thus increasing the cost to the Group of the benefit provision. There is a risk that the assets invested in do not sufficiently match the characteristics of the Scheme's liabilities and so a fall in asset values is not similarly matched by a fall in the value of the liabilities. While certain assets are chosen that match the characteristics of the Scheme's liabilities and membership profile, the Scheme currently invests in a high proportion of equities and assets that are not expected to closely match the majority of the Scheme's liabilities. The Scheme's Trustees review the performance of the assets and structure of the portfolio on a regular basis to ensure the risks being taken under investment are commensurate with normal Trustee principles and the ability of the Group to mitigate adverse investment experience.

**Price inflation risk** – some of the Scheme's benefits increase in line with price inflation and so if inflation is greater than expected, the costs of providing these benefits will increase. The Scheme holds government bonds with payments also linked to inflation to assist in mitigating this risk.

**Financial derivatives risk** – the Scheme directly holds derivatives in the form of interest rate swaps, inflation swaps and total return swaps with the aim of enhancing how the Trustees' matching assets match changes in the Scheme's liabilities on the funding basis. These are managed by the investment manager as well as all other assets and the Scheme Trustees determine the level of overall liability hedging that is employed. Other than these derivatives used for liability matching and reducing risks, the Scheme does not directly hold any financial derivatives, but these may be held by some of the investment funds that the Scheme invests in. The main risks associated with financial derivatives include: losses may exceed the initial margin; counterparty risk where the other party defaults on the contract; and liquidity risk where it may be difficult to close out a contract prior to expiry. These risks are managed indirectly by the investment managers of the Scheme who will review the Scheme's return seeking assets and the level of investment risk taking to ensure it remains appropriate taking account of the Trustees' investment objectives.

The surplus recognised on the accounting basis is exposed to the risks that increases or decreases in the assets do not match those of the liabilities measured on the accounting basis. The asset liability matching is based on the Scheme's funding basis and so to the extent that the Company's measure for the liabilities in line with IAS 19 requirements changes relative to the measure of the liabilities on the funding basis which the assets are hedging, this could impact on the accounting surplus. The funding position on the funding basis is protected to some degree by the level of hedging that is adopted and the Trustees' plans to de-risk in future years as the funding position improves.

### Scheme investment strategy and level of matching

The Scheme's investment strategy is to invest broadly 80% in higher return seeking assets (e.g. equities, high yielding bonds etc.) and 20% in matching assets (e.g. fixed interest gilts and index-linked gilts). The objective is to target an investment return of 2.5% per annum (net of fees) in excess of a portfolio of gilts that closely matches the behaviour of the Scheme's funding liabilities. This return objective will fall over time, as the proportion of matching assets are increased as the scheme matures, to 0.6% per annum (net of fees) once all the members have retired. The Scheme also has liability matching swaps in place so that, along with the matching assets, the majority of the movement in the Scheme's funding liabilities should be matched by similar movements in the assets. This strategy reflects the Scheme's liability profile and the Trustees' and Brewin Dolphin Limited's attitude to risk. The asset allocations as at 30 September 2017 and 30 September 2016 are provided below, disaggregated between assets that are believed to have a quoted market price in an active market and those that are unquoted.

The aim of the Scheme is hedge around 85% of interest rate risk and inflation risk as at 30 September 2017 to reduce financial risks to the Scheme and the risks of additional contribution requirement for the Group. The current longer-term objective is to aim to continue to hedge around 100% of both the interest rate risk and inflation risk of the liabilities; this will help to further reduce funding level volatility.

None of the assets of the pension schemes are invested in the Group's own financial instruments and none of the assets are properties or other assets used by the Group.

## Notes to the Financial Statements continued

### 18. Defined benefit pension scheme (continued)

#### Assumptions

The major assumptions used by the actuary were (in nominal terms) as follows:

	As at 30 September 2017	As at 30 September 2016
Discount rate	2.60%	2.20%
RPI inflation assumption	3.30%	3.10%
CPI inflation assumption	2.30%	2.10%
Rate of increase in salaries	3.30%	3.10%
LPI pension increases	3.20%	3.00%

Average assumed life expectancies for members on retirement at age 65:

Retiring today:

Males	<b>88.6 years</b>	88.7 years
Females	<b>89.6 years</b>	89.9 years

Retiring in 20 years:

Males	<b>89.9 years</b>	90.4 years
Females	<b>91.1 years</b>	91.7 years

#### Scheme assets and liabilities

The assets in the Scheme were:

	2017 £'000	2016 £'000
Equities and property (quoted)	<b>47,890</b>	31,444
Fixed interest bonds (quoted)	<b>21,786</b>	24,813
Index linked bonds (quoted)	<b>15,868</b>	13,165
Liability hedging (quoted)	<b>(235)</b>	9,364
Currency hedging (quoted)	<b>939</b>	6
Alternatives (quoted)	<b>17,134</b>	13,401
Cash and cash equivalents	<b>2,958</b>	13,240
Fair value of scheme assets	<b>106,340</b>	105,433

Net assets/(liabilities) recognised on the Balance Sheet:

	2017 £'000	2016 £'000
Present value of funded obligations	<b>(101,853)</b>	(112,385)
Fair value of scheme assets	<b>106,340</b>	105,433
Surplus/(deficit) in funded scheme and net asset/(liability) on the Balance Sheet	<b>4,487</b>	(6,952)

Reconciliation of opening and closing balances of the present value of the defined benefit pension scheme obligation

	2017 £'000	2016 £'000
Benefit obligation at beginning of year	<b>112,385</b>	84,780
Service cost	–	–
Interest cost	<b>2,433</b>	3,168
Contributions by scheme participants	–	–
Net remeasurement (gains)/losses – demographic	<b>(2,036)</b>	358
Net remeasurement (gains)/losses – financial	<b>(5,555)</b>	29,011
Net remeasurement (gains) – experience	<b>(1,850)</b>	(2,105)
Benefits paid	<b>(3,524)</b>	(2,827)
Benefit obligation at end of year	<b>101,853</b>	112,385

Reconciliation of opening and closing balances of the fair value of plan assets

	2017 £'000	2016 £'000
Fair value of plan assets at beginning of year	<b>105,433</b>	81,911
Interest income on scheme assets	<b>2,314</b>	3,116
Return on assets, excluding interest income	<b>(883)</b>	20,233
Contributions by employers	<b>3,000</b>	3,000
Contributions by scheme participants	–	–
Benefits paid	<b>(3,524)</b>	(2,827)
Fair value of scheme assets at end of year	<b>106,340</b>	105,433

The amounts recognised in the Income Statement are:

	2017 £'000	2016 £'000
Service cost	–	–
Net interest on the net defined benefit asset/liability	<b>119</b>	52
Settlements and curtailments	–	–
Total expense	<b>119</b>	52

Remeasurements of the net defined benefit asset/liability included in Other Comprehensive Income ('OCI')

	2017 £'000	2016 £'000
Net remeasurement – demographic	<b>2,036</b>	(358)
Net remeasurement – financial	<b>5,555</b>	(29,011)
Net remeasurement – experience	<b>1,850</b>	2,105
Return on assets, excluding interest income	<b>(883)</b>	20,233
Changes in the effect of the asset ceiling excluding interest income	–	–
Total remeasurement of the net defined benefit asset/(liability) included in OCI	<b>8,558</b>	(7,031)

### Amount, timing and uncertainty of future Scheme cash flows

The liabilities of the Scheme are based on the current value of expected benefit payment cash flows to members of the Scheme over the next sixty years or so. The weighted average duration of the liabilities is approximately twenty years.

### Sensitivity analysis

A sensitivity analysis of the principal assumptions used to measure the Scheme's defined benefit pension scheme obligation as at 30 September 2017 is set out below. The sensitivities cover the key assumptions disclosed above. The inflation assumption sensitivity factors in the impact of changes to RPI inflation which will impact on future expectations of increases in final pensionable salary (which are capped at RPI increases), and pension increases and CPI inflation. It should be noted that the methodology and assumptions prescribed for the purposes of IAS 19 mean that the disclosures will be inherently volatile, varying greatly according to investment market conditions at each accounting date.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Decrease by 0.25%	Increase by £5.2m
Rate of inflation (RPI, CPI and salary increases)	Increase by 0.25%	Increase by £3.8m
Assumed life expectancy	Members live 1 year longer	Increase by £4.3m

The sensitivity figures have been calculated using the same method used for the calculation of the disclosed liabilities as at 30 September 2017. There are no material limitations of the method used to calculate the sensitivities relative to the disclosed liabilities.

## Notes to the Financial Statements continued

### 19. Net deferred tax asset

#### Group

In addition to the amount debited to the Income Statement, deferred tax relating to the actuarial gain in the defined benefit pension scheme amounting to £1,383,000 has been debited to other comprehensive income (2016: £1,109,000 credited to other comprehensive income relating to the actuarial loss). Deferred tax on share-based payments of £1,065,000 has been credited to profit and loss reserves (2016: £221,000 debited to profit and loss reserves).

The following are the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior reporting year:

	Capital allowances £'000	Revaluation £'000	Other short-term timing differences £'000	Defined pension benefit scheme £'000	Share-based payments £'000	Capital losses £'000	Intangible asset amortisation £'000	Total £'000
At 30 September 2015	1,936	–	1,908	574	5,117	1,537	(467)	10,605
Credit/(charge) in the year to the Income Statement	(210)	–	(665)	(501)	396	(1,537)	(1,183)	(3,700)
Credit in the year to the Statement of Comprehensive Income	–	6	–	1,109	–	–	–	1,115
Charge in the year to the Statement of Changes in Equity	–	–	–	–	(221)	–	–	(221)
At 30 September 2016	1,726	6	1,243	1,182	5,292	–	(1,650)	7,799
Credit/(charge) in the year to the Income Statement	(157)	–	(342)	(562)	(204)	–	513	(752)
Credit/(charge) in the year to the Statement of Comprehensive Income	–	14	–	(1,383)	–	–	–	(1,369)
Credit in the year to the Statement of Changes in Equity	–	–	–	–	1,065	–	–	1,065
<b>At 30 September 2017</b>	<b>1,569</b>	<b>20</b>	<b>901</b>	<b>(763)</b>	<b>6,153</b>	<b>–</b>	<b>(1,137)</b>	<b>6,743</b>

Deferred income taxes are calculated using rates of UK corporate tax expected to be in force at the time assets are realised as follows:

Between 1 April 2017 and 31 March 2020	19%
After 1 April 2020	17%

The enacted rate applicable for the year ended 30 September 2016 was 20%.

### 20. Investments

#### Group

##### Available-for-sale investments

	Unlisted investments £'000
At 30 September 2015	140
Additions	770
Net loss from changes in fair value recognised in equity	(30)
Disposals	(47)
At 30 September 2016	833
Additions	18
Net loss from changes in fair value recognised in equity	(75)
Disposals	(40)
<b>At 30 September 2017</b>	<b>736</b>

	2017 £'000	2016 £'000
<b>Current assets</b>		
Available-for-sale investments		
– Equity	95	128
– Asset-backed security	641	705
<b>Total available-for-sale investments</b>	<b>736</b>	<b>833</b>

The asset-backed security is a USD fixed rate note; due to mature on 23 September 2019. The available-for-sale investments are held at fair value. Further information is disclosed in note 28.

### Trading investments

	2017 £'000	2016 £'000
Listed investments	36	1,093
<b>Total trading investments</b>	<b>36</b>	<b>1,093</b>

The trading investments are measured at fair value which is determined directly by reference to published prices in an active market where available. They are held in an unregulated subsidiary, Brewin Dolphin MP, whose sole objective is to provide seed capital to the model portfolios managed under an investment mandate by Brewin Dolphin Limited. During the year most of the listed trading investments held at fair value through the profit and loss were sold.

## 21. Cash and cash equivalents

### Group

	2017 £'000	2016 £'000
Cash and cash equivalents	169,995	170,766
	<b>169,995</b>	<b>170,766</b>

### Company

	2017 £'000	2016 £'000
Cash and cash equivalents	433	686
	<b>433</b>	<b>686</b>

Cash and cash equivalents comprises cash at banks. The carrying amount of these assets is approximately equal to their fair value.

## 22. Trade and other payables

### Group

	2017 £'000	2016 £'000
Trade creditors	173,657	154,147
Other creditors	2,931	4,529
Other taxes and social security	9,973	8,488
Accruals	58,566	54,479
Deferred income	182	302
	<b>245,309</b>	<b>221,945</b>

### Company

	2017 £'000	2016 £'000
Accruals	63	22
Deferred income	3,303	4,957
Amounts payable to subsidiary undertakings	7,334	7,334
	<b>10,700</b>	<b>12,313</b>

Trade creditors relate to either market or client transactions; the date for settlement is determined when the trade is booked. Other payable balances principally comprise amounts outstanding for ongoing costs.

## Notes to the Financial Statements continued

### 23. Provisions

#### Group

	Sundry claims and associated costs £'000	Onerous contracts £'000	Social security and levies on share options £'000	Incentivisation awards £'000	Leasehold dilapidations £'000	Total £'000
At 1 October 2016	1,022	4,308	2,431	–	1,936	9,697
Additions	365	2,047	1,826	613	153	5,004
Utilisation of provision	(171)	(996)	(743)	–	(31)	(1,941)
Unwinding of discount	–	30	–	9	19	58
Unused amounts reversed during the year	(629)	(22)	(40)	–	(33)	(724)
<b>At 30 September 2017</b>	<b>587</b>	<b>5,367</b>	<b>3,474</b>	<b>622</b>	<b>2,044</b>	<b>12,094</b>
Included in current liabilities	587	904	1,589	622	53	3,755
Included in non-current liabilities	–	4,463	1,885	–	1,991	8,339
<b>At 30 September 2017</b>	<b>587</b>	<b>5,367</b>	<b>3,474</b>	<b>622</b>	<b>2,044</b>	<b>12,094</b>

The Group recognises a provision for settlements of sundry claims and associated costs. The timing of the settlements is unknown, but it is expected that they will be resolved within 12 months.

The onerous contracts provision at 30 September 2017 is solely in respect of surplus office space (30 September 2016: included a provision for £0.2 million in relation to onerous contracts resulting from discontinued operations). The valuation of an onerous contract is based on the best estimate of the likely costs discounted to present value. Where the provision is in relation to leasehold obligations on premises and it is more likely than not that the premises will be sublet, an allowance for sublease income has been included in the valuation.

The onerous lease charge for the year was £2.0 million (2016: £0.3 million) of which £0.6 million related to changes in both assumptions of sublets and inputs used to calculate the provision. In addition, following a review of office space utilisation of one of our properties, surplus office space was identified as onerous, resulting in an increase in the provision of £1.3 million.

Provision of £5.4 million (30 September 2016: £4.1 million) has been made for surplus office space which the Group may not be able to sublet in the short term. The maximum exposure is the current estimated amount that the Group would have to pay to meet the future obligations under these lease contracts which is approximately £13.4 million as at 30 September 2017 (30 September 2016: £11.3 million), if the assumption regarding future sublets is removed and the time value of money is ignored. The longest lease term covered by the provision has 15.5 years remaining and accounts for £3.7 million of the provision.

The Group has made a provision of £2.0 million (30 September 2016: £1.9 million) for leasehold dilapidations. These costs are expected to arise at the end of the lease. The leases covered by the provision have a maximum remaining term of 15.5 years.

The social security and levies on share options provision is in respect of Employer's National Insurance on options outstanding at the end of the year. The provision is based on the Group's share price, the amount of time passed and likelihood of the share options vesting and represents the best estimate of the expected future cost.

The provision recognised for the incentivisation awards of £0.6 million (30 September 2016: £nil), which is based on the best estimate of the likely future obligation discounted for the time value of money, is payable to employees in relation to the retention and acquisition of funds.

See note 4b.v for key sources of estimation uncertainty impacting the provisions.



## 24. Share capital

### Company

	2017 No.	2016 No.	2017 £'000	2016 £'000
Authorised:				
Ordinary shares of 1p each	500,000,000	500,000,000	5,000	5,000
Ordinary shares of 1p each Allotted, issued and fully paid	283,331,882	283,026,606	2,833	2,830

During the year the following shares were issued:

	Date	No. of shares	Exercise/issue price (pence)	Share capital £'000	Share premium account £'000	Total £'000
At 30 September 2016		283,026,606		2,830	151,836	154,666
Issue of options	Various	305,276	103.5p – 175.25p	3	484	487
<b>At 30 September 2017</b>		<b>283,331,882</b>		<b>2,833</b>	<b>152,320</b>	<b>155,153</b>

The following options and awards have been granted and remain outstanding:

Scheme	Grant date	Exercise price	2017 No.	2016 No.
2004 Approved Share Option Scheme:				
	November 2006	175.25p	–	128,676
	November 2007	168p	53,976	85,726
	November 2008	103.5p	33,500	50,000
	December 2009	165.7p	112,148	158,998
	December 2010	148p	64,557	107,307
	December 2011	131.3p	20,250	61,500
			<b>284,431</b>	<b>592,207</b>
Deferred Profit Share Plan <sup>1</sup> :				
	December 2010	Nil	–	208,378
	December 2011	Nil	326,874	563,497
	December 2012	Nil	400,913	471,383
	December 2013	Nil	147,889	1,639,527
	December 2014	Nil	2,028,385	2,057,563
	December 2015	Nil	2,171,003	2,226,832
	December 2016	Nil	1,977,021	–
			<b>7,052,085</b>	<b>7,167,180</b>
Equity Award Plan <sup>1</sup> :				
	December 2013	Nil	–	1,666,635
	December 2014	Nil	2,135,691	2,321,378
	January 2015	Nil	28,070	28,070
	December 2015	Nil	240,901	240,901
	February 2017	Nil	47,908	–
	August 2017	Nil	29,802	–
			<b>2,482,372</b>	<b>4,256,984</b>
Long Term Incentive Plan:				
	February 2014	Nil	–	878,653
	December 2014	Nil	1,349,835	1,496,791
	December 2015	Nil	1,069,468	1,213,519
	December 2016	Nil	1,156,915	–
			<b>3,576,218</b>	<b>3,588,963</b>
<b>Total options and awards outstanding as at 30 September</b>			<b>13,395,106</b>	<b>15,605,334</b>

1. These options do not count towards dilution limits because the shares have been purchased in the market by the Brewin Dolphin Holdings PLC Employee Share Ownership Trust.

## Notes to the Financial Statements continued

### 24. Share capital (continued)

The rights and obligations attached to the ordinary shares of 1 penny each in the Company are as follows:

- In terms of voting, every member who is present in person or by proxy at a general meeting of the Company shall have one vote on a show of hands and one vote for every share held on a poll.
- As regards dividends, all shares in issue at the year end rank pari passu for dividends. Shareholders shall be entitled to receive dividends following declaration by the Company. Dividends are not payable in respect of any nil paid shares that may be held by the Trustees in Brewin Dolphin Holdings PLC Employee Share Ownership Trust (the 'Trust').
- The Trustees of the Brewin Dolphin Holdings PLC Employee Share Ownerships Trust have agreed to waive all dividends due on the shares held in the Trust, 9,817,002 ordinary shares as at 30 September 2017 (2016: 11,460,043).
- There are no special rights for the ordinary shares in relation to control of the Company.

On a change of control, the following criteria will apply:

- 2004 Approved Share Option Schemes: Options can be exercised within 30 days of control being obtained. The options will lapse after six months.
- Long Term Incentive Plan: Awards will automatically vest upon change of control and options will become exercisable from the date of change of control and will remain exercisable for one month, after which the options will lapse.
- Deferred Profit Share Plan: A replacement award could be made over shares in the acquiring company, otherwise the shares will vest in full and can be exercised within six months of control being obtained.
- Share Incentive Plan: No Matching Shares shall be forfeited as a consequence of a change of control.
- Equity Award Plan: Awards will automatically vest upon change of control and options will become exercisable from the date of change of control and will remain exercisable for one month, after which the options will lapse.

### 25. Own shares

#### Company

The own shares reserve represents the matching shares purchased in the market and held by the Brewin Dolphin Share Incentive Plan and shares purchased by the Brewin Dolphin Holdings PLC Employee Share Ownership Trust ('ESOT').

	No. of shares	£'000
Balance at 30 September 2015	11,673,927	28,153
Acquired in the year	2,514,334	7,220
Own shares disposed of on exercise of options	(2,456,282)	(5,853)
Own shares disposed of	(108,505)	(226)
Balance at 30 September 2016	11,623,474	29,294
Acquired in the year	2,080,118	5,807
Own shares disposed of on exercise of options	(3,726,126)	(9,180)
<b>Balance at 30 September 2017</b>	<b>9,977,466</b>	<b>25,921</b>
	2017	2016
	No.	No.
Shares held by:		
Brewin Dolphin Holdings PLC ESOT	9,817,002	11,460,043
Brewin Dolphin Share Incentive Plan	160,464	163,431
<b>Balance at 30 September</b>	<b>9,977,466</b>	<b>11,623,474</b>

## 26. Other reserves

### Merger reserve

The merger reserve is used where more than 90% of the share capital in a subsidiary is acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under Section 612 of the Companies Act 2006.

#### Group

	£'000
Balance at 30 September 2016	70,553
<b>Balance at 30 September 2017</b>	<b>70,553</b>

#### Company

	£'000
Balance at 30 September 2016	70,838
<b>Balance at 30 September 2017</b>	<b>70,838</b>

£38.4 million of the merger reserve arose on a placing of the Company's shares and forms part of the distributable reserves.

### Profit and loss account

#### Company

	£'000
Balance at 30 September 2016	29,793
<b>Balance at 30 September 2017</b>	<b>35,485</b>

The profit and loss reserve forms part of distributable reserves, subject to the profits being realised.

### Revaluation reserve

#### Group

	£'000
Balance at 30 September 2016	(24)
<b>Balance at 30 September 2017</b>	<b>(85)</b>

The revaluation reserve represents the cumulative fair value movements on available-for-sale financial assets recognised in other comprehensive income and does not form part of distributable reserves.

## 27. Business combinations

### Group

On 10 May 2017, the Group's principal operating subsidiary Brewin Dolphin Limited acquired 100% of the ordinary share capital of BDDL Limited ('BDDL') formerly named Duncan Lawrie Asset Management Limited (the 'Acquisition') and its dormant subsidiary undertakings DDY Nominees Limited and Dunlaw Nominees Limited.

BDDL and its subsidiaries were acquired to expand the Group's wealth management activities and contribute to the delivery of the Group's strategic objective of revenue growth.

### Consideration transferred

The fair value of the total cash consideration transferred was £27,968,000.

Acquisition-related costs amounting to £1,683,000 have been recognised as an expense in the Income Statement in the current year.

Fair value of the assets acquired and liabilities recognised at the date of acquisition:

	£'000
<b>Current assets</b>	
Cash and cash equivalents	2,468
<b>Non-current assets</b>	
Intangible assets	25,500
	<b>27,968</b>

## Notes to the Financial Statements continued

### 27. Business combinations (continued)

Net cash outflow arising on acquisition:

	£'000
Consideration paid in cash	27,968
Less: cash and cash equivalent balances acquired	(2,468)
	<b>25,500</b>

The Acquisition contributed £2,481,000 revenue and £1,476,000 to the Group's profit after tax for the period between the date of acquisition and the balance sheet date excluding acquisition costs.

It is not practicable to estimate the revenue and profit or loss of the combined entity for the current reporting year as though the acquisition date for BDDL had been as of the beginning of the annual reporting period.

BDDL transferred the rights to the income streams to Duncan Lawrie Limited ('DLL'), the former parent company, as part of a group reorganisation in December 2013. From this date to the date of acquisition by the Group, any revenues and profit or loss associated with the client agreements were recognised in DLL's financial statements. There is no way of identifying revenue and profit specific to BDDL recognised in the financial statements of DLL for the period from 1 October 2016 to the acquisition date.

In the opinion of the Directors' disclosing an estimate of the BDDL's revenue and profit or loss for this year would be misleading and would not present a true and fair view of BDDL's performance.

### 28. Financial instruments and risk management

#### Group and Company

##### Overview

This note presents information about the Group's exposure to each of the financial instrument key risks (market risk, credit risk and liquidity risk), the Group's policy and procedures for measuring and managing risk and the Group's management of capital.

##### Risk management

The Board of Directors has overall responsibility for establishing and overseeing the Group's Risk Management Framework and risk appetite.

The Board has established a clear relationship between the Group's strategic objectives and its willingness to take risk through a Risk Appetite Statement. The Risk Appetite Statement is an expression of limits (qualitative and/or quantitative) giving clear guidance on the nature and quantum of risk that the Board wishes the Group to bear (its 'risk appetite') in order to achieve its strategic objectives whilst remaining within all regulatory constraints and its own defined levels of capital and liquidity. The Board reviews the statement and related qualitative and quantitative measures on at least an annual basis to ensure the document continues to reflect the Board's appetite for risk within the context of the environment in which the Group operates.

The Group's Risk Committee provides oversight of the adequacy of the Group's Risk Management Framework based on the risks to which the Group is exposed. It monitors how management complies with the Group's risk management policies and procedures. It is assisted in the discharge of this duty by the Group's Risk & Compliance Department which has responsibility for monitoring the overall risk environment of the Group. The Risk Committee also regularly monitors exposure against the Group's risk appetite.

The Group's Audit Committee is responsible for overseeing the financial statements and working closely with the Risk Committee, for both review and oversight of internal controls. The Audit Committee is assisted in the discharge of its obligations by Internal Audit, who undertake periodic and ad-hoc reviews on the effectiveness of controls and compliance with risk management policies.

The Group's risk management policies are intended to ensure that risks are identified, evaluated and subject to ongoing monitoring and mitigation (where appropriate). The risk management policies also serve to set the appropriate control framework. The aim is to promote a robust risk culture with employees across the Group understanding their role and obligations under the framework.

##### Capital structure and capital management

The capital structure of the Group and Company consists of issued share capital, reserves and retained earnings as disclosed in the Consolidated and Company Statement of Changes in Equity.

Capital generated from the business is both reinvested in the business to generate future growth and returned to shareholders, principally in the form of dividends. Capital adequacy is given a high level of focus to ensure not only that regulatory capital

requirements are met, but that the Group is sufficiently capitalised against the risks to which it is currently exposed, as well as to withstand a range of potential stress events.

There were no changes in the Group's approach to capital management during the year.

### Regulatory capital requirements

The Group conducts an Internal Capital Adequacy Assessment Process ('ICAAP'), as required by the Financial Conduct Authority ('FCA') to assess the appropriate amount of regulatory capital to be held by the Group. There are two active regulated entities in the Group: Brewin Dolphin Limited ('BDL') regulated by the FCA and Tilman Brewin Dolphin Limited regulated by the Central Bank of Ireland. The Jersey branch of BDL is regulated by the Jersey Financial Services Commission.

The Pillar II capital assessment of the ICAAP is the Board of Directors' opinion of the level of capital the Group should hold against the risks to which the Group is exposed. The ICAAP is kept updated throughout the year to take account of changes to the profile of the risks facing the Group and for any material changes to strategy or business plans. The ICAAP is discussed and approved at a Brewin Dolphin Holdings PLC Board meeting at least annually.

Regulatory capital adequacy is monitored by management. The Group uses the standardised approach to credit risk to calculate Pillar I requirements. The Group complied with the FCA's regulatory capital requirements throughout the year.

The regulatory capital resources of the Group were as follows:

	2017 £'000	2016 £'000
Share capital	2,833	2,830
Share premium account	152,320	151,836
Own shares	(25,921)	(29,294)
Revaluation reserve	(85)	(24)
Merger reserve	70,553	70,553
Profit and loss account	62,876	46,908
Regulatory capital resources before deductions	262,576	242,809
Deduction – Intangible assets (net of deferred tax liability)	(93,519)	(78,746)
Deduction – Defined benefit pension scheme asset (net of deferred tax liability)	(3,724)	–
Deduction – Free deliveries	(107)	(82)
Total regulatory capital resources after deductions at 30 September	165,226	163,981

Information disclosure under Pillar III of the Capital Requirements Directive will be published on the Group's website before 31 December 2017 at [www.brewin.co.uk](http://www.brewin.co.uk).

### Significant accounting policies

Details of the significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial asset and financial liability, are disclosed in note 3(r) to the financial statements.

### Categories of financial instruments

#### Group

	Carrying value	
	2017 £'000	2016 £'000
<b>Financial assets</b>		
Available-for-sale investments	736	833
Fair value through profit and loss – held for trading	36	1,093
Non-current loans and receivables	200	307
Current loans and receivables	235,506	209,528
Cash and cash equivalents	169,995	170,766
At 30 September	406,473	382,527
<b>Financial liabilities</b>		
Amortised cost	225,865	203,791
At 30 September	225,865	203,791

## Notes to the Financial Statements continued

### 28. Financial instruments and risk management (continued)

#### Company

	Carrying value	
	2017 £'000	2016 £'000
<b>Financial assets</b>		
Non-current loans and receivables	–	50
Current loans and receivables	53,802	46,151
Cash and cash equivalents	433	686
At 30 September	54,235	46,887
<b>Financial liabilities</b>		
Amortised cost	7,397	7,356
At 30 September	7,397	7,356

The carrying value approximates to the fair value of the financial assets and liabilities held.

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to both control and manage exposure within the Group's risk appetite whilst accepting the inherent risk of market fluctuations.

The Group undertakes trades on an agency basis on behalf of its clients. The Group holds financial instruments as principal, but does not trade as principal. All trades are matched in the market (see note 17).

The Group transacts foreign currency deals in order to fulfil our client obligations and any non-sterling costs to our business. Foreign currency exposure is matched intra-day and at the end of each day.

The total net foreign exchange exposure resulting from income yet to be converted to sterling at the year end was a debtor of £497,000 (2016: £537,000).

The Group is exposed to translation risk in respect of the foreign currency value of the net assets of Tilman Brewin Dolphin Limited ('TBD'). At the year end TBD had net assets of £4.3 million (2016: £3.6 million) denominated in its local currency (Euros).

The Group does not hold any derivatives (2016: none).

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the year.

#### Equity price risk

The Group is exposed to equity price risk arising from both available-for-sale and held-for-trading investments.

#### Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 5% higher/lower:

- Pre-tax profit for the year ended 30 September 2017 would have been £1,800 higher/lower (2016: £52,000 higher/lower) due to changes in the value of held-for-trading investment; and
- Other equity reserves as at 30 September 2017 would increase/decrease by £4,800 (2016: increase/decrease by £6,400) pre-tax for the Group as a result of the changes in fair value of available-for-sale investments.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

#### Interest rate risk

The Group is exposed to interest rate risk in respect of the Group's cash and in respect of client deposits. The Group holds client deposits on demand and in 30 day notice accounts (variable interest rates). During the year a 1% increase in base rate would have increased pre-tax profitability by £1,044,000 (2016: £1,068,000).

#### Credit risk

Credit risk refers to the risk that a client or other counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises principally from the settlement of client and market transactions ('settlement risk') and cash deposited at banks.

## Settlement risk

Exposures to settlement risk are spread across a large number of counterparties and clients. A delivery versus payment ('DVP') settlement method is also used for the majority of transactions, ensuring that securities and cash are exchanged within a short period of time. Consequently, no residual maturity analysis is presented. The Group also holds collateral in the form of cash, as well as equity and bonds which are quoted on recognised exchanges. This collateral is held, principally, in Group nominee accounts.

## Concentration of credit risk

The Group has no significant concentration of credit risk with the exception of cash where the majority is spread across three major banking groups.

## Maximum exposure

The maximum exposure to credit risk at the end of the reporting year is equal to the balance sheet figure.

## Credit exposure

Credit exposure in relation to settlement risk is monitored daily. The Group's exposure to large trades is limited with an average bargain size in the current year of £15,702 (2016: £15,765).

## Impaired assets

The total gross amount of individually impaired assets in relation to trade receivables at the year end was £228,000 (2016: £83,000). Collateral valued at fair value by the Group in relation to these impaired assets was £190,000 (2016: £50,000). This collateral is stock held in the clients' account which per our client terms and conditions can be sold to meet any unpaid liabilities falling due. The net difference has been provided as a doubtful debt (see note 17). Note 17 details amounts past due but not impaired.

## Non-impaired assets

Financial assets that are neither past due nor impaired in respect of trade receivables relate mainly to bonds and equity trades quoted on a recognised exchange, are matched in the market, and are either traded on a DVP basis or against a client's portfolio in respect of which any one trade would normally be a small percentage of the client's collateral held in the Group nominee. At the year end no financial assets that would otherwise be past due or impaired had been renegotiated (2016: none).

Loans to employees are repayable over 5 to 10 years (see note 17).

The credit risk on liquid funds, cash and cash equivalents is limited as deposits are diversified across a panel of major banks. This ensures that the Group is not excessively exposed to an individual counterparty. The Group's policy requires cash deposits to be placed with banks with a minimum short-term credit rating of A-2 (S&P) / P-2 (Moody's) / F-2 (Fitch), excluding Tilman Brewin Dolphin Limited. Requirements and limits are reviewed on a regular basis. The Group's allocation of cash and cash equivalents to S&P rating grades has been outlined in the below table:

	A-1+	A-1	A-2	Below A-2
Cash and cash equivalents	0.0%	59.4%	38.1%	2.5%

The Group maintains a set of Credit Risk policies which are regularly reviewed by the Board. A due diligence review is also performed on all counterparties on an annual basis, at a minimum. The investment of cash is managed by the Treasury Department.

There has been no material change to the Group's exposure to credit risk during the year.

## Liquidity risk

Liquidity risk refers to the risk that the Group will be unable to meet its financial obligations as they fall due. The Group maintains adequate cash resources to meet its financial obligations at all times. When investing cash belonging to the Group or its clients, the focus is on security of principal and the maintenance of liquidity. Client money is held in segregated client bank accounts with strict limits on deposit tenors, in accordance within regulatory guidelines designed to minimise liquidity risk.

The Group has a Liquidity Policy which is reviewed by the Board regularly. The Group's intention, at all times is to operate with an amount of liquid resources which provides significant headroom above that required to meet its obligations. Group cash resources are monitored on a daily basis through position reports and liquidity requirements are analysed over a variety of forecast horizons. Liquidity stress tests are regularly conducted to ensure ongoing liquidity adequacy, and a Contingency Funding Plan is also maintained to provide backup liquidity in the unlikely event of a severe liquidity stress event.

At 30 September 2017, the Group had access to an unsecured overdraft facility of £10 million (2016: £10 million).

There has been no change to the Group's exposure to liquidity risk or the manner in which it manages and measures the risk during the year.

## Notes to the Financial Statements continued

### 28. Financial instruments and risk management (continued)

#### Group

The following are the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

#### As at 30 September 2017

	Up to 1 month £'000	1 month to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
<b>Financial liabilities</b>						
Amortised cost	179,711	29,885	15,612	657	–	225,865
	179,711	29,885	15,612	657	–	225,865

#### As at 30 September 2016

	Up to 1 month £'000	1 month to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
<b>Financial liabilities</b>						
Amortised cost	164,097	25,554	13,078	1,062	–	203,791
	164,097	25,554	13,078	1,062	–	203,791

#### Company

The following are the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

#### As at 30 September 2017

	Up to 1 month £'000	1 month to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
<b>Financial liabilities</b>						
Amortised cost	7,397	–	–	–	–	7,397
	7,397	–	–	–	–	7,397

#### As at 30 September 2016

	Up to 1 month £'000	1 month to 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
<b>Financial liabilities</b>						
Amortised cost	7,356	–	–	–	–	7,356
	7,356	–	–	–	–	7,356

#### Fair value measurement recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than the quoted price included within Level 1 that are observable for the asset or a liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from formal valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



## Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and liabilities are determined.

	Fair value as at 30 September 2017 £'000	Fair value as at 30 September 2016 £'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
<b>Level 1</b>					
Trading investments	36	1,093	Quoted bid prices in an active market	n/a	n/a
<b>Level 3</b>					
Available-for-sale investments – Equity	63	105	The valuation is based on published monthly NAVs.	Marketability discount up to 30%.	As the marketability discount increases the valuation decreases.
Available-for-sale investments – Equity	32	23	The valuation is based on the fair value of the loan notes as presented in the most recent audited financial statements of the company. A marketability discount is applied as this investment is highly illiquid.	Marketability discount ranging between 30-50%.	As the marketability discount increases the valuation decreases.
Available-for-sale investments – Asset-backed securities	641	705	The valuation is based on the fair value of the loan notes as presented in the most recent audited financial statements of the designated company. A marketability discount is applied as this investment is highly illiquid.	Marketability discount ranging between 30-50%.	As the marketability discount increases the valuation decreases.

## Sensitivity analysis

A sensitivity analysis of the significant unobservable inputs used in valuing the Level 3 financial instruments is set out below:

Financial asset	Assumption	Change in assumption	Impact on valuation
Current assets – Available-for-sale investments – Equity	Marketability discount	Increase by 5%	Decrease by £5,600
Current assets – Available-for-sale investments – Asset-backed securities	Marketability discount	Increase by 5%	Decrease by £49,000

## Notes to the Financial Statements continued

### 28. Financial instruments and risk management (continued)

#### Fair value hierarchy

As at 30 September 2017

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Held for trading</b>				
Equities	36	–	–	36
<b>Available-for-sale financial assets</b>				
Equities	–	–	95	95
Asset-backed securities	–	–	641	641
<b>Total</b>	<b>36</b>	<b>–</b>	<b>736</b>	<b>772</b>

As at 30 September 2016

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Held for trading</b>				
Equities	1,093	–	–	1,093
<b>Available-for-sale financial assets</b>				
Equities	–	–	128	128
Asset-backed securities	–	–	705	705
<b>Total</b>	<b>1,093</b>	<b>–</b>	<b>833</b>	<b>1,926</b>

#### Reconciliation of Level 3 fair value measurement of financial assets

##### Available-for-sale financial assets

	Total £'000
Balance at 30 September 2015	140
Disposals	(47)
Net loss from changes in fair value recognised in equity	(30)
Additions	770
Balance at 30 September 2016	833
Disposals	(40)
Net loss from changes in fair value recognised in equity	(75)
Additions	18
<b>Balance at 30 September 2017</b>	<b>736</b>

## 29. Share-based payments

### Group

The Group recognised total expenses in the year of £8,052,000 (2016: £8,387,000) related to equity-settled share-based payment transactions. For a summary of all options and awards outstanding at the year end see note 24.

### Equity-settled share option schemes

The Group has one plan, the 2004 Approved Option Scheme ('the Scheme'), for the granting of non-transferable options to employees. All options granted have fully vested and the services received from employees entitled to options under the Scheme have been fully expensed.

### Other equity settled share-based payment plans

#### Long Term Incentive Plan ('LTIP')

The LTIP is a conditional arrangement under which contingent share awards can be made to selected senior management, including the Executive Directors. Details regarding the awards to the Executive Directors are set out in the Remuneration Report. The award will vest in one tranche, no earlier than three years from the grant date. Vesting will be subject to performance conditions which are set prior to each grant by the Remuneration Committee. The performance conditions will be related to the financial performance of the Group.

During 2017, the Group granted 1,226,504 LTIP awards which have an aggregate fair value of £2,968,000 at the date of grant. The Black-Scholes model is used to fair value the LTIP at the date of grant. The inputs into the Black-Scholes model used for the purposes of determining fair value were as follows:

Weighted average share price	287.4p
Weighted average exercise price	0.0p
Expected volatility	35.00%
Expected life (yrs)	3
Risk free rate	0.76%
Expected dividend yield	5.70%

#### Share Incentive Plan ('SIP')

Employees may use funds from their gross salary up to a maximum of 10% of their gross salary in monthly payments (being not less than £10 and not greater than £150) to acquire ordinary shares in the Company ('Partnership Shares'). Partnership Shares are acquired monthly with an annual opportunity to top up contributions to the maximum annual limit of £1,800 (or 10% of salary if lower). For every Partnership Share purchased, the employee receives one matching share up to a total value of £20 per month. All shares to date awarded under this scheme have been purchased in the market monthly; it is the intention of the Directors to continue this policy in the year to September 2018.

#### Deferred Profit Share Plan ('DPSP')

The DPSP provides for eligible employees to defer part of their annual profit share entitlement into an award over ordinary shares (an 'Award'). Current policy is that employees receiving annual profit share in excess of £50,000 are required to defer 33% of any profit share in excess of this amount for a period of three years. Additional deferral requirements apply to Executive Directors which are set out in the Directors' Remuneration Report. Awards are generally in the form of nil cost options to acquire ordinary shares, although at the discretion of the Committee they may also take the form of a conditional right to receive ordinary shares. Awards in the form of mandatory deferrals made to the employees who leave the Group at any time prior to vesting lapse unless the employee leaves as a result of good leaver provisions. It is the intention of the Board to recommend our Trustees to purchase the shares in the market to satisfy options awarded under this scheme in order to avoid dilution in the year to September 2018.

During 2017, the Group granted 2,031,053 DPSP options which have an aggregate fair value of £5,837,000 at the date of grant.

#### Equity Award Plan ('EAP')

The EAP is a discretionary arrangement under which contingent share awards can be made to selected employees within the Group below Board level, for example to reward exceptional performance on behalf of the Group or in certain circumstances to aid key staff retention. Awards are generally in the form of conditional share awards, although at the discretion of the Committee they may also take the form of share options. Awards will normally vest three years after grant subject to continued service provisions. Awards will only be capable of being satisfied with existing shares sourced via the Company's employee benefit trust. No newly issued shares and/or treasury shares can be used under the EAP. Only non-director employees are eligible for selection to participate in the plan.

During 2017, the Group granted 77,710 EAP awards which have an aggregate fair value of £254,000 at the date of grant.

## Notes to the Financial Statements continued

### 30. Operating lease arrangements

#### Group

The Group recognised operating leases payments as an expense in the year as follows:

	2017		2016	
	Land and buildings £'000	Hire of equipment £'000	Land and buildings £'000	Hire of equipment £'000
Lease payments	6,700	273	5,921	247
	<b>6,700</b>	<b>273</b>	5,921	247

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017		2016	
	Land and buildings £'000	Hire of equipment £'000	Land and buildings £'000	Hire of equipment £'000
Amounts payable under operating leases:				
Within one year	7,143	233	7,144	233
In the second to fifth years inclusive	25,279	–	25,367	233
After five years	17,968	–	22,377	–
	<b>50,390</b>	<b>233</b>	54,888	466

The Group has significant operating lease arrangements with respect to the premises it occupies. Hire of equipment is in relation to multifunctional printers.

The calculation of the future operating lease commitments has certain assumptions based on whether or not the Group expects to exercise break options. If these assumptions are removed and it is assumed that the Group will remain in all properties until the lease end date, the total commitment is £58.7 million (2016: £64.1 million).

As at 30 September 2017, there was £3.6 million (2016: £4.0 million) of future minimum sublease payments expected to be received under non-cancellable subleases. These expected future sublease receipts have been deducted in arriving at the onerous contracts provision (see note 23).

### 31. Contractual commitments

#### Group

Capital expenditure authorised and contracted for at 30 September 2017 but not provided in the financial statements amounted to £3.8 million (2016: £nil).

## 32. Notes to the Cash Flow Statement

### Group

	2017 £'000	2016 £'000
Operating profit from continuing operations	57,668	49,743
Profit from discontinued operations	–	14,030
Adjustments for:		
Depreciation of property, plant and equipment	1,917	3,505
Amortisation of intangible assets – client relationships	6,650	6,287
Amortisation of intangible assets – software	5,200	4,441
Impairment of intangible assets and tangible assets	–	680
Profit on disposal of discontinued operation	–	(14,000)
Loss on disposal of fixed assets	40	–
Defined benefit pension scheme	(3,000)	(3,000)
Share-based payment expense	8,052	8,387
Translation adjustments	40	(8)
Interest income	161	514
Interest expense	(11)	(65)
Operating cash flows before movements in working capital	76,717	70,514
Increase/(decrease) in payables and provisions	25,662	(45,478)
(Increase)/decrease in receivables and trading investments	(25,011)	35,910
Cash generated by operating activities	77,368	60,946
Tax paid	(9,905)	(8,913)
Net cash inflow from operating activities	67,463	52,033

### Company

	2017 £'000	2016 £'000
Operating profit	43,434	29,885
Operating cash flows before movements in working capital	43,434	29,885
Increase/(decrease) in payables	41	(14)
(Increase)/decrease in receivables and trading investments	(7,601)	3,156
Cash generated by operating activities	35,874	33,027
Tax paid	–	(525)
Net cash inflow from operating activities	35,874	32,502

## 33. Post balance sheet events

### Group and Company

There have been no post balance sheet events.

## Notes to the Financial Statements continued

### 34. Related party transactions

#### Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The primary statements of the Company include amounts attributable to subsidiaries. These amounts have been disclosed in aggregate in the relevant notes to the financial statements of the Company and in detail in the following table:

	Amounts owed by related parties		Amounts owed to related parties	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bell Lawrie White & Co. Limited	–	–	2,434	2,434
Brewin Dolphin Limited	53,802	46,151	–	–
Brewin Broking Limited	–	–	4,900	4,900
	<b>53,802</b>	<b>46,151</b>	<b>7,334</b>	<b>7,334</b>

All amounts owed by related parties are interest free and repayable on demand.

The only effect of related party transactions on the profit and loss of the Company was in respect of dividends. The Company received dividends of £42,500,000 (2016: £30,000,000) from Brewin Dolphin Limited and £976,800 (2016: £nil) from Tilman Brewin Dolphin Limited.

The Group companies did not enter into any transactions with related parties who are not members of the Group during the year, save as disclosed elsewhere in these financial statements.

All amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received.

No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

#### Remuneration of key management personnel ('KMP')

Key management personnel are responsible for planning, directing and controlling the activities of the Group. Key management personnel for the Group have been determined to be the Directors and members of the Executive Committee.

The remuneration expense for key management personnel is as follows:

	2017 £'000	2016 <sup>1</sup> £'000
Short-term employee benefits	4,999	4,877
Post-employment benefits	37	10
Termination benefits	–	162
Share-based payments:		
Lapses where KMP have left the Group	(331)	(54)
Continuing KMP	1,254	974
	<b>5,969</b>	<b>5,969</b>

1. The members of the Executive Committee were considered to be key management personnel from January 2016.

The remuneration of individual Directors is set out in the Directors' Remuneration Report on page 58 in addition to the disclosure above.

A number of the Group's key management personnel and their close family members make use of the services provided by companies within the Group. Charges for such services are made at various staff rates.

#### Directors' transactions

There are no contracts, loans to Directors or other related party transactions with Directors.

## Five Year Record – continuing operations (unaudited)

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Revenue	<b>303,896</b>	280,484	280,196	275,316	271,954
Other operating income	<b>568</b>	1,866	3,495	5,443	11,724
<b>Income</b>	<b>304,464</b>	282,350	283,691	280,759	283,678
Staff costs	<b>(162,689)</b>	(152,175)	(152,982)	(147,345)	(148,974)
Other operating costs	<b>(71,766)</b>	(69,458)	(68,975)	(76,066)	(83,418)
Exceptional items					
FSCS levy	-	-	1,160	-	(1,107)
Redundancy costs	<b>(742)</b>	(2,780)	(2,432)	(2,269)	(4,795)
Onerous contracts	<b>(1,969)</b>	(311)	(433)	(2,005)	(6,232)
Impairment of intangible assets	-	-	-	(31,693)	-
Licence provision	-	-	-	(2,034)	-
One-off migration costs	-	(1,596)	-	-	-
Acquisition costs	<b>(1,683)</b>	-	-	-	-
Incentivisation awards	<b>(1,297)</b>	-	-	-	-
Amortisation of intangible assets – client relationships	<b>(6,650)</b>	(6,287)	(9,219)	(13,592)	(12,520)
Operating expenses	<b>(246,796)</b>	(232,607)	(232,881)	(275,004)	(257,046)
Operating profit	<b>57,668</b>	49,743	50,810	5,755	26,632
Net finance (expense)/income and other gains and losses	<b>(25)</b>	319	10,190	1,003	1,768
Profit before tax	<b>57,643</b>	50,062	61,000	6,758	28,400
Tax	<b>(12,490)</b>	(11,095)	(12,729)	(1,362)	(7,257)
<b>Profit attributable to equity shareholders of the parent from continuing operations (except 2013)</b>	<b>45,153</b>	38,967	48,271	5,396	21,143
<b>Dividend per share</b>	<b>15.0p</b>	13.0p	12.0p	9.9p	8.6p
<b>Adjusted<sup>1</sup> earnings per share</b>					
From continuing operations before exceptional items listed above.					
Basic	<b>20.5p</b>	17.7p	18.0p	17.0p	15.7p
Adjusted <sup>1</sup> diluted	<b>19.6p</b>	16.8p	17.1p	16.0p	14.8p

1. See note 13 to the Financial Statements.

## Appendix – calculation of KPIs

### Revenue growth

1. **Discretionary funds inflows** are calculated from the Group's client database. The growth in net inflows is derived from the total new client accounts opened, closed or transferred between services categories during the year. Net inflows of £2.3 billion over the opening discretionary funds value of £28.8 billion show an increase of 8.0%.
2. **Discretionary service yield** is calculated as total discretionary commission and fee income over the average funds for the year. Total discretionary income in 2017 of £258.8 million (2016: £234.5 million) from average discretionary funds of £32.0 billion (2016: £26.8 billion) results in a 81 bps (2016: 88 bps) yield.

### Improved efficiency

3. **Adjusted<sup>1</sup> PBT margin** is calculated by taking the adjusted<sup>1</sup> profit before tax of £70.0 million in 2017 (2016: £61.0 million) over the total income of £304.5 million (2016: £282.4 million) resulting in an adjusted<sup>1</sup> PBT margin of 23.0% (2016: 21.6%).
4. **Discretionary funds per CF30** of £75 million (2016: £64 million) is based on the total of discretionary funds excluding MPS over the total number of registered CF30s (Investment Managers and Financial Planners) for the Group of 418 (2016: 427)
5. **Average client portfolio size** is calculated by dividing the total discretionary and managed advisory funds by the number of clients.

### Capital sufficiency

6. **Capital adequacy ratio** is calculated by dividing regulatory capital resources over the assessment of regulatory capital requirements see note 28 to the Financial Statements.

### Dividend growth

7. **Adjusted<sup>1</sup> earnings per share growth** rate of 17% (2016: -2%) shows the change in diluted earnings per share from 16.8p in 2016 to 19.6p in 2017.
8. **Dividend growth**, the total dividend paid by the Group in 2017 is 15.0p (2016: 13.0p), a growth rate of 15.4% (2016: 8.3%).

1. Excluding redundancy cost, onerous contracts, amortisation of client relationships, acquisition costs, incentivisation awards, one-off migration costs and disposal of available-for-sale investments.



## Shareholder Information

### Investor information

Visit our website, [www.brewin.co.uk](http://www.brewin.co.uk) for investor information and Company news. In addition to accessing financial data, you can view and download Annual and Half Year Reports, analyst presentations and access the best of our research and investment views, plus lifestyle news and interviews.

You can also subscribe to an email news alert service to automatically receive an email when significant announcements are made.

### Shareholding information

Please contact our registrars, Equiniti, directly for all enquiries about your shareholding. Visit their Investor Centre website [www.shareview.co.uk](http://www.shareview.co.uk) for online information about your shareholding (you will need your shareholder reference number which can be found on your share certificate or dividend tax voucher), or telephone the registrars direct: 0371 384 2237 or +44 (0) 121 415 7047.

### Dividend mandate

Shareholders can arrange to have their dividends paid directly into their bank or building society account by completing a bank mandate form. The advantages to using this service are: the payment is more secure than sending a cheque through the post; it avoids the inconvenience of paying in a cheque; and

there is no risk of lost, stolen or out-of-date cheques.

A mandate form can be obtained from Equiniti or you will find one on the reverse of the tax voucher of your last dividend payment.

### Electronic communications

Shareholders have previously passed a resolution enabling Brewin Dolphin to take advantage of provisions in the Companies Act 2006 that allow us to supply documents such as the Annual Report and Accounts to our shareholders via our website [www.brewin.co.uk](http://www.brewin.co.uk). This helps to reduce the cost and environmental impact of producing and distributing printed documents. Shareholders that wish to continue to receive shareholder documents in hard copy can request this by writing to the registrar, Equiniti.

All shareholder communications, including the Company's Annual Report and Accounts, are made available to shareholders on the Brewin Dolphin website and you may opt to receive email notification that documents and information are available to view and download. If you would like to sign up for this service, visit Equiniti's website. You may change the way you receive communications at any time by contacting Equiniti.

### Annual General Meeting

The 2018 Annual General Meeting of Brewin Dolphin Holdings PLC will be held in the Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ on Friday 2 February 2018 at 11.30 am.

## Contacts and advisers

### Company Secretary

Tiffany Brill  
12 Smithfield Street  
London  
EC1A 9BD  
+44 (0) 20 7248 4400

### Director of Marketing and Communications

Gregory Thorpe  
12 Smithfield Street  
London  
EC1A 9BD  
+44 (0) 20 7248 4400

### Registered Office

12 Smithfield Street  
London  
EC1A 9BD  
Company Registration  
Number: 02685806

### Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing, West Sussex  
BN99 6DA  
+44 (0) 121 415 7047

### Corporate Lawyer

Travers Smith LLP  
10 Snow Hill  
London  
EC1A 2AL

### Auditor

Deloitte LLP  
Hill House  
1 Little New Street  
London  
EC4A 3TR

### Principal Banker

Bank of Scotland  
Corporate Specialist &  
Deposit Services  
Pentland House (2<sup>nd</sup> Floor)  
8 Lochside Avenue  
Edinburgh  
EH12 9DJ

### Corporate Broker and Joint Financial Adviser

Royal Bank of Canada  
Europe Limited  
Thames Court  
One Queenhithe  
London  
EC4V 4DE

### Joint Corporate Broker

Liberum Capital Limited  
25 Ropemaker Street  
London  
EC2Y 9LY

### Joint Financial Adviser

Rothschild  
New Court  
St. Swithin's Lane  
London  
EC4N 8AL

## Glossary

<b>AGM</b>	Annual General Meeting	<b>L&amp;D</b>	Learning and Development
<b>ARC</b>	Asset Risk Consultants	<b>LSE</b>	London Stock Exchange
<b>AML</b>	Anti-Money Laundering	<b>LTIP</b>	The Company's long term incentive plan, the 'Long Term Performance Plan'
<b>ASOP</b>	Approved Share Options Plan	<b>MAR</b>	Market Abuse Regulation
<b>BDF</b>	Brewin Dolphin Foundation	<b>MiFID</b>	Markets in Financial Instruments Directive
<b>BDH</b>	Brewin Dolphin Holdings PLC/Brewin Dolphin	<b>MPS</b>	Managed Portfolio Service
<b>BDL</b>	Brewin Dolphin Limited	<b>MTP</b>	Medium Term Plan
<b>BDMP</b>	Brewin Dolphin MP	<b>NED</b>	Non-Executive Director
<b>BDO</b>	Internal Auditor	<b>PBT</b>	Profit Before Tax
<b>BPS</b>	Basis points	<b>PDMR</b>	Persons Discharging Managerial Responsibility
<b>BPS</b>	Brewin Portfolio Service	<b>RMF</b>	Risk Management Framework
<b>CA</b>	Companies Act 2006	<b>SID</b>	Senior Independent Director
<b>CAF</b>	Charities Aid Foundation	<b>SIP</b>	Share Incentive Plan
<b>CASS</b>	Client Money & Assets	<b>SMCR</b>	Senior Manager Certificate Regime
<b>CF30</b>	Client facing professional Investment Manager and Financial Planner	<b>TBD</b>	Tilman Brewin Dolphin Limited
<b>CGU</b>	Cash Generating Unit	<b>The Code</b>	UK Corporate Governance Code
<b>CMA</b>	Competition and Markets Authority	<b>TOR</b>	Terms of Reference
<b>CR</b>	Corporate Responsibility	<b>TSR</b>	Total Shareholder Return
<b>Deloitte</b>	External Auditor	<b>XO</b>	Execution Only
<b>DLAM</b>	Duncan Lawrie Asset Management		
<b>DPSP</b>	Deferred Profit Share Plan		
<b>DRR</b>	Directors Remuneration Report		
<b>EAP</b>	Equity Award Plan		
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation		
<b>EPS</b>	Earnings per Share		
<b>Equiniti</b>	The Company's Registrar		
<b>FCA</b>	Financial Conduct Authority		
<b>FRC</b>	Financial Reporting Council		
<b>FSCS</b>	Financial Services Compensation Scheme		
<b>GDPR</b>	General Data Protection Regulation		
<b>GHG</b>	Greenhouse Gas Emissions		
<b>Group</b>	Brewin Dolphin Holdings PLC (the 'Company') and its subsidiaries		
<b>IAS</b>	International Accounting Standards		
<b>ICAAP</b>	Internal Capital Adequacy Assessment Process		
<b>IGC</b>	Investment Governance Committee		
<b>KPIs</b>	Key Performance Indicators		

## Branch Address List

### Aberdeen

23 Rubislaw Terrace  
Aberdeen  
AB10 1XE  
Telephone: 0122 426 7900

### Belfast

6<sup>th</sup> Floor  
Waterfront Plaza  
8 Laganbank Road  
Belfast  
BT1 3LY  
Telephone: 0289 044 6000

### Birmingham

9 Colmore Row  
Birmingham  
B3 2BJ  
Telephone: 0121 710 3500

### Bournemouth

Waverley House  
115–119 Holdenhurst Road  
Bournemouth  
BH8 8PW  
Telephone: 0120 231 2500

### Bristol

The Paragon  
Counterslip  
Bristol  
BS1 6BX  
Telephone: 0117 968 9500

### Cambridge

Wellington House,  
East Road,  
Cambridge  
CB1 1BH  
Telephone: 0203 201 3050

### Cardiff

2<sup>nd</sup> Floor  
5 Callaghan Square  
Cardiff  
CF10 5BT  
Telephone: 0292 034 0100

### Cheltenham

2<sup>nd</sup> Floor  
St. James' House  
St. James' Square  
Cheltenham  
GL50 3PR  
Telephone: 0124 257 7677

### Dublin

Tilman Brewin Dolphin  
3 Richview Office Park  
Clonskeagh  
Dublin 14  
Telephone: +353(0) 126 00080  
Web: www.tilmanbrewin.ie

### Dundee

31–32 City Quay  
Camperdown Street  
Dundee  
DD1 3JA  
Telephone: 0138 231 7200

### Edinburgh

6<sup>th</sup> Floor  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8BR  
Telephone: 0131 225 2566

### Exeter

Vantage Point  
Woodwater Park  
Pynes Hill  
Exeter  
Devon  
EX2 5FD  
Telephone: 0139 244 0450

### Glasgow

48 St. Vincent Street  
Glasgow  
G2 5TS  
Telephone: 0141 221 7733

### Ipswich

Fraser House  
23 Museum Street  
Ipswich  
Suffolk  
IP1 1HN  
Telephone: 0147 326 7200

### Jersey

2<sup>nd</sup> Floor  
Kingsgate House  
55 The Esplanade  
St Helier  
Jersey  
JE2 3QB  
Telephone: 0153 470 3000

### Leeds

10 Wellington Place  
Leeds  
LS1 4AN  
Telephone: 0113 245 9341

### Leicester

Two Colton Square  
Leicester  
LE1 1QF  
Telephone: 0116 242 0700

### Lincoln

Olympic House  
Doddington Road  
Lincoln  
LN6 3SE  
Telephone: 0152 250 3000

### London

12 Smithfield Street  
London  
EC1A 9BD  
Telephone: 0203 201 3900

### Manchester

1 The Avenue  
Spinningfields Square  
Manchester  
M3 3AP  
Telephone: 0161 839 4222

### Marlborough

Woodstock Court  
Blenheim Road  
Marlborough  
Wiltshire  
SN8 4AN  
Telephone: 0167 251 9600

### Newcastle

Time Central  
Gallowgate  
Newcastle upon Tyne  
NE1 4SR  
Telephone: 0191 279 7300

### Nottingham

1<sup>st</sup> Floor  
Waterfront House  
Waterfront Plaza  
35 Station Street  
Nottingham  
NG2 3DQ  
Telephone: 0115 852 5580

### Oxford

7<sup>th</sup> Floor  
Seacourt Tower  
West Way  
Oxford  
OX2 0JJ  
Telephone: 0186 525 5750

### Penrith

1 Mason Court  
Gillan Way  
Penrith 40 Business Park  
Penrith  
Cumbria  
CA11 9GR  
Telephone: 0176 886 1710

### Plymouth

Ashleigh Court  
Ashleigh Way  
Langage Business Park  
Plymouth  
PL7 5JX  
Telephone: 0175 233 4650

### Reigate

45 London Road  
Reigate  
Surrey  
RH2 9PY  
Telephone: 0173 722 3722

### Shrewsbury

Mutual House  
Sitka Drive  
Shrewsbury Business Park  
Shrewsbury  
Shropshire  
SY2 6LG  
Telephone: 0174 339 9000

### Truro

24 Lemon Street  
Truro  
TR1 2LS  
Telephone: 0175 233 4650

 See page 8 for a map of the locations of the branches

## Brewin Dolphin Holdings PLC

12 Smithfield Street  
London EC1A 9BD  
T 020 7248 4400  
W [brewin.co.uk](http://brewin.co.uk)  
E [info@brewin.co.uk](mailto:info@brewin.co.uk)



This document is printed on Horizon Offset, a paper containing fibre sourced from well managed, responsible, FSC® certified forests. The pulp used in this product is bleached using an elemental chlorine free (ECF) process.

Printed by Park Communications