

Brewin Dolphin Holdings PLC

Preliminary Report For the Year Ended 30 September 2017

Financial Highlights¹

- Another strong period of organic fund inflows as we continue to deliver against our strategic plan.
- Total funds of £40.1bn, an increase of 13.3% (11.3% excluding acquired funds) (FY 2016: £35.4bn). Discretionary funds of £33.8bn, an increase of 17.4% or 15.3% excluding acquired funds (FY 2016: £28.8bn).
 - This compares to an increase of 6.9% in the FTSE 100 Index and a 6.0% increase in the MSCI WMA Private Investor Balanced Index.
 - Record net discretionary funds inflows, including transfers, of £2.3bn (FY 2016: £1.1bn) representing an annualised growth rate of 8.0% (FY 2016: 4.4%).
- Total income for the period of £304.5m (FY 2016: £282.4m).
 - Core² income of £291.0m increased by 10.5% (FY 2016: £263.3m).
 - Core fee income of £207.9m (FY 2016: £179.7m), increased by 15.7% representing 71.4% of total core income (FY 2016: 68.2%); core commission income of £62.3m (FY 2016: £66.1m).
 - Financial planning income of £20.8m (FY 2016: £17.5m).
- Adjusted³ profit before tax of £70.0m increased by 14.8% (FY 2016: £61.0m).
 - Improved adjusted³ profit before tax margin of 23.0% (FY 2016: 21.6%).
 - Achieved our target 25% adjusted profit before tax margin in 4th quarter.
- Statutory profit before tax of £57.6m, 15.0% higher than FY 2016 (£50.1m).
 - Statutory profit before tax margin was 18.9% (FY 2016: 17.7%).
- Adjusted³ earnings per share:
 - Basic earnings per share increased by 15.8% to 20.5p (FY 2016: 17.7p).
 - Diluted earnings per share⁴ increased by 16.7% to 19.6p (FY 2016: 16.8p).
- Statutory earnings per share:
 - Basic earnings per share of 16.5p (FY 2016: 14.4p).
 - Diluted earnings per share of 16.0p (FY 2016: 13.9p).
- Full year dividend increase of 15.4% to 15.0p (2016:13.0p), final dividend of 10.75p per share (2016: 9.15p per share) an increase of 17.5%.

¹ Continuing operations.

² Core income is defined as income derived from discretionary investment management, financial planning, Brewin Portfolio Service ("BPS") and execution only services.

³ See Financial Review for a reconciliation of adjusted profit before tax to statutory profit before tax and an explanation of adjusted performance measures.

⁴ See note 8.

Business Highlights

Delivering on the Growth Strategy:

- Strong funds growth, driven by positive net inflows and successful integration of Duncan Lawrie Asset Management Limited.
- Well positioned in high-growth intermediaries led channel.
- Operational efficiency targets achieved.
- Beginning to add capacity, invest and innovate for further growth opportunities.
- Balance sheet strength remains key underpin of growth strategy.

Declaration of Final Dividend

The Board declares a final dividend of 10.75p per share. The final dividend is payable on 7 February 2018 to shareholders on the register at the close of business on 12 January 2018 with an ex-dividend date of 11 January 2018.

David Nicol, Chief Executive, said:

“2017 was a successful year for the business. Building on the focus and discipline of past years and supported by continued positive markets, we have delivered a strong financial performance underpinned by record fund growth. I’m particularly pleased to report above target organic discretionary fund growth demonstrating the progress we are making with our strategic initiatives.

The rate of change in our market environment is accelerating, driven by changing client needs, continued evolution of financial regulation and government policy. Against this backdrop, our advice-led proposition has enduring relevance for customers in uncertain and complex times. The firm has proven skills in innovation and delivering constructive change. Building on this momentum, I am certain that Brewin Dolphin is well positioned to deliver future growth.

The 15% increase in our dividend underlines the Board’s confidence in the Company’s future prospects and ability to perform for both our clients and shareholders in the long-term.”

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Chief Executive's Review

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. 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.

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 Duncan Lawrie Asset Management ('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, 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 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.
- 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.

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.

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.

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%.

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.

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 client, employees and Group information.

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.

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

Financial review

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 ¹ income	291.0	263.3	10.5%
Other income	13.5	19.1	-29.3%
Total income	304.5	282.4	7.8%
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 ² profit before variable staff costs	122.5	109.4	12.0%
Variable staff costs	(52.5)	(48.7)	7.8%
Adjusted ² operating profit	70.0	60.7	15.3%
Net finance income and other gains and losses	-	0.3	
Adjusted ² profit before tax	70.0	61.0	14.8%
Exceptional items ³	(5.7)	(4.6)	
Amortisation of client relationships	(6.7)	(6.3)	
Profit before tax	57.6	50.1	15.0%
Taxation	(12.5)	(11.1)	
Profit after tax	45.1	39.0	15.6%
Earnings per share			
Basic earnings per share	16.5p	14.4p	14.6%
Diluted earnings per share	16.0p	13.9p	15.1%
Adjusted ⁴ earnings per share			
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 below.

4. See note 8.

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 £25.5m 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.

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%

Funds

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

¹ BPS re-categorised from total discretionary.

Indices	30 September 2016	30 September 2017	Change
MSCI WMA Private Investor Balanced Index	1,457	1,545	6.0%
FTSE 100	6,899	7,373	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%
Total income	304.5	282.4	7.8%

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%

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
Overall	57	17	74	57	21	78

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.

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 12 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.

Dividend

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 Parent Company, comprise £38.4 million of the merger reserve 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 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 and details of its continuing viability and going concern are set out below. The majority of the cash resources are held by the principal operating subsidiary Brewin Dolphin Limited.

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 14 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.

£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 (EBIT)	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
Cash flow pre-dividends	35.7	53.3
Dividends paid	(36.6)	(32.8)
Cash flow	(0.9)	20.5
Opening cash	170.8	149.8
Exchange and other non-cash movements	0.1	0.5
Closing cash	170.0	170.8

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 of the 2017 Annual Report and Accounts.

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 14 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, 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

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.

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:

- % 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.

Strategic priority	KPI	FY2015	FY2016	FY 2017	Target / Benchmark
Revenue growth	Discretionary funds inflows	4.6%	4.4%	8.0%	5%
	Discretionary service yield	89 bps	88 bps	81bps	n/a
	Net promoter score	n/a	44.6%	47.9%	41.8%
	Overall client satisfaction	n/a	8.4	8.5	7.8
Improved efficiency	Adjusted ¹ PBT margin	21.9%	21.6%	23.0%	25%
	Average client portfolio	£498,000	£590,000	£659,000	£500,000
	Discretionary funds per CF30	£53m	£64m	£75m	£75m
	Employee engagement	76%	78%	82%	76%
Capital sufficiency	Capital adequacy ratio	248%	232%	232%	150% (minimum)
Dividend growth	Adjusted ^{1,2} diluted EPS growth	7%	-2%	17%	n/a
	Dividend growth	21%	8%	15%	n/a

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 note 8.

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 below:

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.

Bottom Up Risk Management

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.

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 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.

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.

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
Business Strategy	This is the risk that we fail to deliver against the strategic objectives.	<ul style="list-style-type: none">– A strategic plan approved by the Board.– A risk appetite that is set against our strategic objectives, and monitored on a regular basis by our formal governance committees.– A robust governance structure that includes challenge from our independent Non-Executive Directors.– Branch and functional plans are set to achieve strategic priorities, which are subject to thorough challenge and review by the Board.
Geopolitical	<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">– 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.

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
Counterparty	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">– 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.– Diversity across our trading and banking counterparties.– Due diligence is undertaken for all banking and trading counterparties.– A Financial Risk Committee provides oversight of the Financial Risk Management Framework.

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
Regulatory & Legal Compliance	This is the risk that we are not compliant with all existing applicable regulation and legislation.	<ul style="list-style-type: none"> – Compliance and Legal functions monitor and oversee fulfilment of our regulatory and legislative requirements and interactions with our key regulators. – We are active in various industry and trade associations to help influence regulation and legislation.
Change Management	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"> – A Strategic Projects Committee is responsible for prioritising projects and reviewing their status and progress. – A Regulatory Change function within Compliance review new regulation as it is drafted to ensure we are in compliance when it is implemented.
Conduct	This is the risk of not delivering fair outcomes for clients.	<ul style="list-style-type: none"> – Tone from the top sets a culture which puts delivering fair outcomes for clients at the core of the Group's activities/ethos. – 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. – A risk based client on-boarding process which ensures that we understand our clients' needs and attitudes to risk. – A quality assurance process to identify and address any instances where the best outcomes for clients are not achieved. – Robust investment governance supported by: <ul style="list-style-type: none"> – an Investment Governance Committee; – a dedicated research department to set the Group's asset allocation framework; and – a restricted assets policy to prevent investment in unsuitable assets.
Criminality	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"> – Financial Crime, Information Security and Data Protection functions ensure we have robust preventative and detective measures to reduce this risk. – Dedicated Information Security and Data Protection team report directly to the Group Risk & Compliance Director. – Regular testing of our business continuity, disaster recovery and crisis management plans.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BREWIN DOLPHIN HOLDINGS PLC ON THE PRELIMINARY ANNOUNCEMENT OF BREWIN DOLPHIN HOLDINGS PLC

We confirm that we have issued an unqualified opinion on the full financial statements of Brewin Dolphin Holdings PLC.

Our audit report on the full financial statements sets out the following risks of material misstatement which had the greatest effect on our audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team, together with how our audit responded to those risks and the key observations arising from our work:

Revenue recognition	
Description	<p>As detailed in the summary of significant accounting policies in note 3 of the financial statements, 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).</p> <p>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.</p>
How the scope of our audit responded	<p>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.</p> <p>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.</p>
Key observations	<p>No issues were identified through our testing which indicate management fees were materially misstated for the year ended 30 September 2017.</p>
Intangible assets: client relationships and goodwill	
Description	<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 of the financial statements, 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 of the financial statements (included within note 3 of this announcement), based on the information contained in the intangibles in note 14 of the financial statements (included within note 9 of this announcement).</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>

<p>How the scope of our audit responded</p>	<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>
<p>Key observations</p>	<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>
<p>Assumptions underlying the calculation of the pension scheme liability</p>	
<p>Description</p>	<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 of the financial statements (included within note 3 of this announcement), and disclosed in note 18 of the financial statements.</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>
<p>How the scope of our audit responded</p>	<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>
<p>Key observations</p>	<p>No issues were identified through our testing which indicate a material misstatement in the assumptions underlying the pension scheme liability 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>

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 did not provide a separate opinion on these matters.

Our liability for this report, and for our full audit report on the financial statements is to the 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 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 company and the company’s members as a body, for our audit work, for our audit report or this report, or for the opinions we have formed.

Deloitte LLP

Statutory Auditor

Consolidated Income Statement

Year ended 30 September 2017

	Note	2017 £'000	2016 £'000
Continuing operations			
Revenue	4	303,896	280,484
Other operating income	4	568	1,866
Income		304,464	282,350
Staff costs		(162,689)	(152,175)
Redundancy costs		(742)	(2,780)
Onerous contracts		(1,969)	(311)
Amortisation of intangible assets - client relationships	9	(6,650)	(6,287)
One-off migration costs		-	(1,596)
Acquisition costs	13	(1,683)	-
Incentivisation awards		(1,297)	-
Other operating costs		(71,766)	(69,458)
Operating expenses		(246,796)	(232,607)
Operating profit		57,668	49,743
Finance income	5	161	514
Other gains and losses		2	(3)
Finance costs	5	(188)	(192)
Profit before tax		57,643	50,062
Tax	6	(12,490)	(11,095)
Profit for the year from continuing operations		45,153	38,967
Discontinued operations			
Profit for the year from discontinued operations		-	11,395
Profit for the year		45,153	50,362
Attributable to:			
Equity holders of the parent		45,153	50,362
		45,153	50,362
Earnings per share			
From continuing operations			
Basic	8	16.5p	14.4p
Diluted	8	16.0p	13.9p
From continuing and discontinued operations			
Basic	8	16.5p	18.6p
Diluted	8	16.0p	17.9p

Consolidated Statement of Comprehensive Income

Year ended 30 September 2017

	Note	2017 £'000	2016 £'000
Profit for the year		45,153	50,362
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain/(loss) on defined benefit pension scheme		8,558	(7,031)
Deferred tax (charge)/credit on actuarial gain/(loss) on defined benefit pension scheme	10	(1,383)	1,109
		7,175	(5,922)
Items that may be reclassified subsequently to profit and loss:			
Revaluation of available-for-sale investments	11	(75)	(30)
Deferred tax credit on revaluation of available-for-sale investments	10	14	6
Exchange differences on translation of foreign operations		92	559
		31	535
Other comprehensive income/(expense) for the year net of tax		7,206	(5,387)
Total comprehensive income for the year		52,359	44,975
Attributable to:			
Equity holders of the parent		52,359	44,975
		52,359	44,975

Consolidated Balance Sheet

As at 30 September 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Intangible assets	9	95,791	81,053
Property, plant and equipment		3,840	4,822
Other receivables		200	307
Defined benefit pension scheme		4,487	–
Net deferred tax asset	10	6,743	7,799
Total non-current assets		111,061	93,981
Current assets			
Available-for-sale investments	11	736	833
Trading investments	11	36	1,093
Trade and other receivables		243,144	218,118
Cash and cash equivalents		169,995	170,766
Total current assets		413,911	390,810
Total assets		524,972	484,791
Liabilities			
Current liabilities			
Trade and other payables		245,309	221,945
Current tax liabilities		4,993	3,388
Provisions	12	3,755	3,097
Total current liabilities		254,057	228,430
Net current assets		159,854	162,380
Non-current liabilities			
Defined benefit pension scheme		–	6,952
Provisions	12	8,339	6,600
Total non-current liabilities		8,339	13,552
Total liabilities		262,396	241,982
Net assets		262,576	242,809
Equity			
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
Equity attributable to equity holders of the parent		262,576	242,809

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
At 30 September 2016	2,830	151,836	(29,294)	(24)	70,553	46,908	242,809
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
At 30 September 2017	2,833	152,320	(25,921)	(85)	70,553	62,876	262,576

Company Balance Sheet

As at 30 September 2017

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

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
At 30 September 2016	2,830	151,836	(29,294)	70,838	29,793	226,003
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
At 30 September 2017	2,833	152,320	(25,921)	70,838	35,485	235,555

Consolidated Cash Flow Statement

Year ended 30 September 2017

	Note	2017 £'000	2016 £'000
Net cash inflow from operating activities	15	67,463	52,033
Cash flows from investing activities			
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	13	(25,500)	–
Proceeds on disposal of discontinued operation		–	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		(26,353)	7,666
Cash flows from financing activities			
Dividends paid to equity shareholders		(36,614)	(32,818)
Purchase of own shares		(5,807)	(7,220)
Disposal of own shares		–	310
Proceeds on issue of shares		487	433
Net cash used in financing activities		(41,934)	(39,295)
Net (decrease)/increase in cash and cash equivalents		(824)	20,404
Cash and cash equivalents at 1 October		170,766	149,823
Effect of foreign exchange rates		53	539
Cash and cash equivalents at 30 September		169,995	170,766

Company Cash Flow Statement

Year ended 30 September 2017

	Note	2017 £'000	2016 £'000
Net cash inflow from operating activities	15	35,874	32,502
Cash flows from financing activities			
Dividends paid to equity shareholders		(36,614)	(32,818)
Disposal of own shares		–	310
Proceeds on issue of shares		487	433
Net cash used in financing activities		(36,127)	(32,075)
Net (decrease)/increase in cash and cash equivalents		(253)	427
Cash and cash equivalents at 1 October		686	259
Cash and cash equivalents at 30 September		433	686

Notes to the Financial Statements

1. General information

The financial information contained in this preliminary announcement does not constitute the Group's and the Company's Statutory Financial Statements for the period ended 30 September 2017 within the meaning of section 435 of the Companies Act 2006.

The financial information set out in this preliminary announcement has been extracted from the Group's and the Company's 2017 Annual Report and Accounts, which have been approved by the Board of Directors on 28 November 2017 and agreed with Deloitte LLP, the Company's Auditor. The Auditor's Report was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

Whilst the financial information has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") the preliminary announcement does not contain sufficient information to comply with IFRS.

The accounting policies used are consistent with those set out in note 3 to the 2016 Annual Report and Accounts which have been delivered to the Registrar of Companies.

The critical accounting judgements and key sources of estimation uncertainty are set out in note 3.

The 2017 Annual Report and Accounts will be posted to shareholders during January 2018. Copies will be available from the registered office of the Company, 12 Smithfield Street, London, EC1A 9BD. It will also be available on the Company's website www.brewin.co.uk.

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 ¹	Amendments to Disclosure Initiative	2017
IAS 12 ¹	Amendments to Recognition of Deferred Tax Assets for Unrealised Losses	2017
IFRS 2 ¹	Amendments to Classification and Measurement of Share-based Payment Transactions	2018
IFRS 4 ¹	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 ¹	Clarifications to Revenue from Contracts with Customers	2018
IFRIC 22 ¹	Foreign Currency Transactions and Advance Consideration	2018
IAS 40 ¹	Amendments to Transfers of Investment Property	2018
IFRS 16 ¹	Leases	2019
IFRIC 23 ¹	Uncertainty over Income Tax Treatments	2019
IFRS 17 ¹	Insurance Contracts	2021
Annual Improvements to IFRS ¹	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.

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.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3 to the 2016 Annual Report and Accounts, 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 13 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 3.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 9 and 13), 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 9.

Note 3.u to the 2017 Annual Report and Accounts explains the accounting policy with respect to the impairment of intangible assets.

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 to the 2017 Annual Report and Accounts.

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 to the 2017 Annual Report and Accounts 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 to the 2017 Annual Report and Accounts.

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 12.

4. Income

Group

	2017 £'000	2016 £'000
Continuing operations		
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
Income from continuing operations	304,464	282,350
Discontinued operations		
Commission income	–	2,946
Trail income	–	93
Fee income	–	310
Revenue	–	3,349
Other operating income	–	30
Income from discontinued operations	–	3,379
Income from continuing and discontinued operations	304,464	285,729

5. Finance income and finance costs

Group

	Continuing operations		Discontinued operations		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Finance income						
Interest on bank deposits	161	514	–	–	161	514
	161	514	–	–	161	514
Finance costs						
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
	188	192	–	134	188	326

6. 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 10)	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.

7. 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
<hr/>		
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.

8. Earnings per share

Group

The calculation of the basic and diluted earnings per share is based on the following data:

	2017 '000	2016 '000
Number of shares		
Basic		
Weighted average number of shares in issue in the year	272,840	271,072
Diluted		
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
Adjusted ¹ diluted		
Effect of full dilution of employee share options which are contingently issuable or have future attributable service costs	2,406	4,637
Adjusted ¹ diluted weighted average number of options and shares for the year	285,408	285,693

a) Continuing operations

	2017 £'000	2016 £'000
Earnings attributable to ordinary shareholders		
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
Earnings per share		
Basic	16.5p	14.4p
Diluted	16.0p	13.9p

Adjusted² earnings per share

Basic	20.5p	17.7p
Adjusted ¹ diluted	19.6p	16.8p

1. 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.

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

b) Continuing and discontinued operations

	2017 £'000	2016 £'000
Earnings attributable to ordinary shareholders		
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
Earnings per share		
Basic	16.5p	18.6p
Diluted	16.0p	17.9p

Adjusted² earnings per share		
Basic	20.5p	21.9p
Adjusted ¹ 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
Earnings per share		
Basic	–	4.2p
Diluted	–	4.0p

Adjusted² earnings per share		
Basic	–	4.2p
Adjusted ¹ diluted	–	4.0p

1. 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.

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

9. Intangible assets

Group

	Goodwill £'000	Client relationships £'000	Software costs £'000	Total £'000
Cost				
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
At 30 September 2017	48,637	133,613	19,085	201,335

Accumulated amortisation and impairment losses

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	–	–	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
At 30 September 2017	–	91,757	13,787	105,544

Net book value

At 30 September 2017	48,637	41,856	5,298	95,791
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	25,500	–
Shares issued in year	–	9,305
Other additions for client relationships acquired in prior years	208	(66)
Utilisation of provisions for deferred purchase liability and shares to be issued	–	(9,304)
Total additions	25,708	(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 13.

The following table splits out the significant client relationship assets:

	£'000
Carrying amount at year end	
Tilman Brewin Dolphin Limited ¹	14,305
South East investment management team 2 ²	24,093
Other investment management teams ³	3,458
	41,856

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 13).

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.

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
	18	48,637

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.

10. 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
At 30 September 2017	1,569	20	901	(763)	6,153	–	(1,137)	6,743

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%.

11. 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)
At 30 September 2017	736

	2017 £'000	2016 £'000
Current assets		
Available-for-sale investments		
-Equity	95	128
- Asset-backed security	641	705
Total available-for-sale investments	736	833

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 14.

Trading investments

	2017 £'000	2016 £'000
Listed investments	36	1,093
Total trading investments	36	1,093

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.

12. 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)
At 30 September 2017	587	5,367	3,474	622	2,044	12,094
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
	587	5,367	3,474	622	2,044	12,094

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 Employers 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 3b.v for key sources of estimation uncertainty impacting the provisions.

13. Business combinations

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, within the 'other expenses' line item.

Fair value of the assets acquired and liabilities recognised at the date of acquisition:

	£'000
Current assets	
Cash and cash equivalents	2,468
Non-current assets	
Intangible Assets	25,500
	27,968

Net cash outflow arising on acquisition:

	£'000
Consideration paid in cash	27,968
Less: cash and cash equivalent balances acquired	(2,468)
	25,500

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 Duncan Lawrie Limited 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.

14. Financial instruments and risk management

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 Board 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 Board 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 Board 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 3 of the Capital Requirements Directive will be published on the Group's website before 31 December 2017 at 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 2017 Annual Report and Accounts.

Categories of financial instruments

	Carrying value	
	2017 £'000	2016 £'000
Financial assets		
Fair value through profit and loss - held for trading	36	1,093
Other receivables	200	307
Cash and cash equivalents	169,995	170,766
Trade and other receivables (excluding prepayments)	235,506	209,528
Available-for-sale investments	736	833
At 30 September	406,473	382,527

Financial liabilities

Amortised cost	225,865	203,791
At 30 September	225,865	203,791

Company

	Carrying value	
	2017 £'000	2016 £'000
Financial assets		
Other receivables	–	50
Cash and cash equivalents	433	686
Trade and other receivables	53,802	46,151
At 30 September	54,235	46,887

Financial liabilities

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 to the 2017 Annual Report and Accounts.).

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 to the 2017 Annual Report and Accounts.). This note 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 to the 2017 Annual Report and Accounts).

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.

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
Financial liabilities						
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
Financial liabilities						
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
Financial liabilities						
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
Financial liabilities						
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
Level 1					
Trading investments	36	1,093	Quoted bid prices in an active market	n/a	n/a
Level 3					
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

Fair value hierarchy

As at 30 September 2017

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Held for trading				
Equities	36	–	–	36
Available-for-sale financial assets				
Equities	–	–	95	95
Asset-backed securities	–	–	641	641
Total	36	–	736	772

As at 30 September 2016

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Held for trading				
Equities	1,093	–	–	1,093
Available-for-sale financial assets				
Equities	–	–	128	128
Asset-backed securities	–	–	705	705
Total	1,093	–	833	1,926

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
Balance at 30 September 2017	736

15. 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

16. Annual General Meeting

The Annual General Meeting will be held at 11.30am on 2 February 2018 at Haberdasher's Hall, 18 West Smithfield, London EC1A 9HQ.

17. Forward-looking statements

This announcement contains certain forward-looking statements with respect to the Brewin Dolphin's Group's financial condition, operations, and business opportunities. These forward-looking statements represent the Group's expectations or beliefs concerning future events, and involve known and unknown risks and uncertainty that could cause actual results, performance, or events to differ materially from those expressed or implied in such statements. Past performance cannot be relied on as a guide to future performance.