This announcement contains inside information for the purposes of the Market Abuse Regulation

25 November 2020

Brewin Dolphin Holdings PLC

Preliminary Management Report

For the Year Ended 30 September 2020

Strong results for the year in challenging markets; well positioned for the future

Financial highlights

- Strong total discretionary fund inflows of £2.8bn (FY 2019: £2.8bn), total discretionary net flows of £0.9bn (FY 2019: £1.4bn), representing an annualised growth rate of 2.2%.
- Total funds increased to £47.6bn (H1 2020: £41.4bn, FY 2019: £45.0bn), up 15.0% since 31 March 2020. Excluding funds from acquisitions of £2.7bn, total funds were broadly flat year on year. Total discretionary funds increased to £41.2bn (H1 2020: £35.7bn, FY 2019: £40.1bn) including funds from acquisitions and positive net flows more than offset by negative investment performance in challenging markets.
- Total income for the period increased by 6.6% to £361.4m (FY 2019: £339.1m) and includes £19.8m from recent acquisitions. Income was higher in the second half of the year due to higher commission and fee income due to higher market levels. Financial planning income grew 20.4% (up from 12.2% last year) to £33.1m.
- Profit before tax and adjusted[1] items increased 4.3% to £78.2m (FY 2019: £75.0m).
- Statutory profit before tax of £62.1m, 0.8% lower than FY 2019 (£62.6m).
- Strong cash balance of £180.5m (FY 2019: £229.2m). Capital adequacy ratio of 220% at the year end.
- Adjusted[1,2] earnings per share ('EPS'):
  - Diluted EPS broadly flat at 20.4p (FY 2019: 20.5p).
  - Basic EPS broadly flat at 21.1p (FY 2019: 21.2p).
- Statutory earnings per share:
  - Diluted EPS decreased by 4.2% to 15.9p (FY 2019: 16.6p).
  - Basic EPS decreased by 4.1% to 16.3p (FY 2019: 17.0p).
- Final dividend 9.9p per share, taking total to 14.3p per share (2019 final dividend: 12.0p per share, total 16.4p).

Business progress

- Client management system implemented and starting to realise some of the client user experience and operational benefits.
- Swift integration of Investec Capital & Investments (Ireland) Limited: rebranded to Brewin Dolphin Capital & Investments (Ireland) Limited ('BDCIIL') and migration of clients and assets completed remotely in April 2020.
- Expanded and trialled a suite of client investment solutions through the further development of our *1762 from Brewin Dolphin* proposition.
- New technology launched to enhance user-experience for WealthPilot clients.
- Continued to improve our clients digital experience through the enhancement of the MyBrewin portal.

Outlook and guidance for FY 2021

- Market conditions remain challenging against economic and social headwinds. However, we are well placed to capture the momentum once markets rebound, as clients rely on us for our valued advice services.
- On track to implement the new custody and settlement system during Autumn 2021.
- FY 2021 operating costs to grow mid-single digit.

Notes:
1. Adjusted items are amortisation of client relationships and brand, defined benefit pension scheme past service costs, acquisition costs, incentivisation awards, onerous contracts and other gains and losses.
2. See the note 9 to the Financial Statements.

Robin Beer, Chief Executive, said:

"Our objective is to help people build financially sustainable futures whilst achieving peace of mind. This could not have been more welcomed by our clients in a year which saw markets fall during the initial peak of the COVID-19 pandemic. Whilst markets have recovered from those levels, continued volatility remains a likelihood until the pandemic is under control. What is evident is that we could not have achieved our success this year without our values-based decision making and our client-centric culture. Adapting quickly to remote working enabled us to continue to deliver against our strategic objectives and delivered a set of resilient results.

Looking ahead to FY 2021, we're prioritising our digital agenda, so we can innovate and explore ways to improve client and advisor user experiences. Our focus will also be to implement our new custody and settlement system, which will enable us to realise both operational and technology benefits. Our sector continues to have structural growth dynamics and we intend to benefit from these by enhancing our distribution capability both through our direct and indirect channels. These priorities will enable us to maintain relevance through both our propositions and user experience, become more efficient through improved processes and ensure we are well placed to capture growth opportunities in challenging markets."

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Declaration of Final Dividend

The Board is proposing a final dividend of 9.9p per share, to be approved at the 2021 AGM and to be paid on 10 February 2021 to shareholders on the register at the close of business on 8 January 2021 with an ex-dividend date of 7 January 2021.

For further information:

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The year end results and strategy update presentation will be held at 9.00am on 25 November 2020 and available to watch via a video webcast. The audio link can be found on the corporate website (www.brewin.co.uk/group/investor-relations). Investors and analysts are also able to dial in to the call using +44 (0) 20 3003 2666.

NOTES TO EDITORS:

About Brewin Dolphin:

Brewin Dolphin is one of the UK and Ireland's leading independent providers of discretionary wealth management. We continue to focus on discretionary investment management, and we manage £41.2 billion of funds on a discretionary basis. In line with the premium we place on personal relationships, we have built a network of offices across the UK, Channel Islands and the Republic of Ireland, staffed by qualified investment managers and financial planners. We are committed to the most exacting standards of client service, with long-term thinking and absolute focus on our clients' needs at the core.

CHIEF EXECUTIVE OFFICER'S REVIEW

Our response to the COVID-19 pandemic

While COVID-19 has had a huge impact on the economy and society, it has brought out the very best of our business. I am very proud of the way our people have responded to the challenges brought by the pandemic. We shifted overnight to a remote working model whilst continuing to provide reassurance to our clients during the significant market falls in March this year. I am grateful for all their efforts. As a leadership team we have made decisions based on our values, and it is at times like this that you realise how important it is to have the right values. We have supported our people throughout the crisis, placing no one on furlough nor utilising Government support schemes. We have continued to support our communities, making charitable donations and increasing the number of days our people can spend volunteering. Individual office teams have embraced the spirit of the times with a series of local charity fundraising initiatives.

A new role

I was very excited to become CEO, however these were of course not the circumstances I had envisaged to take over from David Nicol. However, my familiarity with the business and the six months transition period made the handover very smooth. I want to thank David for everything he has done for this Group. We have a unique client-centric culture, and this gives us a strong foundation on which to build our business.

Delivering our strategy

Having been a member of the Executive Committee for the last four years helping shape our strategy, as CEO I am pleased to report that we have continued to deliver against our four strategic pillars:

1. More choice for more clients

We have continued to strengthen and broaden our investment solutions across our client base. We have developed our *1762 from Brewin Dolphin* proposition further, expanding the suite of client investment solutions. This included the introduction of a liquidity management service, Lombard lending facilities and the addition of further investment options across a range of risk profiles, asset classes and price points.

We have broadened the accessibility of the Brewin Portfolio Service by reducing the minimum investment to £500. This makes it an even more attractive proposition for people new to investing, and for those clients putting money away for their children and grandchildren.

For our intermediary clients, we have broadened our distribution channels with our *'Powered by Brewin Dolphin'* proposition and recently developed Brewin Dolphin Voyager funds, offering more investment choice.

2. Further develop our client experience

We have continued to invest in enhancing our client experience, through the development of platforms providing seamless digital services to clients. During the year we launched the new digital platform for WealthPilot. The WealthPilot platform fills a significant gap in the market and it will enable people to use a range of financial planning online tools for different scenarios as they get to grips with how best to manage their finances. After a successful trial period on a friends and family basis we have been able to go live with navigated journeys, where users explore the platform with the support of an adviser. We are also making additional financial planning hires to help increase the team's capacity and ensure we can capture our target market.

We have also done a great deal of work this year further developing our digital capabilities for the Brewin Portfolio Service. We are about to launch a fully revised onboarding journey, which is compatible for use across desktop and mobile devices. We have taken the opportunity to develop our own user experience platform, which has the potential to be leveraged across other business areas.

This year we have also enhanced our MyBrewin portal as well as releasing a new app. This has increased the number of clients using MyBrewin to view their portfolios. We now have over 90,000 logins a month and are planning to increase the available functionality in the coming year.

3. Build a platform for growth

We have made significant progress on our major technology programmes this year, which will improve the client experience and drive efficiencies within the business.

We implemented Client Engage, our new client management system during the pandemic, whilst working remotely. This has involved a huge amount of work with teams across the business engaged in testing the system and training our people in the final preparations for launch. The new system will improve clients' experience with reduced onboarding times and creates productivity efficiencies for our client facing staff enabling them to spend more time with clients. The system is the interface for our digital applications and will support the acceleration of our digital roadmap.

We have also continued with the implementation of Avaloq, our new custody and settlement system. Having taken delivery of the software, focus has shifted to acceptance testing and business readiness activities. These activities include building and testing the technology interfaces and data warehouse. We are now looking to implement the system during the Autumn of 2021. The replacement of an aged system will enable a fully integrated technology stack which is automated, replacing our current manual interfaces. The benefits of automation and straight through processing, means there are fewer touch points for our clients' end-to-end onboarding journey, improved productivity, improved client service, and reduced manual errors.

Finally, we successfully migrated the acquired assets and clients of Investec Capital & Investments (Ireland) Limited on to our existing systems, finalising the process whilst in a remote working environment.

4. Maintain a culture we are proud of

This year has asked real questions of our culture and I am delighted that it has risen to the challenge. We believe this delivers tangible benefits to our business through the hiring, retention and motivation of our colleagues.

Our talent development programmes have continued, as have our community responsibility activities, albeit in an adapted form as a result of the pandemic. We have been active across our diversity and inclusion agenda. This is an area that we are making real progress on as we create a business based on equality of opportunity and in which we encourage a diversity of thought and background. I personally have found the reverse mentoring programme focused on race and ethnicity, which all members of the Executive team have participated in, to have been particularly powerful.

Events like our People Awards, which celebrates individuals who have been nominated by their colleagues, continue to play an important part in the special culture we have here. One of the reasons why we have been able to manage the impact of the pandemic so well is a result of our culture – people have looked out for their clients and colleagues, whilst supporting each other throughout. I am delighted that this year's annual staff survey returned an engagement score of 90%, especially as it took place during the summer, and therefore reflects the way in which we handled a remote working environment.

Outlook

The impact of COVID-19 on the global economy has been dramatic, creating economic uncertainty and market volatility. Whilst this is creating more headwinds, the structural growth drivers of our sector and business remain strong. Our strategic actions mean that we are well placed to capture these growth dynamics.

We anticipate that 2021 will be a year of continued uncertainty so we remain disciplined on costs and investments. We expect our continued investment in our digital capabilities to put us in a position of strength to remain relevant and to ensure that we capture changing client requirements. We expect operating costs to grow mid-single digits, of which half of the rise is expected to be organic cost inflation and the rest to comprise investment for future growth.

Our business model is fundamentally resilient and cash generative. We also know that in times of uncertainty, people look for expert and trusted financial advice; we are well-placed to help people with their financial needs in such times. A strong balance sheet provides clients with confidence in our company's long-term sustainability and enables us to take advantage of inorganic opportunities as and when they arise.

FINANCIAL REVIEW

Results and business performance

The Group's financial performance for the year to 30 September 2020 was resilient, delivering organic growth across our business channels against a backdrop of a pandemic, economic uncertainty and market volatility.

Profit before tax and adjusted items ('adjusted PBT') was up 4.3% to £78.2m (2019: £75.0m) reflecting the contributions from our acquisitions, continued organic growth and the cost savings we realised within the second half of the year. The adjusted PBT margin was 21.6% (2019: 22.1%) as the business continues to invest in its technology infrastructure to support future growth.

Statutory profit before tax ('statutory PBT') was 0.8% lower than last year at £62.1m (2019: £62.6m). Statutory PBT margin for the period was 17.2% (2019: 18.5%).

Adjusted diluted earnings per share ('EPS') was broadly flat at 20.4p (2019: 20.5p). Statutory diluted EPS declined by 4.2% to 15.9p (2019: 16.6p).

	2020 £'m	2019 £'m	Change
Income	**361.4**	339.1	6.6%
Fixed staff costs	**(139.2)**	(126.7)	9.9%
Variable staff costs	**(60.2)**	(58.2)	3.4%
Other operating costs excluding adjusted[1] items	**(82.1)**	(80.8)	1.6%
Operating profit before adjusted[1] items	**79.9**	73.4	8.9%
Net finance costs and other gains and losses	**(1.7)**	1.6	(206.3)%
Profit before tax and adjusted[1] items	**78.2**	75.0	4.3%
Adjusted items	**(16.1)**	(12.4)	29.8%
Profit before tax	**62.1**	62.6	(0.8)%
Taxation	**(14.1)**	(14.5)	(2.8)%
Profit after tax	**48.0**	48.1	(0.2)%
Earnings per share			
Basic earnings per share	**16.3p**	17.0p	(4.1)%
Diluted earnings per share	**15.9p**	16.6p	(4.2)%
Adjusted[2] earnings per share			
Basic earnings per share	**21.1p**	21.2p	(0.5)%
Diluted earnings per share	**20.4p**	20.5p	(0.5)%

1. Adjusted items are amortisation of client relationships and brand, defined benefit pension scheme past service costs, acquisition costs, incentivisation awards, onerous contracts and other gains and losses.

2. See note 9 to the Financial Statements.

Explanation of profit before tax and adjusted items and reconciliation to Financial Statements

Profit before tax and adjusted items ('adjusted PBT'), adjusted diluted EPS and adjusted PBT margin ('adjusted measures') are used to measure and report on the underlying financial performance of the Group, aiding comparability between reporting periods. The Board and management use adjusted measures for planning and reporting. They are also useful measures for investors and analysts.

Additionally, some of the adjusted performance measures are used as Key Performance Indicators, 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 PBT adjusted to exclude various infrequent or unusual items of income or expense. The Directors consider such items to be outside the ordinary course of business. Income or expenditure adjusted for are shown in the reconciliation below and meet the criteria.

Some adjusted for items of income or expense may, like onerous contracts costs, 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. Likewise, costs related to acquisitions are also infrequent by their nature and therefore are excluded. Incentivisation awards costs in relation to acquisitions that are payable for a predetermined period of time, are adjusted for on this basis.

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

Reconciliation of profit before tax and adjusted items to statutory profit before tax

	2020 £'m	2019 £'m
Profit before tax and adjusted items	**78.2**	75.0
Adjusted items		
Acquisition costs	**(3.6)**	(2.3)
Defined benefit pension scheme past service costs	**–**	(1.9)
Onerous contracts	**(0.2)**	(1.0)
Incentivisation awards	**(1.2)**	(0.3)
Amortisation of intangible assets – client relationships and brand	**(11.1)**	(6.9)
Total adjusted items	**(16.1)**	(12.4)
Statutory profit before tax	**62.1**	62.6

Adjusted items for the year were higher at £16.1m (2019: £12.4m) and included acquisition costs of £3.6m (2019: £2.3m) for the acquisition during the year and higher amortisation of client relationships of £11.1m (2019: £6.9m) due to the acquisitions made in the 2019 calendar year.

Other adjusted items were in relation to incentivisation awards of £1.2m and onerous contracts of £0.2m.

Funds

£'bn	30 September 2019	Inflows	Outflows	Internal transfers[1]	Net flows	Growth rate	Acquired	Investment performance	**30 September 2020**	Change
Private clients	21.4	1.1	(0.6)	(0.7)	(0.2)	(0.9)%	0.7	(0.3)	**21.6**	0.9%
Charities & corporates	4.9	0.3	(0.3)	0.3	0.3	6.1%	0.3	(0.4)	**5.1**	4.1%
Direct discretionary	26.3	1.4	(0.9)	(0.4)	0.1	0.4%	1.0	(0.7)	**26.7**	1.5%
Intermediaries	10.0	0.9	(0.5)	(0.1)	0.3	3.0%	–	(0.2)	**10.1**	1.0%
MPS	3.8	0.5	–	–	0.5	13.2%	–	0.1	**4.4**	15.8%
Indirect discretionary	13.8	1.4	(0.5)	(0.1)	0.8	5.8%	–	(0.1)	**14.5**	5.1%
Total discretionary	40.1	2.8	(1.4)	(0.5)	0.9	2.2%	1.0	(0.8)	**41.2**	2.7%
Execution only	3.9	0.2	(0.5)	0.5	0.2	5.1%	0.5	(0.5)	**4.1**	5.1%
BPS	0.2	–	–	–	–	–%	–	–	**0.2**	–%
Advisory	0.8	0.1	(0.1)	–	–	–%	1.2	0.1	**2.1**	162.5%
Total funds	45.0	3.1	(2.0)	–	1.1	2.4%	2.7	(1.2)	**47.6**	5.8%

1. Charities and corporates internal transfers includes a £0.3bn reclassification from private clients related to Brewin Dolphin Wealth Management Limited.

£'bn	30 September 2019	31 March 2020	**30 September 2020**	Change last 12 months	Change last 6 months
Private clients	21.4	18.9	**21.6**	0.9%	14.3%
Charities & corporates	4.9	4.3	**5.1**	4.1%	18.6%
Direct discretionary	26.3	23.2	**26.7**	1.5%	15.1%
Intermediaries	10.0	8.8	**10.1**	1.0%	14.8%
MPS	3.8	3.7	**4.4**	15.8%	18.9%
Indirect discretionary	13.8	12.5	**14.5**	5.1%	16.0%
Total discretionary	40.1	35.7	**41.2**	2.7%	15.4%
Execution only	3.9	3.7	**4.1**	5.1%	10.8%
BPS	0.2	0.2	**0.2**	0.0%	0.0%
Advisory	0.8	1.8	**2.1**	162.5%	16.7%
Total funds	45.0	41.4	**47.6**	5.8%	15.0%
Indices					
MSCI PIMFA Private Investor Balanced Index	1,665	1,423	**1,568**	(5.8)%	10.2%
FTSE 100	7,408	5,672	**5,866**	(20.8)%	3.4%

Total funds as at 30 September 2020 were up 5.8% over the last year to £47.6bn (2019: £45.0bn) and up 15.0% from 31 March 2020. The increase was driven by strong total net fund flows of £1.1bn and acquired funds from BDCIIL of £2.7bn. Negative investment performance of £1.2bn due to an unprecedented fall in markets due to COVID-19, offset positive net flows. The MSCI PIMFA Private Investor Balanced Index fell by 5.8% and the FTSE 100 Index fell by 20.8% during the year.

Total discretionary funds as at 30 September 2020 were up 2.7% at £41.2bn (2019: £40.1bn) with positive net flows of £0.9bn (2019: £1.4bn), representing an annualised growth rate of 2.2%. Gross fund inflows for the period remained stable at £2.8bn (2019: £2.8bn). Total discretionary funds also included £1.0bn from the BDCIIL acquisition.

Direct discretionary positive net flows of £0.1bn in the period (2019: £0.3bn) with fund inflows of £1.4bn (2019: £1.2bn), were partially offset by transfers and elevated outflows including low-margin institutional clients of £0.1bn. Direct funds growth benefitted from strong integrated inflows, aided by the *1762 from Brewin Dolphin* proposition and contribution from BDCIIL. There is continued demand for advice, with c.60% of new direct private client business taking integrated wealth advice services.

Indirect discretionary net flows were £0.8bn (2019: £1.1bn), remaining relatively strong considering difficult market conditions, with 62.5% of net flows coming from MPS.

Income

Income increased 6.6% to £361.4m (2019: £339.1m) and included £19.8m from recent acquisitions. Income was higher in the second half of the year due to higher commission and fee income due to higher market levels.

	2020			2019			Change		
£m	**Fees**	**Commission**	**Total**	Fees	Commission	Total	Fees	Commission	Total
Private clients	**141.5**	**65.3**	**206.8**	136.6	58.6	195.2	3.6%	11.4%	5.9%
Charities & corporates	**18.4**	**3.6**	**22.0**	19.4	2.9	22.3	(5.2)%	24.1%	(1.3)%
Direct discretionary	**159.9**	**68.9**	**228.8**	156.0	61.5	217.5	2.5%	12.0%	5.2%
Intermediaries	**66.5**	**1.1**	**67.6**	66.6	1.1	67.7	(0.2)%	-%	(0.1)%
MPS	**11.2**	**n/a**	**11.2**	9.1	n/a	9.1	23.1%	n/a	23.1%
Indirect discretionary	**77.7**	**1.1**	**78.8**	75.7	1.1	76.8	2.6%	-%	2.6%
Total discretionary	**237.6**	**70.0**	**307.6**	231.7	62.6	294.3	2.5%	11.8%	4.5%
Financial planning	**n/a**	**n/a**	**33.1**	n/a	n/a	27.5	n/a	n/a	20.4%
Execution only	**4.6**	**6.7**	**11.3**	4.1	6.2	10.3	12.2%	8.1%	9.7%
BPS	**1.3**	**n/a**	**1.3**	1.2	n/a	1.2	8.3%	n/a	8.3%
Advisory	**3.6**	**1.1**	**4.7**	2.1	0.4	2.5	71.4%	175.0%	88.0%
Other Income	**n/a**	**n/a**	**3.4**	n/a	n/a	3.3	n/a	n/a	3.0%
Income	**247.1**	**77.8**	**361.4**	239.1	69.2	339.1	3.3%	12.4%	6.6%

Discretionary income increased by 4.5% to £307.6m (2019: £294.3m), driven by higher trading volumes from market volatility in Q2 20 and Q3 20 with commission income up £3.8m (excl. acquisitions) on prior year.

Financial planning income grew 20.4% to £33.1m (2019: £27.5m) primarily due to the growth in *1762 from Brewin Dolphin* alongside the recent financial planning-led acquisitions which contributed £4.0m in the year.

Advisory income up £2.2m on FY 2019, driven predominantly by the acquisition of BDCIIL.

Other income consisting of, inter alia, interest and report writing income is broadly flat in the year at £3.4m. Interest income reduced to £1.3m (2019: £2.8m) although higher in the second half, as interest payments to clients ceased due to a fall in the base rate. Report writing income is generated by Mathieson Consulting acquired in H2 2019 and contributed £1.1m of other income (2019: £0.5m).

Income margin[1]

(bps)	2020 Fees	2020 Commission	2020 Total	2019 Fees	2019 Commission	2019 Total
Private clients	**67.4**	**31.1**	**98.5**	67.0	28.8	95.8
Charities & corporates	**37.7**	**7.2**	**44.9**	40.9	6.1	47.0
Direct discretionary	**61.8**	**26.6**	**88.4**	62.1	24.5	86.6
Intermediaries	**67.9**	**1.1**	**69.0**	69.4	1.1	70.5
MPS	**26.5**	**–**	**26.5**	27.0	–	27.0
Total discretionary	**59.7**	**17.6**	**77.3**	60.8	16.4	77.2
BPS	**68.4**	**–**	**68.4**	68.6	–	68.6
Execution only	**11.4**	**16.4**	**27.8**	10.8	16.2	27.0
Advisory	**19.5**	**6.0**	**25.5**	23.8	4.3	28.1
Overall	**53.7**	**17.0**	**70.7**	55.7	16.1	71.8

1. The income margins are calculated as total income over the average funds at the end of each fee billing quarter for the year.

The overall blended margin across all our discretionary services increased to 77.3bps (2019: 77.2bps), driven by pricing pressure and tiering within intermediaries offset by greater transactional commission-based activity.

The margin for direct discretionary business has increased to 88.4bps (2019: 86.6bps) driven by exceptional commission income in the year.

Both intermediary and MPS margin has declined reflecting a slight shift in pricing mix as a result of market competition.

The blended margin for MPS has decreased to 26.5bps (2019: 27.0bps) due to the impact of tiering as the MPS funds grow.

Operating costs (excluding adjusted[1] items) and capital expenditure

	2020 £'m	2019 £'m
Staff costs	**(139.2)**	(126.7)
Non-staff costs	**(82.1)**	(80.8)
Fixed costs	**(221.3)**	(207.5)
Variable staff costs	**(60.2)**	(58.2)
Total operating costs	**(281.5)**	(265.7)
Capital expenditure[2]	**35.6**	16.7

1. Adjusted items are amortisation of client relationships and brand, defined benefit pension scheme past service costs, acquisition costs, incentivisation awards, onerous contracts and other gains and losses.
2. Excludes £1.9m of right of use asset additions.

Total operating costs before adjusted items were up £15.8m, 5.9% higher at £281.5m (2019: £265.7m), with increases attributable to recent acquisitions of £15.2m and other increases such as FSCS levy as well as inflationary pay rises partially offset by cost savings in the second half of the financial year.

Total fixed costs have increased by £13.8m to £221.3m (2019: £207.5m) with incremental costs through acquisitions totalling £12.7m. Of the £12.5m increase in staff costs, £7.5m reflects the impact of acquisitions which included around 100 additional staff over the period. Excluding acquisitions, staff costs grew 3.9% as a result of annual salary inflation and headcount increases to support the Group's continued growth including the delivery of the planned infrastructure projects.

The increase in non-staff costs is attributable to acquisitions and a £2.0m increase in the FSCS levy charged in the year. Excluding acquisitions, non-staff costs were down £4.0m year on year with significant savings attributable to both the impact of COVID-19 and management actions. Savings included reduced travel, entertainment, marketing, a slowdown of hiring, and delayed non-essential IT projects and office upgrades. With this cost discipline we were able to save £9m, ahead of the cost savings target of £6m-£8m set at the half year. Most of these savings were one-off in nature, however we expect that some travel and expenses savings will emerge while social distancing is in place.

Variable staff costs of £60.2m (2019: £58.2m), which predominantly includes discretionary profit share were up 3.4%, in line with the increase in adjusted profit.

We have continued to make good progress on our strategic projects. Total capital expenditure for the year excluding IFRS 16 related right of use additions was £35.6m and included £5.3m spend on our client management system and £20.9m on the custody and settlement system. The implementation delay in our custody and settlement system, resulted in slightly higher capex spend compared against our guidance range of £30m-£33m.

Delivery of the custody and settlement system is expected in the Autumn of 2021 taking into account the complexities of the integration in a remote working environment and the extension on the scope of the project. The initial scope of the project has expanded following the delivery of our client management system, as we are adding incremental solutions to improve client experience and further enhance our regulatory compliance. These solutions include integration of a new client reporting suite and the introduction of a new automated client account transfer process which will drive further benefits.

Looking ahead to next year's cost and capital expenditure, we anticipate operating costs to grow mid-single digit, half of which includes inflation and the remaining for investment within the business. We anticipate our capital expenditure will be around £30m of which £19m will be on our custody and settlement system and £3m on property including the fit out of our new London head office, Cannon Street, and the remainder is in line with our guidance of a more normal investment spend of £8m-£10m. This capital expenditure guidance excludes any right of use asset additions.

IFRS 16 leases and net finance costs

IFRS 16, the new accounting standard for leases was applicable to this year's results, it covers operating leases. All of the properties used by the Group are on operating leases.

The adoption of the accounting standard has resulted in the Group recognising right of use assets and corresponding lease liabilities on its balance sheet. Additionally, the standard has changed the pattern of recognition of costs in relation to these assets; instead of expensing the rental cost on a straight line basis within operating expenses, depreciation is recognised on right of use assets with finance costs recognised in respect of lease liabilities. This means that operating leases are more expensive in their earlier years reflecting the finance costs. The impact of this change in accounting decreased profit before tax by approximately £1.1m in 2020.

Finance costs were £2.6m (2019: £0.1m), £2.3m of the increase is due to IFRS 16 and the remainder relates to the unwind of interest costs on provisions. Finance income for the year at £0.9m (2019: £1.7m) was lower due to the fall in interest rates.

Right of use asset additions of £1.9m were recognised in the year for new leases.

Acquisitions

During the year, the Group completed the acquisition of Investec Capital & Investments (Ireland) Limited, the wealth management business of Investec Group in Ireland. This cements our position in the Irish wealth market and provides us the business from which to grow and expand. The net consideration after adjustments for surplus capital was €43.4m. Assets under management and advice on acquisition were £2.7bn at 31 October 2019. The assets were transferred to Brewin Dolphin Wealth Management Limited in April 2020 and are now are part of our business in Ireland. The adjusted profit before tax of the combined entities is £5.1m.

Defined benefit pension scheme (the 'Scheme')

The final salary pension scheme surplus has increased to £20.3m (2019: £17.4m). An actuarial gain for the year of £1.4m (2019: £5.6m) has been recognised.

Under International Accounting Standard 19 ('IAS 19'), large annual fluctuations can occur. The increase in the surplus has been driven by contributions to the Scheme, updated post-retirement mortality assumptions that incorporate the latest mortality projection models, updated cash commutation assumption and asset returns have been higher than expected over the year mainly as a result of hedging assets matching the Scheme's funding liabilities. These increases were partially offset by an increase in the value of liabilities reflecting the application of a lower discount rate as a result of the fall in corporate bond yields.

The Scheme de-risked its investment strategy upon meeting a secondary funding level target during the year at the end of November 2019. The investment strategy reflects the Scheme's liability profile and the Trustees' and Group's attitude to risk. The Scheme's investment strategy is currently to invest broadly 30% in higher return seeking assets (e.g. equities, high yielding bonds etc.), 20% in a cash flow generating corporate bond fund and 50% in matching assets (e.g. fixed interest gilts and index-linked gilts).

The Group has a further £0.3m of additional contributions to pay into the Scheme.

Tax

The Group's effective corporation tax rate at 22.7% is higher than the UK statutory rate of 19%, as a result of disallowable expenses such as the amortisation of client relationships.

Our effective tax rate is lower than prior year (2019: 23.1%) due mainly to a reduction in disallowable entertainment expenses because of COVID-19 restrictions.

Dividend

The Company's policy is to grow dividends in line with adjusted earnings, with a target payout ratio of between 60% and 80% of annual adjusted diluted earnings per share. The payout ratio range has been adopted to provide sufficient flexibility for the Board to reward shareholders whilst recognising that there may be a requirement, at times, to retain capital within the Group for investment to generate enhanced future shareholder returns.

The Board has taken a balanced view on rewarding shareholders in what has been a strong performance by the Group in the year, against a challenging backdrop. The Board recognises that it needs to invest in the business for the future to remain relevant for its clients in a fast changing world, but also needs to remain prudent as we envisage some continuous headwinds into next year. As a result, the Board is proposing a final dividend of 9.9p per share bringing the total for 2020 to 14.3p per share. (2019 final: 12.0p per share; total dividend for the 2019 year 16.4p per share). This represents a payout ratio of 70% of adjusted diluted earnings per share and is in line with our dividend policy.

Capital resources and regulatory capital

The Group's financial position remains very strong with net assets of £335.0m at 30 September 2020 (2019: £337.7m).

At 30 September 2020, the Group had regulatory capital resources of £161.1m (2019: £215.9m). Investment in intangible assets being the main driver of the reduction, see note 10 to the Financial Statements. The Group's primary regulator is the Financial Conduct Authority ('FCA'). The FCA's 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'), at least annually, 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.

Capital allocation

The Board is introducing a return on equity (ROE) as a measure and guide to ensure that we are disciplined in our investments and to ensure that we achieve appropriate returns. ROE will be measured across the portfolio of investments and will be a guide to ensure that we deliver sustainable returns. It will be measured on an annual basis to ensure that we continue to provide returns on the capital invested. ROE is defined as adjusted profit after tax expressed as a percentage of average equity across the year.

Assessment of ROE will be a key consideration for all material investment decisions, particularly for those related to acquisitions.

Cash flow

The Group had a cash outflow of £48.7m (2019: £43.0m inflow) and total net cash balances of £180.5m as at 30 September 2020 (2019: £229.2m).

Adjusted EBITDA (see table below) was £99.5m (2019: £85.1m). The acquisition of BDCIIL saw a cash outflow of £32m. Capital expenditure of £28.9m was significantly higher than last year (2019: £15.3m), supporting the ongoing infrastructure and systems update. The contribution to the defined benefit pension scheme of £1.3m (2019: £2.0m) was lower than last year reflecting the new contribution rate.

Cash outflow for own share 'matching' purchases in the year of £8.2m to match the awards made in 2019 for the Deferred Profit Share Plan (DPSP) awards broadly similar to the cost last year. Shares were also purchased (£0.2m) for the Share Incentive Plan.

Dividends paid in the period increased by 5.2% to £48.4m (2019: £46.0m).

	2020 £'m	2019 £'m
Profit before tax and adjusted items	**78.2**	75.0
Finance income and costs	**1.7**	(1.6)
Operating profit before adjusted items (EBIT)	**79.9**	73.4
Share-based payments	**9.8**	7.8
Depreciation and amortisation – excluding client relationships and brand	**9.8**	3.9
Adjusted EBITDA	**99.5**	85.1
Capital expenditure	**(28.9)**	(15.3)
Purchase of client relationships	**–**	(10.0)
Acquisition of subsidiary	**(32.0)**	(2.7)
Acquisition costs	**(3.6)**	(2.3)
Proceeds from disposal of investments	**–**	0.8
Pension funding	**(1.3)**	(2.0)
Working capital	**0.3**	(2.4)
Interest and taxation	**(16.4)**	(10.9)
Lease payments and interest on lease liabilities	**(8.8)**	–
Lease incentive and finance lease receivables	**0.6**	–
Adjusted items	**(1.4)**	(0.9)
Placing of shares	**–**	58.4
Shares purchased and disposed of	**(8.4)**	(8.9)
Shares issued for cash	**0.1**	0.1
Cash flow pre-dividends	**(0.3)**	89.0
Dividends paid	**(48.4)**	(46.0)
Cash flow	**(48.7)**	43.0
Opening firm's cash	**229.2**	186.2
Closing firm's cash	**180.5**	229.2

Measuring the success of our strategy

Delivery of our strategy is measured through focused and select KPIs that demonstrate continued progress to build and grow our business.

Measuring our performance

Key Performance Indicators ('KPIs') are used to measure both the progress and success of our strategy implementation. The KPIs are set out below, with a measure of our performance to date and an indication of potential challenges to success where applicable.

Changes to KPIs

During the year, we have reviewed our measurements to ensure that they are appropriate for our strategy. Whilst, all the KPIs remain appropriate, we have amended the description for the Discretionary funds per CF30 measure to discretionary funds per Client Facing Certified Person, the population of individuals captured is the same.

As we are increasingly focused on becoming an advice-led business, this means that while we continue to be driven by funds growth, total revenue is a measure that captures the entirety of the business. We have always monitored revenue so this will form an additional KPI as part of our focus on growing the business. Similar to our adjusted diluted EPS there will be no target provided but this will form part of our remuneration decision making and will be disclosed and monitored.

KPIs

Strategic outcome	KPI	FY 2018	FY 2019	FY 2020	Target / Benchmark
Revenue growth	Discretionary funds inflows	6.8%	3.7%	2.2%	5%
	Net promoter score	44.3%	51.2%	51.0%	38.0%
	Overall client satisfaction[3]	8.5	8.6	8.7	8.4
Improved efficiency	Adjusted[1] PBT margin	23.6%	22.1%	21.6%	25%
	Discretionary funds per Client Facing Certified Person	£80m	£81m	£77m	£100m
	Employee engagement	83%	87%	90%	77%
Capital efficiency & shareholder return	Capital adequacy risk appetite ratio	234%	291%	220%	150% (minimum)
	Adjusted[1,2] diluted EPS	21.7p	20.5p	20.4p	n/a
	Dividend payout ratio	76%	80%	70%	60%-80%

1. Adjusted items are amortisation of client relationships and brand, defined benefit pension scheme past service costs, acquisition costs, incentivisation awards, onerous contracts and other gains and losses.
2. See note 9 to the Financial Statements.
3. Scored out of 10.

Managing our risks

Effective risk management is key to the success of delivering our strategic objectives. Our approach to risk management continues to evolve as the risk landscape changes; it ensures timely identification, assessment, and management of the principal risks to our business.

We have a defined risk appetite which enables us to effectively manage the potential upside and downside risks of our strategy.

Our principal risks relate to our resilience from an operational and financial perspective, and our strategic focus including change management required to build a platform for growth, and innovation to deliver propositions that continue to meet the needs of our clients.

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;
- A swift and effective response to risk events and potential issues in order to minimise impact;
- A defined risk appetite within which risks are managed; and
- An appropriate balance between risk and the cost of control.

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.

We assess our principal risks regularly to ensure that our risk profile is within our risk appetite which is set by the Board. Annual risk workshops attended by both the Risk Committee and the Executive Committee are held.

Risk Management Framework

The Board has established a Risk Management Framework to ensure there is effective risk governance. The Board promotes a strong risk culture and expects every employee within the Group to adhere to the high standards established by the Board.

The Board encourages a strong risk culture throughout the business by promoting:

- 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 escalate events and make suggestions for improving processes and controls; and
- An acceptance of the importance of continuous management of risk, including clear accountability for and ownership of specific risks.

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.

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 consists of the control functions that monitor and facilitate the implementation of effective risk management practices, and the third line is independent assurance provided by internal audit.

The Board reviews the effectiveness of this Risk Management Framework and undertakes an assessment of the principal and emerging risks, 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.

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.

Risk Management Framework

Top Down Risk Management

Board

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

Risk Committee

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

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 committee 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, for business change activities and for new products and services.
- A horizon scanning forum is in place to identify and assess emerging risks, and establish ownership for mitigation and management of those risks.
- Assessment of inherent (pre-control) and residual risk (post-control).

Risk Mitigation and Management

- Management of events that have 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

- Internal auditors evaluate the adequacy of processes and systems and test the operating effectiveness of key controls.
- Control monitoring teams are in place, undertaking both regular control sampling and thematic reviews.

Responding to risks

- Resilience has been crucial during 2020, and our crisis management teams have been in full operation in response to COVID-19. We have provided continuity of service to our clients, and evidenced our capability to effectively respond to a crisis from a people, processes and systems perspective, in addition to our financial resilience.
- We held an in depth risk workshop with our Risk Committee and Executive Committee members, focusing on business risks, e.g. the risk of losing key staff and clients, and focusing on emerging trends within the financial sector and broader societal themes, e.g. sustainability.
- Financial market uncertainty has significantly increased. We regularly stress test our funds, profit, cash, and regulatory capital to understand and plan for situations which could result in the need to amend our business strategy.
- Change Management governance and oversight has been a significant focus during the period as we have completed the implementation of a new client management system, and are progressing with the implementation of a new custody and settlement system.
- We have successfully implemented a Governance, Risk and Compliance tool in 2020, aggregating risk-related data into a single application, providing enhanced analytical capabilities to identify risk trends, and workflow capabilities to enhance the efficiency of how we manage risk.
- The pipeline of regulatory change remains a focus, including our preparations for a new prudential regime for investment firms, due to be implemented in summer 2021. In addition, we continue to be focused on Brexit and have a Brexit Steering Committee in place to coordinate the Group's preparation for EU withdrawal.

The Directors confirm that we have carried out a robust assessment of the emerging and principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.

Principal Risks and Uncertainties

The tables below detail the principal risks and uncertainties we have identified, it is not an exhaustive list of all of the risks the Group faces. 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.

Key to our strategic objectives

RG Revenue growth

IE Improved efficiency

CS Capital efficiency and shareholder return

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 businesses viability. 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. In addition to the principal risk specified, we monitor the external environment and model the potential impact of different potential geopolitical scenarios as part of our stress testing programme.

Principal Risk and Risk Owner (s)	Nature and Potential Impact of the Risk	Primary Strategic Impact	Mitigating Factors	Examples of Risk Metrics Monitored	Movement in the year
1 Propositions Risk Owners: Managing Director of Advice and Innovation, and Managing Director of Wealth and Investment	The risk of propositions being uncompetitive and not meeting the needs of our clients, resulting in a failure to attract new clients or existing clients leaving, e.g. risk of not meeting increasing demand for sustainability focused investment solutions.	RG	• Dedicated resources to develop, test and launch new service offerings. • New service offerings are piloted before broader rollout. • Two key hires recruited into the sustainability team, driving the company's sustainability strategy and responsible investment propositions, considering environmental, social and governance factors, including climate change.	• Number of new clients, client pipeline, net flows, funds under management.	▲ Client needs are changing and there is increasing demand for different investment solutions.
2 Acquisitions Risk Owner: Acquisition Executive Sponsor	The risk of acquisitions not achieving strategic objectives or resulting in unidentified liabilities post completion.	RG	• Acquisitions form part of the Change Management Programme governance. • Post completion metrics are monitored.	• Income, client and staff retention, client complaints.	▼ We have significantly progressed integration activity for the acquisitions completed in the prior period.

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 to our cash flow, capital and liquidity.

Principal Risk and Risk Owner (s)	Nature and Potential Impact of the Risk	Primary Strategic Impact	Mitigating Factors	Examples of Risk Metrics Monitored	Movement in the year
3 Counterparty Risk owner: Chief Financial Officer	Default by our banking counterparties could put our own or our client's cash deposits or assets at risk of loss.	CS	• A Financial Risk Management Framework is in place which includes managing the Group's exposure to counterparty credit risk; setting and monitoring counterparty limits. • Diversity across our banking counterparties. • Due diligence is undertaken for all banking counterparties. • A Financial Risk Committee provides oversight of the Financial Risk Management Framework.	• Proportion of money held per banking counterparty. • Banking counterparty ratings. • Changes in the risk profile of banking counterparties. • Credit Default Swap spreads.	▲ The risk externally has increased due to the challenging economic environment. However, in response we have increased diversification of money held per banking counterparty.

Operational risks

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

Principal Risk and Risk Owner (s)	Nature and Potential Impact of the Risk	Primary Strategic Impact	Mitigating Factors	Examples of Risk Metrics Monitored	Movement in the year
4 Regulatory & Legal Compliance (Risk owner: Chief Risk Officer)	This is the risk that we are not compliant with all existing applicable regulation and legislation, which could lead to regulatory enforcement action.	CS	• Compliance and Legal functions monitor and oversee fulfilment of our regulatory and legislative requirements and interactions with our key regulators. • We execute against a robust compliance monitoring plan, and have strong governance in place to identify issues and ensure any required actions are completed.	• We have dashboards in place to monitor each regulatory risk which includes assessment of the control environment, regulatory interaction, issues and breaches.	◄► We have completed actions for the key potential issues identified as a result of our governance processes. However, the regulatory and legal environment will be impacted by Brexit.
5 Change Management (Risk owners: Chief Risk Officer and Chief Operating Officer)	The risk that business and regulatory changes are not delivered. This could restrict the firm's ability to achieve its strategic objectives of revenue growth and operational efficiency.	IE	• A Business Change Board with Executive Committee representatives oversee and challenge the change management programme. • Change management is centralised within a Change and Transformation team.	• Project status taking into account risks, issues, budget, resources, internal and vendor deliverables.	◄► Although we have successfully completed the implementation of a replacement client management system in the period, material reduction in Change Management risk will be achieved following replacement of the custody and settlement system.
6 Conduct (Risk owner: Group Head of Investment Governance)	This is the risk of not delivering fair outcomes for clients.	CS	• 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, monitoring against key metrics and reporting of conduct risk. • A conduct risk dashboard is in place, enabling detailed monitoring and oversight of conduct risk at an individual employee level. • 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 an Investment Governance Committee and a dedicated research department.	• Client service reviews. • Quality of advice. • Asset allocation. • Portfolio turnover. • Client complaints.	▲ Increased market volatility has led to increased trading and changing client requirements.

7 Resilience (Risk owners: Chief Risk Officer and Chief Operating Officer)	This is the risk that the Group does not have the ability to respond to, recover and learn from operational disruption to core business activities.	CS	• A dedicated Information Security, Data Protection and Operational Resilience team report directly to the Chief Risk Officer. • Crisis management scenarios are undertaken with external providers to test the roles and responsibilities of the crisis management response teams. • We engage independent parties to act undercover and simulate attacks. • We have a third party security specialist in place to ensure the resilience capabilities of our third parties.	• Technology resilience and potential vulnerabilities. • Key person dependencies. • Service disruptions.	▲ The external threat of operational disruption increases. We continue to mature our approach to mitigating this risk.
8 Fraud (Risk owner: Chief Risk Officer)	The risk of unauthorised gain or transfer of company or client assets, and the risk of unauthorised access to, or corruption of information.	CS	• All expense payments are requested, approved and administered using a spend management platform with in built controls. • Robust controls are in place for the requested change of payee bank account details. • Threat scanning for potential cyber risks. • Simulated phishing programme in place to ensure familiarisation with phishing attacks.	• Fraud attempts. • Internal process monitoring results. • Security threats. • Phishing testing results.	▲ Heightened external risk, particularly related to cyber, as fraudsters take advantage of the COVID-19 pandemic.

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, the Strategic Report and the report of the Risk Committee.

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 30 to the 2020 Annual Report and Accounts.

The Directors believe that the Group is well placed to manage its business risks successfully. The Directors assess the outlook of the Group by considering its Medium-Term Plan ('MTP') as well as the results of a range of stress tests. The MTP takes into account both the COVID-19 pandemic and Brexit and the resultant economic uncertainty and volatility. The stress tests, including a reverse stress, enable the modelling of the impact of a variety of external and internal events on the MTP; identify the potential impact of stress events on the Group's income, costs, cash flow and capital; and enable the Directors to assess management's ability to implement effective management actions that may be taken to mitigate the impact of the stress events (see note 3bii for detail in the 2020 Annual Report and Accounts).

These tests demonstrated that the Group has adequate resources, including cash, 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 on which the Financial Statements are approved.

Viability statement

The Directors have assessed the outlook of the Group 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 part of preparing the MTP, the Board takes into consideration the impact of external factors and this year in particular, the impact of the COVID-19 pandemic and the resulting economic uncertainty, in the projections.

As a matter of good practice and as part of the ICAAP required by the Financial Conduct Authority ('FCA'), the Group 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, are deemed to be severe but plausible, after considering the principal risks and uncertainties faced by the Group. The scenarios involved are refreshed on an at least annual basis or sooner if a trigger event occurs 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.

As an example, for this year, one of the Group stresses under the market-wide scenario is based around the impact of the prolonged inflation experienced in the 1970's which saw global equities fall approximately 40%. Subsequent management actions include, inter alia, a significant decrease of dividend payments over the period and variable remuneration reduced to as minimum as possible. Following these actions, the resultant outcome ensures the Group still maintains sufficient net assets and regulatory resources to operate as a going concern.

In addition, the Group has prepared for UK leaving the European Union without a withdrawal agreement. Both these analyses do not present any reason to believe the Group will not remain viable over the longer term.

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 Group'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.

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

As the independent auditor of Brewin Dolphin Holdings PLC we are required by UK Listing Rule LR 9.7A.1(2)R to agree to the publication of Brewin Dolphin Holdings PLC's preliminary announcement statement of annual results for the period ended 30 September 2020.

The directors of Brewin Dolphin Holdings PLC are responsible for the preparation, presentation and publication of the preliminary statement of annual results in accordance with the UK Listing Rules.

We are responsible for agreeing to the publication of the preliminary statement of annual results, having regard to the Financial Reporting Council's Bulletin "The Auditor's Association with Preliminary Announcements made in accordance with UK Listing Rules".

Status of our audit of the financial statements

Our audit of the annual financial statements of Brewin Dolphin Holdings PLC is complete and we signed our auditor's report on 24 November 2020. Our auditor's report is not modified and contains no emphasis of matter paragraph.

Our audit report on the full financial statements sets out the following key audit matters which had the greatest effect on our overall 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 key audit matters and the key observations arising from our work:

Revenue recognition

Key audit matter description

As detailed in note 4, revenue comprises investment management fees of £247.2m (2019: £232.2m), commissions of £77.8m (2019: £66.7m) and other income of £36.5m (2019: £40.2m).

Investment management fees account for approximately 68% 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 amendments are required to be made to system calculated fees due to the requirement for manual intervention. As a result, we consider there to be increased risk due to fraud or error.

How the scope of our audit responded to the key audit matter

We obtained an understanding of and tested the relevant controls over the calculation of management fees. This included controls over system generated investment management fees, including associated IT controls and controls over amendments to client fees.

We selected a sample of quarterly investment management fee calculations for individual clients and recalculated the system generated amount. For a sample of fees, we agreed the rates used to client contracts and the value of funds under management to third party sources and challenged the rationale and authorisation of any amendments to the system generated fee. We reviewed client communications, new accounts and transfers for a sample of clients to challenge the completeness of manual fee amendments.

Key observations

Through our testing, we concluded that investment management fees were appropriately stated for the year ended 30 September 2020.

Impairment of goodwill and client relationships

Key audit matter description

Historically, the group has expanded through acquisitions leading to the recognition of goodwill and client relationships of £128.1m (2019: £103.2m).

As detailed in note 10 intangible assets, client relationships are reviewed for indicators of impairment at each reporting date in accordance with IAS 36 and, if an indicator of impairment exists, an impairment test is performed. Goodwill is tested for impairment at least annually, whether or not indicators of impairment exist.

The impairment test 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. Where the carrying value exceeds the recoverable amount, an impairment should be recorded. The recoverable amount is the higher of its fair value less costs to sell ("FVLCTS") and its value in use ("VIU").

Management has historically estimated the recoverable amount of CGUs by calculating the FVLCTS using a multiple of funds under management by reference to recent market transactions. Due to the economic uncertainty caused by the COVID-19 pandemic, it was difficult to estimate a reliable fair value and, therefore, management's impairment test also used a VIU methodology based on discounting expected future cash flows. The assumptions used, including the discount rate and the revenue assumptions in the cash flow forecasts, are inherently judgemental and, as a result, we consider there to be an increased risk due to fraud or error.

How the scope of our audit responded to the key audit matter

We obtained an understanding of relevant controls over the completeness and accuracy of the production of funds under management data. We also obtained an understanding of the relevant controls over the impairment test performed by management.

In assessing management's impairment assessment for intangible assets, we have reviewed their methodology for compliance with the requirements of IAS 36 "Impairment of Assets" and challenged the assumptions and judgements made.

We performed the following procedures to challenge the key assumptions used in the VIU impairment assessment:

- Supported by our valuation specialists, we challenged management's discount rate by comparing it to our independently derived range;
- Focusing on those assumptions where the impairment test was most sensitive, we challenged management's assumptions used to forecast the cash flows of the group's CGUs by reference to recent trading performance, taking into account the impact of Covid-19 and the Group's strategy;
- We compared management's actual results to previous forecasts to assess their historical forecasting accuracy; and
- Supported by our valuation specialists, we challenged the long term growth rate used by comparison to third party benchmarks.

Additionally we sample tested the completeness and accuracy of funds under management by CGU and challenged the percentages management applied to market values of funds under management to determine the FVLCTS of each CGU. We validated these against percentages derived from recent public acquisitions of fund management businesses and the calculated the sensitivity of the impairment assessment to changes in the percentages applied.

Key observations

Through our testing, we concurred with management's assessment that no impairments were required to goodwill or client relationships.

Assumptions underlying the calculation of the pension scheme liability

Key audit matter description

The group has recognised a defined benefit pension surplus of £20.3m (2019: £17.3m surplus). The net surplus comprises assets of £126.1m and liabilities of £105.6m.

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 3.

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.

How the scope of our audit responded to the key audit matter

In order to evaluate the appropriateness of the assumptions used by management, we performed the following procedures:

- Obtained an understanding of the relevant controls over the review of assumptions;
- Used our own actuarial experts to make direct enquiries of the group's actuary to challenge the key actuarial assumptions adopted in the IAS 19 ("Employee Benefits") pension valuation; and
- Compared the discount rate, inflation rate and mortality assumptions to our independently determined benchmarks derived using market and other data.

Key observations

Through the work performed, we concluded that the assumptions underlying the pension scheme liability for the year ended 30 September 2020 were within our independently determined range.

Acquisition accounting for Investec Capital and Investments (Ireland) Limited ("ICIIL").

Key audit matter description

As set out in note 18, during the period Brewin Dolphin Wealth Management Limited acquired 100% of Investec Capital and Investments (Ireland) Limited ("ICIIL"). The acquisition was accounted for as a business combination, under IFRS 3. The difference between the fair value of consideration of £43.4m and the fair value of net assets acquired of £41.3m including client relationships intangibles of £32.1m, was recognised as goodwill of £2.0m.

As explained in note 3, the determination of the fair value of net assets acquired including the valuation of client relationships intangibles and goodwill requires judgement and the use of assumptions such as revenue assumptions in the cash flow forecasts.

How the scope of our audit responded to the key audit matter

We performed an independent assessment of the acquisition accounting to assess whether it is in compliance with IFRS 3, which included the following:

- We independently determined the acquisition date, resulting measurement period and the consideration paid, including deferred consideration.
- We evaluated management's identification and assessment of the separately identifiable assets acquired, including any fair value adjustments required.
- We challenged the cash flow forecasts used to estimate the fair value of client relationship intangibles.
- We challenged the split of goodwill and client relationships by benchmarking to other acquisitions in the industry and evaluating management's approach to determining the fair value of the client intangibles.
- We tested the mathematical accuracy of the calculations performed by management to determine the amounts of client relationship intangibles and goodwill recognised.

Key observations

Through our testing, we concurred with management's accounting of the ICIIL acquisition in the period and the valuation of the intangibles and goodwill arising from the acquisition.

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.

Procedures performed to agree to the preliminary announcement of annual results

In order to agree to the publication of the preliminary announcement of annual results of Brewin Dolphin Holdings PLC we carried out the following procedures:

a) checked that the figures in the preliminary announcement covering the full year have been accurately extracted from the audited or draft financial statements and reflect the presentation to be adopted in the audited financial statements;
b) considered whether the information (including the management commentary) is consistent with other expected contents of the annual report;
c) considered whether the financial information in the preliminary announcement is misstated;
d) considered whether the preliminary announcement includes a statement by directors as required by section 435 of CA 2006 and whether the preliminary announcement includes the minimum information required by UKLA Listing Rule 9.7A.1;
e) where the preliminary announcement includes alternative performance measures ("APMs"), considered whether appropriate prominence is given to statutory financial information and whether:
    - the use, relevance and reliability of APMs has been explained;
    - the APMs used have been clearly defined, and have been given meaningful labels reflecting their content and basis of calculation;
    - the APMs have been reconciled to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period; and
    - comparatives have been included, and where the basis of calculation has changed over time this is explained.
f) read the management commentary, any other narrative disclosures and considered whether they are fair, balanced and understandable.

Use of our report

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.

Robert Topley FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
24 November 2020

Consolidated Income Statement

Year ended 30 September 2020

	Note	**2020 £'000**	2019 £'000
Revenue	4	**359,164**	336,301
Other operating income	4	**2,283**	2,808
Income		**361,447**	339,109
Staff costs		**(199,485)**	(184,896)
Amortisation of intangible assets – client relationships and brand	10	**(11,072)**	(6,858)
Defined benefit pension scheme past service costs		**–**	(1,909)
Acquisition costs	18	**(3,600)**	(2,337)
Onerous contracts		**(250)**	(996)
Incentivisation awards		**(1,192)**	(340)
Other operating costs		**(82,056)**	(80,812)
Operating expenses		**(297,655)**	(278,148)
Operating profit		**63,792**	60,961
Finance income	6	**907**	1,708
Other gains and losses		**–**	1
Finance costs	6	**(2,627)**	(146)
Profit before tax		**62,072**	62,524
Tax	7	**(14,117)**	(14,457)
Profit for the year		**47,955**	48,067
Attributable to:			
Equity holders of the parent		**47,955**	48,067
		47,955	48,067
Earnings per share			
Basic	9	**16.3p**	17.0p
Diluted	9	**15.9p**	16.6p

Consolidated Statement of Comprehensive Income

Year ended 30 September 2020

	Note	**2020 £'000**	2019 £'000
Profit for the year		**47,955**	48,067
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain on defined benefit pension scheme		**1,377**	5,601
Deferred tax charge on actuarial gain on defined benefit pension scheme	14	**(609)**	(945)
Fair value (loss)/gain on investments in equity instruments designated as at fair value through other comprehensive income		**(5)**	1
Gain on disposal of investments in debt instruments designated as at fair value through other comprehensive income		**–**	200
Tax on gain on disposal of investments in debt instruments designated as at fair value through other comprehensive income		**–**	(38)
		763	4,819
Items that may be reclassified subsequently to profit and loss:			
Loss on cash flow hedge		**–**	(24)
Exchange differences on translation of foreign operations		**1,245**	(67)
		1,245	(91)
Other comprehensive income for the year net of tax		**2,008**	4,728
Total comprehensive income for the year		**49,963**	52,795
Attributable to:			
Equity holders of the parent		**49,963**	52,795
		49,963	52,795

Consolidated Balance Sheet

As at 30 September 2020

	Note	**2020 £'000**	As at 1 October 2019[1] £'000	At 30 September 2019 £'000
Assets				
Non-current assets				
Intangible assets	10	**174,717**	117,246	117,246
Property, plant and equipment		**9,723**	10,442	10,659
Right of use assets	11	**38,042**	43,305	–
Finance lease receivables		**1,966**	1,181	–
Other receivables		**931**	688	–
Defined benefit pension scheme		**20,324**	17,373	17,373
Total non-current assets		**245,703**	190,235	145,278
Current assets				
Trade and other receivables		**241,939**	214,841	216,212
Finance lease receivables		**167**	118	–
Financial assets at fair value through other comprehensive income		**68**	79	79
Financial assets at fair value through profit or loss		**379**	373	373
Current tax		**3,909**	–	–
Cash and cash equivalents		**180,533**	229,199	229,199
Total current assets		**426,995**	444,610	445,863
Total assets		**672,698**	634,845	591,141
Liabilities				
Trade and other payables		**256,036**	217,882	220,921
Current tax		**–**	6,035	6,035
Lease liabilities	12	**8,316**	6,653	–
Provisions	13	**4,798**	3,829	4,350
Total current liabilities		**269,150**	234,399	231,306
Net current assets		**157,845**	210,211	214,557
Non-current liabilities				
Trade and other payables		**459**	832	832
Shares to be issued		**3,738**	3,668	3,668
Net deferred tax liability	14	**9,094**	1,376	2,699
Lease liabilities	12	**45,265**	51,131	–
Provisions	13	**9,956**	11,549	14,933
Total non-current liabilities		**68,512**	68,556	22,132
Total liabilities		**337,662**	302,955	253,438
Net assets		**335,036**	331,890	337,703
Equity				
Share capital	15	**3,032**	3,032	3,032
Share premium account	15	**58,340**	58,238	58,238
Own shares		**(25,238)**	(25,214)	(25,214)
Hedging reserve		**–**	(24)	(24)
Revaluation reserve		**(2)**	3	3
Merger reserve		**70,553**	70,553	70,553
Profit and loss account		**228,351**	225,302	231,115
Equity attributable to equity holders of the parent		**335,036**	331,890	337,703

1. Presented following the adoption of IFRS 16 'Leases' – see notes 2 and 20 for more detail.

Approved by the Board of Directors and authorised for issue on 24 November 2020.

Signed on its behalf by

Robin Beer
Chief Executive Officer

Siobhan Boylan
Chief Financial Officer

Consolidated Statement of Changes in Equity

Year ended 30 September 2020

		Attributable to the equity holders of the parent							
	Note	Share capital £'000	Share premium account £'000	Own shares £'000	Hedging reserve £'000	Revaluatio n reserve £'000	Merger reserve £'000	Profit and loss account[1] £'000	Total £'000
At 30 September 2018		2,834	152,477	(26,060)	–	2	70,553	73,931	273,737
Profit for the year		–	–	–	–	–	–	48,067	48,067
Other comprehensive income for the year					–				
Deferred and current tax on other comprehensive income		–	–	–	–	–	–	(983)	(983)
Actuarial gain on defined benefit pension scheme		–	–	–	–	–	–	5,601	5,601
Fair value movement on investments in equity instruments designated as at fair value through other comprehensive income		–	–	–	–	1	–	–	1
Gain on disposal of investments in debt instruments designated as at fair value through other comprehensive income		–	–	–	–	–	–	200	200
Loss on cash flow hedge		–	–	–	(24)	–	–	–	(24)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(67)	(67)
Total comprehensive (expense)/income for the year		–	–	–	(24)	1	–	52,818	52,795
Dividends	8	–	–	–	–	–	–	(45,986)	(45,986)
Issue of share capital		2	95	–	–	–	–	–	97
Placing of shares		196	58,181	–	–	–	–	–	58,377
Own shares acquired in the year		–	–	(8,898)	–	–	–	–	(8,898)
Own shares disposed of on exercise of options		–	–	9,744	–	–	–	(9,744)	–
Share-based payments		–	–	–	–	–	–	7,769	7,769
Share premium reduction		–	(152,515)	–	–	–	–	152,515	–
Tax on share-based payments		–	–	–	–	–	–	(188)	(188)
At 30 September 2019		3,032	58,238	(25,214)	(24)	3	70,553	231,115	337,703
Effect of change in accounting policy for initial application of IFRS 16	20	–	–	–	–	–	–	**(5,813)**	**(5,813)**
At 1 October 2019		**3,032**	**58,238**	**(25,214)**	**(24)**	**3**	**70,553**	**225,302**	**331,890**
Profit for the year		–	–	–	–	–	–	**47,955**	**47,955**
Other comprehensive income for the year									
Deferred tax on other comprehensive income	14	–	–	–	–	–	–	**(609)**	**(609)**
Actuarial gain on defined benefit pension scheme		–	–	–	–	–	–	**1,377**	**1,377**
Fair value movement on investments in equity instruments designated as at fair value through other comprehensive income		–	–	–	–	**(5)**	–	–	**(5)**
Exchange differences on translation of foreign operations		–	–	–	–	–	–	**1,245**	**1,245**
Total comprehensive (expense)/income for the year		–	–	–	–	**(5)**	–	**49,968**	**49,963**
Dividends	8	–	–	–	–	–	–	**(48,393)**	**(48,393)**
Issue of share capital	15	–	**102**	–	–	–	–	–	**102**
Own shares acquired in the year		–	–	**(8,388)**	–	–	–	–	**(8,388)**
Own shares disposed of on exercise of options		–	–	**8,364**	–	–	–	**(8,364)**	–
Share-based payments		–	–	–	–	–	–	**9,779**	**9,779**
Hedge reversal		–	–	–	**24**	–	–	–	**24**
Tax on share-based payments		–	–	–	–	–	–	**59**	**59**
At 30 September 2020		**3,032**	**58,340**	**(25,238)**	–	**(2)**	**70,553**	**228,351**	**335,036**

1. A cumulative credit of £1,164k has been recognised in the profit and loss account reserve as at 30 September 2020 for exchange differences on translation of foreign operations (2019: £81k debit, 2018: £14k debit).

Company Balance Sheet

As at 30 September 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Investment in subsidiaries		**238,659**	192,215
Total non-current assets		**238,659**	192,215
Current assets			
Trade and other receivables		**35,042**	38,967
Cash and cash equivalents		**1,256**	47,000
Total current assets		**36,298**	85,967
Total assets		**274,957**	278,182
Liabilities			
Current liabilities			
Trade and other payables		**12,419**	13,039
Total current liabilities		**12,419**	13,039
Net current assets		**23,879**	72,928
Non-current liabilities			
Shares to be issued		**3,738**	3,668
Total non-current liabilities		**3,738**	3,668
Total liabilities		**16,157**	16,707
Net assets		**258,800**	261,475
Equity			
Share capital	15	**3,032**	3,032
Share premium account	15	**58,340**	58,238
Own shares		**(25,238)**	(25,214)
Hedging reserve		**(24)**	(24)
Merger reserve		**70,838**	70,838
Profit and loss account		**151,852**	154,605
Equity attributable to equity holders		**258,800**	261,475

Approved by the Board of Directors and authorised for issue on 24 November 2020.

Signed on its behalf by

Robin Beer
Chief Executive Officer

Siobhan Boylan
Chief Financial Officer

Brewin Dolphin Holdings PLC
Company Number: 02685806

Company Statement of Changes in Equity

Year ended 30 September 2020

		Attributable to the equity holders of the Company						
	Note	Share capital £'000	Share premium account £'000	Own shares £'000	Hedging reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 30 September 2018		2,834	152,477	(26,060)	–	70,838	50,826	250,915
Profit for the year		–	–	–	–	–	(775)	(775)
Other comprehensive income for the year								–
Loss on cash flow hedge		–	–	–	(24)	–	–	(24)
Total comprehensive expense for the year		–	–	–	(24)	–	(775)	(799)
Dividends	8	–	–	–	–	–	(45,986)	(45,986)
Issue of share capital		2	95	–	–	–	–	97
Placing of shares		196	58,181	–	–	–	–	58,377
Own shares acquired in the year		–	–	(8,898)	–	–	–	(8,898)
Own shares disposed of on exercise of options		–	–	9,744	–	–	(9,744)	–
Share premium reduction		–	(152,515)	–	–	–	152,515	–
Share-based payments		–	–	–	–	–	7,769	7,769
At 30 September 2019		3,032	58,238	(25,214)	(24)	70,838	154,605	261,475
Profit for the year		**–**	**–**	**–**	**–**	**–**	**44,225**	**44,225**
Dividends	8	**–**	**–**	**–**	**–**	**–**	**(48,393)**	**(48,393)**
Issue of share capital	15	**–**	**102**	**–**	**–**	**–**	**–**	**102**
Own shares acquired in the year		**–**	**–**	**(8,388)**	**–**	**–**	**–**	**(8,388)**
Own shares disposed of on exercise of options		**–**	**–**	**8,364**	**–**	**–**	**(8,364)**	**–**
Share-based payments		**–**	**–**	**–**	**–**	**–**	**9,779**	**9,779**
At 30 September 2020		**3,032**	**58,340**	**(25,238)**	**(24)**	**70,838**	**151,852**	**258,800**

Consolidated Cash Flow Statement

Year ended 30 September 2020

	Note	**2020 £'000**	2019 £'000
Net cash inflow from operating activities	17	**77,386**	66,647
Cash flows from investing activities			
Purchase of intangible assets – client relationships		**–**	(10,011)
Purchase of intangible assets – software		**(26,523)**	(10,064)
Purchase of property, plant and equipment		**(2,379)**	(5,249)
Acquisition of subsidiaries		**(32,029)**	(2,680)
Proceeds on disposal of financial instruments at fair value through other comprehensive income		**6**	799
Net cash used in investing activities		**(60,925)**	(27,205)
Cash flows from financing activities			
Dividends paid to equity shareholders	8	**(48,393)**	(45,986)
Purchase of own shares		**(8,388)**	(8,898)
Cash flow hedge		**–**	(24)
Repayment of lease liabilities	12	**(8,765)**	–
Cash payments from lessees		**203**	–
Proceeds on issue of shares	15	**102**	58,474
Net cash (used in)/from financing activities		**(65,241)**	3,566
Net (decrease)/increase in cash and cash equivalents		**(48,780)**	43,008
Cash and cash equivalents at 1 October		**229,199**	186,222
Effect of foreign exchange rates		**114**	(31)
Cash and cash equivalents at 30 September		**180,533**	229,199

Company Cash Flow Statement

Year ended 30 September 2020

	Note	**2020 £'000**	2019 £'000
Net cash inflow from operating activities	17	**49,170**	33,091
Cash flows from investing activities			
Capital contribution to subsidiary		**(45,449)**	–
Net cash used in investing activities		**(45,449)**	–
Cash flows from financing activities			
Dividends paid to equity shareholders	8	**(48,393)**	(45,986)
Cash flow hedge		**–**	(24)
Foreign exchange		**(1,174)**	–
Proceeds on issue of shares	15	**102**	58,474
Net cash (used in)/from financing activities		**(49,465)**	12,464
Net (decrease)/increase in cash and cash equivalents		**(45,744)**	45,555
Cash and cash equivalents at 1 October		**47,000**	1,445
Cash and cash equivalents at 30 September		**1,256**	47,000

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 2020 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 2020 Annual Report and Accounts, which have been approved by the Board of Directors on 24 November 2020 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 2019 Annual Report and Accounts which have been delivered to the Registrar of Companies, with the exception of 3l. leases which has been updated following the adoption of IFRS 16 ‘Leases’ , see note 2b below for more information. The revised accounting policy is set out in note 21. Additionally, there are new accounting policies for derivative financial instruments and hedging activities; shares to be issued including premium and intangible asset - brand, these are also set out in note 21.

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

The 2020 Annual Report and Accounts will be posted to shareholders during January 2021. 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

IFRS 16 ‘Leases’, a new standard, has been applied for the first time, it replaces IAS 17.

The Group adopted IFRS 16 Leases with effect from 1 October 2019 and elected to apply the standard retrospectively under the modified retrospective approach with the cumulative effect of initial application being recognised at 1 October 2019; comparative information has therefore not been restated.

Further information and changes to significant accounting policies as a result of the application of the standard for the first time are described below in note 2b.

b. Changes in accounting policies

There have been no changes to accounting policies in the year except for the changes described below:

IFRS 16 Leases

IFRS 16 represents a significant change in the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 requires lessees to account for most leases under a single lessee accounting model.

Under the single lessee accounting model, a right of use (‘ROU’) asset and corresponding lease liability is recognised which represents future lease payables with movements through the Income Statement. The movements through the Income Statement are for 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.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

Transition

The Group has applied the modified retrospective approach with the cumulative effect of initial application being recognised at the transition date; comparative information has therefore not been restated and continues to be reported under IAS 17.

The Group has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases under IAS 17. The Group has:

- elected to use the transition practical expedient allowing an entity not to reassess whether a contract is, or contains, a lease at the date of initial application of the standard;
- relied on its assessment of whether leases are onerous immediately before the date of initial application by adjusting the ROU asset at 1 October 2019 by the amount of provision for onerous lease rental payments previously recognised under IAS 17 as at 30 September 2019, as an alternative to performing an impairment review;
- elected not to recognise the ROU assets and lease liabilities for leases where the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the right of use asset at the date of initial application;
- used hindsight when determining the lease term where the contract contains options to extend or terminate the lease; and
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has chosen not to apply the practical expedient to account for any associated non-lease components of a lease as a single arrangement.

Impact

The details of the significant changes are set out below. 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.

The adoption of IFRS 16 has had a material impact on the Group's Consolidated Balance Sheet, in which the Group recognised right of use assets of £43.3m, lease liabilities of £57.8m, finance lease receivables of £1.3m, and a negative impact on the Group's equity of £5.8m net of deferred tax assets, onerous provisions and trade payables and receivables adjustments at 1 October 2019 on transition.

Details of the quantitative impact of IFRS 16 are provided in note 20.

Classification and measurement as a lessee

Right of use assets

The right of use assets recognised on adoption have been calculated as if the standard applied at the commencement of each lease and are discounted using the borrowing rate at the date of initial application.

The depreciation charge is recognised in the Income Statement.

The ROU assets are assessed for impairment annually in accordance with IAS 36 (incorporating any onerous lease assessments) and depreciated on a straight-line basis over the shorter of the expected life of the asset and the lease term, adjusted for any remeasurements of the lease liability.

Lease liabilities

Leases previously classified as operating leases under IAS 17 have been measured at the present value of the remaining lease payments on adoption and discounted using an incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable.

After the commencement date, the lease liability recognised will reduce over time by the lease payments which will be offset by the unwinding of the liability over the lease term and any amendments for the impact of any lease modifications. Interest recognised on the lease liability is included in finance costs in the Income Statement.

Short-term leases and lease of low value assets

The Group has adopted certain optional recognition exemptions available under IFRS 16 for short-term (less than 12 months) and low value (< £5,000) leases. These leases continue to be off balance sheet with rentals charged to the Income Statement on a straight-line basis over the lease term and are classified as operating leases.

Classification and measurement as a lessor

Subleases

The Group has identified certain property leases as onerous where there is surplus office space and in these instances the Group acts as an intermediate lessor. The Group classifies its subleases as operating or finance leases by reference to the right of use asset arising from the head lease (rather than by reference to the underlying asset) or if the head lease belonging to the Group is a short-term lease, the subleases are classified as operating leases.

The Group has reclassified some of its subleases previously recognised as operating leases under IAS 17 as finance leases under IFRS 16.

Finance lease receivable

A finance lease receivable has been recognised on adoption and represents the net investment in the finance sublease.

The lease payments included in the measurement of the net investment in the finance lease comprises the present value of fixed payments (including in-substance fixed payments), less any lease incentives payable for the right to use the underlying asset during the lease term that are not received at the lease commencement date.

Any difference between the right of use asset and the net investment in the sublease is recognised in the Income Statement.

The lease liabilities relating to the head leases have been retained on the Balance Sheet and represent the lease payments payable to the head lessor.

Operating subleases

For subleases which are classified as an operating lease, the Group has recognised both the lease liability and the right of use asset relating to the head lease.

Lease income from the operating sublease is recognised in the Income Statement as other operating income.

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:

		1 January
New or revised standards		
IFRS 17[1]	Insurance Contracts	2023
Amendments		
IAS 1[1] – classification of liabilities	Presentation of financial statements' on classification of liabilities	2023
Further amendments – IFRS 3; IAS 16; IAS 37; Annual Improvements	IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment – Proceeds before Intended Use; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020	2022
IFRS 4	Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19	2021
Interest Rate Benchmark Reform – phase 2	Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	2021
IFRS 16	Leases, Related rent concessions	2020
Conceptual framework references[1]	Amendments to References to the Conceptual Framework in IFRS Standards	2020

IAS 1 and IAS 8 – Definition of Material[1]	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors	2020
IFRS 3 – Definition of a Business	Business Combination	2020
Interest Rate Benchmark Reform – phase 1	Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	2020

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 on the financial statements of the Group.

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 2020 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. Leases – determining the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend or terminate the lease. In making this judgement, the Group evaluates whether it is reasonably certain to exercise the option to renew or break the lease term.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal and the circumstances and facts for each lease including past experience to determine the likely lease term and whether the break option is likely to be exercised. This includes an assessment on the length of time remaining before the option is exercisable, current trading conditions and future trading forecasts on the ongoing profitability of the business.

After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (for example, a change in business strategy).

As at 30 September 2020, it has been assumed that all leases will be until the end of the lease term for the Group.

b. Key sources of estimation uncertainty

i. Acquisitions

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 intangible assets such as the client relationship intangibles recognised as part of the BDCIIL acquisition (as set out in note 18).

The value attributed to the client relationships affects the amount of goodwill recognised. This value together with the assessment of useful economic lives, which is based both on past experience and future expectations, determines the future amortisation charges. Further, the value determined for the client relationships asset impacts the deferred tax liability recognised by the Group.

The valuation 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 £32.1m of separately identifiable client relationship intangible assets and goodwill of £2.0m; see notes 10 and 18 for further information.

The table below sets out the approximate impact on the value recognised for both goodwill and client relationships intangibles of an increase or decrease of 20% in the:

- expected cash flows, applied equally over the cash flows in each period; and
- the discount rate.

	Goodwill £'000	Client relationships £'000
Expected cash flows:		
20% decrease	2,661	(3,041)
20% increase	(2,661)	3,041
Expected discount rate:		
20% decrease	(2,186)	2,498
20% increase	1,979	(2,261)

ii. Impairment of goodwill, client relationships and brand

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 to dispose ('FVLCTD') and its value in use ('VIU').

For the purposes of impairment testing, the Group has historically valued the recoverable amount of goodwill, client relationships and brand at the FVLCTD. The calculation of the FVLCTD is based on the valuation of the funds, which make up the relevant CGU where appropriate. A percentage is applied to the funds to determine the fair value. These percentages have been based on recent public transactions and adjusted to allow for the current economic uncertainty and volatility due to the COVID-19 pandemic.

However, recognising the challenge of estimating a reliable FVLCTD in the current uncertain economic environment due to greater volatility, the Group has also prepared VIU calculations.

For the VIU calculations, the recoverable amount is sensitive to assumptions applied to future cash flows and the discount rate. A sensitivity analysis is disclosed in note 10.

iii. 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 periods ranging from 5 to 15 years.

The amortisation for the year was £10,933,000 (2019: £6,789,000). A reduction in the average amortisation period by one year would increase the amortisation expense for the year by £1,862,000 (2019: £1,218,000).

iv. Leases – determination of the appropriate rate to discount the lease payments

The Group uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date since the rate implicit in the lease cannot be readily determined. The calculation of the incremental borrowing rate involves estimation and has been obtained from the Group's bank to determine the rate on a lease-by-lease basis that the Group would have to pay to borrow money to purchase the type of assets being leased. Rates applied are dependent on the entity leasing the asset and the following factors have been considered:

- Lease term;
- Credit risk of the entity; and
- Level of indebtedness of the entity.

The impact of an increase in the incremental borrowing rates used for calculating the discount rate in determining the lease liabilities for all entities on transition to IFRS 16 'Leases' as at 1 October 2019 is set out below.

Estimate	Change in estimate	Impact on ROU assets	Impact on lease liabilities	Impact on opening retained reserves
Incremental borrowing rate	1 percentage point increase	Reduce by £3.2m	Reduce by £2.3m	Debit to retained reserves increase by £0.9m

v. Defined benefit pension scheme

The calculation of the present value of the defined benefit pension scheme is determined by using actuarial valuations. Management makes key assumptions in determining the inputs into the actuarial valuations, which may differ from actual experience 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.

The defined benefit pension scheme has a surplus of £20,324,000 (2019: £17,373,000). See note 18 to the 2020 Annual Report and Accounts 'Defined benefit pension scheme asset recognition basis' for further detail.

vi. Share-based payments

Long Term Incentive Plan ('LTIP')

Awards are granted under the LTIP. The scheme includes performance-based vesting conditions, which impact the amount of benefit paid, such as

- Average annual net inflows in discretionary funds; and
- Growth in adjusted diluted EPS over the performance period.

Assumptions are made on the likelihood of meeting certain average and stretch targets over the remaining service periods in determining the expense in the year. The Directors consider that the LTIP is qualitatively material therefore this is highlighted as a key source of estimation uncertainty. The charge for the year was £747,000 (2019: £415,000).

If all of the performance conditions were assumed to be met, the charge for the year would increase by £3,105,000 (2019: £1,576,000); an increase of 10% in the vesting assumptions would increase the charge for the year by £443,000 (2019: £248,000).

Further information on the scheme is disclosed in note 31 to the 2020 Annual Report and Accounts.

4. Income

Group

The following table presents revenue disaggregated by service and timing of revenue recognition:

	2020 £'000	2019 £'000
Discretionary investment management fee income	**237,617**	231,711
Discretionary investment management commission income	**70,033**	62,569
Financial planning income	**33,079**	27,546
Execution only fee income	**4,611**	4,105
Execution only commission income[1]	**6,684**	6,185
Advisory investment management fee income	**3,633**	2,093
Advisory investment management commission income[1]	**1,066**	378
BPS[2] investment management fee income	**1,335**	1,186
Expert witness report service[1]	**1,106**	528
Revenue	**359,164**	336,301
Other operating income	**2,283**	2,808

Income	**361,447**	339,109

1. Services transferred at a point in time.
2. Brewin Portfolio Service.

	2020 £'000	2019 £'000
Services transferred at a point in time	**8,856**	7,091
Services transferred over time	**350,308**	329,210
Revenue	**359,164**	336,301

Contract balances
The Group does not have contract assets as it does not enter into contracts where revenue is conditional on the fulfilment of a contingent event.

Contract liabilities
Contract liabilities relate to the advance consideration received from customers for services still to be delivered. The Group derecognises contract liabilities (and recognises revenue) when it transfers services and satisfies its performance obligations (see note 22 to the 2020 Annual Report and Accounts).

Unsatisfied performance obligations
The Group does not have material unsatisfied (or partially unsatisfied) performance obligations at the reporting date, as the majority of the Group's performance obligations are satisfied equally over time.

5. Segmental information

Group

The Group provides a wide range of wealth management services in the United Kingdom ('UK'), Channel Islands ('CI') and the Republic of Ireland ('ROI'). The Group's Executive Committee has been determined to be the chief operating decision maker for the purposes of making decisions regarding the allocation of resources and assessing the performance of the identified segments.

For management reporting purposes the Group currently has a single operating segment: the Wealth Management business. This forms the reportable segment of the Group for the period and consequently, the Group's Consolidated Income Statement and Consolidated Balance Sheet are monitored by the Group's Executive Committee. The accounting policies of the operating segment are the same as those of the Group. All segmental income relates to external clients.

Following the acquisition of BDCIIL on 31 October 2019 (see note 18 for further details), the existing Irish business of the Group expanded substantially and as a result the Irish business as a proportion of the Group is now larger, consequently geographical disclosures are set out below.

Geographical information

For the year ended 30 September 2020

Segmental income statement

	UK & CI business £'000	ROI business £'000	Group £'000
Revenue	338,098	23,349	361,447
Staff costs	(189,189)	(10,296)	(199,485)
Other operating costs	(74,134)	(7,922)	(82,056)
	74,775	5,131	79,906
Amortisation of intangible assets – client relationships and brand	(8,084)	(2,988)	(11,072)
Acquisition costs	–	(3,600)	(3,600)
Onerous contracts	(250)	–	(250)
Incentivisation awards	(258)	(934)	(1,192)
Operating profit/(loss)	66,183	(2,391)	63,792
Finance income and costs	(1,582)	(138)	(1,720)
Profit/(loss) before tax	64,601	(2,529)	62,072
Tax	(14,453)	336	(14,117)
Profit/(loss) after tax	50,148	(2,193)	47,955

Segmental balance sheet

	UK & CI business £'000	ROI business £'000	Group £'000
Net assets	284,386	50,650	335,036
Total assets	612,866	59,832	672,698
Total liabilities	328,480	9,182	337,662

6. Finance income and finance costs

Group

	2020 £'000	2019 £'000

Finance income		
Interest income on defined benefit pension scheme	**324**	294
Interest on lease receivables	**92**	–
Interest on bank deposits	**491**	1,414
	907	1,708

Finance costs		
Unwind of discounts on provisions (see note 13)	**210**	130
Unwind of discounts on shares to be issued	**70**	10
Interest expense on lease liabilities[1]	**2,327**	–
Interest on bank overdrafts	**20**	6
	2,627	146

1. Following the adoption of IFRS 16 'Leases' interest on lease liabilities is presented in finance costs.

7. Income tax expense

Group

	2020 £'000	2019 £'000
Current tax		
United Kingdom:		
Charge for the year	**10,623**	13,133
Adjustments in respect of prior years	**(1,174)**	(151)
Overseas:		
Charge for the year	**67**	275
Adjustments in respect of prior years	**(70)**	1
Total current tax	**9,446**	13,258
Deferred tax		
United Kingdom:		
Charge for the year	**4,048**	1,279
Adjustments in respect of prior years	**889**	(80)
Overseas:		
Charge for the year	**(266)**	–
Adjustments in respect of prior years	**–**	–
Total deferred tax (see note 14)	**4,671**	1,199
Tax charged to the Income Statement	**14,117**	14,457

Finance Act 2020 maintained the UK statutory rate at 19% for years commencing 1 April 2020 and 1 April 2021.

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:

	2020 £'000	2019 £'000
Profit before tax	**62,072**	62,524
Tax at the UK corporation tax rate of 19% (2019: 19%)	**11,794**	11,880
Tax effect of:		
Expenses that are not deductible in determining taxable profit	**1,275**	2,687
Leasehold property	**163**	46
Share-based payments	**1,098**	285
Over provision for tax in previous years	**(408)**	(230)
Lower rates in subsidiaries	**142**	(147)
Impact of deferred tax rate change	**53**	(64)
Tax expense for the year	**14,117**	14,457
Effective tax rate for the year	**22.7%**	23.1%

Expenses that are not deductible in determining taxable profit include amortisation of client relationships and brand, acquisition costs, hospitality costs and professional fees that are capital in nature.

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.

8. Dividends

Group and Company

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity shareholders in the year:		
2019/18 Final dividend paid 12 February 2020, 12.0p per share (2019: 12.0p per share)	**35,401**	33,009
2020/19 Interim dividend paid 12 June 2020, 4.4p per share (2019: 4.4p per share)	**12,992**	12,977
	48,393	45,986
Proposed final dividend for the year ended 30 September 2020 of 9.9p (2019: 12.0p) per share based on shares in issue at 19 November 2020 (2019: 22 November 2019)	**29,242**	35,417

The proposed final dividend for the year ended 30 September 2020 of 9.9p 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 7,864,976 Ordinary Shares representing 2.6% of the Company's called up share capital in relation to employee share plans, has agreed to waive all dividends due to the Trustee.

9. Earnings per share

Group

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

	2020 '000	2019 '000
Number of shares		
Basic		
Weighted average number of shares in issue in the year	**295,012**	282,718
Diluted		
Effect of weighted average number of options outstanding for the year	**6,110**	6,630
Diluted weighted average number of options and shares for the year	**301,122**	289,348
Adjusted[1] diluted		
Effect of full dilution of employee share options which are contingently issuable or have future attributable service costs	**3,664**	3,344
Adjusted[1] diluted weighted average number of options and shares for the year	**304,786**	292,692

	£'000	£'000
Earnings attributable to ordinary shareholders		
Profit for the purpose of basic and diluted earnings per share	**47,955**	48,067
Onerous contracts	**250**	996
Amortisation of intangible assets – client relationships and brand	**11,072**	6,858
Defined benefit pension scheme past service costs	**–**	1,909
Acquisition costs	**3,600**	2,337
Incentivisation awards	**1,192**	340
Other gains and losses	**–**	(1)
less tax effect of above	**(1,918)**	(510)
Adjusted profit for the purpose of basic and diluted earnings per share	**62,151**	59,996
Earnings per share		
Basic	**16.3p**	17.0p
Diluted	**15.9p**	16.6p
Adjusted[2] earnings per share		
Basic	**21.1p**	21.2p
Adjusted[1] diluted	**20.4p**	20.5p

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 onerous contracts costs, amortisation of client relationships and brand, acquisition costs, incentivisation awards, defined benefit pension scheme past service costs and other gains and losses.

10. Intangible assets

Group

	Goodwill £'000	Client relationships £'000	Brand £'000	Software costs £'000	Total £'000
Cost					
At 30 September 2018	48,637	133,941	–	19,193	201,771
Additions	4,096	22,716	1,388	11,290	39,490
Exchange differences	–	(1)	–	–	(1)
At 30 September 2019	52,733	156,656	1,388	30,483	241,260
Additions	**2,064**	**32,067**	**–**	**33,157**	**67,288**
Exchange differences	**106**	**1,670**	**–**	**–**	**1,776**
At 30 September 2020	**54,903**	**190,393**	**1,388**	**63,640**	**310,324**
Accumulated amortisation and impairment losses					
At 30 September 2018	–	99,378	–	16,674	116,052
Amortisation charge for the year	–	6,789	69	1,105	7,963
Exchange differences	–	(1)	–	–	(1)
At 30 September 2019	–	106,166	69	17,779	124,014
Amortisation charge for the year	**–**	**10,933**	**139**	**417**	**11,489**
Exchange differences	**–**	**104**	**–**	**–**	**104**
At 30 September 2020	**–**	**117,203**	**208**	**18,196**	**135,607**
Net book value					
At 30 September 2020	**54,903**	**73,190**	**1,180**	**45,444**	**174,717**
At 30 September 2019	52,733	50,490	1,319	12,704	117,246
At 30 September 2018	48,637	34,563	–	2,519	85,719

Client relationship additions are made up as follows:

	2020 £'000	2019 £'000
Cash paid for client relationships acquired in current year	**32,029**	11,944
Fair value adjustment	**38**	–
Cash paid for client relationships acquired in prior years	**–**	11
Deferred and contingent consideration in the form of cash for client relationships acquired in the current year	**–**	7,103
Contingent consideration in the form of shares to be issued[1] for client relationships acquired in the current year	**–**	3,658
Total additions	**32,067**	22,716

1. Being the fair value of shares to be issued excluding the unwinding of discounting applied in the period, with this recognised as finance costs in the Income Statement, see note 6.

Goodwill impairment testing

The tables below show the goodwill allocated to groups of cash-generating units ('CGUs') and the significant client relationship assets:

	Groups of CGUs No.	Goodwill £'000
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
BD Ireland	1	2,170
Other Branches	17	23,068
Carrying amount at 30 September 2020	**22**	**54,903**

	Intangible assets – client relationships £'000
Brewin Dolphin Wealth Management Limited[1]	9,414
Brewin Dolphin Capital and Investments (Ireland) Limited[2]	30,645
BD Ireland	40,059
South East investment management team[3]	13,154
Bath branch[4]	16,645
Other investment management teams[5]	3,332
Carrying amount at 30 September 2020	**73,190**

1. Amortisation period remaining 5 years 10 months.
2. Amortisation period remaining 9 years 1 month.
3. Amortisation period remaining 3 years 7 months.
4. Amortisation period remaining 8 years 10 months.
5. 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.

In accordance with IFRS, the Group performs impairment testing for goodwill on an annual basis, at 30 September, or more frequently when there are impairment indicators. Client relationships and brand intangible assets are reviewed for indicators of impairment at each reporting date.

The impairment review considered the COVID-19 pandemic as a potential indicator of impairment, consequently, the Group carried out an exercise as set out in note 3bi to the 2020 Annual Report and Accounts. The key sources of estimation uncertainty in relation to the impairment of goodwill, client relationships and brand are set out in note 3bii above.

Goodwill impairment tests are performed for groups of CGUs at the branch level. Client relationships and brand impairment testing is performed for each relevant CGU where there are indicators of impairment.

To determine whether an asset is impaired, the recoverable amount of the CGU is compared to its carrying amount. The recoverable amount is the higher of the fair value less costs to dispose ('FVLCTD') and the value in use ('VIU').

The estimated FVLCTD for CGUs were based on a percentage of funds, where appropriate. The percentages applied are inherently judgemental and were adjusted to reflect the downturn as a result of COVID-19 pandemic. The estimated FVLCTD for CGUs are therefore a level 3 measurement based on inputs which are unobservable to market participants.

The VIU for the CGUs were derived from a discounted cash flow calculation based on the Group's Medium-Term Plan which reflects recently observable trends, management expectations and expected future events, covering a five-year period. Cash flows beyond the five-year period were extrapolated using long-term growth rates as estimated for all the CGUs.

Following our assessment, it was determined that none of the assets held by the Group were impaired.

The principal assumptions underlying the best estimated cash flow forecasts were as follows:

- **Forecast cash flows and growth rates**
  Estimated future cash inflows were based on the Group's Medium-Term Plan which took into consideration the impact of COVID-19. Overall, it was assumed that fund flows would improve after 12 months and a growth rate reflecting the expected investment performance per annum was used as the basis to determine likely revenue to be generated from the assets and took into consideration the nature of the CGU. The estimated cash outflows allowed for inflation.
- **Terminal value**
  A terminal value calculation was used to estimate the cash flows after year five using the long-term growth rate of the UK economy of 2%.
- **Discount rates**
  An adjusted discount rate of 8%-9.5% was applied to each CGU's cash flows, this equates to the Group's estimated weighted average cost of capital ('WACC').

All of the CGUs within the Group have headroom, where the value in use calculation is in excess of the carrying value.

Sensitivity analysis of the key assumptions

The value in use calculations are sensitive to the forecast assumptions applied to future cash flows and the discount rate applied. The client relationships intangible asset that was recognised on the acquisition of Epoch was the most sensitive to the revenue growth and discount rate assumptions used in the value in use calculations.

The value in use for the Bath CGU, calculated using a discount rate of 8%, would have to decrease by £5.5 million, for its recoverable amount to be equal to the carrying amount.

The following analysis sets out the sensitivity and impact of changes in assumptions to the Bath CGU:

As at 30 September 2020

Change in assumption	**Decrease in the value in use of CGU £m**
Decrease in forecast operating cash inflows by a further 5%	3.6
Increase in discount rate by 1.5 percentage points	5.2

11. Leases

Group

With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the Consolidated Balance Sheet as a ROU asset and a lease liability.

The Group's ROU assets are in respect of leases for the offices it occupies. The leases generally have a term ranging from 5 to 15 years. There were four new leases in the year, one of the new leases replaced an expired lease. The leases require the Group to keep the properties in a good state of repair and to return the offices in their original condition at the end of the lease. The average lease term is 6.3 years.

Right of use assets

	Total £'000
Cost	
At 1 October 2019	43,305
Additions	**1,932**
Transfer to finance lease receivable	**(945)**
At 30 September 2020	**44,292**
Accumulated depreciation and impairment losses	
At 1 October 2019	**–**
Charge for the year	**6,250**
At 30 September 2020	**6,250**
Net book value	
At 30 September 2020	**38,042**
At 1 October 2019	43,305

Amounts recognised in the Income Statement

	2020 £'000
Depreciation expense on ROU assets	**6,250**
Interest expense on lease liabilities	**2,327**
Expenses relating to short-term leases	**653**
Expenses relating to low value assets	**25**
Income from subleasing ROU assets	**572**

Other information

At 30 September 2020, the Group was committed to short-term leases with a total commitment of £378,000.

The total cash outflow for leases recognised as right of use assets was £8,765,000 for the year ended 30 September 2020.

Finance lease receivables are presented in note 16 to the 2020 Annual Report and Accounts and lease liabilities including the maturity analysis of the lease liabilities are presented in note 12.

The Group had not entered into any leases which are yet to commence at the end of the reporting period.

12. Lease liabilities

Group

	2020 £'000
Current	**8,316**
Non-current	**45,265**
Lease liabilities	**53,581**

Maturity analysis of lease payments:

	2020 £'000
12 months to 30 September 2021	**10,216**
12 months to 30 September 2022	**9,261**
12 months to 30 September 2023	**8,095**
12 months to 30 September 2024	**7,788**
12 months to 30 September 2025	**7,617**
From 1 October 2025 onwards	**20,300**
Total lease payments	**63,277**
Finance charges	**(9,696)**
Lease liabilities	**53,581**

Reconciliation of lease liability:

	2020 £'000
At 30 September 2019	**–**
Initial application of IFRS 16 (see note 20)	**57,784**
At 1 October 2019	**57,784**
Non-cash:	
Addition to ROU assets in exchange for increased lease liabilities	**2,235**
Unwind of discount	**2,327**
Cash:	
Repayments	**(8,765)**
At 30 September 2020	**53,581**

The Group does not face a significant liquidity risk from its lease liabilities.

Lease payments not recognised as a liability are presented in note 32 operating lease arrangements to the 2020 Annual Report and Accounts.

13. Provisions

Group

	At 30 September 2019 £'000	**Effect of change in accounting policy for initial application of IFRS 16 (see note 20) £'000**	**At 1 October 2019 £'000**	**Additions £'000**	**Utilisation of provision £'000**	**Unwinding of discount £'000**	**Unused amounts reversed £'000**	**At 30 September 2020 £'000**
Sundry claims and associated costs	338	**–**	**338**	**299**	**(17)**	**–**	**(223)**	**397**
Onerous contracts	4,840	**(3,607)**	**1,233**	**329**	**(191)**	**42**	**(31)**	**1,382**
Social security and levies on share awards	3,021	**–**	**3,021**	**974**	**(1,068)**	**–**	**(122)**	**2,805**
Incentivisation awards	854	**–**	**854**	**1,223**	**(671)**	**14**	**–**	**1,420**
Deferred and/or contingent consideration	7,888	**–**	**7,888**	**–**	**(1,367)**	**108**	**(42)**	**6,587**
Leasehold dilapidations	2,342	**(298)**	**2,044**	**255**	**(100)**	**46**	**(82)**	**2,163**
	19,283	**(3,905)**	**15,378**	**3,080**	**(3,414)**	**210**	**(500)**	**14,754**

	Current liability £'000	Non-current liability £'000	Total £'000
Sundry claims and associated costs	397	–	397
Onerous contracts	368	1,014	1,382
Social security and levies on share awards	1,072	1,733	2,805
Incentivisation awards	–	1,420	1,420
Deferred and/or contingent consideration	2,849	3,738	6,587
Leasehold dilapidations	112	2,051	2,163
At 30 September 2020	**4,798**	**9,956**	**14,754**

The Group recognises provisions for the following:

Sundry claims and associated costs
The timing of the settlements is unknown, but it is expected that they will be resolved within 12 months.

Onerous contracts
The provision is in respect of surplus office space costs except for rent which is accounted for under IFRS 16.

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 recoverable costs such as service charges from the subtenant has been included in the valuation. The longest lease term has 12.5 years remaining.

Social security and levies on share awards
The provision is in respect of Employer's National Insurance and Apprenticeship Levy on share awards 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 awards vesting and represents the best estimate of the expected future cost.

Incentivisation awards
The provision is in respect of incentivisation awards that are payable to employees in relation to the retention and acquisition of funds and is based on the best estimate of the likely future obligation discounted for the time value of money.

Deferred and/or contingent consideration
The provision is for deferred and/or contingent consideration relating to the acquisition of both subsidiaries and asset purchases. It is based on the best estimate of the likely future obligation discounted for the time value of money.

Leasehold dilapidations
The provision is in respect of the expected dilapidated costs that will arise at the end of the lease. The leases covered by the provision have a maximum remaining term of 12.5 years.

14. Net deferred tax liability

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 £609,000 has been debited to other comprehensive income (2019: £945,000 debited to other comprehensive income relating to the actuarial gain). Deferred tax on share-based payments of £252,000 has been debited to profit and loss reserves (2019: £600,000 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:

Group

	Capital allowances £'000	Revaluation £'000	Other short-term timing differences £'000	Defined pension benefit scheme £'000	Share-based payments £'000	Incentivisation awards £'000	Intangible asset amortisation £'000	Total £'000
At 30 September 2018	1,268	(1)	927	(1,939)	4,616	95	(825)	4,141
Additions	–	–	–	–	–	–	(4,096)	(4,096)
Charge in the year to the Income Statement	(304)	–	(99)	(69)	(313)	(64)	(350)	(1,199)
Charge in the year to the Statement of Comprehensive Income	–	–	–	(945)	–	–	–	(945)
Charge in the year to the Statement of Changes in Equity	–	–	–	–	(600)	–	–	(600)
At 30 September 2019	964	(1)	828	(2,953)	3,703	31	(5,271)	(2,699)
Effect of change in accounting policy for initial application of IFRS 16 (see note 20)	**–**	**–**	**1,323**	**–**	**–**	**–**	**–**	**1,323**
At 1 October 2019	**964**	**(1)**	**2,151**	**(2,953)**	**3,703**	**31**	**(5,271)**	**(1,376)**
Acquired on acquisition of subsidiary	**–**	**–**	**1,930**	**–**	**–**	**–**	**–**	**1,930**
Additions	**–**	**–**	**–**	**–**	**–**	**–**	**(4,008)**	**(4,008)**
Exchange rate movement	**–**	**–**	**101**	**–**	**–**	**–**	**(209)**	**(108)**
(Charge)/credit in the year to the Income Statement	**(107)**	**–**	**(63)**	**(299)**	**(211)**	**55**	**(4,046)**	**(4,671)**
Charge in the year to the Statement of Comprehensive Income	**–**	**–**	**–**	**(609)**	**–**	**–**	**–**	**(609)**
Charge in the year to the Statement of Changes in Equity	**–**	**–**	**–**	**–**	**(252)**	**–**	**–**	**(252)**
At 30 September 2020	**857**	**(1)**	**4,119**	**(3,861)**	**3,240**	**86**	**(13,534)**	**(9,094)**

Deferred income taxes are calculated using substantially enacted rates of UK corporate tax expected to be in force at the time assets are realised, all deferred income taxes are expected to be realised at 19%.

15. Share capital

Group and Company

	2020 No.	2019 No.	**2020 £'000**	2019 £'000
Authorised:				
Ordinary shares of 1p each	**500,000,000**	500,000,000	**5,000**	5,000
Allotted, issued and fully paid:				
Ordinary shares of 1p each	**303,234,190**	303,171,134	**3,032**	3,032

During the year the following shares were issued:

	Date	No. of shares	Exercise/ issue price (pence)	Share capital £'000	Share premium account £'000	Total £'000
At 1 October 2019		303,171,134		3,032	58,238	61,270
Issue of options	Various	63,056	131.3p – 165.7p	–	102	102
At 30 September 2020		**303,234,190**		**3,032**	**58,340**	**61,372**

16. Risk management

Overview

This note presents information about the Group's exposure to each of the key risks (market risk, credit risk and liquidity risk) arising from the use of financial instruments. The Group's policy and procedures for measuring and managing risk and the Group's management of capital.

Risk management

The Board of Directors has overall responsibility for establishing and overseeing the Group's Risk Management Framework and risk appetite.

The Board has established a clear relationship between the Group's strategic objectives and its willingness to take risk through a Risk Appetite Statement. The Risk Appetite Statement is an expression of limits (qualitative and/or quantitative) giving clear guidance on the nature and quantum of risk that the Board wishes the Group to bear (its 'risk appetite') in order to achieve its strategic objectives whilst remaining within all regulatory constraints and its own defined levels of capital and liquidity. The Board reviews the statement and related qualitative and quantitative measures on at least an annual basis to ensure the document continues to reflect the Board's appetite for risk within the context of the environment in which the Group operates.

The Group's Risk Committee provides oversight of the adequacy of the Group's Risk Management Framework based on the risks to which the Group is exposed. It monitors how management complies with the Group's risk management policies and procedures. It is assisted in the discharge of this duty by the Group's Risk & Compliance Department which has responsibility for monitoring the overall risk environment of the Group. The Risk Committee also regularly monitors exposure against the Group's Risk Appetite.

The Group's Audit Committee is responsible for overseeing the financial statements and working closely with the Risk Committee, for both review and oversight of internal controls. The Audit Committee is assisted in the discharge of its obligations by Internal Audit who undertake periodic and ad-hoc reviews on the effectiveness of controls and compliance with risk management policies.

The Group's risk management policies are intended to ensure that risks are identified, evaluated and subject to ongoing monitoring and mitigation (where appropriate). The risk management policies also serve to set the appropriate control framework. The aim is to promote a robust risk culture with employees across the Group understanding their role and obligations under the framework.

Capital structure and capital management

The capital structure of the Group and Company consists of issued share capital, reserves and retained earnings as disclosed in the Consolidated and Company Statement of Changes in Equity.

Capital generated from the business is both reinvested in the business to generate future growth and returned to shareholders, principally in the form of dividends. Capital adequacy is given a high level of focus to ensure not only that regulatory capital requirements are met, but that the Group is sufficiently capitalised against the risks to which it is currently exposed, as well as to withstand a range of potential stress events.

There were no changes in the Group's approach to capital management during the year.

Regulatory capital requirements

The Group conducts an Internal Capital Adequacy Assessment Process ('ICAAP'), as required by the Financial Conduct Authority ('FCA') to assess the appropriate amount of regulatory capital to be held by the Group. There are two active regulated entities in the Group: Brewin Dolphin Limited ('BDL') regulated by the FCA and Brewin Dolphin Wealth Management Limited regulated by the Central Bank of Ireland. The Jersey branch of BDL is regulated by the Jersey Financial Services Commission. There is one further regulated entity in the Group, Brewin Dolphin Capital & Investments (Ireland) Limited acquired on 31 October 2019; the trade from this entity was hived up to Brewin Dolphin Wealth Management Limited during the year to 30 September 2020.

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:

	2020 £'000	2019 £'000
Share capital	**3,032**	3,032
Share premium account	**58,340**	58,238
Own shares	**(25,238)**	(25,214)
Hedging reserve	**–**	(24)
Revaluation reserve	**(2)**	3
Merger reserve	**70,553**	70,553
Profit and loss account	**228,351**	231,115
	335,036	337,703
Shares to be issued	**3,738**	3,668
Regulatory capital resources before deductions	**338,774**	341,371
Deduction – Intangible assets (net of deferred tax liability)	**(161,183)**	(111,042)
Deduction – Defined benefit pension scheme asset (net of deferred tax liability)	**(16,463)**	(14,420)
Deduction – Free deliveries	**(10)**	(11)
Total regulatory capital resources after deductions at 30 September	**161,118**	215,898

Information disclosure under Pillar 3 of the Capital Requirements Directive will be published on the Group's website before 31 December 2020 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(s) to the 2020 Annual Report and Accounts.

Categories of financial instruments

Group

	Carrying value	
	2020 £'000	2019 £'000
Financial assets		
Financial assets at FVTOCI	**68**	79
Financial assets at FVTPL	**379**	373
Non-current finance lease receivables	**1,966**	–
Current finance lease receivables	**167**	–
Non-current receivables	**931**	–
Current loans and receivables	**239,096**	206,494
Cash and cash equivalents	**180,533**	229,199
At 30 September	**423,140**	436,145
Financial liabilities		
Shares to be issued including premium	**3,738**	3,668
Financial liabilities at FVTPL – deferred and contingent consideration	**6,587**	7,888
Amortised cost	**291,093**	202,924
At 30 September	**301,418**	214,480

Company

	Carrying value	
	2020 £'000	2019 £'000
Financial assets		
Current loans and receivables	**35,042**	38,967
Cash and cash equivalents	**1,256**	47,000
At 30 September	**36,298**	85,967
Financial liabilities		
Shares to be issued including premium	**3,738**	3,668
Amortised cost	**7,334**	7,346
At 30 September	**11,072**	11,014

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 19 to the 2020 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 £870,000 (2019: £804,000).

The Group is exposed to translation risk in respect of the foreign currency value of the net assets of Brewin Dolphin Wealth Management Limited ('BDWM') and its subsidiary Brewin Dolphin Capital & Investments (Ireland) Limited acquired on 31 October 2019 (see note 18 for details), both based in the Republic of Ireland, together 'Brewin Dolphin Ireland'. At the year end Brewin Dolphin Ireland had net assets of £50.6 million (2019: £5.1 million) denominated in its local currency (Euros).

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 with the exception of the cash flow hedge detailed below.

Cash flow hedge

The Group has not undertaken any cash flow hedges in the current year. In the prior year, the Group undertook a short term cash flow hedge for €52.0 million (see below) to mitigate foreign exchange risk, ahead of the completion of the acquisition of Investec Capital & Investments (Ireland) Limited (see note 18). This was the only derivative held during 2019.

Equity price risk

The Group is exposed to equity price risk arising from both FVTOCI and FVTPL investments (see note 20 to the 2020 Annual Report and Accounts).

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 2020 would have been £1,900 higher/lower (2019: £18,650 higher/lower) due to changes in the fair value of financial assets at fair value through profit or loss; and
- Other equity reserves as at 30 September 2020 would increase/decrease by £4,300 (2019: increase/decrease by £3,900) pre-tax for the Group as a result of the changes in fair value of financial assets through other comprehensive income.

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 and firm deposits on demand and in 30 to 95 day notice accounts. Client deposits are fully segregated from the Group's deposits and held in separate accounts. During the year a 0.25% increase in base rate would have increased pre-tax profit by £272,000 (2019: 1% increase in base rate £1,159,000).

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.

The Company has credit risk resulting from intercompany balances held with its subsidiaries; these are reviewed for impairment at each reporting date.

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. The Group utilises a panel of five internally approved major banking groups and the majority of cash is currently spread across all five on the panel.

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 £16,971 (2019: £16,403).

Impaired assets

The total gross amount of individually impaired assets in relation to trade receivables at the year end was £392,000 (2019: £179,000). Collateral valued at fair value by the Group in relation to these impaired assets was £59,000 (2019: £136,000). 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 an allowance for credit impaired assets (see note 19 to the 2020 Annual Report and Accounts). Note 19 to the 2020 Annual Report and Accounts 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, which are matched in the market, and are either traded on a Delivery Versus Payment 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 by the Group's nominees. At the year end no financial assets that would otherwise be past due or impaired had been renegotiated (2019: none).

Loans to employees are repayable over a maximum of three years (see note 19 to the 2020 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 long-term credit rating of A- (S&P)/A3 (Moody's)/A- (Fitch), excluding Brewin Dolphin Wealth Management Limited and its subsidiaries. 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:

	AA	A+	A	A-	Below A-
Cash and cash equivalents	0.4%	40.5%	34.9%	17.2%	7.0%

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 team.

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 2020, the Group had access to a revolving credit facility of £10 million which is undrawn (2019: £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.

At 30 September 2020

	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						
Shares to be issued including premium	**-**	**-**	**-**	**3,875**	**-**	**3,875**
Financial liabilities at FVTPL – deferred and contingent consideration	**-**	**-**	**2,859**	**3,875**	**-**	**6,734**
Amortised cost	**181,387**	**34,564**	**29,900**	**34,641**	**20,300**	**300,792**
	181,387	**34,564**	**32,759**	**42,391**	**20,300**	**311,401**

At 30 September 2019

	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						
Shares to be issued including premium	-	-	-	3,875	-	3,875
Financial liabilities at FVTPL – deferred and contingent consideration	-	-	1,409	6,734	-	8,143
Amortised cost	150,044	31,808	19,920	1,152	-	202,924
	150,044	31,808	21,329	11,761	-	214,942

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.

At 30 September 2020

	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						
Shares to be issued including premium	**-**	**-**	**-**	**3,875**	**-**	**3,875**
Amortised cost	**7,334**	**-**	**-**	**-**	**-**	**7,334**
	7,334	**-**	**-**	**3,875**	**-**	**11,209**

At 30 September 2019

	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						
Shares to be issued including premium	–	–	–	3,875	–	3,875
Amortised cost	7,346	–	–	–	–	7,346
	7,346	–	–	3,875	–	11,221

Fair value measurement recognised on the Balance Sheet

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 period. The following table gives information about how the fair values of these financial assets and liabilities are determined.

	Fair value as at 30 September 2020 £'000	Fair value as at 30 September 2019 £'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Level 1					
Financial assets at FVTPL	**379**	373	Quoted bid prices in an active market.	n/a	n/a
Level 3					
Financial assets at FVTOCI – Equity	**37**	48	The valuation is based on published monthly NAVs.	n/a	n/a
Financial assets at FVTOCI – Equity	**31**	31	The valuation is based on the net assets 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.

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 – financial assets at FVTOCI – Equity	Marketability discount	Increase by 5%	Decrease by £4,300

Fair value hierarchy

At 30 September 2020

	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at FVTPL				
Equities	**379**	**–**	**–**	**379**
Financial assets at FVTOCI				
Equities	**–**	**–**	**68**	**68**
Total	**379**	**–**	**68**	**447**

At 30 September 2019

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at FVTPL				
Equities	373	–	–	373
Financial assets at FVTOCI				
Equities	–	–	79	79
Total	373	–	79	452

Reconciliation of Level 3 fair value measurement of financial assets:

Financial assets at FVTOCI

	Total £'000
Balance at 30 September 2018	676
Net gain from changes in fair value recognised in equity	1
Disposals	(598)
Balance at 30 September 2019	79
Net loss from changes in fair value recognised in equity	(5)
Disposals	(6)
Balance at 30 September 2020	**68**

17. Notes to the Cash Flow Statement

Group

	2020 £'000	2019 £'000
Operating profit	**63,792**	60,961
Adjustments for:		
Depreciation of property, plant and equipment	**3,114**	2,823
Depreciation of right of use assets	**6,250**	–
Amortisation of intangible assets – client relationships and brand	**11,072**	6,858
Amortisation of intangible assets – software	**417**	1,105
Defined benefit pension scheme past service costs	**–**	1,909
Defined benefit pension scheme cash contributions	**(1,250)**	(1,979)
Share-based payment expense	**9,779**	7,769
Translation adjustments	**303**	(31)
Lease incentive	**442**	–
Interest income	**491**	1,414
Interest expense	**(20)**	(16)
Operating cash flows before movements in working capital	**94,390**	80,813
Increase in payables and provisions	**27,237**	43,227
Decrease in receivables and trading investments	**(27,347)**	(45,084)
Cash generated by operating activities	**94,280**	78,956
Tax paid	**(16,894)**	(12,309)
Net cash inflow from operating activities	**77,386**	66,647

There are no liabilities due to financing activities other than lease liabilities, a reconciliation of which is provided in note 12.

Company

	2020 £'000	2019 £'000
Operating profit/(loss)	**45,410**	(799)
Operating cash flows before movements in working capital	**45,410**	(799)
Interest income	**5**	26
Interest expense	**(16)**	–
(Decrease)/increase in payables	**(154)**	152
Decrease in receivables and trading investments	**3,925**	33,712
Cash generated by operating activities	**49,170**	33,091
Tax paid	**–**	–
Net cash inflow from operating activities	**49,170**	33,091

18. Business combinations

Group

2020

a. Investec Capital & Investments (Ireland) Limited

On 31 October 2019, Brewin Dolphin Wealth Management Limited ('BDWM'), a subsidiary, based in the Republic of Ireland, completed the acquisition of Investec Capital & Investments (Ireland) Limited ('ICIIL') the wealth management business of Investec Group in the Republic of Ireland. The acquired entity has been renamed Brewin Dolphin Capital and Investments (Ireland) Limited ('BDCIIL'). BDCIIL was acquired to meet the delivery of the Group's strategic objectives by expanding the Group's presence and scale in Ireland.

The acquisition has been accounted for using the acquisition method. Details of the purchase consideration, the fair value of the net assets and intangible assets acquired, and the net cash outflow arising on acquisition are as follows:

Purchase consideration:

	£'000
Cash paid	32,029
Net assets acquired for cash	11,335
Total purchase consideration	43,364

The fair values of the assets and liabilities recognised as a result of the acquisition are provisional and may be subject to change during the measurement period:

Amounts recognised:

	£'000
Non-current assets	
Intangible asset – client relationships[1]	32,067
Current assets	
Trade and other receivables	8,316
Cash and cash equivalents	14,102
Current liabilities	
Trade and other payables	(7,773)
Cash and cash equivalents	(1,380)
Non-current liabilities	(4,008)
Identifiable net assets acquired	41,324
Goodwill	2,040

1. The fair value of BDCIIL's client relationship intangible assets on consolidation has been measured using a multi-period excess earnings method. The model uses estimates of client longevity and the level of both funds and activity driving income to derive a forecast series of cash flows, which are discounted to a present value to determine the fair value of the client relationships acquired.

The goodwill balance comprises:

- the excess of the fair value of the assets acquired (excluding the deferred tax liability) over the consideration paid which was negative; and
- the value of the deferred tax liability arising on recognition of the client relationship intangible asset on acquisition.

Net cash outflow arising on acquisition:

	£'000
Consideration paid in cash	43,364
Less: Net assets acquired for cash	(11,335)
Total net cash outflow[1]	32,029

1. Shown in the line item "Acquisition of subsidiaries" within the Consolidated Cash Flow Statement.

i. Acquisition-related costs

Acquisition-related costs of £3,600,000 have been recognised as an expense in the Income Statement (2019: £1,734,000).

ii. Revenue and net profit

The acquired business contributed revenues of £13,491,000 and profit after tax of £2,201,000 to the Group for the period from 31 October 2019 to 30 September 2020 excluding the impact of the amortisation for the client relationships recognised on acquisition. If the acquisition had occurred on 1 October 2019, consolidated revenue and consolidated profit after tax for the year would have been £1,226,500 and £200,100 higher respectively, excluding the impact of the amortisation for the client relationships recognised on acquisition.

2019

a. Aylwin Limited

On 11 March 2019, the Group's principal operating subsidiary, Brewin Dolphin Limited, acquired 100% of the ordinary share capital of Aylwin Limited ('Aylwin'), an unlisted company based in Surrey which specialises in the provision of financial planning services.

Aylwin was acquired to expand the Group's financial planning activities in Southern England and contribute to the delivery of the Group's strategic objectives. In turn, Aylwin's clients will benefit from access to Brewin Dolphin's broader product and service offering.

The acquisition has been accounted for using the acquisition method. Details of the purchase consideration, the fair value of the net assets and intangible assets acquired, and the net cash outflow arising on acquisition are as follows:

Purchase consideration:

	£'000
Cash paid	1,944
Net assets acquired for cash	428
Deferred consideration (see ii below)	1,968
Total purchase consideration	4,340

The fair values of the assets and liabilities recognised as a result of the acquisition are provisional and may be subject to change during the measurement period:

Amounts recognised:

	£'000
Non-current assets	
Intangible asset – client relationships[1]	3,912
Current assets	
Trade and other receivables	133
Cash and cash equivalents	511
Current liabilities	
Trade and other payables	(216)
Non-current liabilities	(665)
Identifiable net assets acquired	3,675
Goodwill	665

1. The fair value of Aylwin's client relationship intangible assets has been measured using a multi-period excess earnings method. The model uses estimates of client longevity and the level of activity driving commission income to derive a forecast series of cash flows, which are discounted to a present value to determine the fair value of the client relationships acquired.

Net cash outflow arising on acquisition:

	£'000
Consideration paid in cash	2,372
Less: net assets acquired for cash	(428)
Total net cash outflow[1]	1,944

1. Shown in the line item 'Acquisition of subsidiaries' within the Consolidated Cash Flow Statement.

i. Acquisition-related costs

Acquisition-related costs amounting to £73,800 have been recognised as an expense in the Income Statement for the year ended 30 September 2019.

ii. Deferred consideration

The deferred consideration comprises two cash payments of £1 million each, due on the first and second completion anniversaries. The fair value of the deferred consideration payments has been estimated to be £1,944,000 after calculating the present value of the future cash flows.

iii. Revenue and profit contribution

Aylwin contributed revenues of £645,000 and profit after tax of £130,000 to the Group for the period from 12 March 2019 to 30 September 2019. If the acquisition had occurred on 1 October 2018, consolidated revenue and consolidated profit after tax for the year to 30 September 2019 would have been £1,257,000 and £265,000 higher respectively.

Aylwin contributed revenues of £66,000 and profit after tax of £29,000 to the Group for the period from 12 March 2019 to 31 March 2019.

b. Mathieson Consulting Limited ('MC')

On 1 April 2019, Brewin Dolphin Limited acquired 100% of the ordinary share capital of MC, a consultancy business, that provides an expert witness report service covering pensions. MC was acquired to expand the Group's professional service offering and contribute to the delivery of the Group's strategic objectives.

The acquisition has been accounted for using the acquisition method. Details of the purchase consideration, the fair value of the net assets and intangible assets acquired, and the net cash outflow arising on acquisition are as follows:

Purchase consideration:

	£'000
Cash paid	736
Net assets acquired for cash	413
Deferred consideration (see ii below)	652
Total purchase consideration	1,801

The fair values of the assets and liabilities recognised as a result of the acquisition are provisional and may be subject to change during the measurement period:

	£'000
Non-current assets	
Property, plant and equipment	12
Intangible asset – brand[1]	1,388
Current assets	
Trade and other receivables	192
Cash and cash equivalents	362
Current liabilities	
Trade and other payables	(153)
Non-current liabilities	(236)
Identifiable net assets acquired	1,565
Goodwill	236

1. The fair value of MC's brand intangible asset has been measured using a multi-period excess earnings method. The model uses the expected level of activity driving commission income to derive a forecast series of cash flows, which are discounted to a present value to determine the fair value of the brand acquired.

Net cash outflow arising on acquisition:

	£'000
Consideration paid in cash	1,149
Less: net assets acquired for cash	(413)
Total net cash outflow[1]	736

1. Shown in the line item 'Acquisition of subsidiaries' within the Consolidated Cash Flow Statement.

i. Acquisition-related costs

Acquisition-related costs amounting to £68,300 have been recognised as an expense in the Income Statement for the year ended 30 September 2019.

ii. Deferred consideration

The deferred consideration comprises three payments, on each of the first three completion anniversaries. The fair value of the payments has been estimated to be £652,000 after calculating the present value of the future cash flows.

iii. Revenue and profit contribution

MC contributed revenues of £528,000 and profit after tax of £57,000 to the Group for the period from 1 April 2019 to 30 September 2019. If the acquisition had occurred on 1 October 2018, consolidated revenue and consolidated profit after tax for the year to 30 September 2019 would have been £1,031,000 and £120,000 higher respectively.

c. Epoch

On 9 August 2019, Brewin Dolphin Limited acquired the assets and staff of Epoch Wealth Management LLP, an IFA firm based in Bath, for an initial payment of £10.0 million, an estimated deferred consideration of £1.5 million and an estimated contingent consideration of £7.75 million which is subject to performance conditions. The acquisition is expected to increase the Group's market share.

The acquisition has been accounted for using the acquisition method. Details of the purchase consideration, the fair value of the net assets and intangible assets acquired, and the net cash outflow arising on acquisition are as follows:

Purchase consideration:

	£'000
Cash paid	10,000
Contingent consideration (see ii below)	8,792
Total purchase consideration	18,792

The fair values of the assets and liabilities recognised as a result of the acquisition are provisional and may be subject to change during the measurement period:

	£'000
Non-current assets	
Intangible asset – client relationships[1]	18,792
Non-current liabilities	(3,195)
Identifiable net assets acquired	15,597
Goodwill	3,195

1. The fair value of Epoch's client relationship intangible assets has been measured using a multi-period excess earnings method. The model uses estimates of client longevity and the level of activity driving commission income to derive a forecast series of cash flows, which are discounted to a present value to determine the fair value of the client relationships acquired.

Net cash outflow arising on acquisition:

	£'000
Consideration paid in cash	10,000
Total net cash outflow[1]	10,000

1. Shown in the line item 'Purchase of intangible assets – client relationships' within the Consolidated Cash Flow Statement.

i. Acquisition-related costs

Acquisition-related costs of £461,000 have been recognised as an expense in the Income Statement for the year ended 30 September 2019.

ii. Contingent consideration

The contingent consideration comprises three separate payments. The estimated first contingent consideration comprises a single cash payment due 18 months following the acquisition date. The fair value of the payment has been estimated to be £1,476,000 after calculating the present value of the future cash flows. The estimated second contingent consideration has been fair valued at £7,316,000 and will be settled in both cash and the Company's shares, upon satisfaction of the performance conditions. This contingent consideration is payable at the end of the twelve-month performance period to 30 September 2022; the measurement of performance can be delayed under certain circumstances by the seller. A third contingent consideration will be settled in both cash and the Company's shares at the end of 30 September 2024 if performance conditions are met. As at 30 September 2019, it is not expected that this contingent consideration will be payable, therefore it has been estimated as £nil.

iii. Acquired tangible assets and other assets

The fair value of the acquired Property, Plant and Equipment and other assets is £nil.

iv. Revenue and net profit

The acquired business contributed revenues of £618,000 and profit after tax of £130,000 to the Group for the period from 9 August 2019 to 30 September 2019. If the acquisition had occurred on 1 October 2018, consolidated revenue and consolidated profit after tax for the year to 30 September 2019 would have been £4,339,000 and £467,000 higher respectively.

19. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The primary statements of the Company include amounts attributable to subsidiaries. These amounts have been disclosed in aggregate in the relevant notes to the financial statements of the Company and in detail in the following table:

	Amounts owed by related parties		Amounts owed to related parties	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Bell Lawrie White & Co. Limited	**–**	–	**2,434**	2,434
Brewin Dolphin Limited	**35,042**	38,967	**–**	–
Brewin Broking Limited	**–**	–	**4,900**	4,900
	35,042	38,967	**7,334**	7,334

All amounts owed by related parties are interest free and repayable on demand.

The only effect of related party transactions on the profit and loss of the Company was in respect of dividends. The Company received dividends of £45,500,000 (2019: £nil) from Brewin Dolphin Limited and £nil (2019: £1,067,250) from Brewin Dolphin Wealth Management Limited.

The Group companies did not enter into any transactions with related parties who are not members of the Group during the year, save as disclosed elsewhere in these financial statements.

All amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received.

No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel ('KMP')

Key management personnel are responsible for planning, directing and controlling the activities of the Group. Key management personnel for the Group have been determined to be the Directors and members of the Executive Committee.

The remuneration expense for key management personnel is as follows:

	2020 £'000	2019 £'000
Short-term employee benefits	**4,646**	4,968
Post-employment benefits	**22**	16
Share-based payment:		
Lapses where KMP have left the Group	**(109)**	–
Continuing KMP	**1,221**	1,047
	5,780	6,031

The remuneration of individual Directors is set out in the Directors' Remuneration Report in the 2020 Annual Report and Accounts in addition to the disclosure above.

A number of the Group's key management personnel and their close family members make use of the services provided by companies within the Group. Charges for such services are made at various staff rates.

Directors' transactions

There are no contracts, loans to Directors or other related party transactions with Directors.

20. Impact of application of IFRS 16 Leases

Group

The Group adopted IFRS 16 from 1 October 2019. In accordance with the transition requirements of IFRS 16, comparative information for 2019 has not been restated.

The adoption of IFRS 16 has resulted in a significant increase in the Group's reported assets and liabilities on its Consolidated Balance Sheet. The depreciation (of the ROU asset) and interest charges (unwind of the discounted lease liability) have replaced the lease costs charged to other operating costs in the Income Statement on a straight-line basis under the previous standard (IAS 17).

The application of IFRS 16 has had no impact on the consolidated cash flows of the Group except that lease payments and associated interest payments are shown within financing activities rather than net cash flows from operating activities and include interest received and cash payments from lessees. There has been no impact on the basic and diluted earnings per share for the Group.

Impact on the Consolidated Balance Sheet as at 1 October 2019

The table below show the amount of adjustment for each financial statement line item affected by the initial application of IFRS 16.

	At 30 September 2019 £'000	Adjustments £'000	At 1 October 2019 £'000
Property, plant and equipment	10,659	(217)	10,442
Right of use assets	–	43,305	43,305
Non-current other receivables	–	688	688
Non-current finance lease receivables	–	1,181	1,181
Total non-current assets	145,278	44,957	190,235
Current trade and other receivables	216,212	(1,371)	214,841
Current finance lease receivables	–	118	118
Total current assets	445,863	(1,253)	444,610
Total assets	591,141	43,704	634,845
Current trade and other payables	220,921	(3,039)	217,882
Current lease liabilities	–	6,653	6,653
Current provisions	4,350	(521)	3,829
Total current liabilities	231,306	3,093	234,399
Net current assets	214,557	(4,346)	210,211
Net deferred tax liability	2,699	(1,323)	1,376
Non-current lease liabilities	–	51,131	51,131
Non-current provisions	14,933	(3,384)	11,549
Total non-current liabilities	22,132	46,424	68,556
Total liabilities	253,438	49,517	302,955
Net assets	337,703	(5,813)	331,890
Profit and loss account	231,115	(5,813)	225,302
Total equity	337,703	(5,813)	331,890

ROU assets

These assets (see note 11) represent the Group's contractual right to access an identified asset under the terms of the lease contract.

Finance lease receivables

Amounts due from lessees under finance leases are recognised as finance lease receivables (see note 16 to the 2020 Annual Report and Accounts) and represent the Group's net investment in the finance sublease.

Lease liabilities

The liabilities represent the Group's contractual obligation to minimum lease payments during the lease term. Any liability payable in the next 12 months is recognised in current liabilities and all other liabilities are recognised in non-current liabilities.

To measure the lease liabilities, the remaining lease payments were discounted using a weighted average incremental borrowing rate of 3.9%. See note 3b(iv) for an explanation of the determination of the incremental borrowing rate.

The table below reconciles the operating lease commitments as at 30 September 2019 disclosed in note 32 to the 2020 Annual Report and Accounts and the lease liability recognised at the date of initial application of IFRS 16.

	£'000
Operating lease commitments at 30 September 2019	69,881
Short-term leases and low value leases	(363)
Effect of discounting the above amounts	(11,734)
Lease liabilities recognised at 1 October 2019	57,784

Current liability	6,653
Non-current liability	51,131
Lease liabilities recognised at 1 October 2019	57,784

Deferred tax

A deferred tax asset has been recognised and represents the temporary corporation taxation timing difference on the transition adjustment taken to reserves.

Trade and other payables/trade and other receivables and provisions

The adjustments to these balances are in relation to lease incentives, onerous property provisions, dilapidation provisions and certain lease incentives which were recognised on the Consolidated Balance Sheet under IAS 17. These items are now reflected in either the ROU assets or lease liabilities.

Retained earnings

The impact on opening retained reserves on the initial application of IFRS 16 was to reduce reserves by £5,813,000.

Impact on the Consolidated Income Statement for the year ended 30 September 2020

The Group recognised lease liability finance costs of £2,327,000 for the year; depreciation expense of £6,250,000 for the ROU assets (see note 11); and rental income of £572,000 from operating subleases (shown in note 4 within other operating income).

For the year ended 30 September 2019, the Group recognised rental costs of £8,041,000 in accordance with IAS 17.

21. Revised accounting policy for leases

Leases

The Group has applied IFRS 16 as described in note 2b and comparative information has not been restated. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

The Group is primarily a lessee of property and is also a sub-lessor for a small number of property leases.

Policies applicable from 1 October 2019

(a) The Group as a lessee

For any new contracts entered into on or after 1 October 2019, the Group considers whether a contract is, or contains a lease by assessing whether the contract meets three key criteria which are:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use.

Right of use assets ('ROU')

The Group recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right of use assets includes the initial amounts of the corresponding lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

An estimate of any costs to return the leasehold asset to the condition required by the contract is included in the related ROU asset and a corresponding provision is recognised.

The depreciation charge is recognised in the Income Statement and is calculated over the shorter of the ROU's useful life and the lease term on a straight-line basis from the commencement date of the lease.

The ROU assets are assessed for impairment annually (incorporating any onerous lease assessments).

Lease liabilities

At the commencement date of a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments included in the measurement of the lease liability comprises the following items, where applicable:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lease term reflects the exercise of an option to terminate the lease; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liabilities are reduced for payments made and increased for interest. Interest recognised on the lease liability is included in finance costs in the Income Statement.

The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. On remeasurement of the lease liability, the corresponding adjustment is reflected in the ROU asset, if the ROU asset is already reduced to nil, the adjustment is recognised in the Income Statement.

Short-term leases and lease of low value assets
The Group has adopted certain optional recognition exemptions available under IFRS 16 for short-term (less than 12 months) and low value (< £5,000) leases. These leases are held off balance sheet with rentals charged to the Income Statement on a straight-line basis over the lease term and are classified as operating leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a liability. The aggregate benefit of incentives is spread on a straight-line basis over the lease term.

(b) The Group as an intermediate lessor

Subleases
The Group acts as an intermediate lessor in respect of surplus office space, in which the Group classifies its subleases either as an operating or finance lease by reference to the right of use asset arising from the head lease (rather than by reference to the underlying asset) or if the head lease belonging to the Group is a short-term lease, the sublease is classified as an operating lease. The Group accounts for the head lease and the sublease as two separate contracts.

Finance lease receivable
Amounts due from lessees under finance leases are recognised as a finance lease receivable and represent the Group’s net investment in the finance sublease.

Any difference between the right of use asset and the net investment in the sublease is recognised in the Income Statement.

The Group applies the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease.

Finance lease income is allocated to accounting periods so as to reflect the constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

Any allowances for expected credit losses are recognised against finance lease receivables as required by IFRS 9, if applicable.

The lease liabilities relating to the head leases are retained on the Balance Sheet and represent the lease payments payable to the head lessor.

Operating subleases
For subleases which are classified as an operating lease, the Group recognises both the lease liability and the ROU asset relating to the head lease. Rental income from the operating sublease is recognised in the Income Statement as other operating income on a straight-line basis over the term of the relevant sublease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Policies applicable prior to 1 October 2019
Rentals on operating leases are charged to the Income Statement on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a liability. The aggregate benefit of incentives is spread on a straight-line basis over the lease term.

22. Annual General Meeting

The Annual General Meeting will be broadcast via a webinar on Friday 5 February 2021 at 11:30 am and we encourage shareholders to watch and listen to the AGM proceedings.

23. 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.